FANCL Corporation

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2010

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)

Results for the Fiscal Year Ended March 31, 2010

FANCL CORPORATION **May 14, 2010**

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

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Representative: Yoshifumi Narimatsu, C.E.O. and Representative Director
Scheduled date for regular shareholders' meeting: June 19, 2010
Scheduled date for submission of the financial report: June 21, 2010
Scheduled date for distribution of dividends: June 21, 2010

1. Consolidated results for the fiscal year April 1, 2009 to March 31, 2010

(1) Sales and Income

Millions of yen, rounded down

	FY ended March 31, 2010		FY ended March 31, 2009	
		Change (%)		Change (%)
Net sales	99,536	(1.6)	98,004	(1.4)
Operating income	9,158	37.4	6,666	(10.7)
Ordinary income	9,181	32.3	6,938	(10.6)
Net income	4,306	61.7	2,662	(27.9)
Net income per share (¥)	¥68.26		¥43.46	
Fully diluted earnings per share (¥)	¥68.11		¥43.35	
Return on equity	5.8%		3.8%	
Ratio of ordinary income to total capital	10.3%		8.1%	
Ratio of operating income to net sales	9.2%		6.8%	

Note: Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.
Gain from investments in subsidiaries and affiliates accounted for by the equity method:
Fiscal year ended March 31, 2010: -¥66 million Fiscal year ended March 31, 2009: ¥--

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2010	As of March 31, 2009
Total assets	92,983	85,309
Shareholders' equity	77,596	71,242
Equity ratio (%)	83.0	83.0
Shareholders' equity per share (¥)	¥1,188.32	¥1,155.74

Shareholders' equity at end of period: FY ended March 2010: ¥77,137 million FY ended March 2009: ¥70,823 million

(3) Cash Flows

Millions of yen, rounded down

	As of March 31, 2010	As of March 31, 2009
Net cash provided by operating activities	10,531	6,005
Net cash used in investing activities	(3,555)	(1,517)
Net cash used in financing activities	431	(1,769)
Cash and cash equivalents at end of year	25,010	26,732

2. Dividends

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ending March 31, 2010 (forecast)
Interim dividend per share (¥)	17.00	17.00	17.00
Year-end dividend per share (¥)	17.00	17.00	17.00
Annual dividend per share (¥)	34.00	34.00	34.00
Total dividend payment *(millions of yen)*	2,083	2,145	
Consolidated dividend payout ratio (%)	78.2%	49.8%	50.2%
Dividend to net assets ratio (%)	3.0%	2.9%	

3. Consolidated forecasts for the fiscal year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

Millions of yen

	Interim period ending September 30, 2010		FY Ending March 31, 2011	
		Change %		Change %
Net sales	47,700	0.0	97,500	(2.0)
Operating income	2,870	(8.2)	8,000	(12.7)
Ordinary income	2,870	(7.5)	8,000	(12.9)
Net income	1,600	3.7	4,400	2.2
Net income per share (¥)	¥24.65		¥67.78	

Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.

4. Other

1) Transfer of key subsidiaries during the period (transfers of certain subsidiaries resulting in changes in the scope of consolidation): No applicable changes

2) Changes in accounting methods, procedures and presentation in the making of these financial statements (key items mentioned in Significant Items for the Preparation of Consolidated Financial Statements):

1. Changes following revisions to accounting standards: Yes
2. Other changes: No

Note: See Significant Items for the Preparation of Consolidated Financial Statements on page 19 for more detail.

3) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares):
   As of March 31, 2010: 65,176,600
   As of March 31, 2009: 65,176,600
2. Number of treasury shares:
   As of March 31, 2010: 263,985
   As of March 31, 2009: 3,896,949

Note: See Per share information on page 37 for detail on the number of outstanding shares used for the basis of calculations for net income per share

Reference: Outline of Non-consolidated Financial Results

1. Non-consolidated operating results for the fiscal year ended March 31, 2010

1) Non-consolidated Operating Results *Millions of yen, rounded down*

	FY ended March 31, 2010		FY ended March 31, 2009	
		(% change)		(% change)
Sales	73,372	(0.6)	73,783	(1.5)
Operating income	6,172	23.7	4,991	11.3
Ordinary income	6,954	30.3	5,338	10.8
Net income	3,662	80.8	2,025	(14.2)
Earnings per share (¥)	¥58.05		¥33.06	
Fully diluted earnings per share (¥)	¥57.92		¥32.98	

Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.

2) Non-Consolidated financial position

	As of March 31, 2010	As of March 31, 2009
Total assets *(millions of yen)*	72,449	65,880
Net assets *(millions of yen)*	61,619	55,818
Equity ratio (%)	84.6	84.3
Net assets per share (¥)	943.99	905.82

Note: Shareholders' equity:
FY ended March 2010: ¥61,277 million
FY ended March 2009: ¥55,508 million

Forecasts and forward-looking statements in this document are 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 economic conditions, legislative and regulatory developments, delay in new product or service launches, and pricing and product initiatives of competitors. Please see Page 4, Consolidated operating results and Page 6, Outlook for FY ending March 31, 2011 for information regarding forecasts for the next period.

1. Consolidated operating results

(1) Operating results

1. Consolidated fiscal year

During the period under review, there was a moderate improvement in the overall domestic economy due to a recovery in corporate revenues following active financial and economic stabilization measures globally and improvements in overseas economies, primarily in Asia. Despite this, employment and income remain a concern.

Against this background, the market remains sluggish due to slow sales at department stores and other factors. In the health foods industry, the downturn has come to an end and differences in performance between companies have become strikingly clear. However, the market remains sluggish.

In September 2009, Fancl made two sales agencies in Hong Kong and China consolidated subsidiaries. However, as of the fourth quarter of the current fiscal year, these two consolidated subsidiaries have been changed to affiliate companies accounted for by the equity method (see press release “Change in Status of Subsidiaries”, May 7, 2010). As a result, these two companies and their three subsidiaries were treated as consolidated subsidiaries in the consolidated financial statements for the third quarter of the fiscal year ended March 31, 2010, and in the fourth quarter of the fiscal year ended March 31, 2010, they have been treated as affiliate companies accounted for by the equity method .

During the period under review, consolidated net sales increased 1.6% to ¥99,536 million from strong sales in the Cosmetics Business and despite poor performance in the Nutritional Supplements Business and the IIMONO OHKOKU mail order business. Operating income increased 37.4% to ¥9,158 million as a result of making the sales agencies in Hong Kong and China Group companies as well as through our efficient use of marketing expenses following a review of logistics, production and head office costs that aimed to improve our revenue structure. The operating income ratio increased 2.4 percentage points to 9.2%, ordinary income increased 32.3% to ¥9,181 million and the ordinary income ratio increased 2.1 percentage points to 9.2%. Net income for the period increased 61.7% to ¥4,306 million and the net income ratio increased 1.6 percentage points to 4.3%.

Following an increase in overseas sales, sales agencies in Hong Kong and China were made Group companies and changes have been made to the sales channel segments for the Cosmetics Business and the Nutritional Supplements Businesses during the current consolidated fiscal year. As a result, and in order to make comparisons with the current fiscal year, the same segments of the third quarter of the previous fiscal year have been restated. Accordingly, wholesale sales through other sales channels are recorded as those of domestic wholesale and others, and overseas sales are recorded as those of overseas wholesale sales and retail sales.

2. Status of operations

1) Cosmetics Business

Sales

Cosmetics sales increased 3.6% compared to the previous year, reaching ¥51,902 million.

(Millions of yen)

	FY ended March 31, 2010		FY ended March 31, 2009		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	40,780	78.6	38,394	76.7	6.2
ATTENIR Cosmetics	9,468	18.2	10,489	20.9	(9.7)
Others	1,653	3.2	1,197	2.4	38.1
Totals	51,902	100.0	50,081	100.0	3.6

	FY ended March 31, 2010		FY ended March 31, 2009		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	25,754	49.6	26,140	52.2	(1.5)
Retail store sales	16,431	31.7	17,212	34.4	(4.5)
Wholesales and others	2,715	5.2	2,287	4.6	18.7
Overseas sales	6,999	13.5	4,440	8.8	57.6
Totals	51,902	100.0	50,081	100.0	3.6

Sales of **FANCL cosmetics** increased 6.2% to ¥40,780 million, from strong sales of *Mild Cleansing Oil* and contributed to by the sales agencies in Hong Kong and China having made them Group companies.

Sales of **ATTENIR cosmetics** decreased 9.7% to ¥9,468 million, due to a decrease in customer numbers and despite a campaign and limited edition sales of products commemorating the 20th anniversary.

Results by sales channels were: mail order sales decreased 1.5% year on year to ¥25,754 million, retail store sales decreased 4.5% to ¥16,431 million while wholesale sales through other sales channels increased 18.7% to ¥2,715 million and overseas sales increased 57.6% to ¥6,999 million due to the sales agencies in Hong Kong and China becoming Group companies.

Operating income

Operating income increased 17.5% to ¥7,945 million due to effective use of marketing expenses, strengthening administration of fixed expenses and management expenses, and from making the sales agencies in Hong Kong and China Group companies. The operating income margin increased 1.8 percentage points to 15.3%.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 2.1% year on year to ¥28,492 million.

(Millions of yen)

	FY ended March 31, 2010		FY ended March 31, 2009		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	12,223	42.9	13,011	44.7	(6.1)
Retail store sales	7,400	26.0	7,948	27.3	(6.9)
Wholesales and others	5,609	19.7	5,884	20.3	(4.7)
Overseas sales	3,259	11.4	2,244	7.7	45.2
Totals	28,492	100.0	29,088	100.0	(2.1)

Revenues from product sales decreased due to sluggish sales of vitamins and herbs and other product groups and despite strong sales of beauty supplements and supplements targeting middle-aged and elderly customers.

Results by sales channels were: mail order sales decreased 6.1% to ¥12,223 million, retail store sales decreased 6.9% to ¥7,400 million, wholesale sales through other sales channels decreased 4.7% to ¥5,609 million while overseas sales increased 45.2% to ¥3,259 million.

Operating income

Operating income increased 10.9% to ¥3,250 million due effective use of marketing expenses, with contributions from sales agencies in Hong Kong and China that became Group companies. The operating income margin increased 1.3 percentage points to 11.4%.

3) Other Businesses

Sales in Other businesses increased 1.6% year on year to ¥19,141 million

(Millions of yen)

	FY ended March 31, 2010	FY ended March 31, 2009	Change (%)
Hatsuga Genmai Business	3,105	3,571	(13.0)
Kale juice business	3,783	3,593	5.3
IIMONO OHKOKU mail order business	8,016	8,226	(2.6)
Other	4,236	3,442	23.1
Totals	19,141	18,834	1.6

In the **Hatsuga Genmai business,** sales decreased 13.0% to ¥3,105 million due to poor demand for commercial sales such as sales to convenience stores and despite strong sales of processed foods such as sales of limited edition of *Hatsuga Genmai Soup Gohan.*

In the **Kale Juice business**, sales increased 5.3% to ¥3,783 million from growth in sales of powder-type kale juice such as *Kale Marugoto Shibori* and new product group *Beauty Green.*

Sales through the **IIMONO OHKOKU mail order business** decreased 2.6% year on year to ¥8,016 million due to the effect of a decrease in media advertisements on revenues, and sluggish sales of winter products affected by mild winter weather.

