FANCL Corporation

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2013

April 1, 2012 to June 30, 2012

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

First Quarter Results for the Fiscal Year Ending March 31, 2013

FANCL CORPORATION **August 2, 2012**

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Scheduled date for submission of the first quarter *hokokusho* (securities report): August 10, 2012

Scheduled date for distribution of dividends: --

Availability of supplementary explanatory material for first quarter results: Available

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

1) Consolidated results for the first quarter (April 1, 2012 to June 30, 2012) of the fiscal year ending March 31, 2013

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

	Three months ended June 30, 2012		Three months ended June 30, 2011	
		% change		% change
Net sales	20,205	(6.9)	21,706	(7.2)
Operating income	210	(78.9)	1,001	(52.9)
Ordinary income	273	(71.4)	956	(53.7)
Net income	46	(88.9)	415	(48.9)
Earnings per share (¥)	¥0.71	--	¥6.40	--
Earnings per share (diluted) (¥)	¥0.71	--	¥6.38	--

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: Three months ended June 30, 2012: ¥55 million (-87.6%)
Three months ended June 30, 2011: ¥414 million (-50.4%)

(2) Consolidated Financial Position *Millions of yen, rounded down*

	As of June 30, 2012	As of March 31, 2012
Total assets	90,454	91,739
Net assets	77,764	78,796
Shareholders' equity/total assets (%)	85.6%	85.5%

Shareholders' equity: As of June 30, 2012: ¥77,405 million
As of March 31, 2012: ¥78,453 million

2) Dividends per share

	FY ended March 31, 2012	FY ending March 31, 2013 (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, 2013 (April 1, 2012 to March 31, 2013)

(1) Consolidated *Millions of yen*

	Six months ending September 30, 2012		Fiscal year ending March 31, 2013	
Net sales	42,700	(2.8)	87,000	(1.3)
Operating income	930	(38.9)	4,200	4.6
Ordinary income	930	(36.7)	4,200	4.9
Net income	650	(18.9)	2,100	(14.4)
Earnings per share (¥)	¥10.02	--	¥32.36	--

Note: 1. The percentages shown above are a comparison with the interim period of the previous fiscal year for 'Six months ending September 30, 2012' and a comparison with the previous full fiscal year for 'Fiscal year ending March 31, 2013'.
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: Yes
4. Restatements: None

(4) Number of outstanding shares (common stock)

1. Number of shares outstanding (including treasury shares)	June 30, 2012:	65,176,600 shares	March 31, 2011:	65,176,600 shares
2. Number of treasury shares	June 30, 2012	291,325 shares	March 31, 2011:	291,185 shares
3. Average number of shares during the first quarter period	Three months to June 30, 2012	64,885,331 shares	Three months to June 30, 2011	61,934,601 shares

Important Notice

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 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 7: Operating Results, Section 3, Forecasts for the fiscal year ending March 31, 2013.

Contents

1. Operating Results

(1) Summary of business performance (consolidated)

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

During the first quarter period under review, the Japanese economy experienced a slight recovery overall as exports gradually began to recover from continued low volumes resulting from the slowdown in foreign economies. Domestic consumption increased slightly due in part to government policy such as the eco car subsidies, and public investment increased steadily, driven by earthquake recovery-related demand.

On February 1, 2012, the sundries business of IIMONO OHKOKU Co., Ltd. (currently IIMONO FUDOUSAN Co., Ltd.) was separated and all shares were transferred to a newly established company. In order to enable a more accurate analysis, results for the first quarter period of both the current and previous consolidated fiscal year have been restated to exclude the results of IIMONO OHKOKU Co., Ltd. (currently IIMONO FUDOUSAN Co., Ltd.).

During the period under review, consolidated sales decreased 0.2% to ¥20,205 million as an increase in revenue in the cosmetics business due to the restructuring of the FANCL cosmetics brand (“rebranding”) failed to offset a decline in the Nutritional Supplements Business.

As a result of the rebranding of the FANCL cosmetics brand, marketing expenses in the cosmetics business increased. Accordingly, operating income decreased 80.4% to ¥210 million and ordinary income decreased 73.6% to ¥273 million. Due to these factors, net income decreased 79.6% to ¥101 million.

