FANCL Corporation

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2011

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, 2011

FANCL CORPORATION **May 9, 2011**

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

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C.E.O. and Representative Director: Yoshifumi Narimatsu,
Scheduled date for regular shareholders' meeting: June 18, 2011
Scheduled date for submission of the financial report: June 20, 2011
Scheduled date for distribution of dividends: June 20, 2011
Appendix materials prepared to accompany this report: Yes
Investor conference call: Yes (For investors and analysts)

1. Consolidated results for the fiscal year April 1, 2010 to March 31, 2011

(1) Sales and Income

Millions of yen, rounded down

	FY ended March 31, 2011		FY ended March 31, 2010	
		Change (%)		Change (%)
Net sales	93,789	(5.8)	99,536	1.6
Operating income	7,117	(22.3)	9,158	37.4
Ordinary income	6,668	(27.4)	9,181	32.3
Net income	2,849	(33.8)	4,306	61.7
Net income per share (¥)	¥43.89		¥68.26	
Fully diluted earnings per share (¥)	¥43.77		¥68.11	
Return on equity	3.7%		5.8%	
Ratio of ordinary income to total capital	7.1%		10.3%	
Ratio of operating income to net sales	7.6%		9.2%	

Note: Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year.
Comprehensive income: FY to March 31, 2011: ¥2,947 million (38.3%) FY to March 31, 2010: ¥4,772 million (-%)
Gain from investments in subsidiaries and affiliates accounted for by the equity method:
FY to March 31, 2011: (¥188) million FY to March 31, 2010: (¥66) million

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of March 31, 2011	As of March 31, 2010
Total assets	94,030	92,983
Shareholders' equity	78,647	77,596
Equity ratio (%)	83.2	83.0
Shareholders' equity per share (¥)	¥1,205.34	¥1,188.32

Shareholders' equity: FY to March 31, 2011: ¥78,269 million FY ended March 2010: ¥77,137 million

(3) Cash Flows

Millions of yen, rounded down

	As of March 31, 2011	As of March 31, 2010
Net cash provided by operating activities	6,311	10,531
Net cash used in investing activities	(922)	(3,555)
Net cash used in financing activities	(2,277)	431
Cash and cash equivalents at end of year	28,070	25,010

2. Dividends

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ending March 31, 2012 (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)*	2,145	2,207	
Consolidated dividend payout ratio (%)	49.8%	77.5%	73.6%
Dividend to net assets ratio (%)	2.9%	2.8%	

3. Consolidated forecasts for the fiscal year ending March 31, 2011 (April 1, 2011 to March 31, 2012)

Millions of yen

	Interim period ending September 30, 2011		FY Ending March 31, 2012	
		Change %		Change %
Net sales	44,700	(2.4)	94,000	0.2
Operating income	1,630	(37.0)	6,000	(15.7)
Ordinary income	1,630	(33.7)	6,000	(10.0)
Net income	815	(16.5)	3,000	5.3
Net income per share (¥)	¥12.56		¥46.22	

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): None

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: Yes

Note: See Significant Items for the Preparation of Consolidated Financial Statements on page 18 for more detail.

3) Number of shares outstanding (ordinary shares)

1. Number of shares outstanding (including treasury shares):
   As of March 31, 2011: 65,176,600
   As of March 31, 2010: 65,176,600
2. Number of treasury shares:
   As of March 31, 2011: 240,901
   As of March 31, 2010: 263,985
3. Average number of shares during the period:
   FY to March 31, 2011: 64,931,336
   FY to March 31, 2010: 63,098,753

Disclosure of status of quarterly report review procedures

At time of disclosure of this quarterly financial report the review procedures for quarterly securities reports as stipulated under the Financial Instruments and Exchange Law had been completed.

Appropriate use of financial forecasts

Forecasts, etc., recorded in this document include forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For further detail, please see Page 7: Commentary on Results, Section 3, Forecasts for the consolidated fiscal year ending March 31, 2011.

Contents

1. Consolidated operating results and financial position

1) Summary of business performance (consolidated)

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

As of the fourth quarter of the fiscal year ended March 31, 2010, two sales agency offices in Hong Kong and China were made equity method affiliate companies. However, as of the period under review, these same two companies have been removed from the scope of the application of the equity method.

In order to provide an accurate analysis of operating results, comparisons to operating results of the previous consolidated fiscal year, which include the operating results of the above two companies and their three consolidated subsidiaries, are referred to on a "non-consolidated basis" and have had the operating results of the above two companies and their three consolidated subsidiaries removed.

During the period under review, against a backdrop of improvements in overseas economies, primarily in Asia, we saw signs of recovery as exports, investment in facilities and others continued to rise in the first half of the fiscal year. However, in the second half, improvements were at a standstill due to the effects of the rapid appreciation of the yen and monetary policy. The sense of economic uncertainty was further heightened as the fiscal year drew to a close by the Great East Japan Earthquake that struck on March 11.

During the period under review, consolidated net sales decreased 2.9% to ¥93,789 million despite the first increase in revenues from the Nutritional Supplements Business since fiscal 2006 as well as lower sales in the Cosmetics Business and Other businesses compared to the previous fiscal year. Operating income decreased 17.2% to ¥7,117 million due to decreased revenues and marketing initiatives aimed at ensuring long-term growth. Operating income decreased 22.8% to ¥6,668 million and net income decreased 38.3% to ¥2,849 million as a result of recording a loss on revaluation of shares of affiliates recorded as an extraordinary expense.

Segment results are as follows:
Note: As of the current fiscal year, FANCL has adopted *Accounting Standard for Disclosures about Segments of an Enterprise and Related information*, and *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information*. It should be noted that methods used to measure and present segmentation, segment sales and operating profit and loss are the same as those used in the previous method.

2) Status of operations

(1) Cosmetics Business

Sales

Cosmetics sales increased 4.3% compared to the previous year, reaching ¥47,678 million.