Sales **at other businesses** increased 23.1% to ¥4,236 million, due to the consolidation of NEUES, K.K. a developer of beauty clinics.

Operating income

Operating loss improved ¥493 million over the previous fiscal year to ¥488 million due to the implementation of cost control measures such as the consolidation of the hatsuga genmai production facilities and improvements to the profitability of the kale juice business.

For reference: Sales network

	Number of stores as of March 31, 2010	Change compared to March 31, 2009
FANCL Ginza Square	1	--
FANCL Shop (Next Generation Store)	24	+10
FANCL House	85	-8
FANCL House J	65	-3
Genki Station	3	-2
ATTENIR Shop	14	+1
Other	2	-1
Total	194	-3

(3) Outlook for FY ending March 31, 2011

In the year ahead, we expect the challenging economic environment to continue and consumer spending to remain sluggish despite having weathered the worst of the downturn.

In the Cosmetics business, revenues for FANCL cosmetics are expected to decrease following the change of sales agencies in Hong Kong and China from consolidated subsidiaries to affiliate companies accounted for by the equity method, and despite anticipating strong sales, primarily those of core skin care products. We expect to be able to keep sales of ATTENIR cosmetics at about the same level as the previous year due to the introduction of new products.

In the Nutritional Supplements business, revenues are expected to decrease following the change of sales agencies in Hong Kong and China from consolidated subsidiary to company accounted for by the equity method and despite anticipating increased sales in supplements targeting middle-aged and elderly customers and beauty supplements targeting women.

In other businesses, revenues are expected to increase as we forecast continued strong sales primarily of powder-type kale juice such as *Marugoto Shibori* as well as from expanding sales of longer product cycles in the IIMONO OHKOKU mail order business.

As a result, consolidated net sales for the fiscal year ending March 31, 2011 are forecast to decrease 2.0% year on year to ¥97,500 million. Operating income is forecast to decrease 12.7% to ¥8,000 million due to strategic management-related outflows to ensure medium-term growth, ordinary income is forecast to decrease 12.9% to ¥8,000 million, and consolidated net income is forecast to increase 2.2% to ¥4,400 million.

Financial situation

Cash and cash equivalents as of March 31, 2010 were ¥25,010 million, ¥1,722 million lower than at the end of the previous fiscal year. In addition to the main contributing factors listed below, consolidated subsidiaries were changed to affiliate companies accounted for by the equity method and cash and cash equivalents held by these companies decreased by ¥9,391 million.

The main contributing factors to cash flows during the consolidated fiscal year ended March 31, 2010 are as follows:

<u>Cash flows from operating activities</u>

Cash flow generated from operating activities during the period under review was ¥10,531 million, an increase of ¥6,005 million over the previous fiscal year. The primary factors that increased operating cash flow included income before income taxes of ¥8,775 million and depreciation expenses of ¥3,157 million. Factors reducing operating cash flow included tax payments of ¥3,087 million.

<u>Cash flows from investing activities</u>

Cash flow generated from in investing activities during the period under review was ¥3,555 million, compared to ¥1,517 million used in the previous fiscal year. This was largely the result of increases from outlays such as ¥1,227 million for acquisitions of tangible fixed assets such as equipment for new and renewed stores and factory facilities, ¥670 million for the acquisition of marketable securities, ¥529 million for the acquisition of shares in affiliate companies and ¥1,210 million for the acquisition of shares in subsidiaries following the removal of subsidiaries from consolidation.

<u>Cash flows from financing activities</u>

Cash flow generated from financing activities during the period under review was ¥431 million, compared to ¥1,769 million used in the previous fiscal year primarily due to proceeds of ¥4,145 million from the disposal of treasury stock, dividend payments of ¥2,078 million and ¥1,159 million in dividend payments to minority investors.

For the next fiscal year, funds for investing activities and financing activities are expected to be included in the scope of increase in cash flows from operating activities.

Trends in Cash Flow-related Indices

	FY ended March 31, 2006	FY ended March 31, 2007	FY ended March 31, 2008	FY ended March 31, 2009	FY ended March 31, 2010
Equity ratio (%)	83.9	82.2	81.6	83.0	83.0
Equity ratio based on market price (%)	183.9	120.3	98.2	80.2	123.7
Debt service coverage (%)	--	--	0.0	--	--
Interest coverage ratio (times)	--	--	1,635.2	34,577.9	1,182.3

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

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

(3) Policy Regarding Allocation of Earnings and Proposed Dividends

FANCL recognizes that ensuring shareholders obtain a fair return on their investment is a key management responsibility. Our basic policy for allocation of earnings is as follows:

Dividends	Maintain a dividend pay out ratio of at least 40% of consolidated net income
Acquisition of treasury shares	Flexibly consider the acquisition of treasury shares with the aim of improving the capital efficiency ratio, while taking into account trends in the share price and future capital funding requirements
Cancellation of treasury shares	Treasury shares in excess of 10% of the total number of outstanding shares will be cancelled

As determined by the Board of Directors, FANCL will pay dividends from retained earnings using September 30 of each year as the record date for payment of the interim dividend. Further, FANCL will pay dividends twice annually—an interim and year-end dividend—from retained earnings.

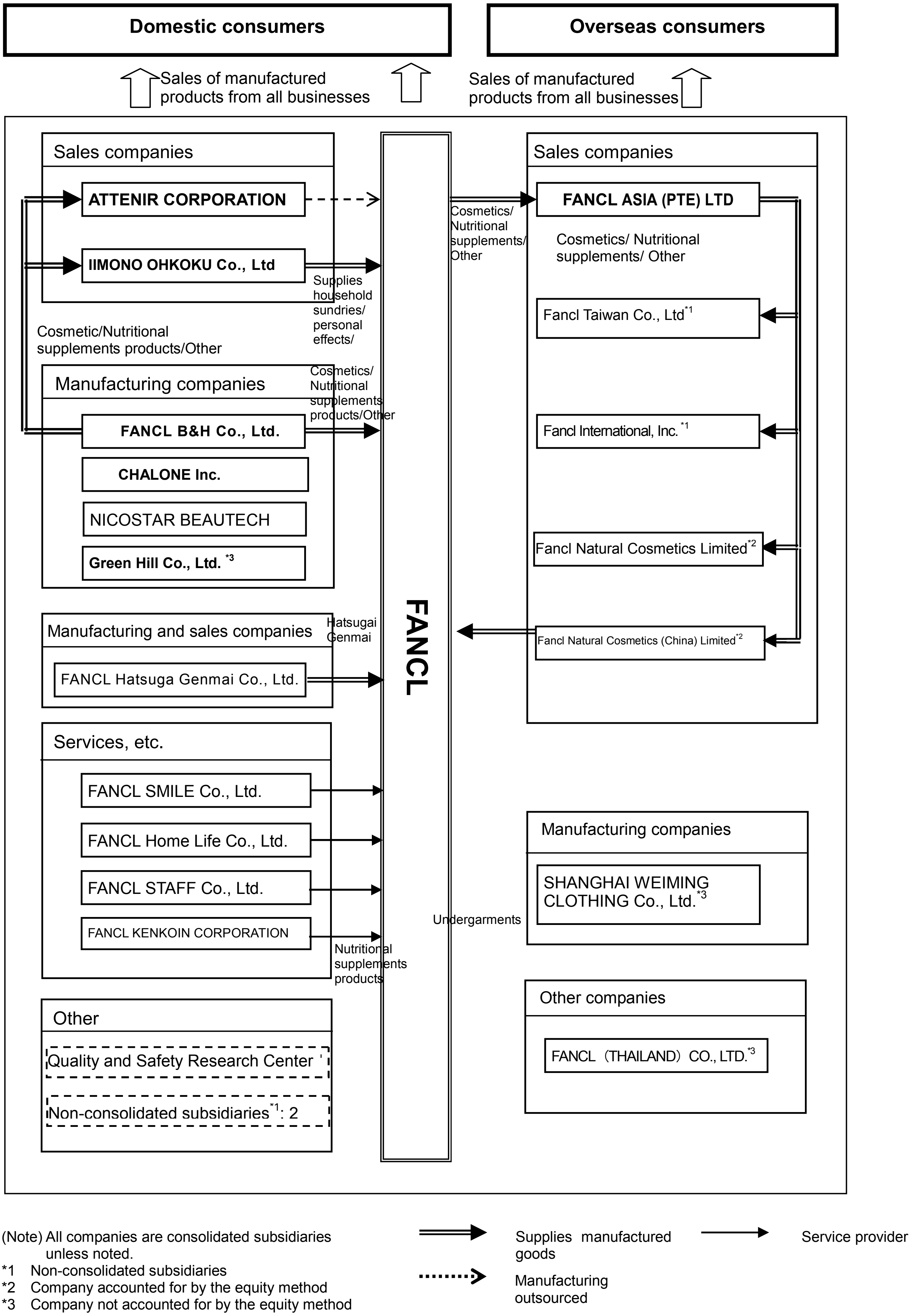
Based on the above, dividends for the fiscal year ended March 31, 2010 will be ¥34.00 per share representing a dividend per share of ¥17.00 for both interim and year-end dividends. For the fiscal year ending March 31, 2011, we forecast an annual dividend of ¥34.00 per share representing a dividend per share of ¥17.00 for both interim and year-end dividends.

2. Organizational structure

(1) Breakdown of organizational structure

Group-related businesses are as follows:

Organizational structure



(Note) All companies are consolidated subsidiaries unless noted.

*1 Non-consolidated subsidiaries

*2 Company accounted for by the equity method

*3 Company not accounted for by the equity method

(2) Status of related companies

In the second quarter of the current consolidated fiscal year, NEUES, K.K. Fantastic Natural Cosmetics Limited, one of its subsidiaries and Fantastic Natural Cosmetics (China) Limited and two of its subsidiaries were included in the scope of consolidation.

