FANCL

The Essence of FANCL

Annual Report 2009

For the Year Ended March 31, 2009

UNIQUENESS

Preservative-free brands and a distinctive business model

STABILITY

Unrivaled customer base in core businesses, and a sound financial structure for overcoming sudden changes in the business climate

The Essence of VALUE

In 1980, FANCL established a unique presence in the cosmetics industry by creating the first preservative-free cosmetic products. This reputation has earned FANCL the support of a host of loyal customers. Since then, we have made the elimination of uncertainty, inconvenience and other negative issues the hallmarks of our corporate philosophy. From this standpoint, we strive to provide absolute value that will satisfy customers, shaping FANCL into a company that creates new value in fields related to health and beauty.

1. Preservative Free since 1980

FANCL has provided preservative-free products since its foundation

2. A Fully Integrated Business Model

Integrated business model encompassing manufacturing and sales to services


Kanto Logistics Center


Next-Generation Retail Store


IIMONO OHKOKU
Mail-order Catalogs

1. Unparalleled Success in Boosting Cosmetics Sales

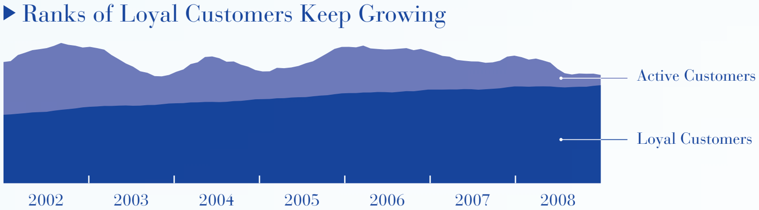
The only cosmetics firm in Japan with growth in cosmetics sales amid a global recession

▶ Cosmetics Net Sales

2.1%up

2. Steady Increase in Loyal Customers

▶ Ranks of Loyal Customers Keep Growing



3. Healthy Financial Structure

FANCL is underpinned by a strong financial structure

▶ Current Ratio	▶ Equity Ratio	▶ Interest-bearing Debt
420%	83%	Zero

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Cautionary Note Regarding Forward-looking Statements
Statements made in this annual report with respect to FANCL's current plans, strategies, estimates, and beliefs, as well as other statements that are not historical facts, are forward-looking statements about the future performance of FANCL. These statements are based on management's beliefs in light of information available to it at the time of the writing of this report. The actual performance of the Company could differ significantly from these forward-looking statements as a result of unpredictable factors such as changes in customer preferences, social conditions, and economic conditions. Moreover, FANCL is under no obligation to revise forward-looking statements, irrespective of new data, future events, or other developments. Readers should therefore not place undue reliance on them.

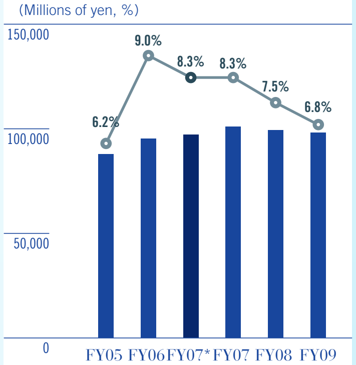
Financial Highlights

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2007 (Note 2)	2006	2005	**2009**
For the year:							
Net sales	**¥98,004**	¥99,350	¥101,065	¥97,064	¥ 95,322	¥87,937	**$997,702**
Operating income	**6,666**	7,467	8,370	8,087	8,575	5,428	**67,862**
Net income	**2,663**	3,694	2,547	2,547	5,184	1,710	**27,108**
Advertising expenses	**8,963**	9,876	9,393	9,393	9,792	11,105	**91,247**
Sales promotion expenses	**12,434**	12,509	13,502	9,784	9,319	9,475	**126,586**
Net cash provided by operating activities	**6,005**	7,379	6,472		9,163	4,638	**61,133**
Net cash used in investing activities	**(1,518)**	(672)	(1,734)		(10,280)	(4,807)	**(15,453)**
Net cash used in financing activities	**(1,770)**	(6,036)	(2,495)		(22)	(1,090)	**(18,016)**
Net increase in cash and cash equivalents	**2,672**	650	2,243		(1,139)	(1,254)	**27,199**
	Yen						U.S. dollars (Note 1)
Per share (Note 3):							
Net income	**¥ 43.5**	¥ 58.4	¥ 39.6		¥ 80.9	¥ 26.8	**$ 0.44**
Equity (Note 4)	**1,155.7**	1,141.6	1,116.6		1,105.7	1,037.1	**11.8**
Cash dividends	**34.0**	24.0	24.0		18.3	16.7	**0.35**
	Millions of yen						Thousands of U.S. dollars (Note 1)
At year-end:							
Total assets	**¥85,309**	¥85,686	¥ 86,931		¥ 85,148	¥79,416	**$868,468**
Equity (Note 4)	**70,823**	69,900	71,449		71,406	66,203	**720,993**
	%						
Ratio:							
Operating income margin (%)	**6.8**	7.5	8.3	8.3	9.0	6.2	
Advertising and sales promotion expenses ratio (%)	**21.8**	22.5	22.7	19.8	20.1	23.4	
ROE (%)	**3.8**	5.3	3.6	3.6	7.5	2.6	

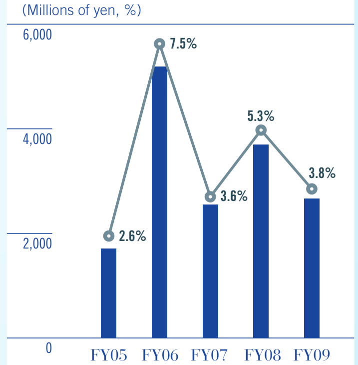
Notes: 1. U.S. dollar amounts are the yen equivalent, calculated, for convenience only, at a rate of ¥98.23 = U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.
2. From fiscal 2007, FANCL revised accounting standards regarding its points system for customers. For more details, see page 31.
3. FANCL conducted a 3-for-1 stock split on April 1, 2006. Figures for FY03 through FY06 are calculated as if the stock split had actually taken place at the start of the previous business term.
4. Presented as shareholders' equity until fiscal 2006. Presented as equity from fiscal 2007 due to a change in accounting standards.

Net Sales and Operating Income Margin
(Millions of yen, %)



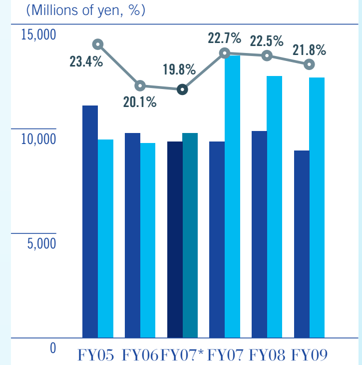
Net Sales
Operating Income Margin

Net Income and ROE
(Millions of yen, %)



Net Income
ROE

Advertising Expenses and Sales Promotion Expenses
(Millions of yen, %)



Advertising Expenses
Sales Promotion Expenses
Advertising and Sales Promotion Expenses Ratio

* In fiscal 2007, FANCL changed its accounting standard for the treatment of customer reward points. Comparisons with the previous fiscal year are based on figures calculated exclusive of this accounting change. Refer to page 31 for more details regarding changes to this accounting standard.

Business Segments

▶ Cosmetics

A core business since FANCL's foundation, this business' operations are focused on preservative-free cosmetics.

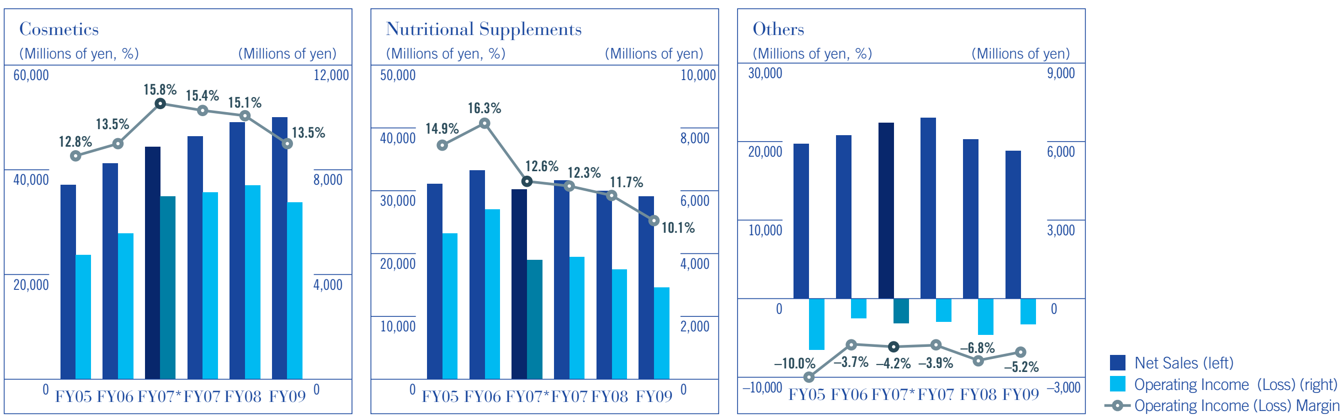
▶ Nutritional Supplements

A core business centered on the sale of high-quality, reasonably priced supplements.

▶ Others

Business based on the provision of germinated brown rice and kale juice for daily health maintenance.

Net Sales, Operating Income and Operating Income Margin:



Sales Channels

▶ Mail-Order Sales (Including Internet Sales)

Encompassing both catalog and Internet sales, this channel boasts the highest profit margin among FANCL sales channels.
In fiscal 2009, sales in this channel accounted for 55.8% of net sales.

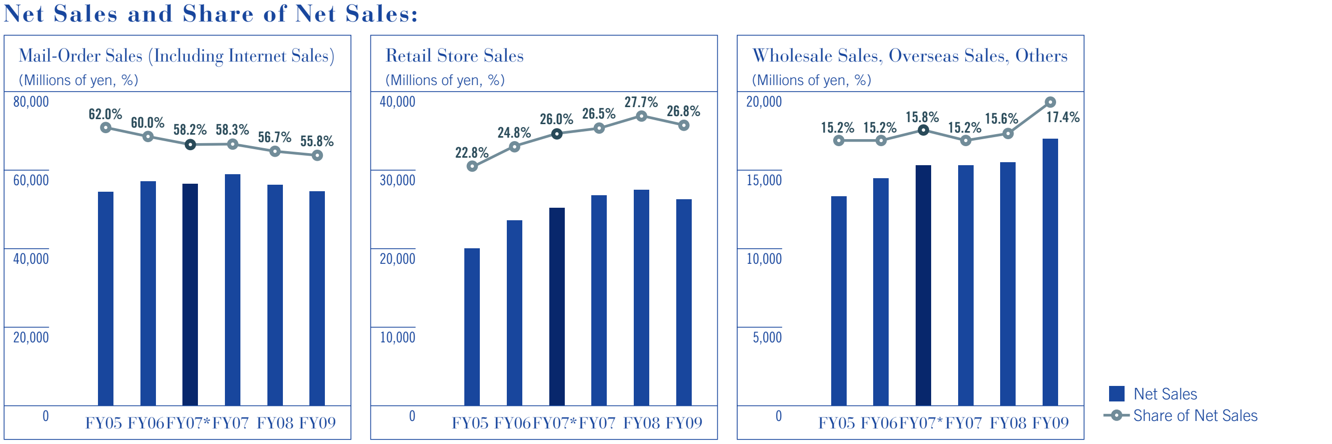
▶ Retail Store Sales

This channel is an important one for answering the needs of customers wanting to physically inspect and test our products.
In fiscal 2009, sales in this channel accounted for 26.8% of net sales.

▶ Wholesale Sales, Overseas Sales, Others

This channel revolves around the sale mainly of supplements and health foods to clients (namely convenience stores) who understand the brand value offered by FANCL products. Overseas, FANCL operates in six countries and regions including the U.S. and Asia, most notably mainland China and Hong Kong. In fiscal 2009, this channel accounted for 17.4% of net sales.

Net Sales and Share of Net Sales:



Fiscal 2009 was a year of drastic change in the business environment due to the global economic recession triggered in the United States. FANCL's Cosmetics Business recorded higher sales even within this difficult business environment thanks to an existing stable customer base and the successful renewal of major products. However, the Nutritional Supplements Business and Other Businesses regrettably posted lower sales.

Yoshifumi Narimatsu

Yoshifumi Narimatsu
C.E.O. and Representative Director
July 2009

Fiscal 2009 Results

In fiscal 2009, the Japanese economy saw domestic demand decelerate and business conditions worsen rapidly, reflecting the effects of the global economic recession triggered by the financial crisis in the United States.

Despite strong sales in the Cosmetics Business thanks to the renewal of major products, net sales in the fiscal year under review decreased 1.4% to ¥98,004 million, reflecting poor performance in the Nutritional Supplements Business and Other Businesses such as the IIMONO OHKOKU Mail-Order Business. Turning to earnings, Other Businesses posted a smaller loss due to reductions in marketing expenses, but the Cosmetics Business and the Nutritional Supplements Business recorded lower earnings because of higher cost-to-sales ratios. As a result, operating income decreased 10.7% to ¥6,666 million, the operating income margin decreased 0.7 percentage points to 6.8%, ordinary income decreased 10.6% to ¥6,938 million and the ordinary income margin decreased 0.7 percentage points to 7.1%.

Net income for the period under review decreased 27.9% to ¥2,663 million as a loss from disposal of fixed assets following closure of stores and a loss following the closure of a Germinated Brown Rice factory were recorded. The ratio of net income to sales fell 1.0 percentage point to 2.7%.

Outlook

In the year ahead, based on prevailing economic conditions in Japan, we expect the challenging business environment to continue for a while longer.

In the Cosmetics Business, revenues for FANCL cosmetics are expected to increase due to strong sales of *Mild Cleansing Oil*, which was revamped during fiscal 2009. We expect the challenging business conditions to continue, but sales of ATTENIR cosmetics are expected to remain at about the same level as the previous year, as we will conduct sales promotions to commemorate the 20th anniversary of the brand's establishment.

In the Nutritional Supplements Business, we are bolstering our ranges of beauty supplements for women and products for middle-aged and older customers. Nonetheless, revenues are expected to fall as we anticipate that customer numbers will continue to decrease.

In Other Businesses, an increase in revenues is expected in the Kale Juice Business due to the launch of new products, but decreased revenues are forecast due to continued sluggishness in catalog sales through the IIMONO OHKOKU Mail-Order Business.

As a result, net sales for the fiscal year ending March 31, 2010, are forecast to decrease 0.5% year on year to ¥97,500 million. Operating income is forecast to increase 9.5% to ¥7,300 million, benefiting from cost efficiencies, ordinary income is forecast to increase 5.2% to ¥7,300 million, and net income is forecast to increase 27.7% to ¥3,400 million.

The fiscal year ending March 31, 2010, marks the 30th anniversary of FANCL's establishment, and is thus an important milestone in our quest to reach the next stage of growth as a global company. Our entire company is committed to working in concert to address the tasks ahead, including bolstering the Cosmetics Business, expanding globally, turning around unprofitable businesses quickly, and cutting operating expenses and costs.

I ask for your continued understanding and support as we move toward the achievement of our objectives.

The Essence of MANAGEMENT

Yoshifumi Narimatsu
C.E.O. and Representative Director

QUESTION_01: Please review the first year of the current medium-term management plan.

ANSWER_01:

In fiscal 2009, the first year of our current medium-term management plan UNPARALLELED QUALITY=NEW VALUE 2010, our net sales and operating income unfortunately ended up significantly below the targeted levels due to the effects of the sudden deterioration in the economic environment. Since the economic environment has changed dramatically since we first formulated the plan, during fiscal 2010 we intend to reconsider the strategies for each business, and set new numerical targets, drawing up a new medium-term management plan to start in the fiscal year ending March 31, 2011. However, the fundamental strategy of the current medium-term plan will not be changed, and we will continue to transition toward a high-profit structure and ensure that we are always focused on the customer's point of view.

In fiscal 2010, the entire company is devoted to achieving our targets for net sales of ¥97,500 million and operating income of ¥7,300 million.

(Millions of yen)

	UNPARALLELED QUALITY= NEW VALUE 2010 (original targets)	Fiscal 2009 Results	Difference	Fiscal 2010 Targets
Net Sales	101,500	98,004	3,496	97,500
Operating Income	8,000	6,666	1,334	7,300

QUESTION_02: Please provide an overview of the strategy for each business.

ANSWER_02:

Despite the tough economic environment, the Cosmetics Business recorded higher sales on the successful renewal of skin care products, washing powder and beauty essence. Looking ahead, key tasks are strengthening customer relationship management (CRM) and anti-aging products, which are expected to grow. We are also working to increase our domestic sales share in the preservative-free market and pursuing global expansion, especially in Asia.

In the Nutritional Supplements Business, we are streamlining and consolidating the product lineup to pursue greater selectivity and focus in our portfolio. Going forward, we will bolster our array of beauty supplements for women and products targeted at the middle aged and older, while maintaining product safety as a selling point. As the disparities among players in the nutritional supplements industry become more pronounced, we now see opportunities in this industry because the market is exiting an adjustment phase and turning upward. One highlight of fiscal 2009 is that the *BITOKI* supplement for adult women, launched on November 20, 2008, achieved double the projected sales figure in the first three and a half months after its launch, becoming an exceptional hit, even compared to other FANCL products launched in recent years.

BITOKI

We aim to turn the unprofitable Other Businesses segment around as quickly as possible. Our goal is to restore the Germinated Brown Rice Business to profitability by shifting to a structure underpinned by reduced manufacturing costs. In May 2009, we closed the Kagawa Plant and integrated production systems at the Nagano Plant. In the Kale Juice Business, we are working to further improve profitability by consolidating plants and shifting to high-margin products. In the IIMONO OHKOKU Mail-Order Business, we are taking steps to improve margins by shifting toward repeat products and otherwise restructuring operations while further cutting costs.