Segment results are as follows:
1) Cosmetics Business
Sales
Sales from the Cosmetics business increased 2.6% to ¥11,333 million. *(Millions of yen, rounded down)*

	Three months ended June 30, 2012		Three months ended June 30, 2011		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	8,933	78.8	8,717	78.9	2.5
ATTENIR Cosmetics	1,909	16.9	1,990	18.0	(4.1)
Others	490	4.3	342	3.1	43.5
Totals	11,333	100.0	11,049	100.0	2.6

	Three months ended June 30, 2012		Three months ended June 30, 2011		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	5,511	48.6	5,500	49.8	0.2
Retail store sales	3,855	34.0	3,655	33.1	5.5
Wholesales and others	692	6.1	571	5.2	21.0
Overseas Sales	1,274	11.3	1,321	11.9	(3.6)
Totals	11,333	100.0	11,049	100.0	2.6

Sales of **FANCL cosmetics** increased 2.5% to ¥8,933 million, due to the steady transition of existing customers to Mutenka Skincare products launched in March. The Company is continuing efforts to further strengthen sales strategies and increase the number of customers using these products.

Results by sales channels were: mail order sales increased 0.2% year on year to ¥5,511 million, retail store sales increased 5.5% to ¥3,855 million, wholesale sales through other sales channels increased 21.0% to ¥692 million, and overseas sales decreased 3.6% to ¥1,274 million.

Operating income
Operating income decreased 73.3% to ¥339 million, as a result of an increase in marketing expenses due to the implementation of TV commercials and a large-scale sample product distribution campaign.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 5.1% to ¥6,431 million. *(Millions of yen, rounded down)*

	Three months ended June 30, 2012		Three months ended June 30, 2011		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	2,567	39.9	2,804	41.4	(8.5)
Retail store sales	1,471	22.9	1,634	24.1	(10.0)
Wholesales and others	1,862	29.0	1,610	23.8	15.7
Overseas Sales	529	8.2	725	10.7	(26.9)
Totals	6,431	100.0	6,775	100.0	(5.1)

Revenues from product sales decreased as continued strong in sales of dietary supplement *Calorie Limit* failed to offset a decline in sales of other products.

Results by sales channels were: mail order sales decreased 8.5% to ¥2,567 million, retail store sales decreased 10.0% to ¥1,471 million, wholesale sales through other sales channels increased 15.7% to ¥1,862 million and overseas sales decreased 26.9% to ¥529 million.

Operating income

Despite a decrease in revenue, operating income increased 6.8% to ¥324 million, as a result of a reduction in marketing expenses.

3) Other Businesses

Sales in Other businesses increased 1.0% year on year to ¥2,440 million

(Millions of yen, rounded down)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Change (%)
Hatsuga genmai business	749	716	4.6
Kale juice business	830	865	(4.0)
Other businesses	859	834	3.0
Totals	2,440	2,417	1.0

In the Hatsuga genmai (germinated brown rice) business, sales increased 4.6% to ¥749 million due to stable mail order sales and wholesale sales.

In the Kale juice business, sales decreased 4.0% to ¥830 million as strong sales of core product *Kale Marugoto Shibori* failed to offset slow sales in other products.

Sales at other businesses increased 3.0% to ¥859 million due to an increase in profits at the household sundries and undergarments businesses.

Operating income

An operating loss of ¥45 million was recorded for the first quarter, representing a reduction of ¥46 million from the operating loss recorded in the previous comparable period, due to an improvement in profitability of the household sundries business.

(2) Summary of consolidated financial position

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

Assets decreased ¥1,284 million to ¥90,454 million. The primary contributing factors were a decrease of ¥1,502 million in current assets and an increase of ¥218 million in fixed assets. Contributing to this result were a ¥1,788 million decrease in cash and deposits, a ¥983 million decrease in marketable securities, a ¥457 million increase in notes and accounts receivable, and a ¥473 increase in “Other” current assets due to an in prepaid expenses. The increase in fixed assets was primarily the result of a ¥127 million increase in intangible assets (acquisition of software), a ¥211 million increase in other investment assets (increase in marketable securities), and a ¥121 million decrease in tangible fixed assets due to depreciation.

Liabilities decreased ¥252 million to ¥12,690 million. The primary contributing factors were a decrease of ¥274 million in current liabilities and an increase of ¥22 million in noncurrent liabilities. Contributing factors to the decrease in current liabilities include a ¥462 million decrease in notes and accounts payable, a ¥157 million decrease in accrued income taxes, a ¥146 decrease in “Other” current liabilities due to a reduction in accounts payable, and a ¥508 million increase in allowance for bonuses. The increase in noncurrent liabilities was primarily the result of a ¥37 million increase in allowance for employee retirement benefits.

Net assets decreased ¥1,032 million to ¥77,764 million. Contributing factors include the recording of ¥46 million in net income for the period and a ¥1,103 million decline in retained earnings from dividend payments.

As a result, the shareholders’ equity ratio increased 0.1 percentage points from the end of the previous fiscal year to 85.6%.

