FANCL Corporation

Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2012

April 1, 2011 to September 30, 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)

Interim Period Results for the Fiscal Year Ending March 31, 2012

FANCL CORPORATION **October 28, 2011**

Stock exchange listings: Tokyo 1st section, code number 4921
www.fancl.co.jp
Contact: Kazuyuki Shimada
Director, Executive Officer and General Manager of Administration Headquarters
Telephone: +81-45-226-1200

Representative: Yoshifumi Narimatsu, C.E.O. and Representative Director

Scheduled date for submission of the first half *hokokusho* (securities report): November 11, 2011

Scheduled date for distribution of dividends: December 5, 2011

Availability of supplementary explanatory material for first half results: Available

Presentation meeting for first half results: Scheduled (for institutional investors and analysts)

1) Consolidated results for the interim period (April 1, 2011 to September 30, 2011) of Fiscal 2011

(1) Consolidated Operating Results

Millions of yen, rounded down

	Six months ended September 30, 2011		Six months ended September 30, 2010	
		% change		% change
Net sales	43,920	(4.1)	45,776	(4.0)
Operating income	1,521	(41.2)	2,588	(17.2)
Ordinary income	1,470	(40.2)	2,460	(20.7)
Net income	801	(18.0)	976	(36.7)
Earnings per share (¥)	12.34	--	15.04	--
Earnings per share (diluted) (¥)	12.30	--	15.01	--

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: Six months ended September 30, 2011: ¥800 million (-17.3%)
Six months ended September 30, 2010: ¥968 million (--%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2011	As of March 31, 2011
Total assets	92,637	94,030
Net assets	78,151	78,647
Shareholders' equity/total assets (%)	84.1%	83.2%

Shareholders' equity: As of September 30, 2011: ¥77,912 million
As of March 31, 2011: ¥78,269 million

2) Dividends per share

	FY ended March 31, 2011	FY ending March 31, 2012 (forecast)
Interim period	17.00	17.00
Year-end	17.00	17.00
Annual	34.00	34.00

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

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

(1) Consolidated

Millions of yen

	Fiscal year ending March 31, 2012	
Net sales	94,000	0.2
Operating income	6,000	(15.7)
Ordinary income	6,000	(10.0)
Net income	3,000	5.3
Earnings per share (¥)	¥46.22	--

Note: 1. The percentages shown above are a comparison with the previous full fiscal year
2. Changes to the Consolidated forecasts during the period under review: None

4) Other

(1) **Transfer of important subsidiaries during the period:** None
Note: Indicates transfers of specified subsidiaries resulting in changes in the scope of consolidation during the period under review.

(2) Use of simplified accounting methods or special accounting procedures: None

(3) Changes in accounting policy, changes in accounting estimates, and restatements:

1. Changes following revisions to accounting standards: Yes
2. Other changes: None
3. Changes in accounting estimates: None
4. Restatements: None

(4) Number of outstanding shares (common stock)

1. Number of shares outstanding (including treasury shares)	September 30, 2011	65,176,600 shares	March 31, 2011:	65,176,600 shares
2. Number of treasury shares	September 30, 2011	291,057 shares	March 31, 2011:	240,901 shares
3. Average number of shares during the interim period	Six months to September 30, 2011	64,909,935 shares	Six months to September 30, 2010	64,926,812 shares

Important Notice

Disclosure of status of quarterly report review procedures:

At time of disclosure of this quarterly financial report the review procedure for quarterly securities reports as stipulated under the Financial Instruments and Exchange Law was in progress.

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 5: Operating Results, Section 3, Forecasts for the fiscal year ending March 31, 2012.

Contents

1. Operating Results

(1) Summary of business performance (consolidated)

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

During the interim period under review, exports and manufacturing activity declined due to a downturn in supply capacity and power supply shortages resulting from the Great East Japan Earthquake, although conditions began to improve as supply constraints gradually eased. Meanwhile, concern over the slowing of the U.S. economy and the financial crisis in southern Europe as well as a high yen and low share prices have made the domestic and international environment business increasingly severe, further heightening uncertainty about the economic outlook.

Net sales for the interim period under review decreased 4.1% to ¥43,920 million due to a decline in sales in the Cosmetics business and Other businesses, and despite an increase in revenue in the Nutritional Supplements Business. Looking at results by quarterly period, sales in the first quarter fell significantly due to the impact of the earthquake, while in the second quarter sales recovered to a level on par with the same period of the previous year (a decrease of 0.8%), mainly due to the full-scale resumption of sales and promotion initiatives.