In the third quarter of the current consolidated fiscal year, Nicostar was removed from the scope of consolidation after it merged with Nicostar Beautech Co., Ltd. Further, Fantastic Natural Cosmetics Limited, and Fantastic Natural Cosmetics (China) Limited, which were included in the scope of consolidation in the second quarter of the current consolidated fiscal year, were changed to affiliate companies accounted for by the equity method in the fourth quarter of the current consolidated fiscal year. (see press release "Change in Status of Subsidiaries", May 7, 2010)

Name	Location	Capital or amount invested	Main business	Percentage of voting rights or ownership		Comments
				Voting rights	Ownership	
Consolidated subsidiary						
Noies Co., Ltd.	Shibuya, Tokyo, Japan	¥60 million	- Cosmetics related business - Nutritional supplements related business - Other businesses	100.0%	--	- Received investment loan from FANCL - Concurrent directors: 1
Affiliate companies accounted for by the equity method						
Fantastic Natural Cosmetics Limited	Hong Kong	HK$7,500	- Cosmetics related business - Nutritional supplements related business - Other businesses	40.0	--	- Conducts sale of FANCL cosmetics, nutritional supplements and others to the Hong Kong and Macau markets
Fantastic Natural Cosmetics (China) Limited	Hong Kong	HK$10,000	- Cosmetics related business - Nutritional supplements related business - Other businesses	40.0	--	- Conducts sale of FANCL cosmetics, nutritional supplements and others to Chinese markets other than Hong Kong and Macau

Notes:
1. The Main Business column categorizes business by segment
2. The above companies are not included in either the security registration statement or the financial report.
3. The above companies are not affiliate companies with significant capital deficit.

3. Management Policy

(1) Basic management policy

Management policy for the Group operations is aimed at building a structure through which we will strive to eliminate the *negatives* in health and beauty. Today, "dissatisfaction" and "safety concerns" are just some of the negative factors in society. The FANCL Group companies are fully focused on creating new markets and value by eliminating such negatives. Looking forward, we believe that a policy that endeavors to eliminate the negative factors will lead to increased corporate value and long-term profitability for our shareholders.

(2) Management targets and the medium-term management strategy and key issues

Progress in our medium-term plan *Unparalleled quality = New value 2010* (fiscal year March 31, 2009 to fiscal year March 21, 2011)

The fiscal year ended March 31, 2009, was the first year of the new medium-term plan *Unparalleled quality = New value 2010* (fiscal year March 31, 2009 to fiscal year March 21, 2011) launched by the FANCL Group aiming to achieve achieving long-term, continuous growth.

In fiscal year ended March 31, 2010 we celebrated our 30th anniversary since our founding and throughout the year provided a variety of products and services that aimed to further build our relationship and trust with our customers.

In the Cosmetics Business and the Nutritional Supplements Business we endeavored to restore growth by providing high value-added products and developing products to gain new markets. In Other Businesses, improving profitability through structural reform became an issue.

During the current fiscal year, we undertook corporate restructuring aimed at improving profitability by strengthening administration of management expenses, reducing inventories and improving the precision of our sales forecasts. We aim to return to a profitable operating structure by continuing implement activities that aim to improve our profitability.

By strengthening our domestic growth and profitability, and by expanding our development primarily throughout Asia, we are aiming to become a global premium brand.

Strategy for each business

In the cosmetic businesses, we acquired new customers through renewals of core products *Mild Cleansing Oil* and *Facial Washing Powder.* Looking ahead, we will improve our competitiveness in the market place by developing new types of products to improve the functionality of skincare products, and acquire new customers thereby further expanding our market share.

In the nutritional supplement businesses, we established quality and safety standards and revise product categories as well as consolidate and adjust and our product line-up. We also strengthened products targeting middle-aged and elderly customers, and female customers. By providing personalized products and services and raising awareness of our quality and safety standards we will strive to further develop our customer relationship based on trust.

In the hatsuga genmai business, we achieved profitability through planned efficiencies gained from consolidating the hatsuga genmai facilities leading to a significant profit increase. Looking ahead we aim to improve profitability by developing new products as well as promoting the appeal of added value through PSG, a new functional component derived from hatsuga genmai.

In the kale juice business, we aimed to improve profitability by concentrating factories and by shifting to highly profitable product groups and grow sales by investing in new products targeting female customers. We are endeavoring to further enhance revenues by expanding our market through the continued development of new products and by promoting the shift the highly profitable product groups.

In the IIMONO OHKOKU mail-order business, we are aiming for ongoing improvements to profitability by further reducing management expenses and reforming the business structure such as by shifting to products with longer product cycles and by expanding our website.

Sales channel strategies

For mail-order sales we strengthened marketing by leveraging cost efficiencies as well as by improving website functionality and internet speed. Looking ahead, we anticipate that the e-commerce market will expand and we will continue to strengthen highly profitable internet sales and improve customer loyalty by improving personalized services.

For store sales we improved customer loyalty by developing second-generation stores and by strengthening consultations. Looking ahead we will provide new services by developing new functionalities and by prioritizing issues that will lead to improvements in profitability.

For overseas development, we have raised brand awareness of non-additive cosmetics primarily in China and throughout Asia where these products are supported. Looking forward, we aim to grow overseas sales focusing on the Asian markets and to be a premium global brand.

(3) Other important items

Not applicable.

4. Consolidated Financial Statements

Consolidated Balance Sheet

Millions of yen, rounded down

	As of March 31, 2010	%	As of March 31, 2009	%
ASSETS				
I. Current assets:				
Cash and cash equivalents	19,505		16,209	
Notes and accounts receivable	10,240		9,967	
Marketable securities	10,005		13,520	
Merchandise and products	3,048		3,060	
Work in progress	40		68	
Raw materials and supplies	3,103		3,041	
Deferred tax assets	1,189		1,007	
Others	1,126		1,411	
Allowance for doubtful accounts	(233)		(157)	
Total current assets	48,027		48,128	
II. Fixed assets:				
Tangible fixed assets				
Buildings and structures[3,4]	22,331		21,650	
Accumulated depreciation and accumulated impairment loss	(11,719)		(10,832)	
Buildings and structures (net)	10, 612		10,817	
Machinery and transport equipment	5,491		5,385	
Accumulated depreciation and accumulated impairment loss	(4,421)		(4,018)	
Machinery and transport equipment (net)	1,069		1,366	
Furniture, tools and fixtures	6,011		5,961	
Accumulated depreciation and accumulated impairment loss	(5,099)		(4,899)	
Furniture, tools and fixtures (net)	911		1,061	
Land	10,971		10,971	
Lease assets	263		194	
Accumulated depreciation and accumulated impairment loss	(115)		(33)	
Lease assets (net)	148		160	
Construction in progress	83		51	
Total tangible fixed assets	23,797		24,430	
Intangible fixed assets				
Goodwill	511		898	
Other intangible fixed assets	2,602		3,075	
Total intangible fixed assets	3,114		3,973	
Investments and other assets				
Investments securities	11,928		1,074	
Long-term loans receivable	899		440	
Deposits and guarantee money	2,556		2,137	
Long-term prepaid expense	148		116	
Deferred tax assets	540		474	
Others	2,331		4,806	
Allowance for doubtful accounts	(360)		(272)	
Total investments and other assets	18,044		8,777	
Total fixed assets	44,956		37,181	
Total assets	**92,983**		**85,309**	

Consolidated Balance Sheets

Millions of yen, rounded down

	As of March 31, 2010	As of March 31, 2009
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	3,357	3,206
Lease obligations	66	47
Accrued liabilities	2,996	3,398
Accrued expenses	707	680
Accrued income taxes	2,314	1,477
Allowance for bonuses	1,050	1,021
Allowance for points	1,352	1,353
Others	920	273
Total current liabilities	12,765	11,459
II. Long-term liabilities:		
Lease obligations	116	135
Allowance for retirement bonuses	1,946	1,818
Allowance for directors' retirement bonuses	80	60
Others	478	592
Total long-term liabilities	2,622	2,607
Total liabilities	15,387	14,066
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	11,706	11,706
Retained earnings	55,065	53,288
Treasury stock	(336)	(4,960)
Total shareholders' equity	77,230	70,828
Valuation and translation gain		
Net unrealized holding gain on other securities	10	(0)
Foreign currency translation adjustment	(103)	(4)
Total valuation and translation gain	(93)	(5)
Share warrants	342	310
Minority interests	116	109
Total net assets	77,596	71,242
Total Liabilities and Net Assets	92,983	85,309

2 Consolidated Statements of Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Net sales	99,536	98,004
Cost of sales	33,083	32,722
Gross profit	66,452	65,281
Selling, general and administrative expenses		
Sales promotion expenses	11,460	12,434
Packing and transport expenses	3,858	3,978
Advertising expenses	7,971	8,963
Sales commission fee	6,193	5,627
Communications expenses	2,062	2,167
Directors remuneration	502	545
Salaries and bonuses	10,058	10,168
Provision for accrued bonuses	825	847
Retirement benefit expenses	595	557
Provision for retirement benefits for directors and corporate auditors	20	21
Compulsory welfare expenses	1,026	1,117
Welfare expenses	364	306
Stock compensation expense	--	19
Depreciation	2,107	2,024
Research and development expenses	728	661
Rent expenses	2,064	1,676
Provisions for allowance for bad debt	182	100
Other	7,269	7,396
Total selling, general and administrative expenses[1]	57,294	58,615
Operating income	9,158	6,666
Non-operating income		
Interest income	97	161
Dividend income	3	2
Compensation payments received	17	43
Investment income from anonymous associations	21	21
Other non-operating income	187	216
Total net operating income	327	446
Non-operating expenses		
Interest expense	8	0
Loss on equity-method investments	66	--
Loss on foreign exchange	77	92
Allowance for bad debts	77	--
Miscellaneous	74	80
Total net operating expenses	304	173
Ordinary income	9,181	6,938

2 Consolidated Statements of Income (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Extraordinary income		
Gain from sale of fixed assets	0	31
Reversal of allowance for doubtful accounts	1	38
Others	0	41
Total extraordinary income	3	111
Extraordinary expenses		
Loss on sale of fixed assets	2	64
Loss on retirement of fixed assets	38	64
Loss on revaluation of marketable securities	29	95
Loss on revaluation of shares in affiliates	--	59
Impairment loss	225	482
Loss on store closures	76	344
Other extraordinary expenses	37	189
Total extraordinary expenses	408	1,299
Income before income taxes	8,775	5,750
Income taxes	4,032	2,940
Adjustment for income taxes	(276)	132
Total income before income taxes	3,755	3,072
Minority shareholder income	713	14
Net income	**4,306**	**2,662**

Changes in shareholders' equity during the period

Millions of yen, rounded down

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
SHAREHOLDERS' EQUITY		
Common stock		
Balance at end of previous term	10,795	10,795
Changes during the period		
Total change during the period		--
Balance at end of term	10,795	10,795
Capital reserve		
Balance at end of previous term	11,706	11,861
Changes during the period		
Sale of treasury stock	--	3
Cancellation of treasury stock	--	(159)
Total change during the period	--	(155)
Balance at end of term	11,706	11,706
Retained earnings		
Balance at end of previous term	53,228	58,608
Changes during the period		
Surplus dividend	(2,084)	(1,776)
Net income	4,306	2,662
Sale of treasury stock	(445)	(0)
Cancellation of treasury stock	--	(6,206)
Total change during the period	1,777	(5,319)
Balance at end of term	55,065	53,288
Treasury stock		
Balance at end of previous term	(4,960)	(11,387)
Changes during the period		
Acquisition of treasury stock	(2)	(2)
Sale of treasury stock	4,627	63
Cancellation of treasury stock	--	6,365
Total change during the period	4,624	6,426
Balance at end of previous term	(336)	(4,960)
Total shareholders' equity		
Balance at end of previous term	70,828	69,877
Changes during the period		
Surplus dividend	(2,084)	(1,776)
Net income	4,306	2,662
Acquisition of treasury stock	(2)	(2)
Sale of treasury stock	4,182	67
Cancellation of treasury stock	--	--
Total change during the period	6,402	951
Balance at end of previous term	77,230	70,828
Valuation differences due to foreign exchange		
Valuation differences on other marketable securities		
Balance at end of previous term	(0)	27
Changes during the period		
Changes to items other than shareholders' equity during the period	10	(27)
Total change during the period	10	(27)
Balance at end of term	10	(0)

