FANCL Corporation

Consolidated Financial Statements for the
Third quarter of the Fiscal Year
Ending March 31, 2013

April 1, 2012 to December 31, 2012

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 nine-month period for the fiscal year ending March 31, 2013

FANCL CORPORATION **February 1, 2013**

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

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Scheduled date for submission of the third quarter *hokokusho* (securities report): February 13, 2013

Scheduled date for distribution of dividends: -

Availability of supplementary explanatory material for third quarter results: Available

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

1) Consolidated results for the nine-month period (April 1, 2012 to December 31, 2012) of Fiscal 2013

(1) Consolidated Operating Results

Millions of yen, rounded down

	Nine months ended December 31, 2012		Nine months ended December 31, 2011	
		% change		% change
Net sales	62,603	(8.5)	68,396	(4.9)
Operating income	2,397	(30.8)	3,462	(37.6)
Ordinary income	2,768	(17.9)	3,371	(38.1)
Net income	1,674	(10.7)	1,875	(32.0)
Earnings per share (¥)	25.80	--	28.90	--
Earnings per share (diluted) (¥)	25.68	--	28.80	--

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: Nine months ended December 31, 2012: ¥1,684 million (-8.6%)
Nine months ended December 31, 2011: ¥1,842 million (-35.6%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of December 31, 2012	As of March 31, 2012
Total assets	90,163	91,739
Net assets	78,394	78,796
Shareholders' equity/total assets (%)	86.4%	85.5%

Shareholders' equity: As of December 31, 2012: ¥77,931 million
As of March 31, 2012: ¥78,453 million

2) Dividends per share

	FY ended March 31, 2012	FY ending March 31, 2013
Interim period	17.00	17.00
Year-end	17.00	17.00 (forecast)
Annual	34.00	34.00 (forecast)

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

	Fiscal year ending March 31, 2013	
Net sales	83,500	(5.3)
Operating income	4,200	4.6
Ordinary income	4,200	4.9
Net income	2,100	(14.4)
Earnings per share (¥)	¥32.36	--

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: Yes
4. Restatements: None

(4) Number of outstanding shares (common stock)

1. Number of shares outstanding (including treasury shares)	December 31, 2012	65,176,600 shares	March 31, 2012:	65,176,600 shares
2. Number of treasury shares	December 31, 2012	291,553 shares	March 31, 2012:	291,185 shares
3. Average number of shares during the nine-month period	Nine months to December 31, 2012	64,885,194 shares	Nine months to December 31, 2011	64,901,768 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 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 half of the previous fiscal year, unless stated otherwise.)

During the nine-month period under review, the Japanese economy benefited from firm public investment from demand stemming from earthquake recovery, and continued stability in real estate investment and domestic consumption. However, exports and manufacturing decreased due to further slowdown in the European, Chinese and other overseas economies, and the overall Japanese economy weakened.

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

Net sales for the nine-month period under review decreased 0.8% to ¥62,603 million due to a decline in sales of ATTENIR cosmetics, the Nutritional Supplements Business, and Other Businesses, and despite an increase in revenue from the OEM Business and Fancl Cosmetic products from the Cosmetics business which underwent brand rebranding in March 2012.
Operating income decreased 31.0% to ¥2,397 million due to a decline in revenues and an increase in marketing expenses as a result of the rebranding. Ordinary income decreased 18.2% to ¥2,768 million largely from recording dividend income following restructuring of non-consolidated subsidiaries. As a result, net income decreased10.5% to ¥1,674 million.