Operating income decreased 41.2% to ¥1,521 million, ordinary income decreased 40.2% to ¥1,470 million, and net income decreased 18.0% to ¥801 million as the pursuit of labor cost reductions and other cost streamlining measures failed to offset a year-on-year increase in marketing expenses for TV commercials for dietary supplement *Calorie Limit* and other activities.

Segment results are as follows:

1) Cosmetics Business

Sales

Sales from the Cosmetics business decreased 4.4% to ¥22,706 million. *(Millions of yen, rounded down)*

	Six months ended September 30, 2011		Six months ended September 30, 2010		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	18,116	79.8	18,733	78.8	(3.3)
ATTENIR Cosmetics	3,978	17.5	4,317	18.2	(7.9)
Others	611	2.7	706	3.0	(13.5)
Totals	22,706	100.0	23,757	100.0	(4.4)

	Six months ended September 30, 2011		Six months ended September 30, 2010		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	11,278	49.7	11,844	49.9	(4.8)
Retail store sales	7,454	32.8	8,033	33.8	(7.2)
Wholesales and others	1,093	4.8	1,208	5.1	(9.5)
Overseas Sales	2,878	12.7	2,671	11.2	7.8
Totals	22,706	100.0	23,757	100.0	(4.4)

Sales of **FANCL cosmetics** decreased 3.3% to ¥18,116 million, as strong sales of *Mild Cleansing Oil* and limited release product *White Washing Powder C* failed to offset sluggish sales in other products.

Despite a recovery trend resulting from a summer campaign and other activities, sales of **ATTENIR cosmetics** decreased 7.9% to ¥3,978 million, impacted by the fall in sales directly after the Great East Japan Earthquake.

Results by sales channels were: mail order sales decreased 4.8% year on year to ¥11,278 million, retail store sales decreased 7.2% to ¥7,454 million, wholesale sales through other sales channels decreased 9.5% to ¥1,093 million, and overseas sales increased 7.8% to ¥2,878 million.

Operating income

Operating income decreased 27.5% to ¥2,204 million, as a result of a decline in income and additional marketing expenses arising from the rapid replacement of product-oriented TV commercials scheduled for April with corporate message commercials following the Great East Japan Earthquake.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 2.2% to ¥13,360 million. *(Millions of yen, rounded down)*

	Six months ended September 30, 2011		Six months ended September 30, 2010		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	5,564	41.7	5,476	41.8	1.8
Retail store sales	3,275	24.5	3,584	27.4	(8.6)
Wholesales and others	3,329	24.9	2,689	20.6	23.8
Overseas Sales	1,190	8.9	1,333	10.2	(10.8)
Totals	13,360	100.0	13,075	100.0	2.2

Revenues from product sales increased as a result of a significant growth in sales of dietary supplement *Calorie Limit* and strong sales of supplements targeting middle-aged and elderly customers.

Results by sales channels were: mail order sales increased 1.8% to ¥5,564 million, retail store sales decreased 8.6% to ¥3,275 million, wholesale sales through other sales channels increased 23.8% to ¥3,329 million and overseas sales decreased 10.8% to ¥1,190 million.

Operating income

Despite an increase in revenue, operating income decreased 31.3% to ¥540 million, as a result of marketing expenses for dietary supplement *Calorie Limit.*

3) Other Businesses

Sales in Other businesses decreased 12.2% year on year to ¥7,853 million

(Millions of yen, rounded down)

	Six months ended September 30, 2011	Six months ended September 30, 2010	Change (%)
Hatsuga genmai business	1,425	1,466	(2.8)
Kale juice business	1,772	1,958	(9.5)
IIMONO OHKOKU mail order business	2,971	3,508	(15.3)
Other businesses	1,684	2,010	(16.2)
Totals	7,853	8,943	(12.2)

In the Hatsuga genmai (germinated brown rice) business, sales decreased 2.8% to ¥1,425 million as an increase in revenues from wholesale sales failed to offset sluggish sales in other channels.

In the Kale juice business, sales decreased 9.5% to ¥1,772 million as strong sales of *Kale Marugoto Shibori* failed to offset sluggish sales of other products.

Sales through the IIMONO OHKOKU mail order business decreased 15.3% to ¥2,971 million, due to the impact of slow sales directly after the Great East Japan Earthquake and despite a trend towards recovery resulting from strong sales of seasonal products

Sales at other businesses decreased 16.2% to ¥1,684 million due to a clearance of inventory items at reduced prices following the restructuring of the sundries business.

Operating income

The operating loss for the interim period improved by ¥2 million to ¥356 million, primarily due to significant growth in profit margins for the Hatsuga Genmai business due to an improved COGS ratio.