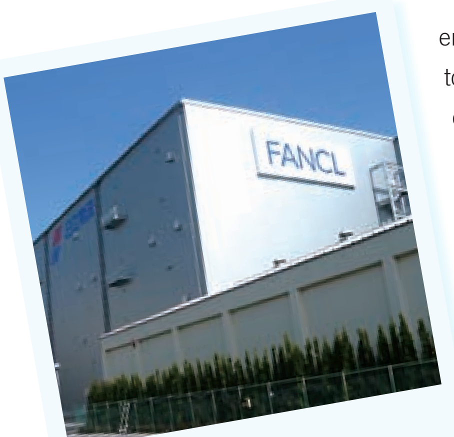
QUESTION_03: **Please discuss the sales channel strategy.**

ANSWER_03:

In mail-order sales, we are enacting policies to boost both customer service and customer loyalty while further strengthening our high-margin Internet channel. Additionally, in August 2008, we consolidated our logistics functions, which had been carried out at eight different locations around Japan, at the Kanto Logistics Center, in the city of Kashiwa, Chiba Prefecture. With this move, we are now able to uniformly manage and ship all of our mail-order products. This has improved customer service and reduced logistics costs.

The domestic Directly Managed Store Business is shifting toward a greater emphasis on quality and individuals and away from its previous orientation toward higher volume and customer numbers. We have dispensed with the concept of a 300-store network based on the same format and are moving to close unprofitable outlets and consolidate or integrate others. Compared with 197 stores in fiscal 2009, we expect our scrap and build strategy to result in a network of 189 stores in fiscal 2010.

Where overseas expansion is concerned, we continue to concentrate on cultivating the still-strong China market, and we are reassessing our presence in unprofitable areas. In North America, we are expanding the BOSCIA brand, and we are eyeing future expansion into Europe.



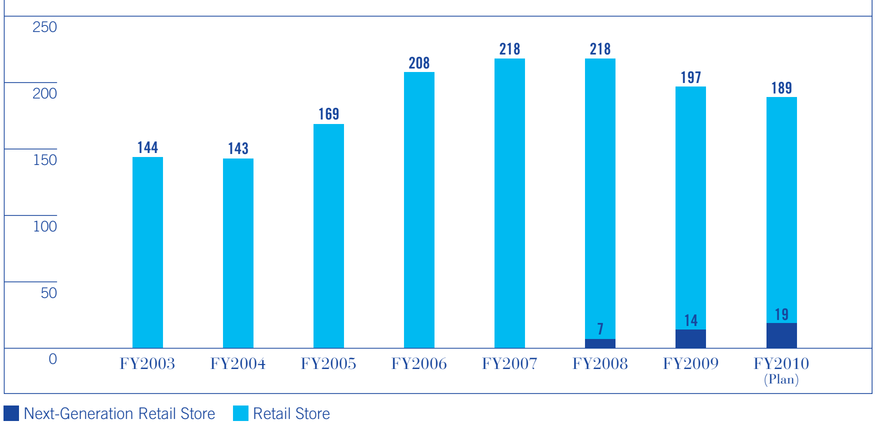
Kanto Logistics Center

QUESTION_04: Please describe some of the new business that FANCL will handle in the future.

ANSWER_04:

We recognize that creating new businesses and services that will become next-generation growth engines after cosmetics and nutritional supplements is a key task. In fiscal 2009, the company established a Business Creation Strategy Council, which I myself head, to explore the pros and cons of new businesses, M&A, and cooperative ventures with other firms. Already, the council has held detailed discussions on such themes as the establishment of a health center, the creation of an anti-aging products brand and the full-scale rollout of hydrating cosmetic product *Moist24*. We plan to set clear criteria for business investment and withdrawal, and to disclose the standards for each new business that we initiate.

Number of Retail Stores



Next-Generation Retail Store

Also, in May 2007, we established an internal business creation challenge, whereby employees could propose new ventures. In fiscal 2009, the Company inaugurated a cooperative project with a firm in another industry based on an idea from an employee.

QUESTION_05: How do you envisage FANCL's future growth, and what will drive it?

ANSWER_05:

I believe that reforming the profit structure is essential for restoring growth at FANCL. In fiscal 2010, I will be leading policies to enhance profitability throughout the Company, including reforming procedures at head office, shaking up the personnel system, and bolstering marketing.

I see our customer base as the driver of further growth. In the unprecedented economic environment of fiscal 2009, FANCL was the only cosmetics company in Japan to achieve higher cosmetics business sales. Also, the number of loyal customers* has not been greatly affected by the economy and continues to grow steadily. I view this result as a testament to the confidence that our customers place in our products and services, which since our founding, have embodied our 'preservative-free' concept and our creed of 'everything we do is for our customers.'

Also, FANCL maintains a healthy financial condition with zero interest-bearing debt and is therefore able to sustain operational stability despite an uncertain economic environment ahead.

**Defined purchasing frequencies and purchase values are segmented according to the Company's criteria.*

QUESTION_06: **Please comment on CSR.**

ANSWER_06:

FANCL actively engages in environmental protection activities and social contribution programs. As a result of company-wide efforts, CO_2 emissions from our offices and factories in fiscal 2009 were 90.7% of the level in the prior fiscal year. In fiscal 2010, we are planning to cut emissions further to 98.0% of the fiscal 2009 level. Also, as part of our social contribution activities, FANCL supports activities involving people with disabilities in local communities.

QUESTION_07: **Please comment on shareholder value.**

ANSWER_07:

Where returns to stockholders are concerned, on November 4, 2008, we announced a change in our basic policy on dividends. Our aim now is to pay out 40% or more of consolidated net income, conduct share buybacks as and when necessary, and retire treasury stock amounting to 10% or more of total shares outstanding. When it comes to preventing a hostile takeover, I believe the best line of defense is encouraging more owners of FANCL stock to become long-term shareholders by raising our corporate value.

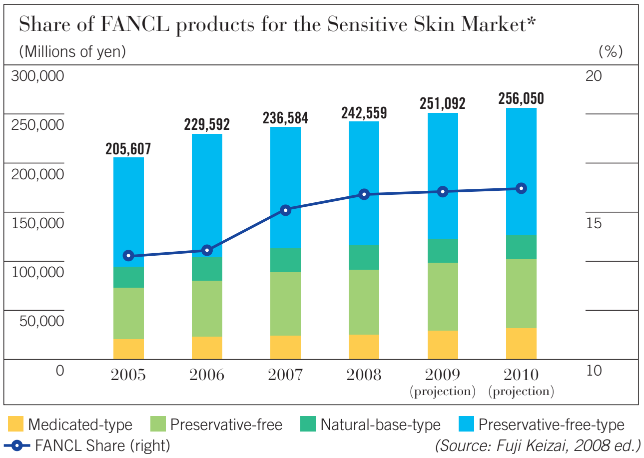
Above all else, a course of action that demonstrates that at FANCL, 'everything we do is for our customers,' is the most effective way to enhance the FANCL brand. I believe that, over the long term, this will prove beneficial not only to shareholders, but to all FANCL stakeholders. By forging stronger ties with customers, our hope is to reward shareholders by achieving a recovery in business performance.

Cosmetics Business Aiming for Further Evolution as a Core Business

Thanks to our successful efforts to revamp products over the last several years, we've recorded five consecutive years of sales growth in the Cosmetics Business, despite a challenging economic environment. We plan to continue our focus on developing competitive products, with an emphasis on their performance, to further bolster the strength of the FANCL brand—our commitment to providing safe and dependable preservative-free cosmetics. In this way, we will further increase our share of the domestic preservative-free cosmetics market and expand globally, with a focus on Asia.

The Essence of GROWTH

Sensitive Skin Market Expected to Grow



(Source: Fuji Keizai, 2008 ed.)

The sensitive skin market in Japan—which did not exist prior to FANCL's launch of preservative-free cosmetics—is estimated to be worth roughly ¥240.0 billion. And while the cosmetics industry remains relatively flat overall, the sensitive skin market continues to grow annually, tracking an increase in the number of women with sensitive skin and heightened interest in all-natural products. FANCL cosmetics currently have a steadily growing 15% share of this market.

** A composite market made up of the preservative-free, medicated-type, preservative-free-type, and natural base-type cosmetics markets, as defined independently by FANCL based on consumer perceptions.*

Revamping of Strong-performing Cosmetics Continues

Over the last several years, FANCL has succeeded in boosting sales and customer numbers by revamping and re-launching strong-performing major products.

In fiscal 2008, we reinvented our mainstay skincare brands, consolidating both the FENATTY and Eventé brands under the FANCL brand. As a result, sales in FANCL's revamped skincare lineup climbed 16.6% year on year, with customer numbers up 26.7%. These numbers also contributed to a lower cost of sales ratio.

In fiscal 2009, we revamped *Facial Washing Powder* and *Mild Cleansing Oil*. Sales of *Facial Washing Powder* climbed a solid 30.7% year on year and sales of *Mild Cleansing Oil* rose 17.9%.

In fiscal 2010, we plan to revamp our *Whitening Serum* and our lineup for dry, sensitive skin, as we work to expand sales and customer numbers through ongoing renewals.

Stronger CRM Leveraging Sales Channels

The Cosmetics Business employs multiple sales channels—including catalog-based, online and retail store sales—and it is strengthening CRM by leveraging the advantages that each has to offer. We are reviewing the way we provide customer service at retail stores and improving the informational leaflets provided to encourage customers to keep using our products long-term. Through better and more detailed follow-up service attuned to the age, buying history and needs of each customer, we are determined to boost customer loyalty.

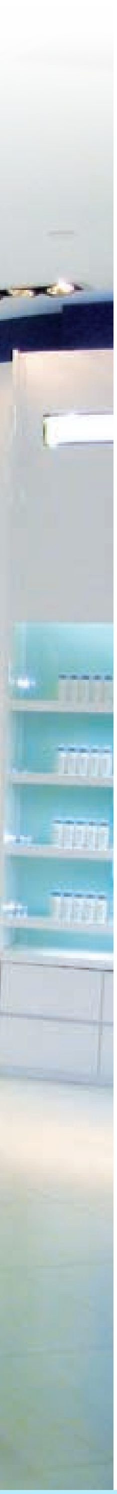
ATTENIR Cosmetics

ATTENIR is a cosmetics brand offering value beyond its price through a dedicated commitment to high quality.

Although we had continually set new records for sales and customer numbers until fiscal 2008, aggressive sales promotion in fiscal 2009 failed to generate adequate customer growth. In fiscal 2010, we intend to raise margins through more efficient use of marketing expenses. We also aim to further expand customer numbers by revamping our range of whitening products and implementing a marketing campaign to celebrate the 20th anniversary of the ATTENIR brand.

Overseas Growth Potential

In addition to Japan, FANCL operates in six major overseas markets: China, Hong Kong, Taiwan, Singapore, Thailand, and the United States. Overseas sales have approximately doubled over the last three years on a local retail sales basis, and further growth is expected.

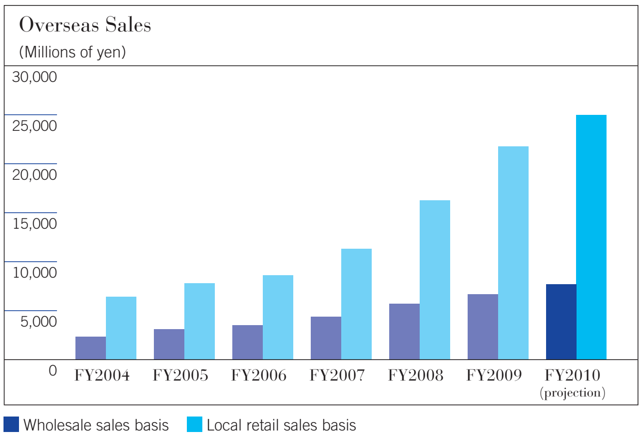


FANCL's Business Overseas

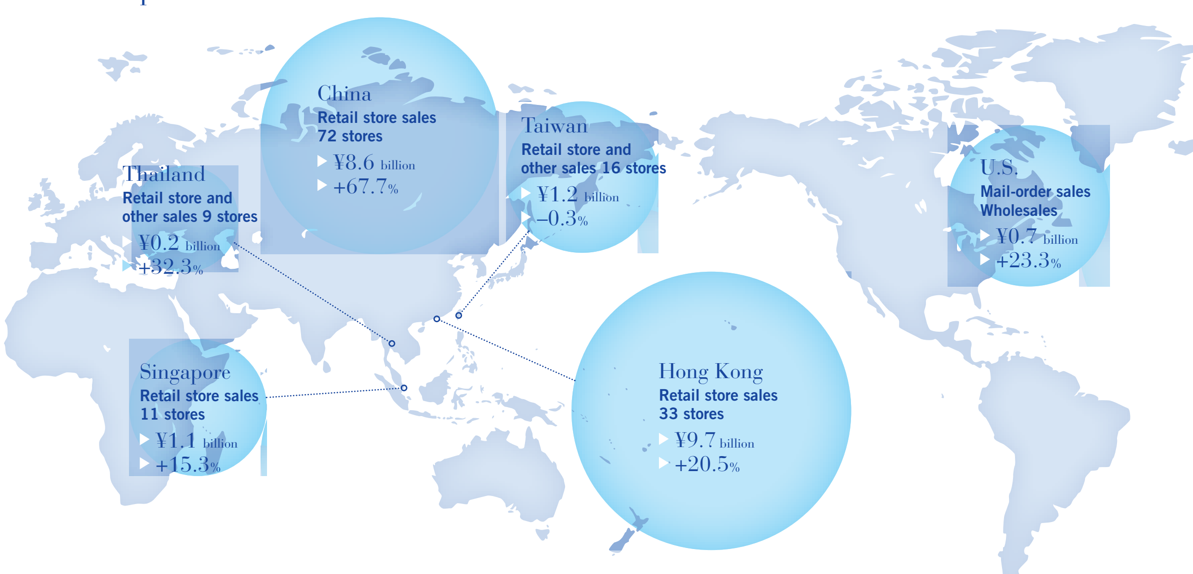
FANCL products are sold through agents (without capital relationships) in China and Hong Kong, through joint ventures with local firms in Thailand, and through wholly owned subsidiaries in Taiwan, Singapore, and the United States. In fiscal 2009, sales in China continued to rise, growing 67.7% on a local retail sales basis to ¥8.6 billion. FANCL's concept of preservative-free cosmetics has struck a chord in China, with exceptionally brisk sales in Shanghai and Beijing, where FANCL is the leading brand sold at the cosmetics counters of major department stores. Looking ahead, we intend to further tap this market, aiming to increase the number of our stores from 72 as of March 31, 2009 to 100. As in Hong Kong, we plan to strengthen our partnership with one of FANCL's most influential sales agents, Fantastic Natural Cosmetics Limited (FNL), in an aggressive move to support more store openings.

In Taiwan, Singapore, and Thailand, we plan to review operations from the ground up. Meanwhile, FANCL's exclusive brand for the U.S. market, BOSCIA, posted year-on-year growth of 24.8%.

For fiscal 2010, we are projecting sales of ¥25.0 billion on a local retail sales basis, ¥7.7 billion on a wholesale sales basis, and an operating income margin (versus wholesale sales) of 10%.



Global Expansion



** Store numbers as of March 31, 2009*
Upper figure: Local retail sales (January-December 2008)
Lower figure: YoY increase/decrease

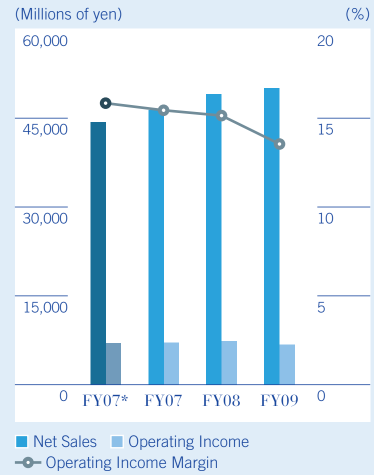
Net Sales, Operating Income (Loss) and Operating Income (Loss) Margin

Cosmetics Business

Proportion of Total Net Sales

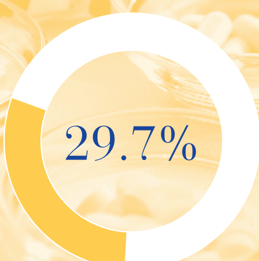
Products

- FANCL cosmetics
  (Preservative-free cosmetics that contain no ingredients known to cause skin allergies)
- ATTENIR cosmetics
  (Attractive, quality cosmetics at reasonable prices)



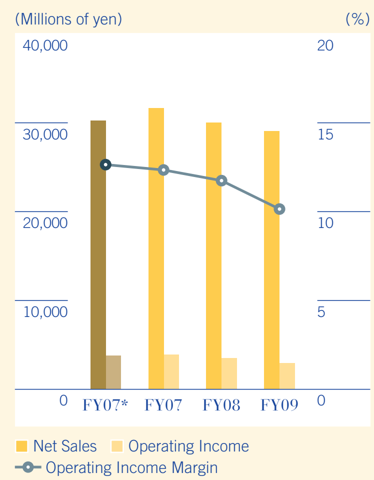
Nutritional Supplements Business

Proportion of Total Net Sales



Products

- Health supplements
  (High-quality nutritional supplements at competitive prices)
- Beauty supplements
  (Nutritional supplements for inner beauty)

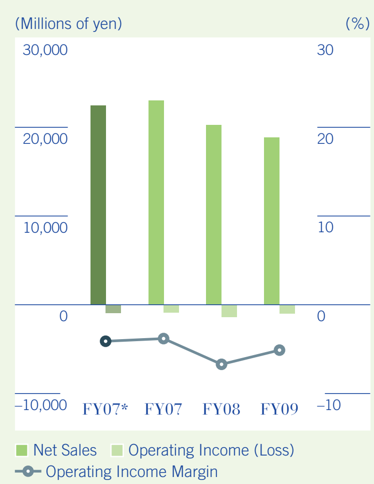


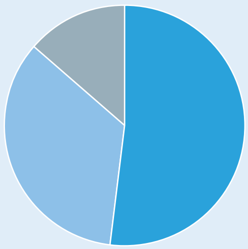
Other Businesses

Proportion of Total Net Sales

Products

- Germinated brown rice
- Kale juice
- Comfort undergarments
- Health equipment and lifestyle goods





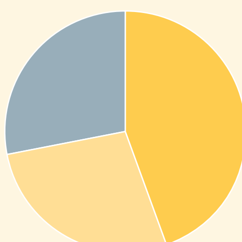
- Mail-order Sales 52.2%
- Retail Store Sales 34.4%
- Wholesale and Overseas 13.4%

Fiscal 2009 Overview

Sales of FANCL cosmetics grew steadily due to healthy sales of revamped skin care products, as well as washing powder and beauty essence. In ATTENIR cosmetics, sales were lower as the number of customers failed to grow despite aggressive advertising activities.