Cash flow

Cash and cash equivalents as of June 30, 2012 were ¥22,265 million, ¥2,790 million lower 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 period under review was ¥544 million compared to ¥148 million for the first quarter of the previous fiscal year. Factors increasing operating cash flow included income before income taxes of ¥255 million, depreciation expenses of ¥788 million and a ¥508 million increase in allowance for bonuses. Factors reducing operating cash flow included a ¥457 million increase in trade receivables, a ¥390 million increase in inventory assets, a ¥462 million decrease in accounts payable and income taxes paid of ¥585 million.

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

Cash used in investing activities during the period under review was ¥1,257 million, compared to a ¥607 million inflow for the first quarter of the previous fiscal year. Factors contributing to this outcome included outlays of ¥464 million for acquisitions of tangible noncurrent assets, ¥585 million for the acquisition of intangible noncurrent assets, and ¥203 million for the acquisition of affiliate company shares.

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

Cash flow used in financing activities during the period under review was ¥1020 million, compared to ¥1,062 million used in the first quarter of the previous fiscal year, and was primarily due to dividend payments of ¥1,009 million.

(3) Forecasts for the fiscal year ending December 31, 2013

There are no changes to the results forecasts for the interim and full-year period for the consolidated fiscal year ending March 31, 2013 that were issued on May 2, 2012.

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:

In accordance with revisions to the Corporation Tax Act, as of the first quarter of the current fiscal year, FANCL and its domestic consolidated subsidiaries have changed their depreciation method based on the revisions to the act, for tangible fixed assets acquired on or after April 1, 2012.

As a result of this change, consolidated operating income, ordinary income and consolidated net income before taxes and other adjustments were each reduced by ¥9 million.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of June 30, 2012	As of March 31, 2012
ASSETS		
I. Current assets:		
Cash and cash equivalents	16,360	18,149
Notes and accounts receivable	9,746	9,289
Marketable securities	12,399	13,382
Merchandise and products	2,999	2,851
Work in progress	95	62
Raw materials and supplies	3,574	3,363
Others	2,687	2,214
Allowance for doubtful accounts	(200)	(147)
Total current assets	47,663	49,165
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	22,636	22,549
Accumulated depreciation and accumulated impairment loss	(13,113)	(12,968)
Buildings and structures (net)	9,523	9,580
Machinery and transport equipment	6,389	6,297
Accumulated depreciation and accumulated impairment loss	(5,028)	(4,926)
Machinery and transport equipment (net)	1,361	1,370
Furniture, tools and fixtures	7,038	6,947
Accumulated depreciation and accumulated impairment loss	(5,817)	(5,740)
Furniture, tools and fixtures (net)	1,221	1,206
Land	10,059	10,059
Lease assets	250	299
Accumulated depreciation and accumulated impairment loss	(183)	(224)
Lease assets (net)	67	75
Others	13	75
Total tangible fixed assets	22,246	22,368
Intangible fixed assets		
Goodwill	255	284
Others	4,054	3,898
Total intangible fixed assets	4,310	4,182
Investments and other assets		
Investment securities	12,061	11,861
Others	4,172	4,160
Total investments and other assets	16,234	16,022
Total fixed assets	42,791	42,573
Total Assets	**90,454**	**91,739**

Consolidated Balance Sheets, continued

Millions of yen, rounded down

	As of June 30, 2012	As of March 31, 2012
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	1,489	1,952
Accrued income taxes	524	681
Allowance for bonus	1,453	945
Allowance for points	1,366	1,380
Asset retirement obligations	-	1
Others	5,382	5,529
Total current liabilities	10,216	10,490
II. Noncurrent liabilities:		
Allowance for retirement benefits	1,640	1,603
Allowance for directors' retirement bonuses	122	117
Asset retirement obligations	480	478
Others	230	251
Total non-current liabilities	2,473	2,451
Total liabilities	12,690	12,942
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Additional paid-in capital	11,706	11,706
Retained earnings	55,260	56,317
Treasury stock	(360)	(360)
Total shareholders' equity	77,401	78,458
Other comprehensive income		
Valuation difference on other marketable securities	4	(4)
Total other comprehensive income	4	(4)
Warrants	358	343
Total net assets	77,764	78,796
Total Liabilities and Net Assets	**90,454**	**91,739**