Changes in shareholders' equity during the period (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Translation adjustment account		
Balance at end of previous term	(4)	(4)
Changes during the period		
Changes to items other than shareholders' equity during the period	(98)	--
Total change during the period	(98)	--
Balance at end of term	(103)	(4)
Total valuation and translation differences		
Balance at end of previous term	(5)	22
Changes during the period		
Changes to items other than shareholders' equity during the period	(88)	(27)
Total change during the period	(88)	(27)
Balance at end of term	(93)	(5)
Warrants		
Balance at end of previous term	310	275
Changes during the period		
Changes to items other than shareholders' equity during the period	31	35
Total change during the period	31	35
Balance at end of term	342	310
Minority interests		
Balance at end of previous term	109	94
Changes during the period		
Changes to items other than shareholders' equity during the period	7	14
Total change during the period	7	14
Balance at end of term	116	109
Net assets		
Balance at end of previous term	71,242	70,268
Changes during the period		
Surplus dividend	(2084)	(1,776)
Net income	4,306	2,662
Acquisition of treasury stock	(2)	(2)
Sale of treasury stock	4,182	67
Cancellation of treasury stock	--	--
Changes to items other than shareholders' equity during the period	(48)	22
Total change during the period	6,353	973
Balance at end of term	77,596	71,242

Consolidated Statements of Cash Flows

Millions of yen

	FY ended March 31, 2010	FY ended March 31, 2009
Cash flows from operating activities		
Income before income taxes	8,775	5,750
Depreciation	3,157	3,167
Impairment loss	225	482
Stock compensation expense	96	107
Amortization of goodwill	577	160
Increase (decrease) in allowance for doubtful accounts	164	(154)
Increase (decrease) in allowance for bonuses	(31)	(16)
Increase (decrease) in allowance for points	(2)	(142)
Increase (decrease) in allowance for retirement benefits	128	175
Increase (decrease) in allowance for directors retirement bonuses	20	14
Interest and dividend income	(100)	(164)
Interest paid	8	0
Loss (gain) from foreign exchange	(129)	76
Loss (gain) on investments in anonymous association	(21)	(21)
Loss (gain) on equity-method	66	--
Loss (gain) on revaluation of investments securities	29	95
Loss on revaluation of investments in affiliates	--	59
Loss (gain) from sale of fixed assets	1	32
Loss on disposal of fixed assets	38	64
Loss on store closures	76	344
Decrease (increase) in trade receivables	(100)	83
Decrease (increase) in inventories	(234)	628
Decrease (increase) in other current assets	121	(173)
Decrease (increase) in other fixed assets	220	--
Decrease (increase) in accounts payable	564	(394)
Increase (decrease) in other current liabilities	3	(703)
Increase (decrease) in other fixed liabilities	(125)	(350)
Others	(18)	16
Sub-total	13,513	9,139
Interest and dividends received	92	161
Interest paid	(8)	(0)
Dividends received from anonymous associations	21	21
Income taxes paid	(3,087)	(3,317)
Net cash provided by (used in) operating activities	**10,531**	**6,005**

Consolidated Statements of Cash Flows (continued) *Millions of yen*

	FY ended March 31, 2010	FY ended March 31, 2009
II. Cash flows from investing activities		
Increase in fixed-term deposits	--	(1,000)
Proceeds from refund of fixed-term deposits	1,500	1,000
Payment for acquisition of marketable securities	(5,496)	(9,983)
Proceeds from redemption and sale of marketable securities	4,997	11,996
Payment for purchase of tangible fixed assets	(1,227)	(1,848)
Proceeds from sales of tangible fixed assets	28	204
Payment for acquisition of intangible fixed assets	(670)	(929)
Payment for acquisition of investment securities	(1,014)	--
Proceeds from sale and redemption of investment securities	506	--
Payments for acquisition of shares in affiliates	(529)	(36)
Payments for acquisition of shares in subsidiaries following changes to the scope of consolidation	(1,210)	--
Proceeds from sale of shares in subsidiaries following changes to scope of consolidation	178	--
Payments for transfer of operations	--	(1,315)
Payments for loans	(661)	(30)
Proceeds from collection of loans	218	32
Other payments	(309)	(85)
Other proceeds	134	492
Others	--	(17)
Net cash used in investing activities	(3,555)	(1,517)
III. Cash flows from financing activities		
Proceeds from short term borrowings	408	--
Payments for repayment of short-term debt	(473)	--
Payments for repayment of long-term debt	(155)	(48)
Payments for redemption of bonds	(180)	--
Proceeds from disposal of treasury stock	4,145	3
Payment for purchase of treasury stock	(2)	(2)
Cash dividends paid	(2,078)	(1,771)
Dividend payments to minority investors	(1,159)	--
Others	(71)	49
Net cash used in financing activities	**431**	**(1,769)**
IV. Effect of exchange rate changes on cash and cash equivalents	**261**	**(45)**
V. Net increase in cash and cash equivalents	**7,669**	**2,671**
VI. Cash and cash equivalents at the beginning of the period	**26,732**	**24,060**
VII. Decrease in cash and cash equivalents following changes to scope of consolidation	**(9,391)**	**--**
VIII. Cash and cash equivalents at end of period	**25,010**	**26,732**

Significant items for the Preparation of Consolidated Financial Statements

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
1.Scope of Consolidation	1) Number of consolidated subsidiaries: 8 Name of consolidated subsidiaries: ATTENIR CORPORATION IIMONO OHKOKU Co., Ltd FANCL Hatsuga Genmai Co., Ltd. FANCL ASIA (PTE) LTD. FANCL B&H Co., Ltd. CHALONE Inc. NICOSTAR BEAUTECH Co., Ltd. NEUES, K.K. As of the second quarter of the consolidate fiscal year, FANCL acquired 100% ownership of NEUES, K.K., a developer of beauty clinics with acquisition date deemed to have been June 1, 2009 and were included on the balance sheet and the consolidated income statements for the nine-month period from June 1, 2009 to February 28, 2010. In the third quarter of the current consolidated fiscal year, Nicostar Co., Ltd., a subsidiary of consolidated subsidiary Nicostar Beautech Co., Ltd. was removed from the scope of consolidation after it merged with Nicostar Beautech Co., Ltd. on November 30, 2009.	1) Number of consolidated subsidiaries: 8 Name of consolidated subsidiaries: ATTENIR CORPORATION NICOSTAR Co., Ltd. IIMONO OHKOKU Co., Ltd FANCL Hatsuga Genmai Co., Ltd. FANCL ASIA (PTE) LTD. FANCL B&H Co., Ltd. CHALONE Inc. NICOSTAR BEAUTECH Co., Ltd.
	2) Main non-consolidated companies: Same as right Reasons for not being included in the scope of consolidation: Same as right	2) Main non-consolidated companies FANCL STAFF Co., Ltd. FANCL Home Life Co., Ltd. Reasons for not being included in the scope of consolidation: Non-consolidated subsidiaries are not included in the scope of consolidation because they are small-sized companies and their respective total assets, (in proportion to equity) and retained earnings (in proportion to equity) would not have a significant effect on the consolidated financial statements.
2. Application of the Equity Method	1) Non-consolidated companies accounted for by the equity method : Same as right 2) Affiliate companies accounted for by the equity method : Name of affiliate companies accounted for by the equity method: - Fantastic Natural Cosmetics Limited - Fantastic Natural Cosmetics (China) Limited During the consolidated fiscal year, Fancl acquired 40% of the shares of both Fantastic Natural Cosmetics Limited, which sells FANCL cosmetics, nutritional supplements and others to the Hong Kong and Macau markets, and Fantastic Natural Cosmetics (China) Limited, which sells FANCL cosmetics, nutritional supplements and others to Chinese markets other than Hong Kong and Macau. Although FANCL’s shareholding ratio was only 40%, the arrangement was deemed a “close relationship” by accounting standards and in the second quarter of the consolidated fiscal year the companies were included in the scope of consolidation. Subsequently, FANCL consulted with Christopher Chan Chi Ming, the representative of the two companies, and others as to how to unify the FANCL brand in domestic and international markets and raise awareness of additive-free cosmetics globally. However, differences in views on significant issues including individual strategies and tasks	1) Non-consolidated companies accounted for by the equity method: Not applicable 2) Affiliate companies accounted for by the equity method: Not applicable

	between FANCL and Mr. Ming had increased in importance, and consequently, FANCL was unable to form a unified view on the management policy of FNL and FNCCL and it became difficult to maintain the cooperative relationship in order to achieve the shared aim. Accordingly, FANCL decided to respect the independence of management the two companies and therefore in the fourth quarter of the current consolidated fiscal year the two companies were removed from the scope of consolidation and were changes to affiliate companies accounted for by the equity method. Although there is no change to the 40% shareholding ratio, the arrangement is no longer deemed a "close relationship" by accounting standards. The consolidation of these two companies that occurred in the second quarter of the current fiscal year also included one subsidiary of Fantastic Natural Cosmetics Limited and two subsidiaries of Fantastic Natural Cosmetics (China) Limited and as of the first day of the fourth quarter of the consolidated fiscal year, these companies were removed from the scope of consolidation. Fantastic Natural Cosmetics LIMITED and its one consolidated subsidiary are deemed to have been acquired on September 30, 2009 and were included on the consolidated income statement for the three-month period from October 1, 2009 to December 31, 2009 and application of the equity method was used for the three-month period from January 1, 2010 to March 31, 2010. Fantastic Natural Cosmetics (China) LIMITED and its two consolidated subsidiaries are deemed to have been acquired on June 30, 2009 and were included on the consolidated income statement for the three-month period from July 1, 2009 to September 30, 2009 and application of the equity method was used for the three-month period from October 1, 2009 to December 31, 2009. As of the second quarter of the consolidate fiscal year, FANCL acquired 100% ownership of NEUES, K.K., a developer of beauty clinics with acquisition date deemed to have been June 1, 2009 and were included on the balance sheet and the consolidated income statements for the nine-month period from June 1, 2009 to February 28, 2010.	
	3) Name of main Non-consolidated and affiliate companies accounted for by the equity method: Same as right	3) Name of main non-consolidated and affiliate companies accounted for by the equity method: Non-consolidated: FANCL STAFF Co., Ltd. FANCL Home Life Co., Ltd. Affiliate companies: SHANGHAI WEMMING CLOTHING CO., Ltd. Reasons for not being accounted for by the equity method: Companies not accounted for by the equity method do not have a material effect on items such as net income and retained earnings in the consolidated financial statements and are therefore excluded from application of the equity method.
	4) Significant items regarding the application of the equity method	--------------