(Millions of yen)

	FY ended March 31, 2011		FY ended March 31, 2010		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	37,453	78.6	38,699	77.7	(3.2)
ATTENIR Cosmetics	8,789	18.4	9,468	19.0	(7.2)
Others	1,435	3.0	1,653	3.3	(13.2)
Totals	47,678	100.0	49,821	100.0	(4.3)

	FY ended March 31, 2011		FY ended March 31, 2010		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	24,374	51.1	25,754	51.7	(5.4)
Retail store sales	15,361	32.2	16,431	33.0	(6.5)
Wholesales and others	2,398	5.0	2,715	5.4	(11.7)
Overseas sales	5,543	11.6	4,919	9.9	12.7
Totals	47,678	100.0	49,821	100.0	(4.3)

Sales of **FANCL cosmetics** decreased 3.2% to ¥37,453 million, despite strong sales of *Additive Free Acne Care* series and due to sluggish sales of other product groups.
Sales of **ATTENIR cosmetics** decreased 7.2% to ¥8,789 million, due to a decease in sales in the second half of the year and despite strong sales of *Meditune*, a skin care product, and *Inner Effector Basic Skincare* launched in September and October 2010.

Results by sales channels were: mail order sales decreased 5.4% year on year to ¥24,374 million, retail store sales decreased 6.5% to ¥15,361 million while wholesale sales decreased 11.7% to ¥2,398 million and overseas sales increased 12.7% to ¥5,543 million.

Operating income

Operating income decreased 5.6% to ¥7,097 million due to a decrease in revenues and an increase in marketing expenses following the launch of a new skincare line of ATTENIR cosmetics.

(2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 2.4% year on year to ¥28,247 million.

(Millions of yen)

	FY ended March 31, 2011		FY ended March 31, 2010		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	11,975	42.4	12,223	44.3	(2.0)
Retail store sales	7,263	25.7	7,400	26.8	(1.9)
Wholesales and others	6,342	22.5	5,609	20.3	13.1
Overseas sales	2,666	9.4	2,355	8.6	13.2
Totals	28,247	100.0	27,589	100.0	2.4

Revenues from product sales increased 2.4% to ¥28,247 million due to strong growth in sales of *Calorie Limit,* a dietary supplement supported by a promotion campaign which included TV commercials, as well as robust sales of supplements targeting middle-aged and elderly customers.

Results by sales channels were: mail order sales decreased 2.0% year on year to ¥11,975 million, retail store sales decreased 1.9% to ¥7,263 million while wholesale sales increased 13.1% to ¥6,342 million and overseas sales increased 13.2% to ¥2,666 million.

Operating income

Operating income decreased 31.9% to ¥2,125 million due to proactive marketing activities and despite an increase in gross sales that benefited from an increase in revenues of *Calorie Limit,* a dietary supplement.

(3) Other Businesses

Sales in Other businesses decreased 6.7% year on year to ¥17,863 million

(Millions of yen)

	FY ended March 31, 2011	FY ended March 31, 2010	Change (%)
Hatsuga Genmai Business	2,988	3,103	(3.7)
Kale juice business	3,682	3,780	(2.6)
IIMONO OHKOKU mail order business	7,418	8,016	(7.5)
Other	3,775	4,236	(10.9)
Totals	17,863	19,137	(6.7)

In the **Hatsuga Genmai business,** mail-order sales decreased 3.7% to ¥2,988 million.

In the **Kale Juice business**, sales decreased 2.6% to ¥3,682 million in comparison to the previous fiscal year which benefited from strong sales of newly launched *Beauty Green*. Sales of core product *Kale Marugoto Shibori* were also strong.

Sales through the **IIMONO OHKOKU mail order business** decreased 7.5% year on year to ¥7,418 million due to sluggish sales of seasonal goods.

Sales **at other businesses** decreased 10.9% to ¥3,775 million in comparison to the previous fiscal year which benefited from a special sale of undergarments.

Operating income

Operating loss increased ¥16 million over the previous fiscal year to ¥505 million due to poor sales at beauty clinics, the Hatsuga Genmai business however, returned to profitability.

3. Forecasts for the fiscal year ending March 31, 2012

In the year ahead, we expect the challenging economic environment to continue due to factors including sluggish consumer spending due to worsened consumer sentiment following the Great East Japan Earthquake.

In the Cosmetics business, revenues are expected to increase due to growth in overseas wholesale sales of FANCL cosmetics and contributions from a new skincare line of ATTENIR cosmetics.

In the Nutritional Supplements business, revenues are expected to increase due to increased sales in supplements targeting middle-aged and elderly customers and dietary supplement, *Calorie Limit.*

In other businesses, revenues are expected to decrease as we forecast sluggish sales in the IIMONO OHKOKU mail order business and despite anticipating continued strong sales of powder-type kale juice, *Marugoto Shibori*.

As a result, consolidated net sales for the fiscal year ending March 31, 2011 are forecast to increase 0.2% year on year to ¥94,000 million. Operating income is forecast to decrease 15.7% to ¥6,000 million due to preparatory expenses in relation to re-branding in the spring of 2012, ordinary income is forecast to decrease 10.0% to ¥6,000 million, and consolidated net income is forecast to increase 5.3% to ¥3,000 million.

(2) Financial situation

Assets increased ¥1,046 million to ¥94,030 million, primarily the result of a ¥268 million increase in current assets and a ¥778 million increase in fixed assets. The increase in current assets was largely the result of a ¥108 million increase in inventories and a ¥274 million increase in "others" due to an increase in pre-paid expenses and others. The increase in fixed assets was largely the result of a ¥653 million increase in intangible fixed assets from the acquisition of software, a ¥379 million increase in deferred income tax assets and a ¥579 million increase in "others" from investments in assets for the establishment of a non-consolidated subsidiary. Factors decreasing assets included a ¥227 million decrease in deposits and guarantees and ¥367 million increase following elimination of items under allowance for doubtful accounts.

Liabilities decreased ¥4 million to ¥15,382 million as a result of a ¥622 million decrease in current liabilities and a ¥618 million increase in long-term liabilities. The main factors contributing to the decrease in current liabilities were a ¥508 million increase in accounts payable, ¥660 million decrease in unpaid corporate taxes following a decrease in taxable income and a ¥352 million decrease in "other" current assets due to a decrease in unpaid taxes. The main contributing factor to the increase in long-term liabilities was a ¥208 million increase in allowance for retirement bonuses and a ¥485 million increase in asset retirement obligations.