Strategies for Fiscal 2010

FANCL cosmetics will strive to attract new customers through stronger marketing of *Mild Cleansing Oil*, which is slated for a revamp in the first half of the year. ATTENIR cosmetics will aim for profit growth through more efficient use of marketing expenses, with an emphasis on profitability.



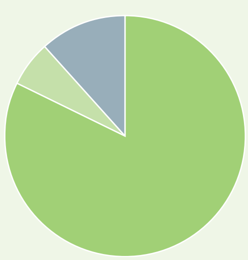
- Mail-order Sales 44.7%
- Retail Store Sales 27.3%
- Wholesale and Overseas 28.0%

Fiscal 2009 Overview

An aggressive marketing campaign for beauty supplements and products aimed at middle-aged and elderly consumers led to brisk sales of certain products but failed to cover declines in the sale of vitamins, herbs, and other product groups, leading to declining sales overall.

Strategies for Fiscal 2010

Along with continued efforts to underscore product safety, FANCL will realign product categories and carry out a scrap and build policy with respect to products in a bid to raise customer satisfaction. FANCL will also continue to aggressively cultivate demand for beauty supplements among middle-aged and elderly consumers.



- Mail-order Sales 82.4%
- Retail Store Sales 6.1%
- Wholesale and Overseas 11.5%

Fiscal 2009 Overview

Although sales in the Germinated Brown Rice Business were lower as mail-order sales declined due to a decrease in customers, losses from this business contracted due to more efficient use of expenses. In the Kale Juice Business, sales declined due to sluggish sales of frozen-type products. The same was true for the IIMONO OHKOKU Mail-Order Business, where sales decreased from a slump in catalog sales.

Strategies for Fiscal 2010

In the Germinated Brown Rice Business, FANCL is aiming for profitability largely through a decrease in manufacturing costs, which should accompany factory consolidations. New products will also be introduced to shore up mail-order sales.

In the Kale Juice Business, FANCL will strive to boost profit margins further through factory consolidations, while at the same time strengthening mail-order sales by launching products targeting women.

In the IIMONO OHKOKU Mail-Order Business, FANCL's goal is to achieve profitability through substantial cost reductions.

Note: From fiscal 2007, FANCL revised accounting standards regarding its points system for customers. For more details, *see page 31.*

Cosmetics Business

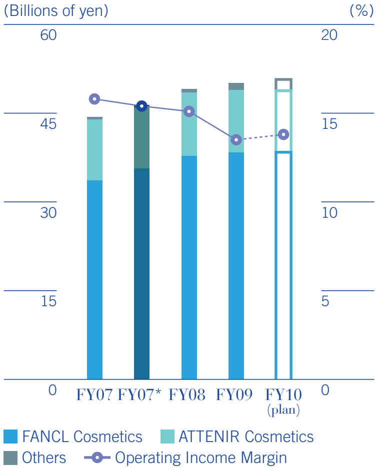
[Cosmetics Business]
Performance and Targets

	Millions of yen				
	2010 (plan)	**2009**	2008	2007	2007*2
Net sales	***50,700***	**50,081**	49,062	46,376	44,366
FANCL cosmetics	***38,400***	**38,394**	37,814	35,692	33,682
ATTENIR cosmetics	***10,400***	**10,489**	10,710	10,283	10,283
Others	***1,900***	**1,197**	538	401	401
Gross profit	***37,250***	**37,051**	37,276	34,866	32,856
Gross profit margin	***73.5%***	**74.0%**	76.0%	75.2%	74.1%
Selling, general and administrative expenses	***30,250***	**30,290**	29,867	27,733	25,865
Advertising expenses	***(4,550)***	**(4,897)**	5,059	4,527	4,528
Operating income	***7,000***	**6,762**	7,409	7,133	6,991
Operating income margin	***13.8%***	**13.5%**	15.1%	15.4%	15.8%

	Customers		
Number of active customers*1 at fiscal year-end:			
FANCL cosmetics (Mail-order and retail store)	**1,327,556**	1,404,746	1,408,423
ATTENIR cosmetics (Mail-order)	**472,784**	529,259	490,231

*1 *Active customers: Customers making at least one purchase during the preceding seven months.*
*2 *From fiscal 2007, FANCL revised accounting standards regarding its points system for customers. For more details, see page 31.*

[Cosmetics Business]
Net Sales and Operating Income Margin



1 FANCL Skin Care Products
2 FANCL Mild Cleansing Oil
3 ATTENIR Skin Care Products

Fiscal 2009 Result

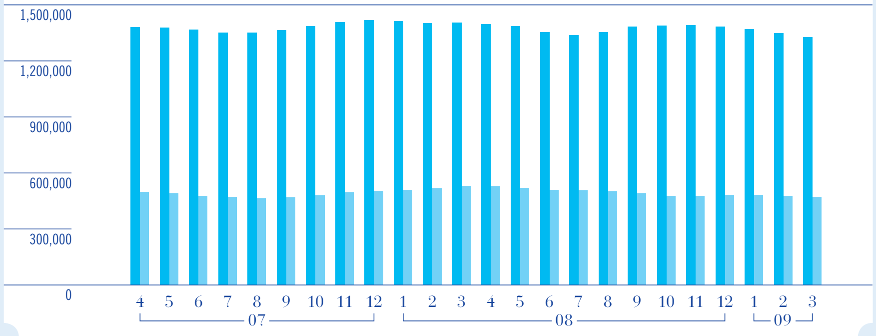
Cosmetics sales increased 2.1% compared to the previous year, reaching ¥50,081 million. Sales of FANCL cosmetics increased 1.5% to ¥38,394 million, from the effects of renewals of skin care products, beauty essence and *Facial Washing Powder*. Sales of ATTENIR cosmetics decreased 2.1% to ¥10,489 million, with proactive marketing activities failing to lead to an increase in the number of customers.

Results by sales channels were: mail order sales increased 0.6% year on year to ¥26,141 million, retail store sales decreased 2.1% to ¥17,212 million from a decrease in the number of retail stores, and wholesale sales through other sales channels increased 22.5% to ¥6,728 million, with strong results from overseas sales and an increase in OEM sales.

Operating Income

Operating income decreased 8.7% to ¥6,762 million due to a rise in the cost percentage following the increase in OEM sales. The operating income margin decreased 1.6 percentage points to 13.5%.

Active Cosmetics Customers
(Number of customers)



Number of Active Mail-order and Retail Store Customers (FANCL Cosmetics)
Number of Active Mail-order Customers (ATTENIR Cosmetics)

Outlook and Strategies

In the Cosmetics Business, FANCL will continue to pursue the development of highly competitive products with an emphasis on functionality, guided by the UNPARALLELED QUALITY=NEW VALUE 2010 plan. FANCL will also revamp its core products, with the goal of being No. 1 in the preservative-free market and establishing an unrivaled market presence in the sensitive skin market.

In fiscal 2010, FANCL cosmetics will likely see higher sales on healthy growth in its *Mild Cleansing Oil* product revamped in the previous year. For ATTENIR cosmetics, while adverse conditions will likely continue, sales initiatives commemorating the 20th anniversary of this line, along with other measures, should keep sales on a par with the previous fiscal year.

As a result, FANCL is aiming for sales in this business of ¥50.7 billion (up 1.2% year on year) for fiscal 2010. Operating income is projected to increase by 3.5% to ¥7.0 billion, due to decreased marketing expenses and the effect of higher sales. The operating income margin is expected to be 13.8%.

Nutritional Supplements Business

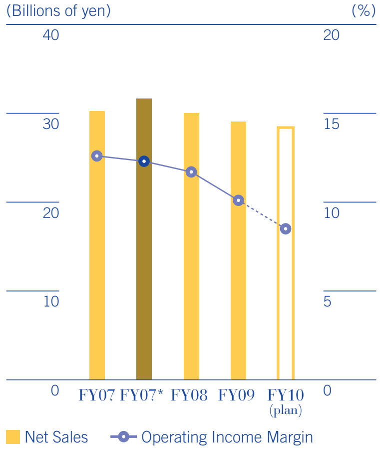
[Nutritional Supplements Business]
Performance and Targets

	Millions of yen				
	2010 (plan)	**2009**	2008	2007	2007*2
Net sales	***28,400***	**29,089**	30,017	31,666	30,271
Gross profit	***18,700***	**19,167**	19,803	20,708	19,313
Gross profit margin	***65.8%***	**65.9%**	66.0%	65.4%	63.8%
Selling, general and administrative expenses	***16,300***	**16,237**	16,297	16,805	15,509
Advertising expenses	***2,200***	**2,215**	2,292	2,130	2,129
Operating income	***2,400***	**2,929**	3,506	3,903	3,804
Operating income margin	***8.5%***	**10.1%**	11.7%	12.3%	12.6%

	Customers		
Number of active customers*1 at fiscal year-end:			
Mail-order and retail store	**965,433**	1,066,018	1,103,573

*1 *Active customers: Customers making at least one purchase during the preceding seven months.*
*2 *From fiscal 2007, FANCL revised accounting standards regarding its points system for customers. For more details, see page 31.*

[Nutritional Supplements Business]
Net Sales and Operating Income Margin




1


2


3

1 HTC* Collagen Drink and Supplement
2 Bitoki
3 Co-enzyme Q_{10}
*HTC: High Tripeptide Containing

Fiscal 2009 Result

Nutritional supplement sales decreased 3.1% year on year to ¥29,089 million.

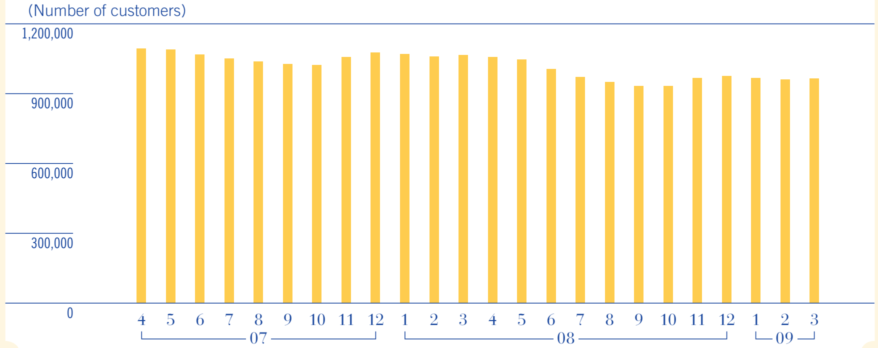
Active marketing of beauty supplements such as *HTC Collagen* and certain products targeting middle-aged and elderly customers led to strong sales, but this was unable to cover the decrease in sales of other product groups such as vitamins and herbs.

Results by sales channels were: mail order sales decreased 3.7% to ¥13,011 million, retail store sales decreased 7.9% to ¥7,948 million as sales at existing stores were sluggish and the number of retail stores decreased, and wholesale sales through other sales channels increased 3.2% to ¥8,129 million, supported by strong overseas sales.

Operating Income

Operating income decreased 16.4% to ¥2,929 million due to a drop in revenues and an increase in expenses for sales promotion. The operating income margin decreased 1.6 percentage points to 10.1%.

Active Nutritional Supplements Customers
(Number of customers)



Number of Active Mail-order and Retail Store Customers

Outlook and Strategies

In the Nutritional Supplements Business, FANCL will focus on building long-term relationships with customers based on trust, a key goal of the UNPARALLELED QUALITY=NEW VALUE 2010 plan.

In fiscal 2010, in tandem with an ongoing commitment to safety, FANCL will realign product categories and take a “scrap and build” approach to its products in a bid to raise customer satisfaction. Continued efforts will also be made to promote beauty supplements and identify potential customers among middle-aged and elderly consumers.

The above efforts notwithstanding, with the decline in customer numbers showing no signs of abating, FANCL is projecting sales of ¥28.4 billion in fiscal 2010, down 2.4% year on year. Operating income is forecast to decline by 18.1% to ¥2.4 billion, due to increased marketing expenses targeting middle-aged and elderly customers, a consumer base among which FANCL is making inroads. The projected operating margin is 8.5%.

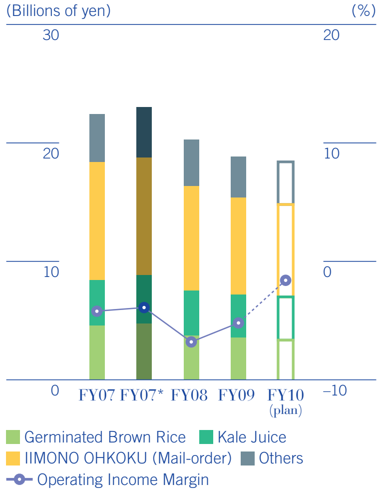
Other Businesses

[Other Businesses]
Performance and Targets

	Millions of yen				
	2010 (plan)	**2009**	2008	2007	2007*[2]
Net sales	***18,400***	**18,834**	20,271	23,023	22,427
Germinated brown rice	***3,350***	**3,571**	3,744	4,761	4,561
Kale juice	***3,650***	**3,593**	3,762	4,055	3,873
IIMONO OHKOKU (Mail-order)	***7,800***	**8,226**	8,840	9,940	9,940
Others	***3,600***	**3,442**	3,925	4,267	4,053
Gross profit	***9,150***	**9,062**	9,909	11,595	10,999
Gross profit margin	***49.7%***	**48.1%**	48.9%	50.4%	49.0%
Selling, general and administrative expenses	***9,450***	**10,043**	11,294	12,493	11,939
Advertising expenses	***2,200***	**1,850**	2,525	2,736	2,736
Operating income (loss)	***(300)***	**(981)**	(1,385)	(898)	(940)
Operating income (loss) margin	***(1.6%)***	**(5.2%)**	(6.8%)	(3.9%)	(4.2%)
			Customers		
Number of active customers*[1] at fiscal year-end:					
Germinated brown rice (Mail-order)		**206,279**	255,245	214,833	
Kale juice (Mail-order)		**93,576**	87,697	92,155	

*[1] *Active customers: Customers making at least one purchase during the preceding seven months.*
*[2] *From fiscal 2007, FANCL revised accounting standards regarding its points system for customers. For more details, see page 31.*

[Other Businesses]
Net Sales and Operating Income Margin




❶


❷


❸

❶ Germinated Brown Rice

❷ Powdered Kale Juice

❸ IIMONO OHKOKU Mail-order Catalogs

Fiscal 2009 Result

Sales in Other Businesses decreased 7.1% year on year to ¥18,834 million.

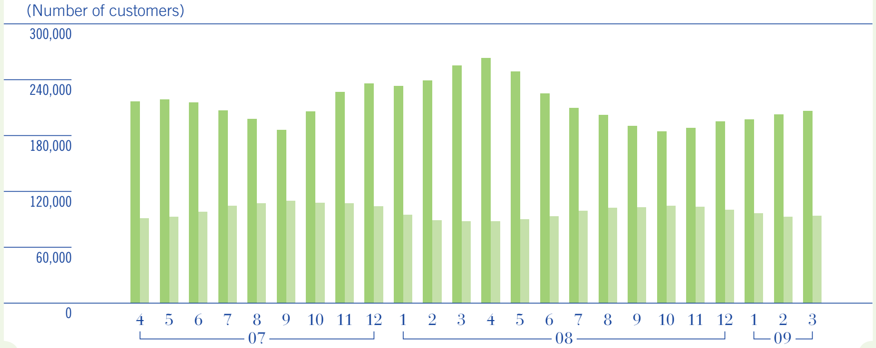
In the Germinated Brown Rice Business, sales decreased 4.6% to ¥3,571 million due to sluggish mail-order sales from a decrease in customer numbers despite an expansion of commercial sales such as sales to convenience stores.

In the Kale Juice Business, sales decreased 4.5% to ¥3,593 million, as sales of frozen-type kale juice were poor.

Sales through the IIMONO OHKOKU Mail-Order Business decreased 6.9% year on year to ¥8,227 million, as catalog sales were sluggish.

Sales at other businesses decreased 12.3% to ¥3,442 million, as sales of undergarments did not perform well.

Active Germinated Brown Rice and Kale Juice Customers
(Number of customers)



Number of Active Germinated Brown Rice Customers (Mail-order)
Number of Active Kale Juice Customers (Mail-order)

Operating Income

Operating loss improved ¥404 million over the previous fiscal year to ¥981 million due to improved operating results in the Germinated Brown Rice Business and Kale Juice Business despite worsened operating losses in the IIMONO OHKOKU business.

Outlook and Strategies

The goal for Other Businesses under the UNPARALLELED QUALITY=NEW VALUE 2010 plan is to achieve profitability. In the Germinated Brown Rice Business, FANCL is striving for profitability through structural changes prefaced on lower production costs. In the Kale Juice Business, FANCL will seek to improve profitability further by consolidating production plants and promoting a shift toward product lines with higher profit margins. For the IIMONO OHKOKU Mail-Order Business, FANCL is eyeing changes in business structure, among them a shift to repeatedly high-selling products, while conducting sweeping cost reductions to boost profitability.