	As mentioned in section 1 Scope of Consolidation, as of the fourth quarter of the current consolidated fiscal year, Fantastic Natural Cosmetics Limited and Fantastic Natural Cosmetics (China) Limited were included under application of the equity method. The fiscal year-end of Fantastic Natural Cosmetics（China） Limited is December 31 and application of the equity method was used for the three-month period from October 1, 2009 to December 31, 2009.	
3. Fiscal Year-End of Consolidated Subsidiaries	Among consolidated subsidiaries, the fiscal year closing date of FANCL ASIA (PTE.,) LTD. is December 31 and NEUES, K.K. is February 28. The fiscal year-end of Fantastic Natural Cosmetics (China) Limited, which was included in the scope of consolidation in the second quarter of the consolidated fiscal year and accounted for as an affiliate company by the equity method in the fourth quarter of the consolidated fiscal year, is December 31. The financial statements as of the closing date are used in preparing the consolidated financial statements. Consolidation adjustments are made as necessary for significant transactions occurring prior to the consolidated closing date.	Among consolidated subsidiaries, the fiscal year closing date of FANCL ASIA (PTE.,) LTD. is December 31. The financial statements as of the closing date are used in preparing the consolidated financial statements. Consolidation adjustments are made as necessary for significant transactions occurring prior to the consolidated closing date.

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
4. Accounting Standards (1) Basis and method for valuation of major assets	1) Other marketable securities: Same as right Stocks with no market value: Same as right 2) Derivatives: Same as right 3) Inventories Inventories held for regular sales Finished goods, work in process, raw materials: Same as right Merchandise: Same as right Supplies: Same as right	1) Other marketable securities: At lower of cost or market by the moving average method, based on the market closing price on the last day of the period. (Valuation gains and losses resulting are calculated by the full net capital costing method; cost of disposal is calculated by the moving average method.) Stocks with no market value: At cost by the average method Regarding investments in anonymous associations, the net assets held by the company are calculated based on the most recent reporting period. 2) Derivatives: Market value method 3) Inventories Balance sheet values calculated by acquisition cost method (Reduction in book value method used in cases of decline in profitability) Finished goods, work in process, raw materials: At cost by the average method Merchandise: At cost by the monthly average method Supplies: At cost by the last purchase price method
(2) Depreciation of Fixed Assets	1) Tangible fixed assets: (not including leased assets) Buildings (not including attached facilities) Same as right Items other than buildings: Same as right 2) Intangible fixed assets: Same as right 3) Lease assets: Same as right 4) Long-term prepaid expenses: Same as right	1) Tangible fixed assets: (not including leased assets) Buildings (not including attached facilities) ・ The former declining balance method is used for buildings acquired prior to March 31, 1998 ・ The former straight-line method is used for buildings acquired between April 1, 1998 and March 31, 2007 ・ The straight-line method is used for buildings acquired since April 1, 2007 Items other than buildings: ・ The declining balance method is used for items acquired prior to March 31, 2007 ・ The declining-balance method is used for buildings acquired since April 1, 2007 The estimated useful lives for such assets are as follows: Buildings and structures: 2–50 years Machinery and transport equipment: 2–22 years Furniture, tools and fixtures: 2–20 years Purchases made since March 31, 2007 that have fully depreciated to their allowable limit will be fully depreciated over 5 years by the straight line method starting from the following year. 2) Intangible fixed assets: Straight-line method, with the exception of software intended for internal use, which is amortized by the straight-line method over its estimated useful life (five years) 3) Lease assets: Financial lease transactions for lease assets other than ownership transfer The method employed assumes no residual value for the number of serviceable years of the lease. As regards financial lease transactions for lease assets other than ownership transfer prior to the first fiscal year the revised lease transaction accounting standards were applied, lease transactions are accounted for using normal accounting methods. 4) Long-term prepaid expenses: Straight-line method

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
(3) Allowances	1) Allowance for doubtful accounts: Same as right 2) Allowance for bonuses: Same as right 3) Allowance for points Same as right 4) Allowance for retirement bonuses: Same as right 5) Allowance for directors' retirement bonuses: Same as right	1) Allowance for doubtful accounts: The Company makes provisions against estimated uncollectible receivables sufficient to cover possible losses on the collection of receivables based on a review of the potential for recovery of individual receivables. 2) Allowance for bonuses: To prepare for future bonus payments to employees, the Company makes provisions in the amount accrued based on the estimated payment. 3) Allowance for points The Company bases reserve calculations for the future use of points by comparing the balance of unused points with the historical use of points by customers to forecast likely usage. 4) Allowance for retirement bonuses: To prepare for future retirement benefit payments to employees, the Company makes provisions in the amount recognized as accruing at the end of the consolidated fiscal year based on the estimated retirement benefit obligation and pension assets at the end of the consolidated fiscal year. Actuarial gains and losses are charged to income on a straight-line basis over a certain number of years (five years) within the average remaining years of service starting from the year after the gain or loss arises. 5) Allowance for directors' retirement bonuses: For the parent company and domestic affiliate companies to prepare for future retirement bonus payments to directors, the necessary provisions are made based on internal regulations.
(4) Foreign currency-denominated assets and liabilities	Foreign currency-denominated assets and liabilities: Same as right	Foreign currency-denominated assets and liabilities: Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date and differences are accounted for as income or losses. Foreign currency-denominated assets and liabilities hedged by forward exchange contracts are translated at the contracted rate of exchange.
(5) Other important items affecting the preparation of these financial statements:	Calculation methods used in relation to consumption tax, etc. Same as right	Calculation methods used in relation to consumption tax, etc. All transactions are posted exclusive of consumption and other taxes.
5) Evaluation of assets and liabilities of consolidated subsidiaries	Same as right	All assets and liabilities of consolidated subsidiaries are valued using the market price method.
6) Amortization of goodwill and negative goodwill	Same as right	Goodwill is amortized in equal amounts over five years. However small amounts are amortized in full in the fiscal year in which they arise.
7) Scope of Cash and Cash Equivalents	Same as right	Cash and cash equivalents in the consolidated statements of cash flows consist primarily of cash on hand, cash deposits and short-term, highly liquid investments with original maturities of three months or less, which are readily convertible into cash with insignificant risk of change in value.

Changes in accounting treatment

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
--------------------	Changes to evaluation standards and the evaluation method of important fixed assets: Inventory assets Inventory assets held for normal sales were primarily calculated using the gross average method based on the acquisition cost method. As of the current consolidated fiscal year and following application of “Accounting Standards for Inventory Assets” (Accounting Standards No. 9, July 5, 2006) Inventory assets will primarily be calculated using the gross average method based on the acquisition cost method (In cases of decline in profitability, reduction in book value method is used). Following the application of the above in the current consolidated fiscal year, loss from disposal of inventory assets, which were previously recorded as a non-operating expense, will be included in the cost of sales. In the current consolidated fiscal year, operating income decreased ¥408 million, ordinary income decreased ¥8 million and net income before taxes decreased ¥43 million as a result of this change in comparison to the former method used. The effect on business segments is discussed in the applicable section of this report.
--------------------	Application of current accounting methods for foreign subsidiaries in the creation of the consolidated balance sheet: As of the consolidated fiscal year under review, “Application of current accounting methods for foreign subsidiaries in the preparation of the consolidated balance sheet” (Accounting Standards Board of Japan, May 17, 2006, Report No. 18) will be applied. There is no material impact on operating income, ordinary income or income before taxes, etc. as a result of this change.。
--------------------	Application of accounting standards for lease transactions: The application of the following accounting standards have been applied as of the current consolidated fiscal year, accounting standards for lease transactions (Accounting Standards Board of Japan Report No. 13 (June 17, 1993 (JAS Committee 1) revised March 30, 2007)) and Guidelines to the application of standards for lease transactions (Guidelines to the application of standards for lease transactions No. 16 (January 18, 1994 (Accounting Standards Board of Japan, May 17, 2006, Report No. 18). There is no material impact on operating income, ordinary income or income before taxes, etc. as a result of this change.
Application of revisions to accounting standards for retirement benefits As of the current fiscal year, certain revisions (number 3) (Accounting Standards Board of Japan No. 19 (July 31, 2008) have been applied. There is no effect on operating income, ordinary income and net income for the current fiscal year as a result of this change	--------------------

Change in the method of disclosure

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
----------------	Consolidated Balance Sheet Finished goods, work in progress and raw materials, which were included in inventory assets in the previous consolidated fiscal year, will be recorded separately as of the current consolidated fiscal year following application of certain revisions to Cabinet Office Regulations for Financial Statements (August 7, 2008, Cabinet Office regulation No. 50). In the previous consolidated fiscal year merchandise and products were ¥3,229 million; work in process were ¥78 million and raw materials were ¥3,402 million, and were all included in inventory assets.
----------------	Consolidated income statements In the previous consolidated fiscal year, loss on foreign exchange (FY ended March 31, 2008: ¥26 million) was included in miscellaneous expenses due to its increased materiality.

Additional information

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
----------------	Change to useful life of tangible fixed assets As of the current consolidated fiscal year, the useful lives of certain assets have changed upon review of the corporate tax revision as a contract for the useful life of machinery and equipment, There is no material impact on operating income, ordinary income or income before taxes, etc. as a result of this change.

Items related to the consolidated balance sheet

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
*1 Non-consolidated subsidiaries and affiliates Investment securities (equities): ¥10,752 million Other investment assets: ¥25 million (investments)	*1 Non-consolidated subsidiaries and affiliates Investment securities (equities): ¥399 million Other investment assets: ¥25 million (investments)
*2 The company is a co-guarantor of ¥1,698 million in borrowings by Nagareyama Industrial Park of Chiba Prefecture and SHOKOCHUKIN Bank along with the other 15 co-partners in the industrial park.	*2 The company is a co-guarantor of ¥1,757 million in borrowings by the Nagareyama Industrial Park from the Chiba Prefectural SHOKOCHUKIN Bank along with the other 15 co-partners in the industrial park. The company also guarantees bank borrowings of ¥58 million (US $600,000) in respect of our non-consolidated subsidiary FANCL International, Inc.)
*3 Assets pledged as collateral Land associated with the Chiba factory (Chiba Prefecture, Nagareyama City) (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,1,499 million) have been pledged as collateral against borrowings from Chiba Prefecture and SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative.	*3 Assets pledged as collateral Land associated with the Chiba factory (Chiba Prefecture, Nagareyama City) (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,557 million) have been pledged as collateral against borrowings from the Chiba Prefectural SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative.
*4 Same as right	*4 The accounts contain advanced depreciation allowances of ¥173 million for land as a result of the company receiving state subsidies, and amounts reported in the balance sheet have been deducted to account for this advanced depreciation allowance.