Segment results are as follows:
1) Cosmetics Business
Sales
Sales from the Cosmetics business increased 0.0% to ¥34,980 million. *(Millions of yen, rounded down)*

	Nine months ended December 31, 2012		Nine months ended December 31, 2011		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	27,885	79.7	27,772	79.4	0.4
ATTENIR Cosmetics	5,904	16.9	6,212	17.8	(5.0)
Others	1,189	3.4	986	2.8	20.6
Totals	34,980	100.0	34,971	100.0	0.0

	Nine months ended December 31, 2012		Nine months ended December 31, 2011		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	17,567	50.2	17,831	51.0	(1.5)
Retail store sales	11,650	33.3	11,393	32.6	2.3
Wholesales and others	1,710	4.9	1,730	4.9	(1.2)
Overseas Sales	4,052	11.6	4,016	11.5	0.9
Totals	34,980	100.0	34,971	100.0	0.0

Sales of **FANCL cosmetics** increased 0.4% to ¥27,885 million, due to strong sales of *Mutenka Skincare* products launched in March 2012.
Sales of **ATTENIR** cosmetics decreased 5.0% to ¥5,904 million due to lackluster results of certain campaigns.
Results by sales channels were: mail order sales decreased 1.5% year on year to ¥17,567 million, retail store sales increased 2.3% to ¥11,650 million, wholesale sales through other sales channels decreased 1.2% to ¥1,710 million, and overseas sales increased 0.9% to ¥4,052 million.

Operating income
Operating income decreased 35.2% to ¥2,589 million as a result of an increase in marketing expenses associated with TV commercials and large-scale sample product campaigns as a part of rebranding of FANCL cosmetics.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 1.9% to ¥20,327 million. *(Millions of yen, rounded down)*

	Nine months ended December 31, 2012		Nine months ended December 31, 2011		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	8,133	40.0	8,814	42.5	(7.7)
Retail store sales	4,546	22.4	4,985	24.0	(8.8)
Wholesales and others	5,546	27.3	5,423	26.2	2.3
Overseas Sales	2,100	10.3	1,507	7.3	39.3
Totals	20,327	100.0	20,730	100.0	(1.9)

Revenues from product sales decreased due to poor sales in other products and despite strong sales of dietary supplement *Calorie Limit,* renewed in June.

Results by sales channels were: mail order sales decreased 7.7% to ¥8,133 million, retail store sales decreased 8.8% to ¥4,546 million, wholesale sales through other sales channels increased 2.3% to ¥5,546 million and overseas sales increased 39.3% to ¥2,100 million.

Operating income

Operating income increased 29.9% to ¥1,370 million, as a result of a decrease in marketing expenses and despite a decrease in revenues.

3) Other Businesses

Sales in Other businesses decreased 1.3% year on year to ¥7,296 million

(Millions of yen, rounded down)

	Nine months ended December 31, 2012	Nine months ended December 31, 2011	Change (%)
Hatsuga genmai business	2,239	2,207	1.5
Kale juice business	2,496	2,623	(4.8)
Other businesses	2,559	2,564	(0.2)
Totals	7,296	7,395	(1.3)

In the Hatsuga genmai (germinated brown rice) business, sales increased 1.5% to ¥2,239 million due to an increase in revenue from wholesale sales.

In the Kale juice business, sales decreased 4.8% to ¥2,496 million as strong sales of core product *Kale Marugoto Shibori* failed to offset sluggish sales of other products.

Sales at other businesses decreased 0.2% to ¥2,559 million due to a decrease in revenues at the beauty clinics business and despite an increase in revenues from the sundries and undergarments business.

Operating income

The operating loss for the nine-month period improved by ¥60 million to ¥197 million, primarily due to the return to profitability of the undergarments business.

(2) Summary of consolidated financial position

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

Assets decreased ¥1,576 million to ¥90,163 million. The primary contributing factors were a decrease of ¥2,245 million in current assets and an increase of ¥669 million in fixed assets. Primary factors contributing to the decrease in current assets were a ¥2,987 million decrease in cash and deposits, a ¥316 million increase in notes and accounts receivable and a ¥514 million increase in marketable securities. The increase in fixed assets was primarily the result of a ¥953 million increase in investment securities.