For fiscal 2010, while FANCL is projecting sales growth in the Kale Juice Business from the rollout of new products, sales will likely be lower in the Germinated Brown Rice and IIMONO OHKOKU Mail-Order businesses.

As a result, for Other Businesses as a whole, FANCL is forecasting sales of ¥18.4 billion (down 2.3%) for fiscal 2010. Operating loss, however, is expected to improve from the previous year's loss of ¥0.7 billion to a loss of ¥0.3 billion. This increase should reflect plant consolidations in the Germinated Brown Rice and Kale Juice Businesses, as well as an overall review of marketing expenses and other costs.

FANCL is known for preservative-free cosmetic products, a new field of cosmetics that we pioneered in Japan. Today, FANCL consistently proposes new value through the development of high-quality cosmetics and nutritional supplements with no additives or other preservatives. FANCL's unequivocal R&D policy and structure are vital supports enabling these value-proposition capabilities.

Basic R&D Approach and R&D Structure

In addition to preservative-free cosmetics, FANCL has actively unveiled new products in the health foods field. Underlying these activities is FANCL's distinct corporate philosophy founded on the elimination of negative issues such as dissatisfaction, uncertainty and inconvenience from the world.

Eliminating negative issues requires that we consistently deliver products of real value to our customers. Defying conventional wisdom with an approach founded on innovative concepts and the latest technology is critical to this aim. Here, the FANCL Research Institute plays a pivotal role. Organizationally, the institute is composed of five research centers: the Cosmetics Research Facility, the Health Foods & Supplements Research Facility, the Fundamental Research Facility, the Safety & Quality Design Research Center, and the Research Promotion Office. These organizations are staffed by roughly 128 researchers, including those with doctorate degrees in fields such as agriculture, pharmaceuticals, engineering, and other sciences. Joint research is also conducted with external organizations, including universities and materials companies in other industries. Total R&D expenses in fiscal 2009 amounted to ¥2,189 million, consisting of ¥1,011 million for Cosmetics, ¥1,076 million for Nutritional Supplements, and ¥101 million for Other Businesses.

Unwavering Pursuit of Safety

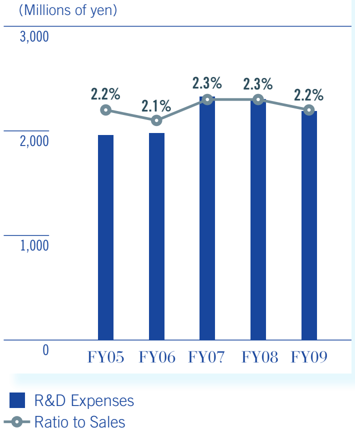
In a discussion of FANCL's R&D structure, the Safety & Quality Design Research Center deserves special note. Established in April 2006, this center is dedicated to further heightening the safety and quality of products that have become synonymous with the FANCL brand.

The "preservative-free" concept permeates every aspect of R&D. For this reason, FANCL's preservative-free cosmetics omit not only any previously designated ingredients* that could cause an allergic reaction or dermatitis, but also do not contain any other ingredients known to have such effects. Thus, we are totally committed to the preservative-free ethos.

FANCL selects the roughly 450 ingredients used for its products from among over 10,000 cosmetic agents based on its own safety standards. The Company then conducts repeated and rigorous irritant evaluation trials using the latest three-dimensional skin models based on human skin structure. Final products are then separately evaluated by the Safety & Quality Design Research Center. Operating independently of the other R&D organizations, the center is responsible for developing technology to evaluate safety and quality, as well as for the final evaluation of products and materials.

In fiscal 2009, FANCL completely revamped *Mild Cleansing Oil*, Japan's top-selling facial cleansing oil in terms of sales volume. When attempting to improve cleansing oils, enhancing cleansing strength tends to have the effect of reducing the ability of the oil to retain moisture. In renewing *Mild Cleansing Oil*, however, FANCL succeeded in developing both these key functions by introducing its own original "perfect blend oil" and "nano-size cleansing technology" to the product.

R&D Expenses
(Millions of yen)



[R&D-Related Data]

	FY2009	FY2008	FY2007	FY2006	FY2005
R&D Expenses (Millions of yen)	2,189	2,302	2,327	1,978	1,959
Ratio to Sales	2.2%	2.3%	2.3%	2.1%	2.2%
No. of Researchers	128	121	111	113	114
No. of Patent Applications in Japan	62	42	41	37	50

**Any of 102 ingredients that could cause dermatitis or other allergic reactions that companies were required to display as product warnings until March 2001. Presently all ingredients—not just these 102—must be displayed on product labels in accordance with government legislation.*

FANCL regards the enhancement of corporate governance as an important management issue in gaining the trust of shareholders and other stakeholders. Our basic policy is to achieve business efficiency and transparency through rigorous adherence to corporate ethics and relevant laws, and through enhancements to our internal control system, including risk management.

Corporate Governance Structure:

Executive Officer System

FANCL introduced the executive officer system in June 1999 to ensure the separation of the supervisory and executive functions of management. In 2004, we terminated the system of appointing directors to posts with operational responsibilities, instead appointing executive officers to serve in these posts.

Board of Directors

The Board of Directors consists of 9 directors. The Board's role is to make decisions on important management issues and other statutory matters and to provide management oversight of the operations of FANCL and its subsidiaries on the basis of reports from managers and auditors. To clarify management accountability and enhance management quality, the term of office for directors is one year. FANCL has also appointed outside directors in order to enhance governance.

Corporate Auditors

FANCL has a corporate auditor system anchored by four corporate auditors, Two of whom are from outside the Company. These corporate auditors are responsible for monitoring management from an objective and neutral standpoint. The corporate auditors attend all meetings of the Board of Directors, Management Conference and other important meetings, and regularly exchange opinions with senior management to ensure appropriate management oversight. To maintain organizational ties conducive to effective audits, the corporate auditors verify the facts reported by the six-member internal Audit office during interviews and reports in order to improve the effectiveness of corporate governance.

Accounting Auditor

FANCL has appointed Ernst & Young ShinNihon to be its accounting auditor and provide objective advice regarding accounting matters.

Retirement Allowance System for Directors Abolished

In June 2006, as part of reforms to the director compensation system, the Company abolished its retirement allowance system for directors because of its low correlation with Company performance and strong seniority-oriented nature. FANCL has newly replaced the old system with a stock based compensation scheme.

Fiscal 2009 Compensation Packages for Directors and Corporate Auditors

(Millions of yen)

Recipient	Number of recipients	Amount paid
Directors	10	373
Corporate auditors (Outside corporate auditors)	4 (3)	51 (51)
Total	14	424

** "Amount paid" includes compensation from stock options: 10 directors ¥84 million*

Internal Control System: Basic Stance and Current Status

In April 2006, FANCL formulated a basic policy regarding the development of a system of internal controls. This was followed by the establishment of an Internal Control Committee, chaired by the president and C.E.O., which enacts initiatives aimed at strengthening the Company's system of internal controls.

Investor Relations

FANCL is committed to disclosing information to shareholders and other investors in a timely, appropriate, and speedy manner to improve management transparency.

1) Promotion of Speedy and Fair Disclosure

In accordance with FANCL's disclosure policy, we disclose monthly sales data in a timely manner and strive to announce financial results as soon as possible after the end of the fiscal year. Information on financial results as well as streaming coverage of the investors' meeting is uploaded to the IR section of our website as promptly as possible after the official announcement of business results. We are also striving toward fair disclosure to help narrow the information disparity among stakeholders by offering webcasts of information meetings held.

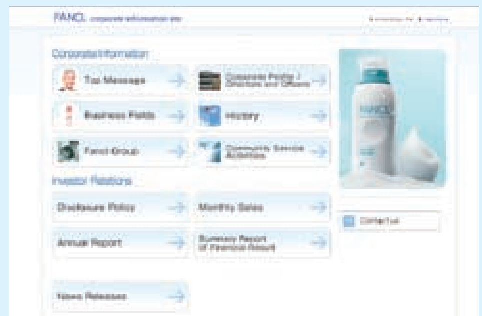
Top management representatives also make individual calls on European and U.S. investors once a year.

2) Internet-Based Execution of Voting Rights Available

As another example of how we are utilizing the Internet to enhance shareholder convenience, Online voting was made available from the June 2004 General Meeting of Shareholders as an alternative to the execution of voting rights by means of conventional mail. To improve the online voting experience, we also began taking part in an e-voting platform from 2007.

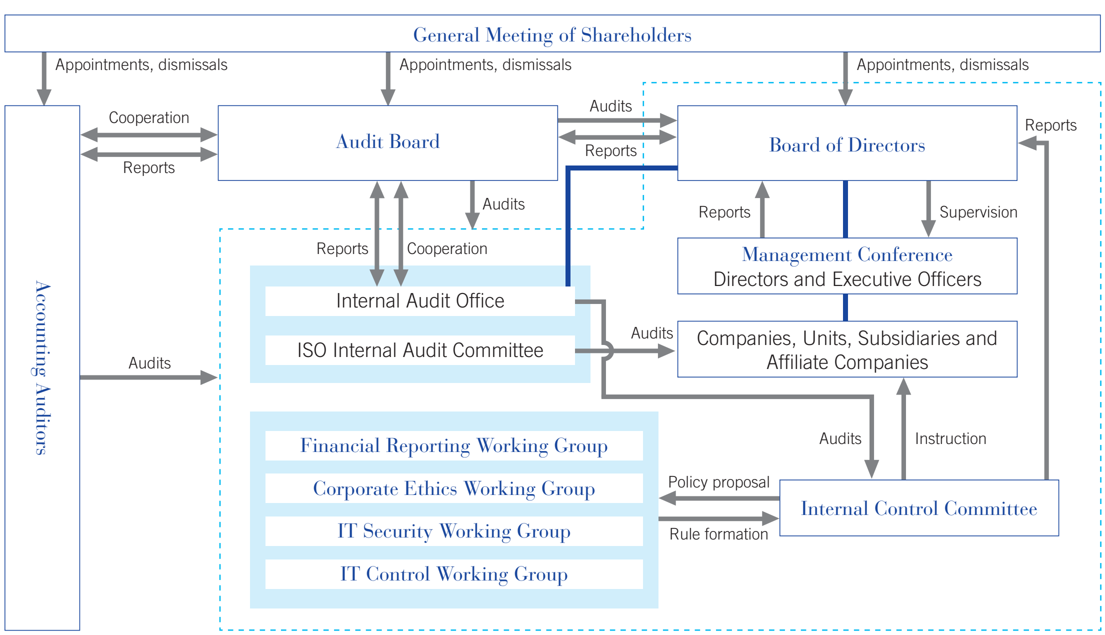
For Further Information, Please Contact:

Investor Relations Group
Tel : +81(45)226-1470
Fax : +81(45)226-1442
http://www.fancl.co.jp
e-mail : official@fancl.co.jp



http://www.fancl.co.jp/corporate/index_e.html

Corporate Governance System



Directors and Officers

(As of June 20, 2009)

▶ Kazuyoshi Miyajima
Chairman and Representative Director

▶ Yoshifumi Narimatsu
C.E.O. and Representative Director

Chairman and Representative Director	Kazuyoshi Miyajima	
C.E.O. and Representative Director	Yoshifumi Narimatsu	
Managing Executive Officer and Director	Yukio Ikemori	
Executive Officers and Directors	Kazuyuki Shimada Haruki Murakami	Kenichi Sugama Mayuko Yamaoka
Directors	Jyunji Iida	Norito Ikeda*
Executive Officers	Katsuhiko Egami Yasushi Sumida	Toru Tsurusaki
Statutory Auditors	Toshio Shinozawa Katsunori Koseki*	Akira Tobishima* Masako Maeda*

**Outside statutory auditors*

FANCL was founded on the desire to help women with sensitive skin find the right cosmetics for their needs. Through our products, we strive to eliminate negatives such as inconvenience, dissatisfaction and uncertainty. We are also involved in a range of social contribution and environmental protection activities, from supporting greater independence for disabled persons to encouraging ecological coexistence in local communities. After all, corporate social responsibility (CSR) is a serious and consistent element of every FANCL operation.

Support for People With Disabilities

FANCL SMILE Expands Employment Opportunities for the Intellectually Disabled

In February 1999, FANCL established FANCL SMILE Co., Ltd., a non-consolidated special subsidiary dedicated to promoting the employment of persons with disabilities. At March 31, 2009, the company employed 39 people with intellectual disabilities. While operations revolve mainly around packing work for the FANCL Group, they also include work in sales and customer service. Over the medium to long term, we aim to help this company achieve more stable profit performance, thereby encouraging other firms throughout Japan to employ more persons with intellectual disabilities.

Relationship With “Homon no Ie” Social Welfare Corporation

Our relationship with “Homon no Ie” now spans over 20 years. Founded in Yokohama in 1986 as the first day-care facility of its kind in Japan, “Homon no Ie” seeks to help people with severe and multiple disabilities to simply enjoy their youth. From sponsoring banquets to assisting with bazaars and other activities, the scope of our involvement with the facility evolves each year. As part of programs to allow shareholders to join in making a social contribution, we donated ¥463 million to the facility on behalf of 1,621 FANCL shareholders in fiscal 2009.

Environmental Protection Activities

Reducing CO_2 Emissions

We are vigorously implementing a host of environmental measures. In January 1997, FANCL introduced a customer-designated delivery service. This system reduces the number of delivery runs by enabling customers to designate alternative delivery locations when not at home, thereby helping to lower CO_2 emissions.

In August 2008, we transferred delivery operations to a new logistics center, a step that consolidated eight distribution points previously dispersed around the Tokyo metropolitan area into a single location. The substantial reduction in truck deliveries from this move could reduce the Company’s annual CO_2 emissions by roughly 130 tons.

We have been implementing various measures to reduce CO_2 at each of our factories, including installing gas powered air conditioning units, and from fiscal 2009 we have extended our efforts to encompass the whole company and all its divisions, targeting not only offices, but also the homes of some 2,000 FANCL employees. Other efforts to further reduce environmental impact include FANCL’s participation in an energy conservation campaign promoted by the Ministry of the Environment, co-sponsorship of the city of Yokohama’s wind power-generation project, and creation of rooftop gardens.

Designing Environmentally Friendly and Safe Products and Services

FANCL constantly strives to design environmentally friendly products and services that are extremely safe, easily recycled, and emit no harmful substances even when disposed of as waste. In November 2002, we obtained ISO 14001 certification for our environmental management systems. Avoiding unnecessary packaging is a foremost consideration in the design of all FANCL products. Boxes used for cosmetics are made either from recycled paper or paper from non-wood sources.

In line with this approach, we reduced the weight of the polyethylene teraphthalate (PET) container used for *Mild Cleansing Oil*, which we revamped and relaunched in February 2009, to one third of its previous weight. We expect this improvement to lead to an annual CO_2 reduction of approximately 100 tons.

Yokohama city wind turbine

Financial Section

Eleven-Year Summary

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen					
	2009	2008	2007	2007*	2006	2005
For the year:						
Net sales	**¥98,004**	¥99,350	¥101,065	¥97,064	¥ 95,322	¥87,937
Cosmetics	**50,081**	49,062	46,376	44,366	41,287	37,098
Nutritional supplements	**29,089**	30,017	31,666	30,271	33,246	31,132
Others	**18,834**	20,271	23,023	22,427	20,789	19,707
Net sales, by sales channel						
Mail-order sales	**54,680**	56,301	58,921	56,501	57,237	54,544
Retail store sales	**26,307**	27,530	26,815	25,234	23,607	20,067
Wholesale and overseas	**17,017**	15,519	15,329	15,329	14,478	13,326
Gross profit	**65,281**	66,988	67,170	63,169	62,083	57,905
Gross profit margin (%)	**66.6**	67.4	66.5	65.1	65.1	65.8
Selling, general and administrative expenses	**58,615**	59,521	58,800	55,082	53,508	52,477
Selling, general and administrative expense ratio (%)	**59.8**	59.9	58.2	56.7	56.1	59.7
Operating income (loss)	**6,666**	7,467	8,370	8,087	8,575	5,428
Cosmetics	**6,762**	7,409	7,133	6,991	5,568	4,745
Nutritional supplements	**2,929**	3,506	3,903	3,804	5,405	4,638
Others	**(981)**	(1,385)	(898)	(940)	(762)	(1,967)
Operating income margin (%)	**6.8**	7.5	8.3	8.3	9.0	6.2
Net income	**2,663**	3,694	2,547	2,547	5,184	1,710
Net income to net sales (%)	**2.7**	3.7	2.5	2.6	5.4	1.9
ROE (%)	**3.8**	5.3	3.6	3.6	7.5	2.6
Advertising expenses	**¥ 8,963**	¥ 9,876	¥ 9,393	¥ 9,393	¥ 9,792	¥11,105
Sales promotion expenses	**12,434**	12,509	13,502	9,784	9,319	9,475
Research and development expenses	**2,189**	2,302	2,327	–	1,978	1,959
Capital expenditures	**3,905**	2,317	3,865	–	2,592	2,257
Depreciation	**3,167**	3,020	2,670	–	2,540	2,463
Net cash provided by operating activities	**¥ 6,005**	¥ 7,379	¥ 6,472	–	¥ 9,163	¥ 4,638
Net cash used in investing activities	**(1,518)**	(672)	(1,734)	–	(10,280)	(4,807)
Net cash used in (provided by) financing activities	**(1,770)**	(6,036)	(2,495)	–	(22)	(1,090)
Net increase (decrease) in cash and cash equivalents	**2,672**	650	2,243	–	(1,139)	(1,254)

	Yen					
Per share:						
Net income	**¥ 43.5**	¥ 58.4	¥ 39.6	–	¥ 242.6	¥ 80.3
Equity (Note 2)	**1,155.7**	1,141.6	1,116.6	–	3,317.0	3,111.2
Cash dividends	**34.0**	24.0	24.0	–	55.0	50.0