Net assets increased ¥1,051 million to ¥78,647 million. The primary contributing factors were a ¥2,849 million increase in net income and a decrease of ¥2,207 million in dividend payments.

As a result, the shareholders' equity ratio increased 0.2 percentage points from the end of the previous consolidated fiscal year to 83.2%.

Cash flow

Cash and cash equivalents as of March 31, 2011 were ¥28,070 million, ¥3,059 million higher 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 ¥6,311 million, an increase of ¥10,531 million over the previous fiscal year. The primary factors that increased operating cash flow included income before income taxes of ¥5,427 million and depreciation expenses of ¥2,970 million. Factors reducing operating cash flow included tax and other payments of ¥3,545 million.

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

Cash flow used in investing activities during the period under review was ¥922 million, compared to an outflow of ¥3,555 million in the previous fiscal year. This was largely the result of increases such as ¥8,498 million for the sale and redemption of marketing securities and decreases such as ¥6,499 million for the acquisition of marketable securities, ¥1,712 million for the acquisition of tangible fixed assets and ¥1,593 million for the acquisition of intangible fixed assets.

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

Cash flow used in financing activities during the period under review was ¥2,277 million, compared to an outflow of ¥431 million in the previous fiscal year. This was primarily the result of ¥2,202 million in dividend payments.

Trends in Cash Flow-related Indices

	FY ended March 31, 2007	FY ended March 31, 2008	FY ended March 31, 2009	FY ended March 31, 2010	FY ended March 31, 2011
Equity ratio (%)	82.2	81.6	83.0	83.0	83.2
Equity ratio based on market price (%)	120.3	98.2	80.2	123.7	80.5
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, 2011 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, 2012, 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.

Following the final day of the period under review, which is the last day of business of the fiscal year, the company will conform to consolidated dividend regulations.

2. Organizational structure

Because there have been no material changed since Quarterly Report issued February 14, 2011 or the Organizational Chart (Company Breakdown) and Status of Affiliate Companies, Breakdown of organizational structure has been omitted.

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

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. However, in light of unforeseen events such as the financial crisis, sales and profits have ended lower than initially planned. Fiscal year ending March 31, 2012, will aim to establish concrete marketing and communication plans aimed at rebranding and is positioned as the "Year of Preparations for Spring 2012 Rebranding".

In light of the impact from the Great East Japan Earthquake, we have no choice but to revise the strategy in our medium-term business plan. As a result, we will revamp our strategy during fiscal 2012 and prepare a plan ready to start with an initial year of fiscal 2013.

Strategy for each business

In the cosmetic businesses, in Japan, "good for the skin" and "safety and worry-free" are highly valued concepts, however the value of our superior "additive free" quality, from research to manufacturing, has not reached the customer. In response to diverse expectations domestically and overseas, we must redefine the value of "additive free", and accurately communicating its value, not just in Japan, but globally is essential and therefore in fiscal 2012 we will rebuild our brand. In fiscal 2012, we will also carry out the preparations to heighten the value of the "additive free" concept as the most important benefit for the skin and broaden this sense of value globally, as we aim to become a global premium brand.

In the nutritional supplements business, we aim to differentiate ourselves by leveraging our R&D facilities and health-related expertise and know-how and build the framework to provide every individual customer with the "supplements they truly need" while concentrating on our ability to recruit middle-aged customers, our core supplement user. Meanwhile, we will continue to cultivate star products for our beauty and dietary supplements, an area where we are traditionally strong.

In the hatsuga genmai business we achieved significant improvements to profitability through planned efficiencies gained from consolidating the hatsuga genmai facilities. Looking ahead we aim to further improve profitability by focusing on development of readily consumable processed products while reviewing of our manufacturing processes.

In the kale juice business, we will focus on the developing readily consumable processed goods while continuing our focus on highly profitable powder-type products.

In the IIMONO OHKOKU mail-order business, we are thoroughly reforming our business structure including a shift from single item sales to sales of products with longer product cycles. Looking ahead, we aim to quickly achieve profitability by implementing a strategy that further prioritizes profitability.

Sales channel strategies

Fancl has deepened its knowledge and further centralized its qualitative information on customers through the introduction of a new customer management system for our numerous direct sales channels, including catalogue mail-order sales, internet mail-order sales and in-store sales. As a result we have devised an environment where we can provide channel-specific, detailed and specialized services based on the counseling record of each individual customer.

Looking forward, we aim to further improve customer communications and enhance the seamlessness of our sales channels and thereby enable us to properly convey the Fancl value through all sales channel.

(3) Other important items

Not applicable.

4. Consolidated Financial Statements

1) Consolidated Balance Sheet

Millions of yen, rounded down

	As of March 31, 2011	%	As of March 31, 2010	%
ASSETS		%		%
I. Current assets:				
Cash and cash equivalents	18,661		19,505	
Notes and accounts receivable	10,187		10,240	
Marketable securities	10,911		10,005	
Merchandise and products	3,090		3,048	
Work in progress	33		40	
Raw materials and supplies	3,178		3,103	
Deferred tax assets	1,021		1,189	
Others	1,400		1,126	
Allowance for doubtful accounts	(189)		(233)	
Total current assets	48,295		48,027	
II. Fixed assets:				
Tangible fixed assets				
Buildings and structures[3,4]	23,183		22,331	
Accumulated depreciation and accumulated impairment loss	(12,709)		(11,719)	
Buildings and structures (net)	10,474		10, 612	
Machinery and transport equipment	5,582		5,491	
Accumulated depreciation and accumulated impairment loss	(4,609)		(4,421)	
Machinery and transport equipment (net)	973		1,069	
Furniture, tools and fixtures	6,210		6,011	
Accumulated depreciation and accumulated impairment loss	(5,182)		(5,099)	
Furniture, tools and fixtures (net)	1,028		911	
Land	10,885		10,971	
Lease assets	286		263	
Accumulated depreciation and accumulated impairment loss	(180)		(115)	
Lease assets (net)	105		148	
Construction in progress	85		83	
Total tangible fixed assets	23,552		23,797	
Intangible fixed assets				
Goodwill	397		511	
Other intangible fixed assets	3,370		2,602	
Total intangible fixed assets	3,768		3,114	
Investments and other assets				
Investments securities	11,906		11,928	
Long-term loans receivable	965		899	
Deposits and guarantee money	2,328		2,556	
Long-term prepaid expense	109		148	
Deferred tax assets	919		540	
Others	2,910		2,331	
Allowance for doubtful accounts	(727)		(360)	
Total investments and other assets	18,413		18,044	
Total fixed assets	45,734		44,956	
Total assets	**94,030**		**92,983**	