Notes to consolidated statements of income

April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
*1 Research and development expenses of ¥2,351 million are included in SG&A expenses and production expenses for the period.	*1 Research and development expenses of ¥2,188 million are included in SG&A expenses and production expenses for the period.
2 Income from the sale of fixed assets was primarily due to the sale of manufacturing facilities, etc.	2 Income from the sale of fixed assets was primarily due to the sale company leisure facilities, etc.
3 Losses from sale of fixed assets were primarily due to the sale of manufacturing facilities, etc.	3 Losses from sale of fixed assets were primarily due to the sale of company leisure facilities, etc.
4 Losses from disposal of fixed assets were primarily due disposal of unnecessary store fixtures.	4 Losses from disposal of fixed assets were primarily due disposals associated with the closure of logistics centre.
5. Reductions in book value from reduced profitability of inventory assets held for normal sales: Cost of sales: ¥31 million	5. Reductions in book value from reduced profitability of inventory assets held for normal sales: Cost of sales: ¥8 million Extraordinary loss: ¥34 million

April 1, 2009 to March 31, 2010

6 Impairment losses *(Millions of yen)*

Facility	Type	Amount	Location
Hatsuga genmai production facilities	Buildings and structures	0	Tomi City, Mitoyo City
	Lease assets	16	
Cosmetics busines	Goodwill	193	Oura-gun Gunma Prefecture
Retail facilities	Buildings &. Structures	12	Kyushu area
	Equipment and fixtures	1	
Total		225	

April 1, 2008 to March 31, 2009

6.

Facility	Type	Amount	Location
Hatsuga genmai production facilities	Buildings and structures	63	Tomi City, Mitoyo City
	Machinery and Automotive equipment	136	
	Equipment and fixtures	1	
	Land	29	
	Prepaid expenses and long-term prepaid expenses	67	
	Other	0	
Company leisure facilities, etc.	Buildings &. Structures	36	Yokohama City, Sakae Ward
	Land	142	
Retail facilities	Buildings &. Structures	3	Kyushu area
	Equipment and fixtures	1	
Total		482	

April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Recognition of impairment losses: 1. In regards to the hatsuga genmai factory and facilities, the company has accounted for ¥16 million of impairment losses on production facilities deemed no longer useful having reduced their book value to their recoverable value. These have been recorded in extraordinary loss. 2. As regards goodwill of NICOSTAR BEAUTECH Co., Ltd., the company has accounted for ¥193 million amortized balance as an impairment loss as the assumed profits planned in the initial business plan were not achieved. This has been recorded in extraordinary loss. 3. As regards the retail facilities, the company has accounted for ¥14 million of impairment losses where the recoverable value of assets was less than the book value following the decision close stores. These have been recorded in extraordinary loss.	Recognition of impairment losses: 1. In regards to the hatsuga genmai factory and facilities, the company has accounted for ¥299 million of impairment losses where the recoverable value of assets was less than the book value following the decision to close the Kagawa factory based on a review of the hatsuga genmai production system. These have been recorded in extraordinary loss. 2. As regards the company leisure facilities, the company has accounted for ¥178 million of impairment losses where the recoverable value of assets was less than the book value following the decision sell the facilities. These have been recorded in extraordinary loss. 3. As regards the retail facilities, the company has accounted for ¥4 million of impairment losses where the recoverable value of assets was less than the book value following the decision close stores. These have been recorded in extraordinary loss.
Grouping method The FANCL Group primarily groups assets by type of operation. Idle assets are grouped by facility. Method of calculating recoverable value: 1. The recoverable value of the hatsuga genmai production facilities are estimated using net sale values and evaluated using a value of zero since there is the possibility that it will not be sold or converted. 2. The recoverable was calculated based on the business plan. 3. Same as right	Grouping method The FANCL Group primarily groups assets by type of operation. Idle assets are grouped by facility. Method of calculating recoverable value: 1. The recoverable value of the hatsuga genmai production facilities are estimated using net sale values and calculated based on assessed values of fixed assets. 2. The recoverable value of company leisure facilities are estimated using net sale values and are calculated based on estimated values determined using estimated real estate value. 3. The recoverable value of stores are calculated from estimated net sale values. Assets without other applications are recorded as zero since there is the possibility that it will not be sold.

Changes to shareholders' equity during the period April 1, 2009 to March 31, 2010

1. Number and type of common shares issued and treasury stock

	Number of shares as of March 31, 2009	Increase of shares during fiscal year to March 31, 2010	Decrease of shares during fiscal year to March 31, 2010	Number of shares as of March 31, 2010
Shares issued				
Common shares (note 1)	65,176,600	--	--	65,176,600
Total	65,176,600	--	--	65,176,600
Treasury stock				
Common shares (note 2,3)	3,896,949	1,976	3,634,940	263,985
Total	3,896,949	1,976	3,634,940	263,985

Note: 1. The increase of 1,976 in common shares was due to the purchase of odd lot shares.
2. The decrease of 3,634,940in treasury stock was due to a reduction of 3,600,000 shares from a decision by the board of directors to eliminate treasury shares, a reduction of 34,700 shares through the exercise of share warrants a decrease of 240 shares as a result of applications to purchase odd lot shares.

2. Share warrants and treasury share warrants

Type	Breakdown of share warrants	Type of shares for share warrants	Number of shares resulting from share warrants (Thousands of shares)				Balance as of March 31, 2009 (¥ million)
			FY ending March 31, 2008	Increase of shares during fiscal year to March 31, 2009	Decrease of shares during fiscal year to March 31, 2009	Number of shares at end fiscal year March 31, 2009	
Parent company	Stock option share warrants	—	—	—	—	—	342
Total		—	—	—	—	—	342

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
May 5, 2009 Board of directors' meeting	Common shares	¥1,041 million	¥17.00	March 31, 2009	June 22, 2009
November 9, 2009 Board of directors' meeting	Common shares	¥1,042 million	¥17.00	September 30, 2009	December 7, 2009

(2) Dividends for which the effective date is in the following fiscal year

Decision-making schedule as follows:

Date to be confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
May 14, 2010 Board of directors' meeting	Common shares	¥1,103 million	Profit reserve	¥17.00	March 31, 2010	June 21, 2010

Changes to shareholders' equity during the period April 1, 2008 to March 31, 2009

1. Number and type of common shares issued and treasury stock

	Number of shares as of March 31, 2008	Increase of shares during fiscal year to March 31, 2009	Decrease of shares during fiscal year to March 31, 2009	Number of shares as of March 31, 2009
Shares issued				
Common shares (note 1)	70,176,600	--	5,000,000	65,176,600
Total	70,176,600	--	5,000,000	65,176,600
Treasury stock				
Common shares (note 2,3)	8,944,863	1,778	5,049,692	3,896,949
Total	8,944,863	1,778	5,049,692	3,896,949

Note: 1. The decrease of 5,000,000 in common shares was due to the elimination of treasury shares.
2. The increase of 1,778 in treasury stock was due to the purchase of odd lot shares.
3. The decrease of 5,049,692 in treasury stock was due to a reduction of 5,000,000 shares from a decision by the board of directors to eliminate treasury shares, a reduction of 49,100 shares through the exercise of share warrants a decrease of 592 shares as a result of applications to purchase odd lot shares.

2. Share warrants and treasury share warrants

Type	Breakdown of share warrants	Type of shares for share warrants	Number of shares resulting from share warrants (Thousands of shares)				Balance as of March 31, 2009 (¥ million)
			FY ending March 31, 2008	Increase of shares during fiscal year to March 31, 2009	Decrease of shares during fiscal year to March 31, 2009	Number of shares at end fiscal year March 31, 2009	
Parent company	Stock option share warrants	—	—	—	—	—	310
Total		—	—	—	—	—	310

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
May 15, 2008 Board of directors' meeting	Common shares	¥734 million	¥12.00	March 31, 2008	June 16, 2008
November 4, 2008 Board of directors' meeting	Common shares	¥1,041 million	¥17.00	September 30, 2008	December 1, 2008

(2) Dividends for which the effective date is in the following fiscal year

Decision-making schedule as follows:

Date to be confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
May 15, 2009 Board of directors' meeting	Common shares	¥1,041 million	Profit reserve	¥17.00	March 31, 2009	June 22, 2009

Notes to the Consolidated Statements of Cash Flows

(Millions of yen)

April 1, 2009 to March 31, 2010		April 1, 2008 to March 31, 2009	
1. Relationship of cash and cash equivalents at the period end to amounts recorded in the consolidated balance sheets		1. Relationship of cash and cash equivalents at the period end to amounts recorded in the consolidated balance sheets	
	As at March 31, 2010		As at March 31, 2009
Cash and deposits	19,505	Cash and deposits	16,209
Marketable securities	10,005	Marketable securities	13,520
TOTAL	29,510	TOTAL	29,730
Fixed deposits with maturities exceeding 3 Months	(1,000)	Fixed deposits with maturities exceeding 3 months	(2,997)
Marketable securities with maturities exceeding 3 months	(3,499)	Cash and cash equivalents	26,732
Cash and cash equivalents	25,010		
2. Breakdown of assets and liabilities following new consolidation from the acquisition of shares and the net of acquisition price and payment as well as net revenues:		2. Breakdown of assets and liabilities that have increased or decreased as a result of the transfer of cash and deposits to NICOSTAR BEAUTECH Co., Ltd.	
Fantastic Natural Cosmetics Limited, one of its subsidiaries and Fantastic Natural Cosmetics (China) Limited and two of its subsidiaries			
	(Millions of yen)		*(Millions of yen)*
Current assets	11,537	Current assets	108
Fixed assets	712	Fixed assets	968
Goodwill	9,861	Goodwill	324
Current liabilities	(11,815)	Total assets	1,400
Minority interest	(260)	Long-term liabilities	85
Share acquisition amount	10,034	Total liabilities	85
Cash and cash equivalents of acquired companies	(8,824)	Payment from transfer of operations	1,315
Payment for acquisition	1,210		
NEUS K.K.			
Current assets	629		
Fixed assets	770		
Goodwill	76		
Current liabilities	(914)		
Fixed liabilities	(304)		
Shares acquisition amount	256		
Cash and cash equivalents	(435)		
Payment for acquisition	(178)		
3. Break down of assets and liabilities of companies removed from consolidation due to the shift to affiliate company accounted for by the equity method:			
Fantastic Natural Cosmetics Limited and it's consolidated subsidiary and Fantastic Natural Cosmetics(China) Limited and it's consolidated subsidiaries			
Current assets	11,809		
Fixed assets	701		
Total assets	12,511		
Current liabilities	11,804		
Total liabilities	11,804		

SEGMENT INFORMATION

a. Business Segments

For the fiscal year April 1, 2009 to March 31, 2010 *(Millions of yen)*

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	51,902	28,492	19,141	99,536	--	99,536
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	51,902	28,492	19,141	99,536	--	99,536
Operating expenses	43,956	25,242	19,629	88,828	1,549	90,378
Operating income (loss)	7,945	3,250	(488)	10,707	(1,549)	9,158
2. Assets, depreciation and capital payments						
Assets	34,098	14,136	12,553	60,788	32,195	92,983
Depreciation	1,920	822	353	3,096	48	3,144
Impairment losses	203	4	17	225	--	225
Capital payments	929	449	131	1,510	--	1,510

Notes:

1. Segmentation has been adopted for internal management purposes.
2. Segment operations are as follows:
    1. Cosmetic Business: Mail-order and retail sales and wholesaling of a variety of cosmetics products
    2. Nutritional Supplements Business: Mail-order and retail sales and wholesaling of a variety of nutritional supplements
    3. 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 earnings of ¥1,549 million, included in operating expenses under eliminations and corporate, were primarily from expenses from stock options for directors and expenses related to the General Affairs Dept. and other management departments at the head office of the parent company.
4. Total company assets of ¥32,195 million, included under eliminations and corporate primarily consist of cash and cash equivalents, marketable securities, land and investment securities of the parent company.