(2) Consolidated statements of income

Millions of yen, rounded down

	April 1, 2012 to June 30, 2012	April 1, 2011 to June 30, 2011
Net sales	20,205	21,706
Cost of sales	6,457	7,173
Gross profit	13,747	14,532
Selling, general and administrative expenses	13,536	13,530
Operating income	210	1,001
Non-operating income		
Interest income	24	17
Dividend income	0	1
Gain on foreign exchange	50	11
Proceeds from insurance	-	15
Other non-operating income	54	30
Total non-operating income	130	74
Non-operating expenses		
Provisions for allowance for bad debt	57	101
Other non-operating expenses	11	17
Total non-operating expenses	68	119
Ordinary income	273	956
Extraordinary income		
Income from sale of fixed assets	-	3
Reversal of allowance for bad debt	-	125
Total extraordinary income	-	128
Extraordinary loss		
Loss on sale of fixed assets	-	3
Loss on disposal of fixed assets	5	0
Impairment loss	-	11
Loss on closure of stores	13	24
Loss on extinguishment of tie-in shares	-	143
Other	0	24
Total extraordinary loss	18	206
Income before income taxes	255	877
Income and other taxes	404	378
Adjustments to income and other taxes	(195)	83
Total income and other taxes	209	462
Net income from minority interests prior to adjustments	46	415
Net income	46	415

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2012 to June 30, 2012	April 1, 2011 to June 30, 2011
Income before minority interests	46	415
Other comprehensive income		
Net unrealized holding gain on other securities	8	(1)
Total other comprehensive income	8	(1)
Comprehensive income	55	414
(Breakdown)		
Comprehensive income attributable to owners of the parent company	55	414
Comprehensive income attributable to minor interests	-	-

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2012 to June 30, 2012	April 1, 2011 to June 30, 2011
I. Cash flows from operating activities		
Income before income taxes	255	877
Depreciation	788	767
Impairment loss	-	11
Stock compensation expense	15	-
Amortization of goodwill	28	28
Increase (decrease) in allowance for doubtful accounts	53	(14)
Increase (decrease) in allowance for bonuses	508	459
Increase (decrease) in allowance for points	(14)	10
Increase (decrease) in allowance for retirement benefits	37	(468)
Increase (decrease) in allowance for directors retirement benefits	4	4
Interest and dividend income	(25)	(18)
Gain (loss) from foreign exchange	(51)	(13)
Gain (loss) from revaluation of investment in securities	-	1
Gain on sale of fixed assets	-	(0)
Loss from disposal of fixed assets	5	0
Loss on closure of stores	13	24
Loss on extinguishment of tie-in shares	-	143
Decrease (increase) in trade receivables	(457)	(66)
Decrease (increase) in inventories	(390)	(101)
Decrease (increase) in other current assets	(285)	111
Decrease (increase) in other fixed assets	3	0
Increase (decrease) in trade payables	(462)	(861)
Increase (decrease) in other current liabilities	12	784
Increase (decrease) in other fixed liabilities	(12)	(9)
Others	(7)	(4)
Sub-total	19	1,667
Interest and dividends received	11	12
Income taxes paid	(585)	(1,531)
Net cash provided by (used in) operating activities	(554)	148
II. Cash flows from investing activities		
Income from sale and redemption of marketable securities	-	1,502
Acquisition of tangible fixed assets	(464)	(555)
Income from sale of tangible fixed assets	-	29
Acquisition of intangible fixed assets	(585)	(510)
Acquisition of shares of affiliates	(203)	-
Payment of loans receivable	(25)	-
Income from loans receivable	29	0
Other payments	(20)	(10)
Other income	13	151
Net cash provided by (used in) investing activities	(1,257)	607
III. Cash flows from financing activities		
Sale of treasury stock	-	0
Acquisition of treasury stock	(0)	(53)
Cash dividends paid	(1,009)	(993)
Others	(10)	(15)
Net cash provided by (used in) financing activities	(1,020)	(1,062)
IV. Effect of exchange rate changes on cash and cash equivalents	40	11
V. Net increase in cash and cash equivalents	(2,790)	(294)
VI. Cash and cash equivalents at the beginning of the period	25,056	28,070
VII. Decrease in cash and cash equivalents following changes to scope of consolidation	-	34
VIII. Cash and cash equivalents at end of period	22,265	27,809

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

(5) Segment information

Business Segments

1. Three months ended June 30, 2012 (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	11,333	6,431	17,765	2,440	20,205	-	20,205
(2) Inter-segment sales or transfers	-	-	-	-	-	-	-
Total sales	11,333	6,431	17,765	2,440	20,205	-	20,205
Operating income (loss)	339	324	664	(45)	619	(408)	210

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. The adjustment amount on segment income (loss) of (¥408) 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.
3. Segment income (loss) is adjusted for operating income (loss) as recorded in the consolidated financial statements.

2. Three months ended June 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	11,066	6,778	17,844	3,862	21,706	--	21,706
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	11,066	6,778	17,844	3,862	21,706	--	21,706
Operating income (loss)	1,282	305	1,588	(179)	1,408	(407)	1,001

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. The adjustment amount on segment income (loss) of (¥407) 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.
3. Segment income (loss) is adjusted for operating income (loss) as recorded in the consolidated financial statements.

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