	Millions of yen					
At year-end:						
Total assets	**¥85,309**	¥85,686	¥ 86,931	–	¥ 85,148	¥79,416
Equity (Note 2)	**70,823**	69,900	71,449	–	71,406	66,203
Equity ratio (%)	**83.0**	81.6	82.2	–	83.9	83.4
Interest-bearing debt	**–**	–	–	–	–	–
Working capital	**36,669**	36,049	36,701	–	33,037	28,622

Number of stores	**197**	218	218		208	169
Number of consolidated subsidiaries	**7**	7	6		6	6

2004	2003	2002	2001	2000	1999
¥84,957	¥90,026	¥84,657	¥65,418	¥62,980	¥54,475
34,926	37,155	36,748	35,669	38,039	35,891
29,656	29,211	28,995	25,408	21,898	17,180
20,375	23,660	18,914	4,341	3,043	1,404
54,439	59,334	56,821	43,360	45,942	43,573
17,722	17,744	17,073	15,632	14,143	10,425
12,796	12,948	10,763	6,426	2,893	474
55,696	58,982	56,682	47,034	44,969	40,384
65.6	65.5	67.0	71.9	71.4	74.1
47,927	47,456	45,564	38,402	33,426	29,685
56.4	52.7	53.9	58.7	53.1	54.5
7,769	11,526	11,118	8,632	11,543	10,699
6,283	8,099	8,406	8,320	10,712	10,206
5,371	6,879	5,960	4,694	3,587	3,461
(1,821)	(1,646)	(1,681)	(2,532)	(641)	(631)
9.1	12.8	13.1	13.2	18.3	19.6
3,387	6,429	5,995	4,867	6,723	4,730
4.0	7.1	7.1	7.4	10.7	8.7
5.1	9.8	9.7	8.5	15.3	16.8
¥ 9,865	¥ 9,262	¥10,213	¥ 8,896	¥ 6,081	¥ 6,825
7,998	8,615	8,161	5,810	5,615	5,019
1,720	1,683	1,524	1,294	1,302	764
4,864	5,397	3,589	2,727	7,138	9,872
2,556	2,268	2,245	2,379	2,424	1,406
¥ 5,861	¥ 9,828	¥ 7,426	¥ 6,083	¥ 5,681	–
(4,117)	(5,582)	(5,416)	(4,838)	(7,736)	–
(4,533)	(5,432)	(2,456)	(1,410)	13,006	–
(2,809)	(1,213)	(437)	(162)	10,949	–

¥ 154.6	¥ 279.5	¥ 307.6	¥ 249.8	¥ 459.5	¥ 457.7
3,082.4	2,976.3	3,320.2	3,051.4	3,678.9	2,944.0
42.5	35.0	25.0	25.0	30.0	25.0

¥78,479	¥79,804	¥79,026	¥75,481	¥67,657	¥49,399
65,613	66,350	64,719	59,482	55,146	32,761
83.6	83.1	81.9	78.8	81.5	66.3
–	350	1,092	3,086	2,780	5,052
29,214	29,805	31,082	28,456	29,219	12,934
143	144	133	138	85	64
6	6	4	3	2	2

Notes:

1. As a service to customers, FANCL operates a points system whereby they are refunded 5% of their mail order or FANCL retail store purchases (inclusive of tax) as reward points. Customers can redeem these points, with 1 point equal to 1 yen, toward future purchases.

   Through fiscal 2006, these points were recognized as a cost when used and deducted from sales as an effective discount. However, from fiscal 2007 points will be booked as selling, general and administrative (SG&A) expenses when they are issued to customers. Accordingly, while amounts related to this points system in fiscal 2006 and prior years were charged as extraordinary losses, amounts associated with this change were booked as SG&A expenses in fiscal 2007.

   Compared to the previous accounting method, this change resulted in increases of ¥4,000 million in net sales, ¥3,717 million in SG&A expenses, and ¥283 million in ordinary income, as well as a decrease of ¥1,849 million in income before income taxes in fiscal 2007.

   As for operating results for fiscal 2007, the impact of the aforementioned change in accounting standards will be excluded from actual changes for line items from net sales through operating income.

   (Reference) An asterisk (*) indicates amounts for which the same accounting standard as in the previous consolidated fiscal year applies.

2. Presented as shareholders' equity until fiscal 2006. Presented as equity from fiscal 2007 due to a change in accounting standards.

Quarterly Financial and Stock Information/Monthly Sales Data

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen							
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Net sales	**¥24,753**	¥24,930	**¥23,828**	¥23,480	**¥26,636**	¥27,147	**¥22,787**	¥23,793
Cosmetics	**12,578**	12,181	**12,231**	11,531	**13,282**	13,291	**11,990**	12,059
Nutritional supplements	**7,466**	7,556	**7,025**	7,373	**8,020**	8,009	**6,578**	7,079
Others	**4,709**	5,193	**4,572**	4,576	**5,334**	5,847	**4,219**	4,655
Net sales, by sales channel:								
Mail-order sales	**13,719**	14,161	**13,006**	12,813	**15,259**	15,922	**12,696**	13,405
Retail store sales	**6,757**	6,960	**6,667**	6,786	**6,809**	7,171	**6,074**	6,613
Others	**4,278**	3,809	**4,155**	3,881	**4,568**	4,054	**4,016**	3,775
Operating income	**2,248**	2,471	**7,214**	890	**1,900**	2,672	**1,797**	1,434
Cosmetics	**2,248**	2,479	**7,890**	892	**1,879**	2,461	**1,853**	1,577
Nutritional supplements	**9,401**	889	**7,415**	926	**5,425**	957	**7,055**	734
Others	**(264)**	(409)	**(273)**	(455)	**(118)**	(138)	**(327)**	(383)
Net income	**¥ 1,145**	¥ 1,209	**¥ 201**	¥ 231	**¥ 1,038**	¥ 1,602	**¥ 279**	¥ 653

	Yen							
Stock Price Range								
High	**¥ 1,432**	¥ 1,835	**¥ 1,357**	¥ 1,868	**¥ 1,307**	¥ 1,493	**¥ 1,204**	¥ 1,452
Low	**1,198**	1,569	**1,199**	1,466	**1,030**	1,200	**1,057**	1,185

Monthly sales

	Millions of yen											
	2008									2009		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Cosmetics	4,235	4,180	4,163	4,129	4,044	4,058	3,839	4,915	4,528	3,777	3,604	4,609
YoY increase (decrease)	3.1%	5.7%	1.1%	5.1%	3.3%	10.1%	(3.2%)	1.3%	1.2%	(0.8%)	(7.6%)	5.9%
Nutritional supplements	2,553	2,455	2,458	2,378	2,200	2,447	2,522	2,772	2,726	2,209	2,205	2,164
YoY decrease	1.5%	0.6%	(5.5%)	(5.7%)	(13.1%)	5.5%	2.7%	2.3%	(4.1%)	(2.5%)	(7.5%)	(10.9%)
Others	1,491	1,565	1,653	1,783	1,319	1,470	1,709	1,917	1,708	1,422	1,385	1,412
YoY decrease	(10.7%)	(9.2%)	(8.1%)	6.8%	(7.7%)	(0.5%)	(5.2%)	(7.8%)	(13.2%)	(6.6%)	(10.4%)	(11.0%)
Total	8,279	8,200	8,274	8,290	7,563	7,975	8,070	9,604	8,962	7,408	7,194	8,185
YoY increase (decrease)	(0.2%)	1.0%	(2.9%)	2.1%	(4.0%)	6.6%	(1.9%)	(0.4%)	(3.4%)	(2.5%)	(8.1%)	(2.2%)

Note: In fiscal 2007, FANCL changed its accounting standard for the treatment of customer reward points at the end of the fiscal year. Accordingly, no changes were made to accounting methods regarding the calculation of points on a monthly or quarterly basis. This has resulted in a discrepancy between monthly and quarterly point totals and point figures for the full year.

Statements of Income

Net Sales

Net sales fell 1.4% year on year to ¥98,004 million. FANCL's core Cosmetics Business performed well, supported by the effect of the renewal of core products, but the Nutritional Supplements Business and Other Businesses, including the IIMONO OHKOKU Mail-Order Business, were sluggish.

Cosmetics Business net sales rose 2.1% to ¥50,081 million.

Net sales of FANCL cosmetics rose 1.5% to ¥38,394 million due to healthy sales of our revamped skin care products, as well as washing powder and beauty essence. By channel, while sales declined in the retail store sales channels, sales were higher in the mail-order and wholesale sales channels. In the ATTENIR cosmetics brand, sales decreased 2.1% to ¥10,489 million, as the number of customers failed to grow despite aggressive advertising activities.

Net sales in the Nutritional Supplements Business declined 3.1% year on year to ¥29,089 million. While an aggressive marketing campaign targeting middle-aged and elderly consumers led to robust sales of certain products in the *HTC Collagen* lineup and other beauty supplement lines, this was not enough to compensate for the decline in sales in vitamins, herbs, and other product groups.

By sales channel, sales in the mail-order and retail store sales channels ended lower, while sales grew in the wholesale sales channel.

Net sales in Other Businesses were lower than last year in all businesses, declining by 7.1% overall to ¥18,834 million.

Net sales in the Germinated Brown Rice Business fell by 4.6% to ¥3,571 million, as mail-order sales slumped due to a decrease in customers. This downturn came despite expansion in sales for commercial use, namely for use in rice balls and lunch boxes sold at convenience stores.

In the Kale Juice Business, net sales declined by 4.5% to ¥3,593 million, due to sluggish sales of frozen-type products.

Net sales through the IIMONO OHKOKU Mail-Order Business decreased 6.9% year on year to ¥8,227 million, reflecting a slump in catalog sales.

Gross Profit

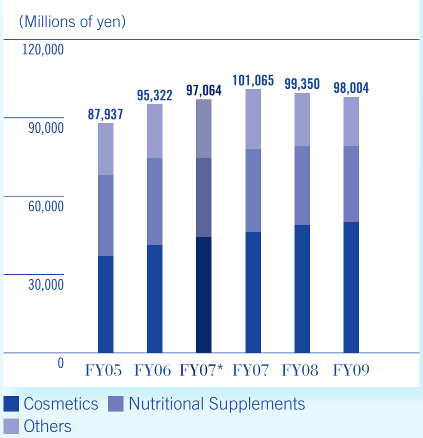
The gross profit margin decreased 0.8 of a percentage point year on year to 66.6%, primarily from posting the loss on retirement of inventories under cost of sales rather than other expenses, due to changes in accounting standards.

In the Cosmetics Business, the gross profit margin decreased 2.0 percentage points to 74.0% due to expansion in our OEM business, where the cost of sales is high, and increased sales overseas.

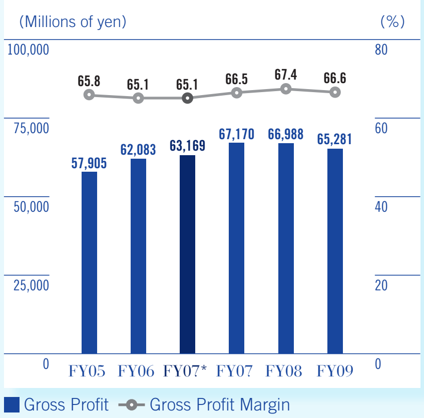
In the Nutritional Supplements Business, the gross profit margin was virtually flat year on year, at 65.9%.

In Other Businesses, the gross profit margin fell 0.8 of a percentage point to 48.1%. This mainly reflected deterioration in the gross profit margin from weak sales in the Germinated Brown Rice Business and an increase in commercial use. These factors outweighed initial improvement in the gross profit margin from the Kale Juice Business, which saw powder-type products, where profit margins are greater, account for an increased percentage of products sold.

Net Sales by Business Segment



Gross Profit and Gross Profit Margin



* *Amounts for which the same accounting standard as in the previous consolidated fiscal year applies*

SG&A Expenses

The ratio of selling, general and administrative (SG&A) expenses to net sales was essentially unchanged year on year, at 59.8%.

The advertising and sales promotion expenses ratio declined 0.7 of a percentage point to 21.8%. A temporary increase in lease payments and outsourcing expenses accompanying consolidation of operations at our logistics center was countered by a decline in personnel costs.

Operating Income

As a result of the aforementioned factors, operating income decreased 10.7% year on year to ¥6,666 million, and the operating income margin fell 0.7 of a percentage point to 6.8%.

In the Cosmetics Business, operating income decreased 8.7% to ¥6,762 million, the result of an increase in the cost ratio due to a rise in OEM sales. The operating income margin fell 1.6 percentage points to 13.5%.

In the Nutritional Supplements Business, operating income declined 16.4% to ¥2,929 million, due to lower income resulting from the decline in sales and an increase in sales promotion and other expenses. The operating income margin declined 1.6 of a percentage point to 10.1%.

Other Businesses posted an operating loss of ¥981 million, an improvement of ¥404 million over the previous fiscal year. Although the IIMONO OHKOKU Mail-Order Business worsened, the loss was softened by improved profit from the Kale Juice and Germinated Brown Rice Businesses.

Other Income (Expenses)

Other income (expenses) deteriorated by ¥639 million year on year, reflecting impairment losses accompanying the closing of a germinated brown rice factory and extraordinary losses, most notably losses from store closings.

Income Before Income Taxes and Minority Interests

Income before income taxes and minority interests declined 20.0% year on year to ¥5,751 million. Income before income taxes and minority interests as a percentage of net sales was 5.9%, down 1.3 percentage points compared with the previous fiscal year.

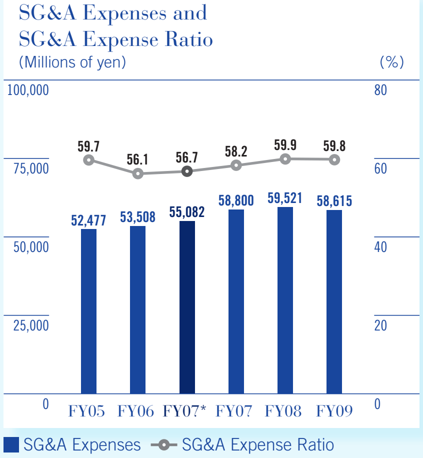
Net Income

Net income decreased 27.9% year on year to ¥2,663 million, and the ratio of net income to net sales declined 1.0 percentage point to 2.7%.

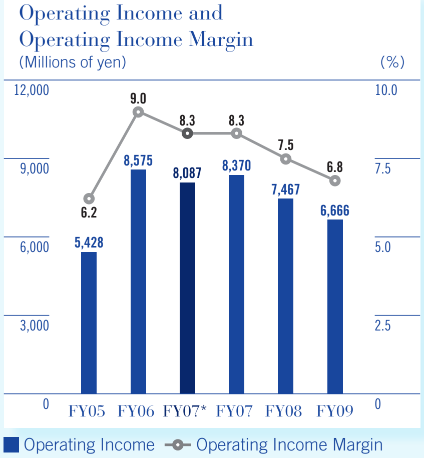
Net income per share was ¥43.46. As of the end of the fiscal year under review FANCL had no outstanding unexercised convertible bonds or equity warrants.

Return on equity (ROE) decreased 1.5 percentage points compared with the previous fiscal year to 3.8%, due to the decrease in net income.

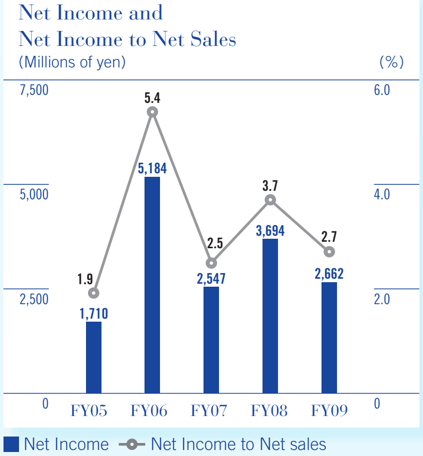
SG&A Expenses and SG&A Expense Ratio



Operating Income and Operating Income Margin



Net Income and Net Income to Net Sales



** Amounts for which the same accounting standard as in the previous consolidated fiscal year applies*

Balance Sheet

Assets

[Current Assets]

Current assets fell by ¥875 million from the previous fiscal year-end to ¥48,128 million, due to decreases in cash and bank deposits, notes and accounts receivable—trade, and inventories.

[Property, Plant and Equipment, Net]

Property, plant and equipment, net totaled ¥24,430 million, virtually unchanged from the previous fiscal year-end.

[Intangible Fixed Assets]

Intangible fixed assets amounted to ¥898 million, due to an increase in goodwill for newly consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd.

[Investments and Other Assets]

Investments and other assets increased by ¥403 million from the previous fiscal year-end to ¥11,853 million, due to an increase in deferred tax assets and a decline in the allowance for doubtful accounts, etc.

Liabilities

[Current Liabilities]

Current liabilities decreased by ¥1,495 million to ¥11,459 million, due mainly to a decline in notes and accounts payable—trade.

[Non-Current Liabilities]

Non-current liabilities rose ¥144 million to ¥2,607 million, primarily from an increase in accrued retirement benefits.

Net Assets

[Total Net Assets]

Total net assets were ¥71,243 million, up ¥974 million compared with the previous fiscal year-end. This result was mainly due to the cancellation of treasury stock.

[Capital Expenditures]

Capital expenditures for the fiscal year under review totaled ¥3,905 million on a receiving basis, and consisted mainly of capital expenditures accompanying the move to our new logistics center and capital expenditures for newly consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd.'s Gunma Plant.