Liabilities decreased ¥1,173 million to ¥11,768 million. The primary contributing factors were a decrease of ¥1,189 million in current liabilities and an increase of ¥15 million in noncurrent liabilities. Contributing factors to the decrease in current liabilities include a ¥234 million decrease in notes and accounts payable, a ¥465 million decrease in accrued income taxes and a ¥409 million decrease in allowance for bonus. The increase in noncurrent liabilities was primarily the result of a ¥40 million increase in allowance for employee retirement benefits.

Net assets decreased ¥402 million to ¥78,394 million. Primary contributing factors included a ¥2,206 million decrease in retained earnings from payment of dividends, and an increase of ¥1,674 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 86.4%.

Cash flow

Cash and cash equivalents as of December 31, 2012 were ¥23,066 million, ¥1,989 million lower than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities

Cash flow gained in operating activities during the period under review was ¥2,794 million compared to ¥4,200 million for the same period of the previous fiscal year. Factors increasing operating cash flow include income before income taxes of ¥2,518 million and depreciation expenses of ¥2,558 million. Factors reducing operating cash flow included a decrease in allowance for bonus of ¥409 million, a decrease in other current liabilities of ¥585 million and income taxes paid of ¥1,088 million.

Cash flows from investing activities

Cash used in investing activities during the period under review was ¥2,595 million, compared to a ¥5,501 million outflow for the same period of the previous fiscal year. Factors increasing investment cash flow included revenues of ¥4,000 million for income from sale and redemption of marketable securities. Factors reducing investment cash flow included outlays of ¥4,000 million for acquisition of investment securities, ¥1,698 million for acquisition of tangible noncurrent assets, and ¥1,336 million for the acquisition of intangible noncurrent assets.

Cash flows from financing activities

Cash flow used in financing activities during the period under review was ¥2,215 million, compared to an outflow of ¥2,289 million in the same period of the previous fiscal year, and mainly comprised dividend payments of ¥2,179 million.

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

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

Compared to the previous method, consolidated operating income, ordinary income and consolidated net income before taxes and other adjustments for the current period are each ¥48 million higher.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of December 31, 2012	As of March 31, 2012
ASSETS		
I. Current assets:		
Cash and bank deposits	15,161	18,149
Notes and accounts receivable	9,605	9,289
Marketable securities	13,897	13,382
Merchandise and products	2,938	2,851
Work in progress	39	62
Raw materials and supplies	3,258	3,363
Others	2,110	2,214
Allowance for doubtful accounts	(91)	(147)
Total current assets	46,919	49,165
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	22,757	22,549
Accumulated depreciation and accumulated impairment loss	(13,460)	(12,968)
Buildings and structures (net)	9,297	9,580
Machinery and transport equipment	6,489	6,297
Accumulated depreciation and accumulated impairment loss	(5,231)	(4,926)
Machinery and transport equipment (net)	1,257	1,370
Furniture, tools and fixtures	7,418	6,947
Accumulated depreciation and accumulated impairment loss	(6,174)	(5,740)
Furniture, tools and fixtures (net)	1,244	1,206
Land	10,215	10,059
Lease assets	279	299
Accumulated depreciation and accumulated impairment loss	(204)	(224)
Lease assets (net)	74	75
Others	56	75
Total tangible fixed assets	22,146	22,368
Intangible fixed assets		
Goodwill	--	284
Others	4,134	3,898
Total intangible fixed assets	4,134	4,182
Investments and other assets		
Investment securities	12,815	11,861
Others	4,146	4,160
Total investments and other assets	16,962	16,022
Total fixed assets	43,243	42,573
Total Assets	90,163	**91,739**