(2) Summary of consolidated financial position
(All comparisons are with the end of the previous fiscal year, unless stated otherwise.)

Assets decreased ¥1,392 million to ¥92,637 million. The primary contributing factors were a decrease of ¥706 million in current assets and a decrease of ¥685 million in fixed assets. Primary factors contributing to the decrease in current assets were a ¥541 million decrease in cash and deposits, a ¥547 million decrease in notes and accounts receivable, and a ¥493 million increase in marketable securities. The decrease in fixed assets was primarily the result of a ¥793 million decrease in Investments and other assets due to a decrease in security deposits, long-term loans receivable and deferred tax assets.

Liabilities decreased ¥896 million to ¥14,486 million. The primary contributing factors were a decrease of ¥400 million in current liabilities and a decrease of ¥495 million in noncurrent liabilities. Contributing factors to the decrease in current liabilities include a ¥1,102 decrease in accrued income taxes following payment of corporate and other taxes, a ¥225 million increase in notes and accounts payable, and a ¥430 million increase in Other current liabilities due to an increase in accrued accounts payable. The decrease in noncurrent liabilities was primarily the result of a ¥466 million decrease in allowance for employee retirement benefits.

Net assets decreased ¥496 million to ¥78,151 million. Primary contributing factors included a ¥302 million decline in retained earnings and a ¥139 million decline in subscription warrants. Factors reducing retained earnings included a decrease of ¥1,103 million due to dividend payments while factors increasing retained earnings included the recording of ¥801 million in net income for the period.
As a result, the shareholders' equity ratio increased 0.9 percentage points from the end of the previous fiscal year to 84.1%.

Cash flow
Cash and cash equivalents as of September 30, 2011 were ¥28,524 million, ¥454 million higher than at the end of the previous fiscal year. The main contributing factors are detailed below.

<u>Cash flows from operating activities</u>
Cash flow gained in operating activities during the interim period under review was ¥3,086 million compared to ¥3,186 million for the interim period of the previous fiscal year. Factors increasing operating cash flow include income before income taxes of ¥1,492 million and depreciation expenses of ¥1,585 million, a decline in notes and accounts receivable of ¥569 million, and an increase in other current liabilities of ¥812 million. Factors reducing operating cash flow included income taxes paid of ¥1,567 million.

<u>Cash flows from investing activities</u>
Cash gained in investing activities during the interim period under review was ¥1,478, compared to a ¥215 million outflow for the interim period of the previous fiscal year. Factors reducing investment cash flow included outlays of ¥1,067 million for acquisitions of tangible noncurrent assets, ¥1,137 million for the acquisition of intangible noncurrent assets, and ¥1,000 million for acquisitions of marketable securities. Factors increasing investment cash flow included revenues of ¥1,502 million for income from sale and redemption of marketable securities.

<u>Cash flows from financing activities</u>
Cash flow used in financing activities during the period under review was ¥1,184 million, compared to ¥1,139 million used in the interim period of the previous fiscal year, and mainly comprised dividend payments of ¥1,100 million and the purchase of treasury stock of ¥53 million.

(3) Forecasts for the fiscal year ending March 31, 2012
There are no changes to the consolidated full-year results forecasts for the fiscal year ending March 31, 2012 that were announced on May 9, 2011.

2. Other
(1) Changes to subsidiaries during the period: None

(2) Use of special accounting procedures: None

(3) Changes in accounting policy, changes in accounting estimates, and restatements:
As of the first quarter of the current fiscal year, the *Accounting Standard for Earnings Per Share* (Accounting Standards Board of Japan (ASBJ) Statement No. 2 issued on June 30, 2010) and the

Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4 issued on June 30, 2010) have been adopted.

For the purpose of calculating quarterly diluted earnings per share, with regard to stock options that become effective after a certain period of service, the method of calculating the amount assumed to be received on the exercise of options has been changed to include in the fair value of stock options the portion attributable to future services provided to the company.