SEGMENT INFORMATION
a. Business Segments
For the fiscal year April 1, 2008 to March 31, 2009 *(Millions of yen)*

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	50,081	29,088	18,834	98,004	--	98,004
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	50,081	29,088	18,834	98,004	--	98,004
Operating expenses	43,319	26,159	19,815	89,294	2,043	91,338
Operating income (loss)	6,761	2,929	(981)	8,709	(2,043)	6,666
2. Assets, depreciation and capital payments						
Assets	33,752	13,949	11,700	59,402	25,907	85,309
Depreciation	1,818	746	383	2,948	61	3,010
Impairment losses	2	1	299	304	178	482
Capital payments	2,565	858	435	3,858	46	3,905

Notes:

1. Segmentation has been adopted for internal management purposes.
2. Segment operations are as follows:
   4. Cosmetic Business: Mail-order and retail sales and wholesaling of a variety of cosmetics products
   5. Nutritional Supplements Business: Mail-order and retail sales and wholesaling of a variety of nutritional supplements
   6. 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 earnings of ¥2,043, million, included in operating expenses under eliminations and corporate, were primarily from expenses from stock options for directors and expenses related to the General Affairs Dept. and other management departments at the head office of the parent company.
4. Total company assets of ¥25,907, included under eliminations and corporate primarily consist of cash and cash equivalents, marketable securities, land and investment securities of the parent company.
5. Change to accounting methods

Accounting standards for inventory assets

As mentioned in the Significant items for the Preparation of Consolidated Financial Statements section of this report, Accounting Standards for Inventory Assets (Accounting Standards No. 9, July 5, 2006) will be applied as of the current consolidated fiscal year. In comparison to use of the former method, operating income is ¥213 million lower in the cosmetics business, ¥143 million lower in the nutritional supplements business and ¥51 million lower in other businesses.

2. Geographic area

For the previous fiscal year April 1, 2009 to March 31, 2010 more than 90% of the sales and assets from all segments were in the domestic market. Accordingly, information on sales by geographic area is not included in this report.

(2) Segment information by location

April 1, 2009– March 31, 2010

Millions of yen

	Japan	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales and operating income					
Net sales					
(1) Sales to external customers	89,226	10,309	99,536	--	99,536
(2) Inter-segmental sales and transfers	6,332	--	6,332	(6,332)	--
Total	95,558	10,309	105,868	(6,332)	99,536
Operating expenses	87,229	9,473	96,702	(6,324)	90,378
Operating income	8,329	836	9,165	(7)	9,158
Assets	81,480	13,795	95,276	(2,292)	92,983

Notes:

1. The countries and regions have been classified geographically.
2. The main countries included in regions other than Japan are as follows:
   Asia…..………… China (including Hong Kong) and Singapore
3. In previous years Japan had accounted for over 90% total net sales and therefore segment information by location was omitted. However, in the second quarter of the current fiscal year Fantastic Natural Cosmetics Limited and Fantastic Natural Cosmetics (China) Limited were included in the scope of consolidation and as a result, the segments other than Japan have increased in importance and have been included in Segment information by location. In the fourth quarter of the current fiscal year these companies were changed from consolidated subsidiaries to affiliate companies accounted for by the equity method and as a result sales from China (including Hong Kong) were recorded as retail sales derived from the two consolidated subsidiaries and their three consolidated subsidiaries in the third quarter of the consolidated fiscal year, and in the first, second and fourth quarters were recorded as wholesale sales derived from FANCL ASIA (PTE) LTD.

3 Overseas sales

April 1, 2008– March 31, 2009

	Asia	Other regions	Total
Overseas sales	10,195	114	10,309
Consolidated sales	--	--	99,536
Overseas sales as a percentage of consolidated sales	10.2	0.1	10.4

Notes:

1. The countries and regions have been classified geographically.
2. The main countries included in regions other than Japan are as follows:
   Asia…..………… China (including Hong Kong) and Singapore
   Other regions…. America
3. Overseas sales are those of Fancl and its consolidated subsidiaries from countries and regions other than Japan.
4. In previous years overseas sales had accounted for less than 10% of total net sales and therefore was omitted. However, in the second quarter of the current fiscal year Fantastic Natural Cosmetics Limited and Fantastic Natural Cosmetics (China) Limited were included in the scope of consolidation and as a result, segments other than Japan have increased in importance and therefore overseas sales has been included. In the fourth quarter of the current fiscal year these companies were changed from consolidated subsidiaries to affiliate companies accounted for by the equity method and as a result sales from China (including Hong Kong) were recorded as retail sales derived from the two consolidated subsidiaries and their three consolidated subsidiaries in the third quarter of the consolidated fiscal year, and in the first, second and fourth quarters were recorded as wholesale sales derived from FANCL ASIA (PTE) LTD.

April 1, 2008– March 31, 2009

Overseas sales accounted for less than 10% of total net sales and therefore have been omitted.

Items related to the business integration

Consolidated fiscal year April 1, 2009 to March 31, 2010

1. Key information regarding integrated companies

	NEUES K.K.	Fantastic Natural Cosmetics Limited and one subsidiary	Fantastic Natural Cosmetics (China) Limited and two subsidiaries
(1) Name, main business	Cosmetic business Nutritional supplements business Other businesses	Cosmetic business Nutritional supplements business Other businesses	Cosmetic business Nutritional supplements business
(2) Reason for integration	Acquired shares aiming provide more customers with the opportunity to experience additive-free cosmetics and to effectively integrate Fancl additive-free technology with NEUES K.K. medical service	Acquired shares with aiming to strengthen relations with Fantastic Natural Cosmetics Limited which had been successful in Hong Kong, to unify the FANCL brand in domestic and international markets and raise awareness of additive-free cosmetics globally, while aiming for growth	Acquired shares with aiming to strengthen relations with Fantastic Natural Cosmetics Limited which had been successful in China, to unify the FANCL brand in domestic and international markets and raise awareness of additive-free cosmetics globally, while aiming for growth
(3) Integration date	July 1, 2009	September 28, 2009	September 28, 2009
(4) Integration method	Acquisition of shares	Acquisition of shares	Acquisition of shares
(5) Name following integration	NEUES K.K.	Fantastic Natural Cosmetics Limited	Fantastic Natural Cosmetics (China) Limited
(6) Acquired ratio of voting rights	100%	40%	40%

2. Period of inclusion of integrated companies in consolidated financial statements

Name of integrated company	Period of inclusion in consolidated financial statements
NEUES K.K.	June 1, 2009 to February 28, 2010
Fantastic Natural Cosmetics Limited and one subsidiary	October 1, 2009 to December 31, 2009
Fantastic Natural Cosmetics (China) Limited and two subsidiaries	July 1, 2009 to September 30, 2009

3. Breakdown of value acquired from integrated company (millions of yen)

Name of integrated company	NEUES K.K.	Fantastic Natural Cosmetics Limited and one subsidiary	Fantastic Natural Cosmetics (China) Limited and two subsidiaries
Value of common stock acquired	¥250	¥3,400	¥6,400
Expenses directly inured for acquisition (Advisory expenses, etc.)	¥6	¥81	¥153
Acquisition value	¥256	¥3,481	¥6,553

4. Amount of goodwill, reasons and amortization method and period (millions of yen)

Name of integrated company	NEUES K.K.	Fantastic Natural Cosmetics Limited and one subsidiary	Fantastic Natural Cosmetics (China) Limited and two subsidiaries
Amount of goodwill that occurred	¥76	¥3,429	¥6,431
Reason for occurrence of goodwill	Occurred due to future surplus profits anticipated from future business development		
Amortization method and period	One-time amortization for the current consolidated fiscal year	Straight line amortization method over an eight-year period	Straight line amortization method over an eight-year period

5. Break down of assets and liabilities applicable on company integration date (millions of yen)

Name of integrated company	NEUES K.K.	Fantastic Natural Cosmetics Limited and one subsidiary	Fantastic Natural Cosmetics (China) Limited and two subsidiaries
Current assets	¥629	¥6,771	¥4,765
Fixed assets	¥770	¥489	¥222
Total assets	¥1,400	¥7,216	¥4,988
Current liabilities	¥914	¥7,131	¥4,683
Long-term liabilities	¥304	¥--	¥--
Total liabilities	¥1,219	¥7,131	¥4,683

6. Approximate effect on income statement assuming business integration was completed on the first day of the current consolidated fiscal year (millions of yen)

Name of integrated company	NEUES K.K.	Fantastic Natural Cosmetics Limited and one subsidiary	Fantastic Natural Cosmetics (China) Limited and two subsidiaries
Net sales	¥457	¥2,687	¥4,212
Ordinary income (loss)	¥(8)	¥573	¥1,332
Net income (loss)	¥(25)	¥515	¥1,029

Important assumptions and methods used in calculating the approximate amounts
The amount of the effect is assumed to be the difference between the net sales and income information that assumes business integration occurred on the first day of the current consolidated fiscal year and the net sales and income information on the integrated businesses consolidated income statements

Consolidated fiscal year April 1, 2008 to March 31, 2009
There were no significant items related to business integration and therefore this section has been omitted.