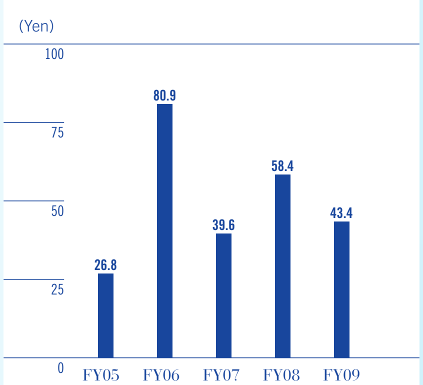
By product segment, capital expenditures in the Cosmetics Business amounted to ¥2,565 million, ¥859 million in the Nutritional Supplements Business, and ¥435 million in Other Businesses.

There were no major disposals or sales of facilities during the year.

Cash Flows

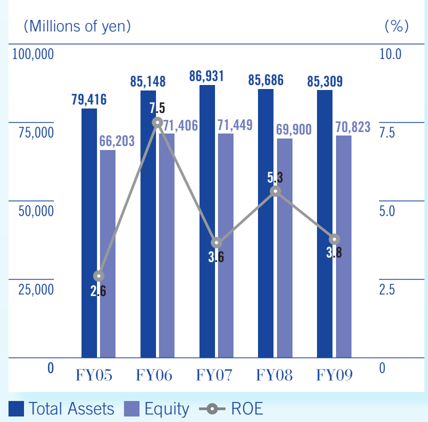
Cash and cash equivalents as of March 31, 2009 were ¥26,733 million, ¥2,672 million higher than at the end of the previous fiscal year. The main contributing factors were as follows:

Net Income per Share



* FANCL conducted a 3-for-1 stock split on April 1, 2006. Figures for FY03 through FY06 are calculated as if the stock split had actually taken place at the start of the previous business term.

Total Assets, Equity* and ROE



* Presented as shareholders' equity until fiscal 2006. Presented as equity from fiscal 2007 due to a change in accounting standard.

[Cash flows from operating activities]
Cash provided by operating activities during the period under review was ¥6,005 million. The primary factors that increased operating cash flow included income before income taxes and minority interests of ¥5,751 million and depreciation and amortization expenses of ¥3,167 million. Factors reducing operating cash flow included income taxes paid of ¥3,317 million.

[Cash flows from investing activities]
Cash used in investing activities during the period under review was ¥1,518 million. This was largely the result of decreases from outlays such as ¥9,983 million for purchases of investment securities, ¥1,849 million for purchases of property, plant and equipment, and an outlay of ¥1,316 for expenditure for acquisition of business and assets from FCP Co., Ltd., and NICOSTAR BEAUTECH Co., Ltd.

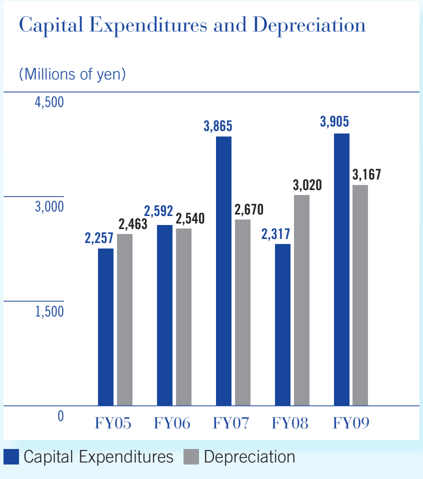
[Cash flows from financing activities]
Cash used in financing activities during the period under review was ¥1,770 million. This was largely the result of ¥1,772 million for cash dividends paid.

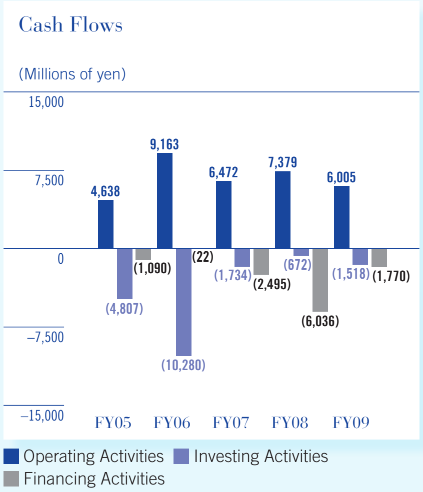
For the next fiscal year, funds for investing activities and financing activities are expected to be included in the scope of increase in cash flows from operating activities.

Trends in Cash Flow-related Indices

Years ended March 31	2009	2008	2007	2006	2005
Equity ratio (%)	**83.0**	81.6	82.2	83.9	83.4
Equity ratio based on market price (%)	**80.2**	98.2	120.3	183.9	110.9
Debt service coverage (%)	**–**	0	–	–	–
Interest coverage ratio (times)	**34,577.9**	1,635.2	–	–	–

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 by 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.





1. Product Development and Competitive Environment

In the FANCL Group's product development, the product planning and development division is responsible for formulating and proposing product plans based on customer needs and market research. In collaboration with related departments such as the FANCL Research Institute, it makes final decisions on commercialization. At present, the Group develops cosmetics and nutritional supplements using its own technology, but there is no guarantee that this will result in successful development and new products. Further, in light of the increasing numbers of women with sensitive skin and greater health consciousness, there are more new entrants into the markets of cosmetics for sensitive skin and nutritional supplements and the appearance of similar products could operate to reduce the relative competitiveness of the FANCL lineup and hurt our growth potential and earning capabilities.

2. Product Manufacturing and Quality Assurance

The FANCL Group's cosmetics, nutritional supplements and Germinated Brown Rice are manufactured at five directly managed domestic factories, while kale juice and undergarments production is outsourced to subsidiaries. Departments in charge of procurement manage all aspects of raw materials purchases and, working in cooperation with marketing departments, disperse purchases among multiple suppliers and coordinate purchases with suppliers. Nevertheless, unanticipated conditions due to external factors may make it impossible to procure planned quantities. A quality assurance department has been established to improve product quality. At quality conferences it verifies the quality control situation with respective departments, and strives to maintain quality by conducting on-site plant inspections and other means. If a quality problem arises, it could impact negatively on the Group's operating results.

3. Disasters and Bad Weather

To minimize the effects of fire and natural disasters on its production system, the FANCL Group conducts periodic inspections and checking on all its facilities. Geographic dispersion of plants is intended to reduce risks. Nevertheless, there are no guarantees that the impact of fire or natural disaster can be fully prevented. The harvest volumes of rice and kale, the raw materials for Germinated Brown Rice and kale juice, are subject to the vagaries of the weather. We therefore strive for dispersion of producing areas and raw material stockpiling, but weather factors can cause shortages and higher prices that impact adversely on Group operating results.

4. Limits of Intellectual Property Protection

The Group is moving forward with securing patents and other rights to its accumulated technology and other intellectual property, but this is an area in which the legal basis is not fully prepared and cannot cover all business development domains. And because it takes at least a year and a half from patent application to publication, there is the possibility that there may be development investment in technology for which other companies have already sought patents. In the future, after commercialization, other companies' patents could be published and involve the Company in patent infringement cases.

5. Legal Restrictions

The Cosmetic Business is governed by the Pharmaceutical Affairs Law to assure the quality, effectiveness and safety of pharmaceuticals, over-the-counter drugs, cosmetics and medical equipment. It is under this legislation that the FANCL Group manages its Pharmaceutical Control Division and sells cosmetics, and related products. The Nutritional Supplement Business is subject to the Food Sanitation Law, which prescribes food standards, additives, sanitation surveillance and business permissions. For foods for sale, the Nutrition Improvement Law prescribes standards for display of nutritional elements and caloric values. Those of the Company's supplements that meet certain requirements are also subject to the regulations of the functional foods health system, which enables selection with assurance of foods corresponding to consumers' eating habits.

The Group is also governed by the Specified Commercial Transactions Law, whose objectives are fair conduct of mail-order businesses for protection of consumers, and by the Law for Prevention of Unfair Premiums and Unfair Labeling, intended to prevent customer inducement by those means. The Group has established a Compliance & Legal Division, responsible for compliance and ensuring more thoroughgoing observance of laws and regulations. Notwithstanding this, any violations that occur may adversely affect the Group's operating results.

6. Personal Information

The Group's use of mail order and the Internet as its main sales channels has resulted in possession of personal information about many individuals. The Group strictly observes the "Guidelines for Personal Data Protection" prescribed by the Japan Direct Marketing Association, and has established an all-Company committee to reinforce the information control system. Continuous efforts are also made with regard to employee education in this area. Nevertheless, should there occur leakage of such information outside the Company, a loss of customer trust could reduce sales and subject the Company to losses from payment of liability damages to customers.

Consolidated Balance Sheets

FANCL CORPORATION and Consolidated Subsidiaries
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
Assets	**2009**	2008	**2009**
Current assets:			
Cash and bank deposits *(Note 15)*	**¥ 16,210**	¥ 16,552	**$ 165,020**
Marketable securities *(Note 4)*	**13,520**	13,508	**137,639**
Notes and accounts receivable – trade	**9,967**	10,053	**101,471**
Less: Allowance for doubtful accounts	**(157)**	(159)	**(1,602)**
	9,810	9,894	**99,869**
Inventories *(Note 5)*	**6,170**	6,711	**62,810**
Deferred income taxes *(Note 7)*	**1,007**	1,156	**10,252**
Prepaid expenses and other current assets	**1,411**	1,182	**14,367**
Total current assets	**48,128**	49,003	**489,957**
Property, plant and equipment, at cost *(Note 11)*:			
Land	**10,971**	10,901	**111,688**
Buildings and structures	**21,650**	21,141	**220,405**
Machinery and equipment	**11,347**	11,144	**115,515**
Lease asset	**194**	–	**1,975**
Construction in progress	**52**	74	**528**
	44,214	43,260	**450,111**
Less: Accumulated depreciation	**(19,784)**	(18,766)	**(201,407)**
Property, plant and equipment, net	**24,430**	24,494	**248,704**
Intangible assets:			
Goodwill	**898**	739	**9,146**
Investments and other assets:			
Investment securities *(Note 4)*:			
Non-consolidated subsidiaries and affiliates	**400**	423	**4,071**
Other investment securities	**1,391**	1,534	**14,161**
	1,791	1,957	**18,232**
Guarantee deposits	**2,138**	2,681	**21,762**
Long-term loans receivable	**440**	447	**4,483**
Deferred income taxes *(Note 7)*	**474**	275	**4,828**
Other assets	**7,282**	6,514	**74,131**
Less: Allowance for doubtful accounts	**(272)**	(424)	**(2,775)**
Total investments and other assets	**11,853**	11,450	**120,661**
Total assets	**¥ 85,309**	¥ 85,686	**$ 868,468**

Liabilities and net assets	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 2) 2009
Current liabilities:			
Notes and accounts payable – trade	¥ 3,206	¥ 3,600	$ 32,642
Accrued income taxes *(Note 7)*	1,478	1,866	15,048
Reserve for customer awards	1,354	1,496	13,782
Other current liabilities	5,421	5,992	55,191
Total current liabilities	11,459	12,954	116,663
Noncurrent liabilities:			
Accrued retirement benefits *(Note 8)*	1,879	1,689	19,126
Other long-term liabilities	728	774	7,415
Total noncurrent liabilities	2,607	2,463	26,541
Contingent liabilities *(Note 13)*			
Net assets:			
Shareholders' equity *(Note 6)*:			
Common stock:			
Authorized –233,838,000 shares in 2009 and 2008			
Issued –65,176,600 shares in 2009 and 70,176,600 shares in 2008	10,795	10,795	109,897
Additional paid-in capital	11,706	11,861	119,172
Retained earnings	53,288	58,608	542,482
Less: Treasury stock 3,896,949 shares in 2009 and 8,944,863 shares in 2008	(4,961)	(11,387)	(50,503)
Total shareholders' equity	70,828	69,877	721,048
Valuation, translation adjustments and other:			
Net unrealized holding gain on other securities	(0)	28	(5)
Translation adjustments	(5)	(5)	(50)
Total valuation, translation adjustments and other	(5)	23	(55)
Warrants	311	275	3,160
Minority interests	109	94	1,111
Total net assets	71,243	70,269	725,264
Total liabilities and net assets	¥85,309	¥ 85,686	$868,468

See notes to consolidated financial statements.

Consolidated Statements of Income

FANCL CORPORATION and Consolidated Subsidiaries
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
	2009	2008	**2009**
Net sales	**¥98,004**	¥99,350	**$997,702**
Cost of sales	**32,723**	32,362	**333,125**
Gross profit	**65,281**	66,988	**664,577**
Selling, general and administrative expenses *(Note 9)*	**58,615**	59,521	**596,715**
Operating income	**6,666**	7,467	**67,862**
Other income (expenses):			
Interest and dividend income	**163**	164	**1,671**
Loss on retirement of inventories	**–**	(525)	**–**
Loss on disposal of property, plant and equipment	**–**	(150)	**–**
Loss on devaluation of investment securities	**(95)**	(13)	**(970)**
Loss on devaluation of investments in affiliates	**(60)**	(123)	**(606)**
Loss on voluntary recall of products	**–**	(262)	**–**
Impairment loss *(Note 11)*	**(482)**	–	**(4,908)**
Loss on store closures	**(344)**	–	**(3,502)**
Other, net	**(97)**	633	**(1,005)**
Income before income taxes and minority interests	**5,751**	7,191	**58,542**
Income taxes *(Note 7)*:			
Current	**2,940**	3,436	**29,932**
Deferred	**133**	65	**1,351**
	3,073	3,501	**31,283**
Minority interests	**(15)**	4	**(151)**
Net income	**¥ 2,663**	¥ 3,694	**$ 27,108**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Thousands	Millions of yen								
	Common stock									
	Number of shares	Amount	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding (loss) gain on other securities	Translation adjustments	Warrants	Minority interests	Total net assets
March 31, 2007	70,176	¥ 10,795	¥ 11,852	¥ 56,452	¥ (7,700)	¥ 55	¥(5)	¥ 112	¥ –	¥ 71,561
Cash dividends	–	–	–	(1,538)	–	–	–	–	–	(1,538)
Net income	–	–	–	3,694	–	–	–	–	–	3,694
Purchase of treasury stock	–	–	–	–	(4,000)	–	–	–	–	(4,000)
Sale of treasury stock	–	–	9	–	313	–	–	–	–	322
Other net changes during the year	–	–	–	–	–	(27)	–	163	94	230
March 31, 2008	70,176	10,795	11,861	58,608	(11,387)	28	(5)	275	94	70,269
Cash dividends	–	–	–	(1,777)	–	–	–	–	–	(1,777)
Net income	–	–	–	2,663	–	–	–	–	–	2,663
Purchase of treasury stock	–	–	–	–	(2)	–	–	–	–	(2)
Sale of treasury stock	–	–	4	(0)	63	–	–	–	–	67
Retirement of treasury stock	(5,000)	–	(159)	(6,206)	6,365	–	–	–	–	–
Other net changes during the year	–	–	–	–	–	(28)	–	36	15	23
March 31, 2009	**65,176**	**¥10,795**	**¥11,706**	**¥53,288**	**¥ (4,961)**	**¥ (0)**	**¥(5)**	**¥311**	**¥109**	**¥71,243**

	Thousands of U.S. dollars								
	Common stock								
	Amount	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding (loss) gain on other securities	Translation adjustments	Warrants	Minority interests	Total net assets
March 31, 2008	$109,897	$120,750	$596,641	$(115,925)	$ 280	$(50)	$2,799	$ 960	$715,352
Cash dividends	–	–	(18,086)	–	–	–	–	–	(18,086)
Net income	–	–	27,108	–	–	–	–	–	27,108
Purchase of treasury stock	–	–	–	(22)	–	–	–	–	(22)
Sale of treasury stock	–	40	(0)	644	–	–	–	–	684
Retirement of treasury stock	–	(1,619)	(63,181)	64,800	–	–	–	–	–
Other net changes during the year	–	–	–	–	(284)	–	361	151	228
March 31, 2009	**$109,897**	**$119,171**	**$542,482**	**$ (50,503)**	**$ (4)**	**$(50)**	**$3,160**	**$1,111**	**$725,264**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	**2009**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 5,751**	¥ 7,191	**$ 58,542**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**3,167**	3,091	**33,877**
Loss on impairment of fixed assets	**482**	–	**4,907**
Share-based payments	**107**	182	**1,090**
Reversal of reserve for customer awards	**(142)**	(353)	**(1,448)**
Decrease (increase) in allowance for doubtful accounts	**(154)**	20	**(1,570)**
Accrued retirement benefits, net of payments	**175**	253	**1,788**
Cash surrender value of insurance policies	**22**	436	**221**
Loss on devaluation of investment securities	**95**	13	**970**
Income from investment in a silent partnership	**(22)**	(20)	**(221)**
Loss on disposal of fixed assets	**64**	97	**657**
Loss on store closures	**344**	–	**3,502**
Changes in operating assets and liabilities:			
Notes and accounts receivable—trade	**84**	25	**853**
Inventories	**628**	71	**6,398**
Other current assets	**(173)**	248	**(1,763)**
Accounts payable—trade	**(395)**	(152)	**(4,020)**
Other current liabilities	**(703)**	126	**(7,159)**
Other noncurrent liabilities	**(336)**	(592)	**(3,421)**
Income taxes paid	**(3,317)**	(3,580)	**(33,768)**
Other, net	**328**	323	**1,698**
Net cash provided by operating activities	**6,005**	7,379	**61,133**
Cash flows from investing activities:			
Payment by receipt of time deposit	**(1,000)**	–	**(10,180)**
Proceeds from cancellation of time deposits	**1,000**	190	**10,180**
Purchases of property, plant and equipment	**(1,849)**	(1,087)	**(18,819)**
Purchases of software	**(929)**	(1,025)	**(9,459)**
Purchases of investments in newly consolidated subsidiaries	**–**	(1,112)	**–**
Proceeds from collection of long-term loans receivable	**33**	758	**335**
Purchases of investment securities	**(9,983)**	(16,077)	**(101,630)**
Disposition of investment securities	**11,997**	17,497	**122,131**
Payment of business combination	**(1,316)**	–	**(13,393)**
Other, net	**529**	184	**5,382**
Net cash used in investing activities	**(1,518)**	(672)	**(15,453)**
Cash flows from financing activities:			
Repayments of short-term loans	**–**	(350)	**–**
Repayments of long-term loans	**(48)**	(266)	**(492)**
Redemption of bonds	**–**	(160)	**–**
Purchases of treasury stock	**(2)**	(4,000)	**(21)**
Proceeds from sale of treasury stock	**3**	275	**34**
Cash dividends paid	**(1,772)**	(1,535)	**(18,039)**
Other, net	**49**	–	**502**
Net cash used in financing activities	**(1,770)**	(6,036)	**(18,016)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(45)**	(21)	**(465)**
Net increase in cash and cash equivalents	**2,672**	650	**27,199**
Cash and cash equivalents at beginning of year	**24,061**	23,411	**244,944**
Cash and cash equivalents at end of year *(Note 15)*	**¥26,733**	¥ 24,061	**$ 272,143**

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Basis of preparation

FANCL CORPORATION (the "Company") and its domestic consolidated subsidiaries maintain their books of account in accordance with accounting standards generally accepted in Japan, and its overseas consolidated subsidiary maintains its book of accounts in conformity with those of its country of domicile. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan. Certain prior-year amounts have been reclassified to conform to the current year's presentation.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries (collectively, the "Group") over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in non-consolidated subsidiaries and affiliates (companies over which the Company has the ability to exercise significant influence) are stated at cost because of their immateriality.