Consolidated Balance Sheet

Millions of yen, rounded down

	As of March 31, 2011	As of March 31, 2010
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	3,367	3,357
Lease obligations	57	66
Accrued liabilities	3,505	2,996
Accrued expenses	629	707
Accrued income taxes	1,654	2,314
Allowance for bonuses	966	1,050
Allowance for points	1,391	1,352
Asset retirement obligations	3	--
Others	567	920
Total current liabilities	12,142	12,765
II. Long-term liabilities:		
Lease obligations	75	116
Deferred tax liabilities	258	--
Allowance for retirement bonuses	2,155	1,946
Allowance for directors' retirement bonuses	99	80
Asset retirement obligations	485	--
Others	166	478
Total long-term liabilities	3,240	2,622
Total liabilities	15,382	15,387
NET ASSETS		
Shareholders' equity:		
Common stock	10,795	10,795
Capital reserve	11,706	11,706
Retained earnings	56,069	55,065
Treasury stock	(306)	(336)
Total shareholders' equity	78,264	77,230
Valuation and translation gain		
Net unrealized holding gain on other securities	5	10
Foreign currency translation adjustment	--	(103)
Total valuation and translation gain	5	(93)
Share warrants	377	342
Minority interests	--	116
Total net assets	78,674	77,596
Total Liabilities and Net Assets	94,030	92,983

2) Consolidated Statement of Income

Millions of yen, rounded down

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Net sales	93,789	99,536
Cost of sales	31,947	33,083
Gross profit	61,842	66,452
Selling, general and administrative expenses		
Sales promotion expenses	11,240	11,460
Packing and transport expenses	3,630	3,858
Advertising expenses	8,230	7,971
Sales commission fee	5,240	6,193
Communications expenses	2,019	2,062
Directors remuneration	482	502
Salaries and bonuses	9,611	10,058
Provision for accrued bonuses	776	825
Retirement benefit expenses	617	595
Provision for retirement benefits for directors and corporate auditors	19	20
Compulsory welfare expenses	1,054	1,026
Welfare expenses	335	364
Depreciation	2,030	2,107
Research and development expenses	727	728
Rent expenses	1,684	2,064
Provisions for allowance for bad debt	70	182
Other	6,952	7,269
Total selling, general and administrative expenses[1]	54,724	57,294
Operating income	7,117	9,158
Non-operating income		
Interest income	78	97
Dividend income	8	3
Compensation payments received	15	17
Investment income from anonymous associations	21	21
Other non-operating income	100	187
Total net operating income	225	327
Non-operating expenses		
Interest expense	--	8
Loss on equity-method investments	188	66
Loss on foreign exchange	58	77
Allowance for bad debts	378	77
Miscellaneous	48	74
Total net operating expenses	674	304
Ordinary income	6,668	9,181

2 Consolidated Statement of Income (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Extraordinary income		
Gain from sale of fixed assets	4	0
Reversal of allowance for doubtful accounts	2	1
Subsidy income	66	--
Gain on negative goodwill	51	--
Others	13	0
Total extraordinary income	139	3
Extraordinary expenses		
Loss on sale of fixed assets	34	2
Loss on retirement of fixed assets	50	38
Loss on revaluation of marketable securities	5	29
Loss on revaluation of shares in affiliates	598	--
Impairment loss	174	225
Loss on store closures	114	76
Effect from adoption of accounting standard for asset retirement obligations	309	--
Disaster loss	81	--
Other extraordinary expenses	11	37
Total extraordinary expenses	1,379	408
Income before income taxes	5,427	8,775
Income taxes	2,776	4,032
Adjustment for income taxes	(196)	(276)
Total income before income taxes	2,579	3,755
Income before minority interests	2,848	--
Minority shareholder income	(1)	713
Net income	**2,849**	**4,306**

Consolidated statement of comprehensive income

Millions of yen, rounded down

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Income before minority interests	2,848	--
Other comprehensive income		
Net unrealized holding gain on other securities	(4)	--
Foreign currency translation adjustment	4	--
Investments in affiliated companies using the equity method	98	--
Total other comprehensive income	98	--
Comprehensive income	2,947	--
(Breakdown)		
Comprehensive income attributable to owners of the parent company	2,948	--
Comprehensive income attributable to minor interests	(1)	--

Changes in shareholders' equity during the period

Millions of yen, rounded down

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
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	11,706
Changes during the period		
Sale of treasury stock	--	--
Total change during the period	--	--
Balance at end of term	11,706	11,706
Retained earnings		
Balance at end of previous term	55,065	53,228
Changes during the period		
Surplus dividend	(2,207)	(2,084)
Net income	2,849	4,306
Change of scope of equity method	362	--
Sale of treasury stock	(0)	(445)
Total change during the period	1,004	1,777
Balance at end of term	56,069	55,065
Treasury stock		
Balance at end of previous term	(336)	(4,960)
Changes during the period		
Acquisition of treasury stock	(1)	(2)
Sale of treasury stock	30	4,627
Total change during the period	29	4,624
Balance at end of previous term	(306)	(336)
Total shareholders' equity		
Balance at end of previous term	77,230	70,828
Changes during the period		
Surplus dividend	(2,207)	(2,084)
Net income	2,849	4,306
Change in scope of equity method	362	--
Acquisition of treasury stock	(1)	(2)
Sale of treasury stock	30	4,182
Total change during the period	1,033	6,402
Balance at end of previous term	78,264	77,230
Valuation differences due to foreign exchange		
Valuation differences on other marketable securities		
Balance at end of previous term	10	(0)
Changes during the period		
Changes to items other than shareholders' equity during the period	(4)	10
Total change during the period	(4)	10
Balance at end of term	5	10