Per Share Information

	FY Ended March 31, 2010	FY ended March 31, 2009
Net assets per share	¥1,188.32	¥1,155.74
Net income per share	¥68.26	¥43.46
Net income per share (diluted)	¥68.11	¥43.35

Note: The basis for the calculation of net income (loss) per share and the net income per share after adjustment for residual securities is as follows:

	FY Ended March 31, 2010	FY ended March 31, 2009
Net income per share		
Net income (loss) (¥ million)	¥4,306	¥2,662
Amount not attributable to common shareholders (¥ million)	--	--
Net income (loss) attributable to common shares (¥ million)	¥4,306	¥2,662
Average number of outstanding common shares during the year (1,000 shares)	63,098,753	61,275,074
Fully diluted earnings per share		
Net income adjustments (¥ million)	--	--
Breakdown of additional common shares used for calculating net income per share (diluted) (1,000 shares)	138,471	144,954
Residual securities not included in the calculation of the net income after adjustment for residual securities due to the fact that these securities had no dilutive effect.	--	1 type of subscription rights: Number of residual securities: 411,840

Important information after the preparation of this report
None

Omissions
Due to the immaterial effect of lease transactions, transactions with related parties, deferred tax accounting, financial products, marketable securities, retirement benefits, stock options, etc., have on the financial statements, these items have been omitted.

Non-consolidated Balance Sheets

Millions of yen

	As of March 31, 2010	As of March 31, 2009
ASSETS		
I. Current assets:		
Cash and cash equivalents	9,234	8,297
Notes receivable	5	4
Accounts receivable	7,965	7,640
Marketable securities	5,001	8,000
Merchandise and products	2,120	2,184
Raw materials and supplies	311	399
Prepaid expenses	333	409
Deferred tax assets	956	906
Income receivable	208	193
Short-term loans to affiliate companies	385	210
Others	360	367
Allowance for doubtful accounts	(85)	(23)
Total current assets	26,797	28,590
II. Fixed assets:		
Tangible fixed assets		
Buildings	10,245	10,147
Accumulated depreciation and impairment losses	(5,358)	(5,010)
Buildings (net)	4,887	5,136
Structures	496	504
Accumulated depreciation	(362)	(353)
Structures (net)	133	151
Machinery and fittings	200	186
Accumulated depreciation	(165)	(157)
Machinery and fittings (net)	35	28
Vehicles	11	12
Accumulated depreciation	(9)	(10)
Vehicles (net)	1	2
Furniture and fixtures	3,360	3,378
Accumulated depreciation	(2,736)	(2,611)
Furniture and fixtures (net)	623	767
Land	7,030	7,030
Lease assets	179	116
Accumulated depreciation	(70)	(18)
Lease assets (net)	109	98
Construction in progress	83	41
Total tangible fixed assets	12,904	13,257

Non-consolidated Balance Sheets (continued)

Millions of yen

	As of March 31, 2010	As of March 31, 2009
Intangible fixed assets		
Trademarks	7	9
Software	2,320	2,898
Software suspense account	186	77
Utility rights	1	1
Telephone subscription rights	47	47
Other	4	--
Total intangible fixed assets	2,567	3,034
Investments and other assets		
Investments securities	1,175	673
Shares in affiliates	18,973	8,669
Contribution to capital	645	645
Long-term loans receivable	370	90
Long-term loans to affiliated companies	8,241	7,653
Bankruptcy reclamation, etc.	4	--
Long-term prepaid expenses	102	102
Deferred tax assets	522	497
Long-term deposits	1,500	4,000
Deposit and guarantee money	1,898	1,855
Insurance reserve	7	7
Others	68	69
Allowance for doubtful accounts	(3,330)	(3,266)
Total investments and other assets	30,179	20,998
Total fixed assets	45,651	37,290
Total assets	**72,449**	**65,880**

Non-consolidated Balance Sheets (continued)

Millions of yen

	As of March 31, 2010	As of March 31, 2009
LIABILITIES		
Current liabilities:		
Accounts payable	2,329	2,309
Lease obligations	51	33
Accrued liabilities	2,255	2,244
Accrued expenses	406	443
Accrued income taxes	1,888	1,225
Accrued consumption taxes	115	111
Advances from customers	6	5
Withholdings	205	222
Allowance for bonuses	802	764
Allowance for points	1,319	1,326
Others	20	18
Total current liabilities	9,398	8,703
Long-term liabilities:		
Lease obligations	62	71
Allowance for retirement bonuses	1,280	1,180
Others	88	106
Total long-term liabilities	1,431	1,358
Total liabilities	**10,829**	**10,062**
NET ASSETS		
Shareholders' equity		
Capital	10,795	10,795
Capital surplus		
Capital reserve	11,706	11,706
Total capital surplus	11,706	11,706
Retained earnings		
Revenue reserve	267	267
Other retained earnings		
Special reserve	34,250	34,693
Surplus brought forward	4,582	3,006
Total retained earnings	39,101	37,967
Treasury stock	(336)	(4,960)
Shareholders' equity total	61,266	55,508
Valuation, translation adjustments, etc.		
Unrealized holding gain on securities	10	0
Total valuation, translation adjustments	10	0
Share warrants:	342	310
Total net assets total	61,619	55,818
Total liabilities and net assets	72,449	65,880

Non-consolidated Statements of Income

Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Net sales	73,372	73,783
Cost of goods sold		
Inventory at start of period	2,031	2,465
Purchases during the year	25,521	25,140
Total sales	27,553	27,605
Other transfers	621	860
Inventory at end of period	2,120	2,184
Total cost of goods sold	24,810	24,561
Gross profit	48,561	49,222
Selling, general and administrative expenses		
Sales promotion expenses	8,015	8,508
Packing and transport expenses	2,871	2,891
Advertising expenses	5,193	5,178
Sales commission fee	4,952	4,736
Outsourcing expenses	2,796	2,849
Communication expenses	1,107	1,172
Directors' remuneration	328	371
Salaries and bonuses	7,263	7,886
Employee bonuses	743	752
Provision for accrued bonuses	710	713
Retirement benefit expense	535	458
Welfare expenses	294	260
Compulsory welfare expenses	826	939
Stock compensation expenses	--	19
Depreciation	1,787	1,780
Research and development expenses	698	614
Rent expenses	1,254	1,201
Provision for allowance for bad debt	78	26
Other	2,929	3,870
Total of selling, general and administrative expenses	**42,388**	**44,230**
Operating income	**6,172**	**4,991**

Non-consolidated Statements of Income (continued)

Millions of yen

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Non operating income		
Interest income	127	146
Dividend income	71	72
Commissions from outsourced operations	221	306
Investment return from anonymous associations	21	21
Income from leases	4	7
Commissions from operations	384	360
Compensation payments received	14	18
Other non-operating income	47	167
Total of non operating income	893	1,099
Non operating expenses		
Interest paid	2	--
Transfer to allowance for bad debt	70	699
Other non-operating expenses	40	53
Total of non operating expenses	112	752
Ordinary income	6,954	5,338
Extraordinary income		
Gain from sale of fixed assets	0	16
Other	--	1
Total extraordinary income	0	18
Extraordinary expenses		
Impairment loss	14	182
Loss on sale of fixed assets	0	18
Loss on retirement of fixed assets	26	73
Appraisal loss on investment securities	29	95
Loss on store closures	58	325
Provision for allowance for bad debt	25	202
Loss on revaluation of shares in subsidiaries	287	--
Other extraordinary expenses	3	45
Total extraordinary income	445	943
Income before income taxes	6,508	4,412
Income taxes	2,928	2,299
Adjustment for income taxes	(82)	87
Total income tax	2,845	2,386
Net income	**3,662**	**2,025**

Changes in shareholders' equity during the period

Millions of yen, rounded down

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Shareholders' equity		
Capital		
Balance at end of previous term	10,795	10,795
Changes during the period		
Total change during the period		--
Balance at end of term	10,795	10,795
Capital surplus		
Capital reserve		
Balance at end of previous term	11,706	11,706
Changes during the period		
Total change during the period		--
Balance at end of term	11,706	11,706
Other capital surplus		
Balance at end of previous term	--	155
Changes during the period		
Sale of treasury stock	--	3
Cancellation of treasury stock	--	(159)
Total change during the period	--	(155)
Balance at end of term	--	--
Total capital surplus		
Balance at end of previous term	11,706	11,861
Changes during the period		
Disposal of treasury stock	--	3
Cancellation of treasury stock	--	(159)
Total change during the period	--	(155)
Balance at end of term	11,706	11,706
Retained earnings		
Earned reserve		
Balance at end of previous term	267	267
Changes during the period		
Total change during the period	--	--
Balance at end of term	267	267
Special reserve		
Balance at end of previous term	34,693	40,900
Changes during the period		
Disposal of treasury stock	(442)	--
Cancellation of treasury stock	--	(6,206)
Total change during the period	(442)	(6,206)
Balance at end of term	34,250	34,693
Retained profit carried forward		
Balance at end of previous term	3,006	2,757
Changes during the period		
Surplus dividend	(2,084)	(1,776)
Net income	3,662	2,025
Disposal of treasury stock	(2)	(0)
Total change during the period	1,576	249
Balance at end of term	4,582	3,006
Retained profit		
Balance at end of previous term	37,976	43,924
Changes during the period		
Surplus dividend	(2,084)	(1,776)
Net income	3,662	2,025
Sale of treasury stock	(445)	(0)
Cancellation of treasury stock	--	(6,206)
Total change during the period	(1,133)	(5,957)
Balance at end of term	39,101	37,967

Changes in shareholders' equity during the period

Millions of yen, rounded down

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Treasury stock		
Balance at end of previous term	(4,960)	(11,387)
Changes during the period		
Acquisition of treasury stock	(2)	(2)
Disposal of treasury stock	4,627	63
Cancellation of treasury stock	--	6,365
Total change during the period	4,624	6,426
Balance at end of previous term	(336)	(4,960)
Total shareholders' equity		
Balance at end of previous term	55,508	55,193
Changes during the period		
Surplus dividend	(2,084)	(1,776)
Net income	3,662	2,025
Acquisition of treasury stock	(2)	(2)
Disposal of treasury stock	4,182	67
Cancellation of treasury stock	--	--
Total change during the period	5,758	314
Balance at end of previous term	61,266	55,508
Valuation differences due to foreign exchange		
Valuation differences on other marketable securities		
Balance at end of previous term	0	27
Changes during the period		
Changes to items other than shareholders' equity during the period (net)	10	(27)
Total change during the period	10	(27)
Balance at end of previous term	10	0
Total valuation differences due to foreign exchange		
Balance at end of previous term	0	27
Changes during the period		
Changes to items other than shareholders' equity during the period (net)	10	(27)
Total change during the period	10	(27)
Balance at end of previous term	10	0
Warrants		
Balance at end of previous term	310	275
Changes during the period		
Changes to items other than shareholders' equity during the period (net)	31	35
Total change during the period	31	35
Balance at end of previous term	342	310
Net assets		
Balance at end of previous term	55,818	55,496
Changes during the period		
Surplus dividend	(2,048)	(1,776)
Net income	3,662	2,025
Acquisition of treasury stock	(2)	(2)
Disposal of treasury stock	4,182	67
Cancellation of treasury stock	--	--
Changes to items other than shareholders' equity during the period (net)	42	8
Total change during the period	5,800	322
Balance at end of term	61,619	55,818

(4) Items related to the business as a going concern
No applicable items

6. Other items

(1) Changes to directors
Relevant information will be disclosed in a timely manner

(2) Other
No applicable items