There is no material effect as a result of this change.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of September 30, 2011	As of March 31, 2011
ASSETS		
I. Current assets:		
Cash and bank deposits	18,119	18,661
Notes and accounts receivable	9,639	10,187
Marketable securities	11,404	10,911
Merchandise and products	2,899	3,090
Work in progress	54	33
Raw materials and supplies	3,300	3,178
Others	2,357	2,422
Allowance for doubtful accounts	(186)	(189)
Total current assets	47,588	48,295
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	23,235	23,183
Accumulated depreciation and accumulated impairment loss	(12,983)	(12,709)
Buildings and structures (net)	10,252	10,474
Machinery and transport equipment	5,814	5,582
Accumulated depreciation and accumulated impairment loss	(4,786)	(4,609)
Machinery and transport equipment (net)	1,028	973
Furniture, tools and fixtures	6,671	6,210
Accumulated depreciation and accumulated impairment loss	(5,484)	(5,182)
Furniture, tools and fixtures (net)	1,187	1,028
Land	10,860	10,885
Lease assets	282	286
Accumulated depreciation and accumulated impairment loss	(205)	(180)
Lease assets (net)	77	105
Others	54	85
Total tangible fixed assets	23,460	23,552
Intangible fixed assets		
Goodwill	340	397
Others	3,637	3,370
Total intangible fixed assets	3,987	3,768
Investments and other assets		
Investment securities	11,896	11,906
Others	5,713	6,507
Total investments and other assets	17,610	18,413
Total fixed assets	45,048	45,734
Total Assets	92,637	94,030

Consolidated Balance Sheets, continued

Millions of yen, rounded down

	As of September 30, 2011	As of March 31, 2011
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	3,593	3,367
Accrued income taxes	551	1,654
Allowance for bonus	963	966
Allowance for points	1,432	1,391
Asset retirement obligations	11	3
Others	5,189	4,759
Total current liabilities	11,742	12,142
II. Noncurrent liabilities:		
Allowance for retirement benefits	1,688	2,155
Allowance for directors' retirement bonuses	104	99
Asset retirement obligations	489	485
Others	461	500
Total non-current liabilities	2,744	3,240
Total liabilities	14,486	15,382
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Additional paid-in capital	11,706	11,706
Retained earnings	55,767	56,069
Treasury stock	(360)	(306)
Total shareholders' equity	77,908	78,264
Other comprehensive income		
Valuation difference on other marketable securities	4	5
Total other comprehensive income	4	5
Warrants	238	377
Total net assets	78,151	78,647
Total Liabilities and Net Assets	92,637	94,030

(2) Consolidated statements of income

Millions of yen, rounded down

	April 1, 2011 to September 30, 2011	April 1, 2010 to September 30, 2010
Net sales	43,920	45,776
Cost of sales	14,600	15,890
Gross profit	29,319	29,886
Selling, general and administrative expenses	27,798	27,297
Operating income	1,521	2,588
Non-operating income		
Interest income	35	43
Dividend income	15	18
Proceeds from insurance	15	--
Other non-operating income	55	59
Total non-operating income	121	121
Non-operating expenses		
Investment loss on equity method	--	188
Exchange loss	4	38
Provisions for allowance for bad debt	138	--
Other non-operating expenses	29	22
Total non-operating expenses	172	250
Ordinary income	1,470	2,460
Extraordinary income		
Income from sale of fixed assets	3	0
Reversal of allowance for bad debt	125	--
Insurance proceeds	52	--
Gain on reversal of warrants	139	--
Other	--	1
Total extraordinary income	320	1
Extraordinary loss		
Loss on sale of fixed assets	3	0
Loss on disposal of fixed assets	5	13
Impairment loss	37	13
Loss on closure of stores	72	62
Effect of change in accounting standards for disposal of fixed assets	--	309
Loss on extinguishment of tie-in shares	143	--
Other	36	78
Total extraordinary loss	297	477
Income before income taxes	1,492	1,984
Income and other taxes	423	1,120
Adjustments to income and other taxes	267	(111)
Total income and other taxes	691	1,008
Net income from minority interests prior to adjustments	801	975
Minority shareholder income	--	(1)
Net income	801	976

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2011 to September 30, 2011	April 1, 2010 to September 30, 2010
Income before minority interests	801	975
Other comprehensive income		
Net unrealized holding gain on other securities	(0)	(1)
Investments in affiliated companies using the equity method	-	(4)
Total other comprehensive income	(0)	(6)
Comprehensive income	800	968
(Breakdown)		
Comprehensive income attributable to owners of the parent company	800	970
Comprehensive income attributable to minor interests	---	(1)