Changes in shareholders’ equity during the period (continued)

Millions of yen, rounded down

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Translation adjustment account		
Balance at end of previous term	(103)	(4)
Changes during the period		
Changes to items other than shareholders’ equity during the period	103	(98)
Total change during the period	103	(98)
Balance at end of term	--	(103)
Total valuation and translation differences		
Balance at end of previous term	(93)	(5)
Changes during the period		
Changes to items other than shareholders’ equity during the period	98	(88)
Total change during the period	98	(88)
Balance at end of term	5	(93)
Warrants		
Balance at end of previous term	342	310
Changes during the period		
Changes to items other than shareholders’ equity during the period	35	31
Total change during the period	35	31
Balance at end of term	377	342
Minority interests		
Balance at end of previous term	116	109
Changes during the period		
Changes to items other than shareholders’ equity during the period	(116)	7
Total change during the period	(116)	7
Balance at end of term	--	116
Net assets		
Balance at end of previous term	77,596	71,242
Changes during the period		
Surplus dividend	(2,207)	(2084)
Net income	2,849	4,306
Change in scope of equity method	362	--
Acquisition of treasury stock	(1)	(2)
Sale of treasury stock	30	4,182
Changes to items other than shareholders’ equity during the period	17	(48)
Total change during the period	1,051	6,353
Balance at end of term	78,647	77,596

Consolidated Statements of Cash Flows

Millions of yen

	FY ended March 31, 2011	FY ended March 31, 2010
Cash flows from operating activities		
Income before income taxes	5,427	8,775
Depreciation	2,970	3,157
Impairment loss	174	225
Stock compensation expense	65	96
Amortization of goodwill	113	577
Increase (decrease) in allowance for doubtful accounts	325	164
Increase (decrease) in allowance for bonuses	(83)	(31)
Increase (decrease) in allowance for points	39	(2)
Increase (decrease) in allowance for retirement benefits	208	128
Increase (decrease) in allowance for directors retirement bonuses	19	20
Interest and dividend income	(87)	(100)
Interest paid	--	8
Loss (gain) from foreign exchange	53	(129)
Loss (gain) on investments in anonymous association	(21)	(21)
Loss (gain) on equity-method	188	66
Loss (gain) on revaluation of investments securities	5	29
Loss (gain) on sale of investment securities	0	--
Loss on revaluation of investments in affiliates	598	--
Loss (gain) from sale of fixed assets	29	1
Loss on disposal of fixed assets	50	38
Effect from adoption of accounting standard for asset retirement obligations	309	--
Loss on store closures	114	76
Decrease (increase) in trade receivables	52	(100)
Decrease (increase) in inventories	(108)	(234)
Decrease (increase) in other current assets	(195)	121
Decrease (increase) in other fixed assets	(198)	220
Decrease (increase) in accounts payable	9	564
Increase (decrease) in other current liabilities	(171)	3
Increase (decrease) in other fixed liabilities	(64)	(125)
Others	(83)	(18)
Sub-total	9,743	13,513
Interest and dividends received	91	92
Interest paid	--	(8)
Dividends received from anonymous associations	21	21
Income taxes paid	(3,545)	(3,087)
Net cash provided by (used in) operating activities	**6,311**	**10,531**

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

	FY ended March 31, 2011	FY ended March 31, 2010
II. Cash flows from investing activities		
Proceeds from refund of fixed-term deposits	1,000	1,500
Payment for acquisition of marketable securities	(6,499)	(5,496)
Proceeds from redemption and sale of marketable securities	8,498	4,997
Payment for purchase of tangible fixed assets	(1,712)	(1,227)
Proceeds from sales of tangible fixed assets	67	28
Payment for acquisition of intangible fixed assets	(1,593)	(670)
Payment for acquisition of investment securities	--	(1,014)
Proceeds from sale and redemption of investment securities	0	506
Payments for acquisition of shares in affiliates	(600)	(529)
Payments for acquisition of shares in subsidiaries following changes to the scope of consolidation	(172)	(1,210)
Proceeds from sale of shares in subsidiaries following changes to scope of consolidation	--	178
Payments for transfer of operations	--	--
Payments for loans	(96)	(661)
Proceeds from collection of loans	30	218
Other payments	(133)	(309)
Other proceeds	287	134
Net cash used in investing activities	(922)	(3,555)
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)
Payments for redemption of bonds	--	(180)
Proceeds from disposal of treasury stock	0	4,145
Payment for purchase of treasury stock	(1)	(2)
Cash dividends paid	(2,202)	(2,078)
Dividend payments to minority investors	--	(1,159)
Others	74	(71)
Net cash used in financing activities	**(2,277)**	**431**
IV. Effect of exchange rate changes on cash and cash equivalents	**(51)**	**261**
V. Net increase in cash and cash equivalents	**3,059**	**7,669**
VI. Cash and cash equivalents at the beginning of the period	**25,010**	**26,732**
VII. Decrease in cash and cash equivalents following changes to scope of consolidation	**--**	**(9,391)**
VIII. Cash and cash equivalents at end of period	**28,070**	**25,010**