All assets and liabilities of the subsidiaries are revalued at their respective fair value upon acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is amortized over a period based on an estimated useful life on a straight-line basis. However, if such excess is insignificant, it is charged to income when incurred.

(c) Foreign currency translation

All assets and liabilities denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated at the current exchange rates in effect at each balance sheet date when not hedged by forward foreign exchange contracts, or at the contracted rates of exchange when hedged by forward foreign exchange contracts. The resulting foreign exchange gain or loss is recognized as other income or expense.

Assets and liabilities of the Company's one overseas consolidated subsidiary are translated at the current exchange rate in effect at each balance sheet date and its revenue and expense accounts are translated at the average rate of exchange in effect during the year.

Differences arising from translation are presented as translation adjustments and minority interests in the consolidated balance sheets.

(d) Cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and which are so near maturity that they represent only an insignificant risk of any change in their value attributable to changes in interest rates, are considered cash equivalents.

Under the accounting standard governing statements of cash flows, the definition of cash and cash equivalents in the statement of cash flows and that of cash and bank deposits in the balance sheet differs with respect to certain components. A reconciliation between the cash definitions referred to above is presented in Note 15.

(e) Securities

All securities owned by the Company and its consolidated subsidiaries are considered to be available-for-sale securities and are classified as "other" securities, one of the three categories (trading, held-to-maturity and other) defined in the accounting standard for financial instruments.

Other securities with quoted market prices are carried at fair market value. The difference between the acquisition cost and the carrying value of other securities, net of taxes, is recognized as a component of net assets and is reflected as "Net unrealized holding gain on other securities." The cost of other securities sold is computed by the average method. Other securities without quoted market prices are stated at cost by the average method.

Investment in a silent partnership is stated at an amount accounted for by the equity method based on its net assets at the closing date nearest to the Company's year end.

(f) Inventories

Finished goods, merchandise, work in process and raw materials are stated at cost by the average method. Supplies are stated at cost by the last purchase price method.

In case of decrease in profitability, the book-value-reduction method is used.

(g) Depreciation and amortization

	Buildings	Assets other than buildings
Acquired prior to April 1, 1998	Declining-balance method *(1)	Declining-balance method *(1)
Acquired during the period from April 1, 1998 to March 31, 2007	Straight-line method *(1)	Declining-balance method *(1)
Acquired on or after April 1, 2007	Straight-line method *(2)	Declining-balance method *(2)

*(1) *Represents the methods permitted under the Corporation Tax Law of Japan prior to the revision made to such law which went into effect on April 1, 2007.*

*(2) *Represents the methods permitted under the revised Corporation Tax Law stated in *(1) above.*

The following summarizes the estimated useful lives of property, plant and equipment by major category:

Buildings and structures	2 – 50 years
Machinery and equipment	2 – 22 years

Effective the year ended March 31, 2009, the residual value of property, plant and equipment which were acquired before April 1, 2007 and have been fully depreciated to their respective depreciable limits under the Corporation Tax Law is to be depreciated to nil over a period of five years. The effect of this change was immaterial on net income for the year ended March 31, 2009.

Intangible assets are amortized by the straight-line method. The cost of software intended for internal use is amortized by the straight-line method over an estimated useful life of 5 years.

(h) Leases

The Company and its consolidated subsidiaries lease certain equipment under non-cancelable lease agreements referred to as finance leases.

Finance leases other than those which transfer the ownership of the leased assets to the lessee are depreciated to nil over the period of the lease term. Finance leases conducted before the year applicable to the change of lease accounting are not capitalized but are accounted for by a method similar to that applicable to operating leases.

(i) Research and development expenses

Research and development expenses are charged to income when incurred.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables and is determined based on the historical experience with write-offs plus an estimated amount for probable doubtful accounts after a review of the collectability of individual receivables.

(k) Allowance for employees' bonuses

The allowance for employees' bonuses represents a provision for the future payment of employees' bonuses.

(l) Reserve for customer awards

The reserve for customer awards is provided at an amount which is reasonably estimated to be used in the future based on the historical experience with respect to the usage of customer awards against the unused customer awards at the balance sheet date.

(m) Retirement benefits

The Group has severance benefit plans which entitle its employees upon retirement to either a lump-sum payment or pension annuity payments for life, or a combination of both, based on their length of service, salary at the time of retirement and number of years of participation in the plans.

Accrued retirement benefits for employees have been provided based on an estimate of the retirement benefit obligation and the pension fund assets.

Unrecognized actuarial net gain or loss is amortized by the straight-line method over 5 years, a period which falls within the average remaining years of service of the active participants in the plans, commencing the year following the year in which the gain or loss was incurred.

The domestic consolidated subsidiaries also provide an accrual for retirement allowances for directors and statutory auditors at the full amount which would be required to be paid if all directors and statutory auditors retired at the balance sheet date based on their respective internal regulations.

At the annual general meeting of the shareholders of the Company held on June 17, 2006, the Company adopted a resolution for the abolishment of its lump-sum retirement payment plan for directors and statutory auditors and for the lump-sum retirement payment for each director or statutory auditor to be paid based on his/her length of service with the Company as a director or a statutory auditor up to the date of the resolution. Therefore, effective June 18, 2006, accrued retirement benefits for them have not been recognized. However, the domestic consolidated subsidiaries continue to provide an accrual for retirement allowances for their directors and statutory auditors in the same manner as the Company did prior to the abolishment of its lump-sum retirement payment plan for directors and statutory auditors in accordance with their respective internal regulations.

(n) Stock issuance expenses

Stock issuance expenses are charged to income when incurred.

(o) Deferred income taxes

Deferred income taxes are recognized by the asset and liability method under which deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(p) Derivatives

Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method used to hedge against risk arising from fluctuation in foreign exchange rates.

The Group does not make an assessment of the effectiveness of its hedging activities because the relationship between the anticipated cash flows fixed by hedging activities and the avoidance of market risk is so clear that there is no need to evaluate the effectiveness of each hedge against the corresponding underlying hedged item.

(q) Distributions of additional paid-in capital or retained earnings

On May 1, 2006, the Corporation Law of Japan (the “Law”) went into effect. With respect to distributions of additional paid-in capital or retained earnings, refer to Note 6.

2. U.S. Dollar Amounts

For the convenience of the reader, the accompanying consolidated financial statements with respect to the year ended March 31, 2009 have been presented in U.S. dollars by translating all yen amounts at ¥98.23 = U.S.$1.00, the exchange rate prevailing on March 31, 2009. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. Changes in Methods of Accounting

Changes to evaluation standards and the evaluation method of important fixed assets:

Inventories

Inventories held for normal sales were primarily calculated using the gross average method based on the acquisition cost method. As of the current consolidated fiscal year and following application of "Accounting Standards for Inventory Valuation" (Accounting Standards No. 9, July 5, 2006) inventory assets will primarily be calculated using the gross average method based on the acquisition cost method. (In cases of decrease in profitability, the book-value-reduction method is used).

Following the application of the above in the current consolidated fiscal year, loss on disposal of inventories, which was previously recorded as a non-operating expense, will be included in the cost of sales.

In the current consolidated fiscal year, operating income decreased ¥408 million, ordinary income decreased ¥8 million and income before income taxes and minority interests decreased ¥43 million as a result of this change in comparison to the former method used.

The effect on segment information is discussed in the applicable section of this report.

Application of current accounting methods for foreign subsidiaries in the creation of the consolidated balance sheet

As of the consolidated fiscal year under review, "Application of current accounting methods for foreign subsidiaries in the preparation of the consolidated financial statements" (Accounting Standards Board of Japan, May 17, 2006, Report No. 18) will be applied.

There is no material impact on operating income, ordinary income or income before income taxes and minority interests, etc. as a result of this change.

Application of accounting standards for lease transactions

The application of the following accounting standards have been applied as of the current consolidated fiscal year: accounting standards for lease transactions (Accounting Standards No. 13 (June 17, 1993 (Accounting Board Committee 1) revised March 30, 2007)) and guidelines to the application of standards for lease transactions (Guidelines to the application of standards for lease transactions No. 16 (January 18, 1994 (JICPA Accounting Standards Committee), revised March 30, 2007)).

There is no material impact on operating income, ordinary income or income before income taxes and minority interests, etc. as a result of this change.

Consolidated balance sheet

Finished goods, work in progress and raw materials, which were included in inventories in the previous consolidated fiscal year, will be recorded separately as of the current consolidated fiscal year following application of certain revisions to Cabinet Office Regulations for Financial Statements (August 7, 2008, Cabinet Office regulation No. 50).

In the previous consolidated fiscal year, merchandise and products were ¥3,229 million; work in process was ¥78 million and raw materials were ¥3,402 million, and were all included in inventories.

Consolidated income statements

As of the current consolidated fiscal year, loss on foreign exchange (fiscal year ended March 31, 2008: ¥26 million), which was included in miscellaneous expenses, is recorded separately due to its increased materiality.

4. Marketable and Investment Securities

Information regarding marketable and investment securities with quoted market prices classified as other securities at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
2009	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	**¥19**	**¥26**	**¥ 7**	**$198**	**$266**	**$ 69**
Subtotal	**19**	**26**	**7**	**198**	**266**	**69**
Securities whose acquisition cost exceeds their carrying value:						
Stock	**48**	**41**	**(7)**	**491**	**417**	**(75)**
Subtotal	**48**	**41**	**(7)**	**491**	**417**	**(75)**
Total	**¥67**	**¥67**	**¥ 0**	**$689**	**$683**	**$ (6)**

	Millions of yen		
2008	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥66	¥113	¥47
Subtotal	66	113	47
Securities whose acquisition cost exceeds their carrying value:			
Stock	2	1	(1)
Subtotal	2	1	(1)
Total	¥68	¥114	¥46

Other securities without quoted market prices at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets:			
Bonds	**¥ 5,995**	¥ 2,997	**$ 61,033**
Commercial paper	**–**	2,498	**–**
Foreign bonds	**3,000**	6,000	**30,541**
Other	**4,525**	2,014	**46,065**
Noncurrent assets:			
Fiscal investment and loan program (FILP) – Agency Bonds	**500**	500	**5,090**
Unlisted stock (excluding securities traded over-the-counter)	**108**	203	**1,098**
Total	**¥14,128**	¥14,212	**$143,827**

The redemption schedule for other securities with maturity dates at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
2009	Due in one year or less	Due after one year through five years	Due in one year or less	Due after one year through five years
Current assets:				
Bonds	**¥ 5,995**	**¥–**	**$ 61,033**	**$–**
Commercial paper	**–**	**–**	**–**	**–**
Foreign bonds	**3,000**	**–**	**30,541**	**–**
Other	**4,525**	**–**	**46,065**	**–**
Noncurrent assets:				
FILP – Agency Bonds	**500**	**–**	**5,090**	**–**
Total	**¥14,020**	**¥0**	**$142,729**	**$0**

	Millions of yen	
2008	Due in one year or less	Due after one year through five years
Current assets:		
Bonds	¥ 2,997	¥ –
Commercial paper	2,497	–
Foreign bonds	6,000	–
Others	2,014	
Noncurrent assets:		
FILP – Agency Bonds	–	500
Total	¥13,508	¥500

5. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Merchandise	**¥2,522**	¥2,658	**$25,676**
Finished goods	**538**	572	**5,476**
Raw materials	**2,564**	3,023	**26,104**
Work in process	**69**	79	**699**
Supplies	**477**	379	**4,855**
	¥6,170	¥6,711	**$62,810**

6. Shareholders' Equity

The Law provides that amounts from additional paid-in capital and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Law further provides that amounts equal to 10% of such distributions be transferred to the capital reserve included in additional paid-in capital or the legal reserve included in retained earnings based on the applicable sources of such distributions until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

The Company may make dividend payments as the appropriation of retained earnings by a resolution of the board of directors pursuant to the provisions of Article 459, Paragraph 1 of The Law.

The amount of year-end cash dividends per share, which the Company paid to the shareholders of record as at the respective period ended for the years ended March 31, 2009 and 2008, was as follows:

	Yen		U.S. dollars
	2009	2008	**2009**
Year-end	**¥12.00**	¥12.00	**$0.12**
Half-year	**17.00**	12.00	**0.17**

The effective dates of the distribution for year-end and half-year cash dividends, which were paid during the year ended March 31, 2009, were June 16, 2008 and December 1, 2008, respectively.

The cash dividends of retained earnings of the Company for the year ended March 31, 2009 approved at the shareholders' meeting, which was held on May 15, 2009, was as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	**¥1,042**	**$10,605**

	Yen	U.S. dollars
Cash dividends per share	**¥17.00**	**$0.17**

7. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 116**	¥ 165	**$ 1,182**
Accrued bonuses	**416**	423	**4,235**
Allowance for doubtful accounts	**147**	163	**1,491**
Reserve for customer awards	**544**	600	**5,537**
Accrued retirement benefits	**780**	736	**7,936**
Net loss carried forward	**1,152**	728	**11,732**
Loss on devaluation of investment securities	**211**	123	**2,153**
Impairment loss	**204**	–	**2,078**
Other	**314**	284	**3,201**
Gross deferred tax assets	**3,884**	3,222	**39,545**
Valuation allowance	**(1,992)**	(1,218)	**(20,284)**
Total deferred tax assets	**1,892**	2,004	**19,261**
Deferred tax liabilities:			
Prepaid pension cost	**177**	157	**1,805**
Unrealized intercompany profit on land	**232**	232	**2,362**
Gain on valuation of land	**248**	165	**2,526**
Other	**1**	19	**13**
Total deferred tax liabilities	**658**	573	**6,707**
Net deferred tax assets	**¥ 1,234**	¥ 1,431	**$ 12,553**

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 41% for the years ended March 31, 2009 and 2008.

A reconciliation between the statutory tax rate and the effective tax rates as a percentage of income before income taxes and minority interests for the years ended March 31, 2009 and 2008 is summarized as follows:

	2009	2008
Statutory tax rate	**40.64%**	40.64%
Additions to (deductions from) income taxes resulting from:		
Permanent nondeductible difference such as entertainment expenses	**3.22**	1.99
Inhabitants' per capital taxes	**2.24**	1.80
Permanent difference not recognized for tax purposes such as dividends received	**(0.01)**	(0.04)
Valuation allowance	**8.67**	6.65
Tax credits such as for research and development expenses	**(2.37)**	(2.16)
Difference in effective taxes rates among the Company and its consolidated subsidiaries	**(0.42)**	(0.83)
Other	**1.47**	0.63
Effective tax rate	**53.44%**	48.68%

8. Retirement Benefits

The Group has defined benefit pension plans and lump-sum retirement payment plans which cover substantially all employees who terminate their employment. In addition to these plans, the Company and its domestic consolidated subsidiaries (except for one consolidated subsidiary) participate in the multi-employer Welfare Pension Fund Plan (the "Fund") under the Welfare Pension Insurance Law of Japan.

The funded status of the defined benefit pension plans at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	**¥(2,505)**	¥(2,290)	**$(25,504)**
Fair value plan assets	**784**	779	**7,984**
Funded status	**(1,721)**	(1,511)	**(17,520)**
Unrecognized actuarial net gain	**338**	258	**3,438**
Net retirement benefit obligation	**(1,383)**	(1,253)	**(14,082)**
Prepaid pension cost	**435**	390	**4,429**
Accrued retirement benefits	**¥(1,818)**	¥(1,643)	**$(18,511)**

The consolidated subsidiaries applied a simplified method permitted for the calculation of the projected benefit obligation.

Retirement allowances for directors and statutory auditors in the amounts of ¥60 million ($615 thousand) and ¥46 million have been included in accrued retirement benefits in the accompanying consolidated balance sheets at March 31, 2009 and 2008, respectively.

Retirement benefit expenses for the years ended March 31, 2009 and 2008 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost-benefits earned during the year	¥281	¥313	$2,859
Interest cost on projected benefit obligation	27	24	279
Expected return on plan assets	(26)	(23)	(270)
Amortization of unrecognized actuarial net loss	46	103	472
Contributions to welfare pension fund	301	295	3,062
Retirement benefit expenses	¥629	¥712	$6,402

In the table above, retirement benefit expenses determined by a simplified method of the consolidated subsidiaries have been included in service cost-benefits earned during the year.

The Company and its consolidated subsidiaries which participated in the Fund have accounted for their contributions to the Funds as retirement benefit expenses. The financial information of the Funds is summarized as follows:

(1) Funded status of the Fund as of March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Fund's assets	¥6,038	¥6,322	$61,468
Projected benefit obligation	5,242	4,677	53,365
Funded status	¥ 796	¥1,645	$ 8,103

The funded status above primarily consisted of prior service cost of ¥473 million and a general reserve of ¥1,223 million.