Consolidated Balance Sheets, continued

Millions of yen, rounded down

	As of December 31, 2012	As of March 31, 2012
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	1,717	1,952
Accrued income taxes	216	681
Allowance for bonus	535	945
Allowance for points	1,454	1,380
Asset retirement obligations	6	1
Others	5,372	5,529
Total current liabilities	9,301	10,490
II. Noncurrent liabilities:		
Allowance for retirement benefits	1,644	1,603
Allowance for directors' retirement bonuses	133	117
Asset retirement obligations	477	478
Others	211	251
Total non-current liabilities	2,467	2,451
Total liabilities	11,768	12,942
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Additional paid-in capital	11,706	11,706
Retained earnings	55,785	56,317
Treasury stock	(360)	(360)
Total shareholders' equity	77,925	78,458
Other comprehensive income		
Valuation difference on other marketable securities	5	(4)
Total other comprehensive income	5	(4)
Warrants	462	343
Total net assets	78,394	78,796
Total Liabilities and Net Assets	**90,163**	**91,739**

(2) Consolidated statements of income

Millions of yen, rounded down

	April 1, 2012 to December 31, 2012	April 1, 2011 to December 31, 2011
Net sales	62,603	68,396
Cost of sales	20,358	22,616
Gross profit	42,245	45,780
Selling, general and administrative expenses	39,847	42,317
Operating income	2,397	3,462
Non-operating income		
Interest income	84	57
Dividend income	150	16
Gain (loss) from foreign exchange	27	--
Proceeds from insurance	4	15
Other non-operating income	169	75
Total non-operating income	438	164
Non-operating expenses		
Exchange loss	--	59
Provisions for allowance for bad debt	38	148
Other non-operating expenses	29	47
Total non-operating expenses	67	255
Ordinary income	2,768	3,371
Extraordinary income		
Income from sale of fixed assets	--	4
Reversal of allowance for bad debt	--	125
Insurance proceeds	--	67
Gain on reversal of warrants	--	139
Other	107	--
Total extraordinary income	107	335
Extraordinary loss		
Loss on sale of fixed assets	--	3
Loss on disposal of fixed assets	14	13
Impairment loss	268	45
Loss on closure of stores	59	100
Disaster loss	--	61
Loss on extinguishment of tie-in shares	--	143
Other	15	55
Total extraordinary loss	357	422
Income before income taxes	2,518	3,284
Income and other taxes	609	996
Adjustments to income and other taxes	234	412
Total income and other taxes	843	1,409
Net income from minority interests prior to adjustments	1,674	1,875
Net income	1,674	1,875

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2012 to December 31, 2012	April 1, 2011 to December 31, 2011
Income before minority interests	1,674	1,875
Other comprehensive income		
Net unrealized holding gain on other securities	10	(33)
Total other comprehensive income	10	(33)
Comprehensive income	1,684	1,842
(Breakdown)		
Comprehensive income attributable to owners of the parent company	1,684	1,842
Comprehensive income attributable to minor interests	--	--

(3) Consolidated statements of cash flows

Millions of yen, rounded down

	April 1, 2012 to December 31, 2012	April 1, 2011 to December 31, 2011
I. Cash flows from operating activities		
Income before income taxes	2,518	3,284
Depreciation	2,558	2,499
Impairment losses	268	45
Share-based compensation expenses	119	89
Amortization of goodwill	56	85
Increase (decrease) in allowance for doubtful accounts	12	25
Increase (decrease) in allowance for bonuses	(409)	(474)
Increase (decrease) in allowance for points	74	74
Increase (decrease) in allowance for retirement benefits	40	(448)
Increase (decrease) in allowance for directors retirement benefits	16	10
Interest and dividend income	(235)	(70)
Gain (loss) from foreign exchange	(33)	69
Gain on the sale of investment securities	--	7
Gain (loss) from revaluation of investment securities	--	7
Gain on sale of fixed assets	--	(1)
Loss from disposal of fixed assets	14	13
Loss on closure of stores	59	100
Loss on extinguishment of tie-in shares	--	143
Gain on reversal of warrants	--	(139)
Exchange gain on cash dividends	(107)	--
Decrease (increase) in trade receivables	(316)	363
Decrease (increase) in inventories	42	(61)
Decrease (increase) in other current assets	(155)	325
Decrease (increase) in other fixed assets	8	55
Increase (decrease) in trade payables	(234)	(190)
Increase (decrease) in other current liabilities	(585)	422
Increase (decrease) in other fixed liabilities	(26)	(5)
Others	(25)	(46)
Sub-total	3,659	6,187
Interest and dividends received	223	62
Income taxes paid	(1,088)	(2,050)
Net cash provided by (used in) operating activities	2,794	4,200
II. Cash flows from investing activities		
Proceeds from redemption of time deposits	500	--
Acquisition of marketable securities	--	(4,000)
Income from sale and redemption of marketable securities	4,000	1,502
Acquisition of tangible fixed assets	(1,698)	(1,848)
Income from sale of tangible fixed assets	1	30
Acquisition of intangible fixed assets	(1,336)	(1,359)
Acquisition of investment securities	(4,000)	--
Income from sale and redemption of investment securities	200	1
Acquisition of shares of affiliates	(203)	--
Payment of loans receivable	(76)	(90)
Income from loans receivable	47	4
Other payments	(74)	(69)
Other income	45	327
Net cash provided by (used in) investing activities	(2,595)	(5,501)