(5) Items related to a going concern

None

6. Significant items for the Preparation of Consolidated Financial Statements

Item	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
1.Scope of Consolidation	1) Number of consolidated subsidiaries: 7 Name of consolidated subsidiaries: ATTENIR CORPORATION IIMONO OHKOKU Co., Ltd FANCL Hatsuga Genmai Co., Ltd. FANCL ASIA (PTE) LTD. FANCL B&H Co., Ltd. NICOSTAR BEAUTECH Co., Ltd. NEUES, K.K. During the current consolidated fiscal year, consolidated subsidiary CHALONE Inc. was removed from the scope of consolidation after it merged with Nicostar Beautech Co., Ltd. on March 1, 2011.	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 consolidated 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.
	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: Not applicable From the third quarter of the consolidated fiscal year, Fantastic Natural Cosmetics Limited and Fantastic Natural Cosmetics (China) Limited were removed from the scope of affiliate companies accounted for by the equity method, as it was determined that there was no material influence able to be exerted on the financial or management policies of the two companies.	1) Non-consolidated companies accounted for by the equity method: Not applicable 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 between FANCL and Mr. Ming had increased in importance, and consequently, FANCL was unable to

	3) Name of main Non-consolidated and affiliate companies accounted for by the equity method: Same as right 4) Significant items regarding the application of the equity method The fiscal year end of Fantastic Natural Cosmetics Limited, which was an affiliate company accounted for by the equity method until and including the second quarter of the	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: 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

	current consolidated fiscal year, was previously March 31. However, from the first quarter of the current fiscal year its fiscal year end was changed to December 31. Accordingly, in producing the consolidated financial statements for the first quarter of the year and the second quarter (first half) of the year, financial statements for the company were used as of March 31 and June 30 respectively, with adjustment s made for any material transactions that took place between the end of the respective periods used and the consolidated fiscal year end. As noted above in *2) Affiliate companies accounted for by the equity method*, from the third quarter of the consolidated fiscal year, Fantastic Natural Cosmetics Limited has been removed from the scope of affiliate companies accounted for by the equity method. <u>Change in accounting method</u> As of the current fiscal year, the Accounting Standard for Equity Method of Accounting for Investments (Accounting Standards Board of Japan (ASBJ) Statement No. 16 issued on March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (ASBJ Practical Issues Task Force (PITF) No. 24 issued on March 10, 2008) have been adopted. This change had no material effect on consolidated ordinary income and consolidated net income before taxes and other adjustments.	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 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 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.

Item	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
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 Same as right 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 Inventories held for regular sales: 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, 2011	Fiscal year ended March 31, 2010
(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) Goodwill amortization method and period	Goodwill is amortized using the average method over the estimated benefit period of the asset. However amounts deemed immaterial are amortized in full in the fiscal year in which they arise.	---------------
(6) Scope of cash and cash equivalents	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.	---------------
(7) 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	---------------	All assets and liabilities of consolidated subsidiaries are valued using the market price method.
6) Amortization of goodwill and negative goodwill	---------------	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	---------------	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.

7. Changes to important for the Preparation of Consolidated Financial Statements

Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
--------------------	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
<u>Accounting Standard for Business Combinations</u> Effective the fiscal year under review, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ statement. No.21; December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Revision of Accounting Standard for R&D Expenses" (ASBJ Statement No.23, December 26, 2008), "Accounting Standard for Business Separation" (ASBJ Statement No. 7, December 26, 2008), "Accounting Standard for Equity Method" (ASBJ Statement No.16, announced December 26, 2008), and "Accounting Standard for Business Separation and Application Guideline for Accounting Standard for Business Separation" (ASBJ Guideline No. 10, December 26, 2008).	--------------------
<u>Accounting Standard for Asset Retirement Obligations</u> Effective the fiscal year under review, the Company has adopted the "Accounting For Asset Retirement Obligations" (ASBJ Statement No. 18 of March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 of March 31, 2008). The effect of this change was to decrease operating income by ¥34 million, ordinary income by ¥34 million, and net income before taxes by ¥343 million.	--------------------

Change in the method of disclosure

Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Consolidated Balance Sheet Deferred tax liabilities, which in the previous consolidated fiscal year were included in Other in Fixed liabilities, have from the current consolidated fiscal year been recorded in a separate line item due to an increase in materiality. The amount of deferred tax liabilities included in Other in the previous year is ¥246 million.	----------------
Consolidated statement of income From the consolidated fiscal year under review, the Company has adopted the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5 of March 24, 2009), based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), and the account item “Net income before minority interests” is presented as a result.	----------------

Additional information

Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Effective the consolidated fiscal year under review, the Company has adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement. No. 25 of June 30, 2010). However, the amounts for “Valuation and translation adjustments and others” and “Total valuation, translation adjustments and others” are presented as the amounts of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the previous fiscal year.	----------------

8. Items related to the consolidated balance sheet

Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
*1 Non-consolidated subsidiaries and affiliates Investment securities (equities): ¥710 million Other investment assets: ¥625 million (investments)	*1 Non-consolidated subsidiaries and affiliates Investment securities (equities): ¥10,752 million Other investment assets: ¥25 million (investments)
*2 The company is a co-guarantor of ¥1,540 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 ¥1,698 million in borrowings by Nagareyama Industrial Park of Chiba Prefecture and SHOKOCHUKIN Bank along with the other 15 co-partners in the industrial park.
*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 ¥1,455 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 ¥1,499 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.
*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, 2010 to March 31, 2011	April 1, 2009 to March 31, 2010
*1 Research and development expenses of ¥2,428 million are included in SG&A expenses and production expenses for the period.	*1 Research and development expenses of ¥2,351 million are included in SG&A expenses and production expenses for the period.
2 Same as right	2 Income from the sale of fixed assets was primarily due to the sale of manufacturing facilities, etc.
3 Same as right	3 Losses from sale of fixed assets were primarily due to the sale of manufacturing facilities, etc.
4 Same as right	4 Losses from disposal of fixed assets were primarily due disposal of unnecessary store fixtures.
5. Reductions in book value from reduced profitability of inventory assets held for normal sales: Cost of sales: ¥9 million	5. Reductions in book value from reduced profitability of inventory assets held for normal sales: Cost of sales: ¥31 million

April 1, 2010 to March 31, 2011

6 Impairment losses *(Millions of yen)*

Facility	Type	Amount	Location
Cosmetics manufacturing facilities	Buildings and structures	36	Kagawa Pref. TakamatsuCity
	Machinery and transportation equipment	3	
	Equipment and fixtures	1	
	Land	18	
	Intangible fixed assets	1	
Retail facilities	Buildings &. Structures	63	Kanto area
	Equipment and fixtures	4	
	Long-term prepaid expenses	0	
	Buildings &. Structures	11	Kinki area
	Equipment and fixtures	1	
	Buildings &. Structures	15	Chugoku area
	Buildings &. Structures	15	Kyushu area
Total		174	

April 1, 2009 to March 31, 2010

6.