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2011 to September 30, 2011	April 1, 2010 to September 30, 2010
I. Cash flows from operating activities		
Income before income taxes	1,492	1,984
Depreciation	1,585	1,416
Impairment losses	37	13
Amortization of goodwill	56	56
Increase (decrease) in allowance for doubtful accounts	(6)	(19)
Increase (decrease) in allowance for bonuses	(12)	(24)
Increase (decrease) in allowance for points	40	18
Increase (decrease) in allowance for retirement benefits	(475)	116
Increase (decrease) in allowance for directors retirement benefits	4	9
Interest and dividend income	(49)	(62)
Gain (loss) from foreign exchange	3	45
Proceeds from investment in equity method affiliates	--	188
Gain on the sale of investment securities	0	--
Gain (loss) from revaluation of investment securities	7	4
Gain on sale of fixed assets	(0)	(0)
Loss from disposal of fixed assets	48	13
Effect of change in accounting standards for disposal of fixed assets	--	309
Loss on extinguishment of tie-in shares	143	--
Gain on reversal of warrants	(139)	--
Decrease (increase) in trade receivables	569	412
Decrease (increase) in inventories	58	400
Decrease (increase) in other current assets	170	(310)
Decrease (increase) in other fixed assets	23	80
Increase (decrease) in trade payables	223	219
Increase (decrease) in other current liabilities	812	456
Increase (decrease) in other fixed liabilities	6	(42)
Others	0	111
Sub-total	4,601	5,399
Interest and dividends received	52	68
Income taxes paid	(1,567)	(2,281)
Net cash provided by (used in) operating activities	3,086	3,186
II. Cash flows from investing activities		
Proceeds from redemption of time deposits	--	1,000
Acquisition of marketable securities	(1,000)	(1,988)
Income from sale and redemption of marketable securities	1,502	1,999
Acquisition of tangible fixed assets	(1,067)	(665)
Income from sale of tangible fixed assets	29	2
Acquisition of intangible fixed assets	(1,137)	(566)
Income from sale and redemption of investment securities	0	0
Payment of loans receivable	(90)	--
Income from loans receivable	1	12
Other payments	(19)	(56)
Other income	303	56
Net cash provided by (used in) investing activities	(1,478)	(215)
III. Cash flows from financing activities		
Sale of treasury stock	0	0
Acquisition of treasury stock	(53)	(0)
Cash dividends paid	(1,100)	(1,102)
Others	(30)	(36)
Net cash provided by (used in) financing activities	(1,184)	(1,139)
IV. Effect of exchange rate changes on cash and cash equivalents	(3)	(42)

V. Net increase in cash and cash equivalents............................	419	1,788
VI. Cash and cash equivalents at the beginning of the period	28,070	25,010
VII. Decrease in cash and cash equivalents following changes to scope of consolidation	34	--
VIII. Cash and cash equivalents at end of period.......................	**28,524**	**26,799**

(4) Items related to going concern:
No applicable items

(5) Segment information

Business Segments

1. Six months ended September 30, 2011

(Millions of yen, rounded down)

	Business Segments			Other*[1]	Total	Eliminations or Corporate*[2]	Consolidated *[3]
	Cosmetics Business	Nutritional Supplements Business	Total				
1. Sales and operating income:							
(1) Sales to external customers	22,706	13,360	36,066	7,853	43,920	--	43,920
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	22,706	13,360	36,066	7,853	43,920	--	43,920
Operating income (loss)	2,204	540	2,744	(356)	2,388	(867)	1,521

Notes:
1. The Others business segment includes sales of Hatsuga Genmai (germinated brown rice), kale juice, mail-order sales by consolidated subsidiary IIMONO OHKOKU (Kingdom of Wonderful Things) Co., Ltd., Kaiteki Hadagi comfort undergarments and household sundries, and beauty salon operations.
2. The Eliminations or Corporate amount of ¥867 million recorded in segmental operating income (loss) includes overall costs not allocated in each segment, and mainly consists of corporate costs applicable to the business segments, such as costs pertaining to the General Affairs Department of the parent company.
3. Segment income or loss has been adjusted with the operating income for the consolidated income statement for the quarter

2. Six months ended September 30, 2010

(Millions of yen, rounded down)

	Business Segments			Other*[1]	Total	Eliminations or Corporate*[2]	Consolidated *[3]
	Cosmetics Business	Nutritional Supplements Business	Total				
1. Sales and operating income:							
(1) Sales to external customers	23,757	13,075	36,833	8,943	45,776	--	45,776
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	23,757	13,075	36,833	8,943	45,776	--	45,776
Operating income (loss)	3,038	786	3,824	(358)	3,465	(877)	2,588

Notes:
1. The Others business segment includes sales of Hatsuga Genmai (germinated brown rice), kale juice, mail-order sales by consolidated subsidiary IIMONO OHKOKU (Kingdom of Wonderful Things) Co., Ltd., Kaiteki Hadagi comfort undergarments and household sundries, and beauty salon operations.
2. The Eliminations or Corporate amount of ¥877 million recorded in segmental operating income (loss) includes overall costs not allocated in each segment, and mainly consists of corporate costs applicable to the business segments, such as costs pertaining to the General Affairs Department of the parent company.
3. Segment income or loss has been adjusted with the operating income for the consolidated income statement for the quarter

(6) Note on significant change in shareholders' equity
No applicable items