(3) Consolidated statements of cash flows (continued)

Millions of yen, rounded down

	April 1, 2012 to December 31, 2012	April 1, 2011 to December 31, 2011
III. Cash flows from financing activities		
Sale of treasury stock	--	0
Acquisition of treasury stock	(0)	(53)
Cash dividends paid	(2,179)	(2,182)
Others	(35)	(53)
Net cash provided by (used in) financing activities	(2,215)	(2,289)
IV. Effect of exchange rate changes on cash and cash equivalents	27	(59)
V. Net increase (decrease) in cash and cash equivalents	(1,989)	(3,649)
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	**23,066**	**24,455**

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

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

(6) Segment information

Business Segments

1. Nine months ended December 31, 2012

(Millions of yen, rounded down)

	Business Segments			Other*1	Total	Adjusted amount *2	Consolidated *3
	Cosmetics Business	Nutritional Supplements Business	Total				
1. Sales and operating income:							
(1) Sales to external customers	34,980	20,327	55,307	7,296	62,603	--	62,603
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	34,980	20,327	55,307	7,296	62,603	--	62,603
Segmental operating income (loss)	2,589	1,370	3,960	(197)	3,762	(1,364)	2,397

Notes:
1. The Others business segment are those businesses not listed in Business Segments and include wholesales sales of sundries, personnel effects and comfort undergarments, and the Hatsuga Genmai (germinated brown rice), kale juice and beauty salon businesses.
2. The -1,364 million figure for Segmental operating income (loss) recorded under Adjusted amount in 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. Segmental operating income (loss) has been adjusted to reflect operating income recorded in the Consolidated Statements of Income for the quarter

2. Nine months ended December 31, 2011

(Millions of yen, rounded down)

	Business Segments			Other*1	Total	Adjusted amount*2	Consolidated *3
	Cosmetics Business	Nutritional Supplements Business	Total				
1. Sales and operating income:							
(1) Sales to external customers	35,088	20,738	55,827	12,569	68,396	--	68,396
(2) Inter-segment sales or transfers	--	--	--	--	--	--	--
Total sales	35,088	20,738	55,827	12,569	68,396	--	68,396
Segmental operating income (loss)	4,032	1,056	5,089	(304)	4,785	(1,322)	3,462

Notes:
1. The Others business segment are those businesses not listed in Business Segments and include wholesales sales of sundries, personnel effects and comfort undergarments, health equipment and household sundries, and the Hatsuga Genmai (germinated brown rice), kale juice and beauty salon businesses.
2. The -1,322 million figure for Segmental operating income (loss) recorded under Adjusted amount in 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. Segmental operating income (loss) has been adjusted to reflect operating income recorded in the Consolidated Statements of Income for the quarter