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	

<table>
<tr><th>April 1, 2010 to
March 31, 2011</th><th>April 1, 2009 to
March 31, 2010</th></tr>
<tr><td>Recognition of impairment losses:
1. In regards to the Cosmetics factory and facilities, following the absorption of consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd., by consolidated subsidiary CHALONE Inc., the company has accounted for ¥61 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 the retail facilities, the company has accounted for ¥112 million of impairment losses where the recoverable value of assets was less than the book value following the decision close or renovate stores. These have been recorded in extraordinary loss.</td><td>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.</td></tr>
<tr><td>Grouping method

Same as right

Method of calculating recoverable value:
1. The recoverable value of the Cosmetic factory and facilities are estimated using net sale values and calculated based on the estimated value of the real estate assets.
2. 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.

*7 Losses incurred from earthquake
Losses incurred from the Great East Japan Earthquake are as follows:

Loss on inventory assets abandoned: ¥ 2 million
Repair and other recovery expenses: ¥75 million
Other: ¥3 million
Total: ¥81 million</td><td>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 goodwill was calculated based on the business plan.
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.</td></tr>
</table>

Consolidated statement of comprehensive income

<table>
<tr><th>April 1, 2010 to
March 31, 2011</th><th>April 1, 2009 to
March 31, 2010</th></tr>
<tr><td>*1. Comprehensive income from the current fiscal year in the previous fiscal year
Comprehensive income from parent company shareholders ¥4,218 million

Comprehensive income from minority shareholders ¥554 million
Total ¥4,772 million

*2. Other comprehensive income from the current fiscal year in the previous fiscal year
Net unrealized holding gain on other securities ¥10 million
Foreign currency translation adjustment ¥(252)million
Investments in affiliated companies using the equity method ¥(6) million
Total ¥(247)million</td><td>--</td></tr>
</table>

Changes to shareholders' equity during the period April 1, 2010 to March 31, 2011

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

	Number of shares as of March 31, 2010	Increase of shares during fiscal year to March 31, 2011	Decrease of shares during fiscal year to March 31, 2011	Number of shares as of March 31, 2011
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)	263,985	756	23,840	240,901
Total	263,985	756	23,840	240,901

Note: 1. The increase of 756 in common shares was due to the purchase of odd lot shares.
2. The decrease of 23,840 in treasury stock was due to a reduction of 23,800 shares through the exercise of share warrants a decrease of 40 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, 2011 (¥ million)
			FY ending March 31, 2010	Increase of shares during fiscal year to March 31, 2011	Decrease of shares during fiscal year to March 31, 2010	Number of shares at end fiscal year March 31, 2011	
Parent company	Stock option share warrants	—	—	—	—	—	377
Total		—	—	—	—	—	377

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
May 14, 2010 Board of directors' meeting	Common shares	¥1,103 million	¥17.00	March 31, 2010	June 21, 2009
November 10, 2010 Board of directors' meeting	Common shares	¥1,103 million	¥17.00	September 30, 2010	December 6, 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 9, 2011 Board of directors' meeting	Common shares	¥1,103 million	Profit reserve	¥17.00	March 31, 2011	June 20, 2011

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, 2010 (¥ million)
			FY ending 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 at end fiscal year March 31, 2010	
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 15, 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

Notes to the Consolidated Statements of Cash Flows

(Millions of yen)

April 1, 2010 to March 31, 2011

1. Relationship of cash and cash equivalents at the period end to amounts recorded in the consolidated balance sheets

	As at March 31, 2011
Cash and deposits	18,661
Marketable securities	10,911
TOTAL	29,572
Fixed deposits with maturities exceeding 3 months	(1,502)
Cash and cash equivalents	28,070

April 1, 2009 to March 31, 2010

1. Relationship of cash and cash equivalents at the period end to amounts recorded in the consolidated balance sheets

	As at March 31, 2010
Cash and deposits	19,505
Marketable securities	10,005
TOTAL	29,510
Fixed deposits with maturities exceeding 3 Months	(1,000)
Marketable securities with maturities exceeding 3 months	(3,499)
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 amount as well as net revenues:

Fantastic Natural Cosmetics Limited and it's consolidated subsidiary and Fantastic Natural Cosmetics(China) Limited and it's consolidated subsidiary

	(Millions of yen)
Current assets	11,537
Fixed assets	712
Goodwill	9,861
Current liabilities	(11,815)
Minority interest	(260)
Share acquisition amount	10,034
Cash and cash equivalents of acquired companies	(8,824)
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)
Less 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 subsidiary

Current assets	11,809
Fixed assets	701
Total assets	12,511
Current liabilities	11,804
Total liabilities	11,804

3. SEGMENT INFORMATION

a. Business Segments

For the fiscal year April 1, 2010 to March 31, 2011 *(Millions of yen)*

	Cosmetics Business	Nutritional Supplements Business	Total	Other	Total	Adjustments	Consolidated
1. Sales and operating income:							
(1) Sales to external customers	47,678	28,247	75,925	17,863	93,789	--	93,789
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	47,678	28,247	75,925	17,863	93,789	--	93,789
Segment income (loss)	7,097	2,125	9,223	(505)	8,717	(1,599)	7,117
Segment Assets	33,345	14,885	48,230	12,460	60,690	33,339	94,030
Others							
Impairment losses	1,748	792	2,541	319	2,861	55	2,916
Amortization of goodwill	113	--	113	--	113	--	113
Increase in tangible and intangible fixed assets	2,253	1,065	3,318	333	3,651	--	3,561

Notes:

1. 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.
2. Adjustments are as follows
   (1) The adjustment amount on segment income(loss) of ¥1,599 million includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
   (2) The adjustment on segment assets of ¥33,339 million, include total company expenses not distributed to each reportable segment and consist primarily of cash and deposits, marketable securities, land, and investment securities of the General Affairs section of the parent company not included in the reportable segments.
3. Segment income/(loss) is reconciled with the operating income/(loss) in the financial report for the nine months ended December 31, 2010.

Related information

For the fiscal year April 1, 2010 to March 31, 2011

1. Information for each product and service

The same information is provided in the Segment Information and therefore was omitted.

2. Segment Information by Location

(1) Sales

Japan accounted for over 90% total net sales and therefore segment information by location was omitted.

(2) Tangible Fixed Assets

Tangible fixed assets held in Japan accounted for over 90% of total consolidated balance sheet, and therefore tangible fixed assets by location was omitted.

3. Segment Information by customer

Of total sales to external customers, no customer accounts for more than 10% of sales in the consolidated financial statements, and therefore this section has been omitted.

Impairment losses on tangible fixed assets by segment

For the fiscal year April 1, 2010 to March 31, 2011 *(Millions of yen)*

	Segments			Other Businesses	Eliminations or Corporate	Consolidated
	Cosmetics Business	Nutritional Supplements Business	Total			
Impairment loss	106	16	122	51	--	174

Note: Amounts for Other businesses include the hatsuga genmai, kale juice, beauty clinic and other businesses

Amortization of goodwill and balance of unamortized goodwill **by segment**

For the fiscal year April 1, 2010 to March 31, 2011 *(Millions of yen)*

	Segments			Other Businesses	Eliminations or Corporate	Consolidated
	Cosmetics Business	Nutritional Supplements Business	Total			
Amortization amount	113	--	113	--	--	113
Balance at end of term	397	--	397	--	--	397

Occurrence of negative goodwill by segment

For the fiscal year April 1, 2010 to March 31, 2011 *(Millions of yen)*

	Cosmetics Business	Nutritional Supplements Business	Other	Eliminations or Corporate	Total
Gain on negative goodwill	51	--	--	--	51

In the Cosmetics business, consolidated subsidiary Chalone Inc. became a wholly owned subsidiary following the acquisition of all shares effective October 1, 2010. As a result, negative goodwill of ¥51 million occurred and has been recorded.

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.

(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 made affiliate companies accounted for by the equity method and as a result sales in the Asia segment derived from the two companies were recorded for the third quarter period only.

3 Overseas sales

April 1, 2009– March 31, 2010

	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 made affiliate companies accounted for by the equity method and as a result sales in the Asia segment derived from the two companies were recorded for the third quarter period only.

Segment information

Additional information

As of the first quarter of the fiscal year under review, the Company adopted the revised ASBJ Statement No. 17 "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" issued by the ASBJ on March 27, 2009 and the ASBJ Guidance No. 20 "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information " issued by the ASBJ on March 21, 2008. The measurement method and classification method based on the classification of businesses for the hitherto disclosed segment information are the same as the segment classification method and measurement method based on the Management Approach.

1) Overview of Reportable Segments

The reportable segments of the Group consist of business components for which separate financial statements are available. The reportable segments are the subject of periodical review by board of directors' meetings for the purpose of making decisions on the allocation of business resources and evaluating business performance.

The Corporate Group is engaged in a wide range of businesses focusing primarily on the manufacture and sale of cosmetics and nutritional supplements. Within the Company and its consolidated subsidiaries, there are some companies that do not manufacture a single product, but rather manufacture and sell multiple products, and the Corporate Group pursues it business by formulating overriding strategies for Japan and overseas for each product handled.

Therefore, the Corporate Group is comprised of segments delineated by product based on the products handled, and the Group has two reportable segments, Cosmetics-related Business and Nutritional Supplement-related Business.

Cosmetics-related Business consists of the manufacture and sale of cosmetics and supply for OEMs. Nutritional Supplement-related Business comprises the manufacture and sale of nutritional supplements.

2) Accounting methods for sales, income and losses, assets and liabilities and other items in each reportable segment

Accounting methods for reportable segments are identical to those described in the Significant items for the Preparation of Consolidated Financial Statements.

Reportable segment income figures are on an operating income basis.

Items related to business integration

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

1. Key information regarding integrated companies

(1) Name, main business	NEUES K.K.	Fantastic Natural Cosmetics Limited and one subsidiary	Fantastic Natural Cosmetics (China) Limited and two subsidiaries
	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, 2010 to March 31, 2011

(1) Common control transactions

1. Name and details of business
   Business name: Cosmetics business
   Business details: Manufacture and sale of cosmetic products

2. Integration date
   March 1, 2011

3. Legal integration method
   Absorption merger where consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd. was the surviving company and consolidated subsidiary Chalone Inc. was eliminated.

4. Name following integration
   NICOSTAR BEAUTECH Co., Ltd. (consolidated subsidiary)

5. Other items related to the transaction
   As a part of our strengthening competitiveness of Group management, we aim to strengthen OEM businesses and reduce production costs by consolidating Chalone Inc. within NICOSTAR BEAUTECH Co., Ltd.

(2) Outline of accounting methods applied

The common control transaction was handled based on Accounting Standards for Business Combinations (ASBJ No. 21, Dec. 26 2008) and Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, December 26, 2008)

Per Share Information

	FY Ended March 31, 2011	FY ended March 31, 2010
Net assets per share	¥1,205.34	¥1,188.32
Net income per share	¥43.89	¥68.26
Net income per share (diluted)	¥43.77	¥68.11

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, 2011	FY ended March 31, 2010
Net income per share		
Net income (loss) (¥ million)	2,849	¥4,306
Amount not attributable to common shareholders (¥ million)	--	--
Net income (loss) attributable to common shares (¥ million)	¥2,849	¥4,306
Average number of outstanding common shares during the year (1,000 shares)	64,931,336	63,098,753
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)	172,347	138,471
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.	--	--

Important information after the preparation of this report

None

Omissions

Due to the immaterial effect of lease transactions, information 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.

5. Other items

(1) Changes to directors

Relevant information will be disclosed in a timely manner

(2) Other

No applicable items