Prior service cost in the Fund is amortized by the straight-line method based on the total amount of the principal and interest over a period of 15 years. The Company's group does not make special contributions to the Fund.

(2) The percentage of the contributions paid by the Company's group over total contributions paid by all participants into the Fund was 51.6% for the year ended March 31, 2009. This percentage is not always in agreement with the actual payment responsibility of the Company's group.

The principal assumptions used in the above actuarial calculations for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	1.75%	1.75%
Expected rate of return	3.00%	3.00%
Actuarial cost method	Unit credit actuarial cost method	
Amortization period for actuarial differences	5 years*	5 years*

** Amortized by the straight-line method over a period which falls within the estimated average remaining years of service of the active participants, commencing the year subsequent to the period when the actuarial difference was calculated.*

9. Research and Development Expenses

Research and development expenses charged to income for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Research and development expenses	¥2,189	¥2,302	$22,281

10. Leases

The Group holds certain machinery and equipment under finance leases which do not transfer ownership to the leases. These leases are not capitalized, but are accounted by a method similar to that applicable to operating leases. If such leases had been capitalized, the acquisition costs, accumulated depreciation and accumulated loss on impairment of the leased assets at March 31, 2009 and 2008 would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Machinery and equipment:			
Acquisition costs	**¥4,069**	¥5,951	**$41,426**
Accumulated depreciation	**2,672**	3,429	**27,205**
Accumulated loss on impairment	**400**	603	**4,076**
	¥ 997	¥1,919	**$10,145**

The following table presents the future minimum lease payments subsequent to March 31, 2009 under finance leases which do not transfer ownership:

	2009	
	Millions of yen	Thousands of U.S. dollars
Minimum lease payments:		
Due within one year	**¥ 556**	$ 5,660
Due after one year	**804**	8,185
	1,360	13,845
Accumulated loss on impairment	**223**	2,269

Lease expenses related to finance leases which do not transfer ownership for the years ended March 31, 2009 and 2008 amounted to ¥732 million ($7,452 thousand) and ¥752 million, respectively. Depreciation related to these leases for the years ended March 31, 2009 and 2008 would have been ¥655 million ($6,675 thousand) and ¥685 million, respectively, if the leases had been capitalized.

For the purpose of presentation of the above pro forma amounts, depreciation of the leased assets has been calculated by the straight-line method over the respective lease terms assuming a nil residual value.

11. Loss on Impairment of Fixed Assets

Loss on impairment of fixed assets for the year ended March 31, 2009 consisted of the following:

2009				
Used for	Type of assets	Amount: Millions of yen	Amount: Thousands of U.S. dollars	Place
Production equipment for germinated brown rice	Buildings and structures	**¥ 63**	**$ 644**	Mitoyo City, Kagawa Prefecture
	Machinery and vehicles	**137**	**1,392**	
	Tools and equipment	**2**	**18**	
	Land	**29**	**299**	
	Long-term prepaid expenses	**68**	**688**	
	Others	**0**	**7**	
Welfare facilities	Buildings and structures	**36**	**366**	Sakae-ku, Yokohama City
	Land	**142**	**1,446**	
Store equipment	Buildings and structures	**3**	**32**	Kyushu Area
	Tools and equipment	**1**	**15**	
Total		**¥482**	**$4,908**	

Recognition of impairment losses:

1. In regards to the germinated brown rice factory and facilities, the Company has accounted for ¥299 million of impairment losses where the recoverable value of assets was less than the book value following the decision to close the Kagawa factory based on a review of the germinated brown rice production system. These have been recorded in other expenses.
2. In regards to the Company facilities for employee welfare, the Company has accounted for ¥178 million of impairment losses where the recoverable value of assets was less than the book value following the decision to sell the facilities. These have been recorded in other expenses.

   In regards to the retail facilities, the Company has accounted for ¥4 million of impairment losses where the recoverable value of assets was less than the book value following the decision to close stores. These have been recorded in other expenses.

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 germinated brown rice production facilities are estimated using net sale values and calculated based on assessed values of fixed assets.
2. The recoverable value of company facilities for employee welfare is estimated using net sale values and is calculated based on estimated values determined using estimated real estate value.
3. The recoverable value of stores is calculated from estimated net sale values. Assets without other applications are recorded as zero since there is the possibility that they will not be sold.

12. Stock Option Plans

At March 31, 2009, the Company had the following stock option plan which was approved by its shareholders or the Board of Directors:

Date of approval by shareholders or the Board of Directors	June 28, 1999	June 19, 2004	June 17, 2006	November 15, 2006	November 12, 2007	November 14, 2008
Grantees	5 directors and 50 employees	9 directors, 4 statutory auditors, 9 directors of subsidiaries and 1,825 employees of the Company and subsidiaries	10 directors, 9 executive officers, 6 directors of subsidiaries and 1,525 employees of the Company and subsidiaries	9 directors and 9 executive officers	11 directors and 5 executive officers	9 directors and 3 executive officers
Type of shares with warrants granted	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares with warrants granted	122,000 shares	740,000 shares	648,900 shares	62,800 shares	90,700 shares	78,200 shares
Option price per warrant	¥5,514	¥1,217	¥1,670	¥1	¥1	¥1
Exercisable period	June 29, 2001 –June 28, 2009	July 3, 2006 –June 30, 2009	August 11, 2008 –August 10, 2011	December 2, 2006 –December 1, 2036	December 4, 2007 –December 3, 2037	December 2, 2008 –December 1, 2038

Option price per warrant is presented after adjustments for stock splits which were made on May 19, 2000 (1.3 shares per 1 share), May 20 2002 (1.2 shares per 1 share) and April 1, 2006 (3 shares per 1 share).

Effective the year ended March 31, 2007, the Company adopted an accounting standard for share-based payments and the related implementation guidance. In accordance with this standard, the Company has recognized stock option-related expenses by estimating the fair value of unit prices by using the Black-Scholes model.

13. Contingent Liabilities

(1) Contingent liabilities as of March 31, 2009 amounted to ¥1,757 million ($17,890 thousand) and represented guarantees of borrowings incurred by the 16 industrial corporations (including the Company) which are members of the Nagareyama Industrial Cooperative Association (the "Association") for the purposes of financing their purchases of manufacturing and other facilities located in the Nagareyama City area—the land upon which such facilities are situated. The Company has guaranteed such borrowings jointly and severally with the other 15 members of the Association.

In addition to the guarantees stated above, land of ¥592 million ($6,025 thousand) and plants of ¥1,558 million ($15,860 thousand) located in the Nagareyama area were pledged as collateral for the above borrowings as of March 31, 2009.

(2) At March 31, 2009, the Company had guaranteed bank loans totaling ¥59 million ($600 thousand) made by FANCL INTERNATIONAL, INC., a non-consolidated subsidiary.

14. Amounts per Share

In accordance with the accounting standard for earnings per share, basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of share of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year assuming full dilution of common stock equivalents. Net assets per share is computed based on the weighted-average number of share of common stock outstanding at each year end.

	Yen		U.S. dollars
	2009	2008	**2009**
Net income:			
– Basic	**¥ 43.46**	¥ 58.42	**$ 0.44**
– Diluted	**43.35**	58.10	**0.44**
Net assets	**1,155.74**	1,141.56	**11.77**

15. Supplementary Cash Flow Information

The following table represents a reconciliation of cash and bank deposits in the accompanying consolidated balance sheets with cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and bank deposits	**¥16,210**	¥16,552	**$165,021**
Marketable securities	**13,520**	13,508	**137,639**
Time deposits for periods of more than three months	**–**	(1,000)	**–**
Marketable securities pledged as collateral for periods of more than three months	**(2,997)**	(4,999)	**(30,517)**
Cash and cash equivalents	**¥26,733**	¥24,061	**$272,143**

16. Business Combination

On September 1, 2008, the Company acquired cosmetics business and tangible assets from FCP Co., Ltd and NICOSTAR BEAUTECH Co., Ltd. became a consolidated subsidiary whose assets and liabilities upon consolidation are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 108	$ 1,101
Noncurrent assets	968	9,858
Goodwill	324	3,301
Noncurrent liabilities	85	866
Expenditure for acquisition	¥1,315	$13,393

Goodwill, which was recognized based on a reasonable estimate of additional profitability in the future, is being amortized over a period of 4 years.

17. Segment Information

Business Segments

	Millions of yen					
2009	Cosmetics business	Nutritional supplements business	Other businesses	Total	Eliminations or corporate	Consolidated
I. Sales and operating income						
Sales to external customers	**¥50,081**	**¥29,089**	**¥18,834**	**¥98,004**	**¥ –**	**¥98,004**
Intersegment sales or transfers	**–**	**–**	**–**	**–**	**–**	**–**
Total sales	**50,081**	**29,089**	**18,834**	**98,004**	**–**	**98,004**
Operating expenses	**43,319**	**26,160**	**19,815**	**89,294**	**2,044**	**91,338**
Operating income (loss)	**¥ 6,762**	**¥ 2,929**	**¥ (981)**	**¥ 8,710**	**¥ (2,044)**	**¥ 6,666**
II. Total assets, depreciation and capital expenditures						
Total assets	**¥33,752**	**¥13,949**	**¥11,701**	**¥59,402**	**¥25,907**	**¥85,309**
Depreciation	**1,818**	**747**	**384**	**2,949**	**61**	**3,010**
Impairment loss	**3**	**1**	**300**	**304**	**178**	**482**
Capital expenditures	**2,565**	**859**	**435**	**3,859**	**46**	**3,905**

2008	Millions of yen: Cosmetics business	Nutritional supplements business	Other businesses	Total	Eliminations or corporate	Consolidated
I. Sales and operating income						
Sales to external customers	¥49,062	¥30,017	¥20,271	¥99,350	¥ –	¥99,350
Intersegment sales or transfers	–	–	–	–	–	–
Total sales	49,062	30,017	20,271	99,350	–	99,350
Operating expenses	41,653	26,511	21,656	89,820	2,063	91,883
Operating income (loss)	¥ 7,409	¥ 3,506	¥ (1,385)	¥ 9,530	¥ (2,063)	¥ 7,467
II. Total assets, depreciation and capital expenditures						
Total assets	¥32,713	¥14,653	¥12,481	¥59,847	¥25,839	¥85,686
Depreciation	1,696	733	360	2,789	62	2,851
Capital expenditures	1,471	643	203	2,317	0	2,317

2009	Thousands of U.S. dollars: Cosmetics business	Nutritional supplements business	Other businesses	Total	Eliminations or corporate	Consolidated
I. Sales and operating income						
Sales to external customers	**$509,835**	**$296,132**	**$191,735**	**$997,702**	**$ –**	**$997,701**
Intersegment sales or transfers	**–**	**–**	**–**	**–**	**–**	**–**
Total sales	**509,835**	**296,132**	**191,735**	**997,702**	**–**	**997,701**
Operating expenses	**441,000**	**266,308**	**201,726**	**909,034**	**20,807**	**929,839**
Operating income (loss)	**$ 68,835**	**$ 29,824**	**$ (9,991)**	**$ 88,668**	**$ 20,807**	**$ 67,862**
II. Total assets, depreciation and capital expenditures						
Total assets	**$343,608**	**$142,005**	**$119,116**	**$604,729**	**$263,740**	**$868,469**
Depreciation	**18,509**	**7,604**	**3,904**	**30,017**	**629**	**30,646**
Impairment loss	**30**	**14**	**3,051**	**3,095**	**1,812**	**4,907**
Capital expenditures	**26,114**	**8,739**	**4,431**	**39,284**	**470**	**39,754**

Unallocatable operating expenses included under “Eliminations or corporate” for the years ended March 31, 2009 and 2008 amounted to ¥2,033 million ($20,699 thousand) and ¥2,063 million, respectively, and consisted of operating expenses incurred in the Administration Department of the Company. Corporate assets included under “Eliminations or corporate” at March 31, 2009 and 2008 amounted to ¥25,907 million ($263,740 thousand) and ¥25,839 million, respectively, and consisted principally of cash and cash equivalents, short-term investments, land and funds for long-term investments (investment securities and other).

Change to Accounting Methods

Accounting standards for inventory valuation

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

The Board of Directors
FANCL CORPORATION

We have audited the accompanying consolidated balance sheets of FANCL CORPORATION and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FANCL CORPORATION and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

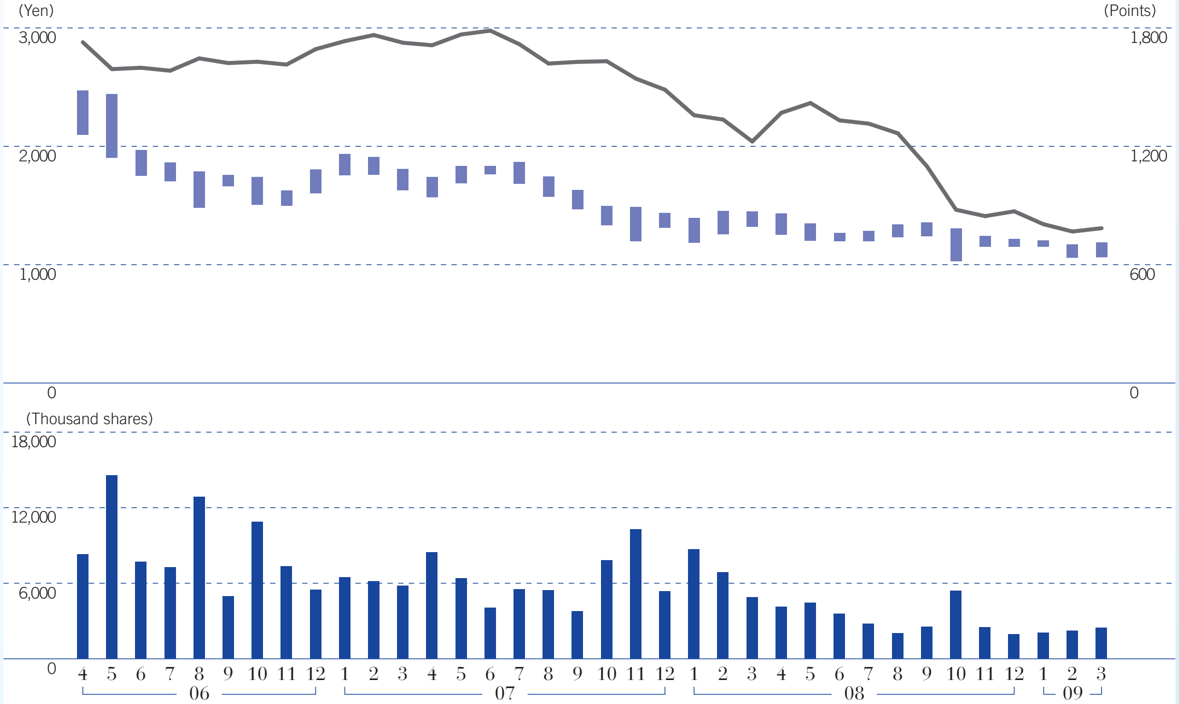
Ernst & Young Shin Nihon LLC

June 22, 2009

Market Price Range per Share of Common Stock, and Trading Volume

	2008									2009		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
High (¥)	1,432	1,346	1,267	1,286	1,338	1,357	1,307	1,245	1,218	1,204	1,170	1,188
Low (¥)	1,253	1,202	1,198	1,199	1,230	1,241	1,030	1,153	1,152	1,150	1,057	1,062
Trading volume (Thousand shares)	4,137	4,459	3,598	2,790	2,021	2,547	5,397	2,512	1,954	2,074	2,246	2,479

Monthly Stock Data



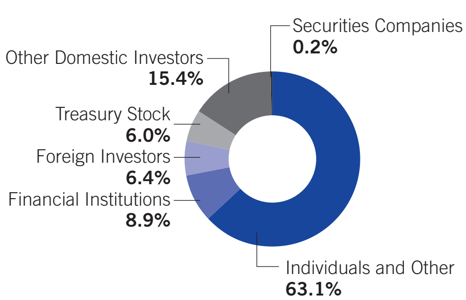
■ Monthly Stock Price Range — TOPIX Close ■ Monthly Trading Volume

Composition of Shareholders

(Percentage of ownership)

	2007		2008		2009
	Mar.	Sep.	Mar.	Sep.	Mar.
Individuals and other	69.8	68.8	71.6	70.6	63.1
Financial institutions	9.3	9.1	6.5	7.1	8.9
Foreign investors	9.7	11.1	6.9	7.5	6.4
Treasury stock	8.8	8.5	12.7	12.7	6.0
Other domestic investors	1.8	1.8	1.9	1.5	15.4
Securities companies	0.6	0.7	0.4	0.6	0.2

As of March 31, 2009



Corporate Information

(As of March 31, 2009)

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89-1 Yamashita-cho, Naka-ku, Yokohama,
Kanagawa-ken 231-8528, Japan
Tel: 81(45)226-1200

Established

August 1981

Common Stock Listing

Tokyo Stock Exchange, First Section
(Code: 4921)

Common Stock

Authorized Shares: 233,838,000
Outstanding Shares: 65,176,600

Paid-in Capital

¥10,795,161,280

Number of Shareholders

87,469

Number of Full-time Employees

713

Transfer Agent and Registrar

Mizuho Trust & Banking Co., Ltd.
1-2-1 Yaesu, Chuo-ku,
Tokyo 103-8670, Japan
http://www.mizuho-tb.co.jp/daikou/

Annual Meeting of Shareholders

Held in mid-June

Consolidated Subsidiaries

ATTENIR CORPORATION
NICOSTAR Co., Ltd.
NICOSTAR BEAUTECH Co., Ltd.
IIMONO OHKOKU Co., Ltd.
FANCL Hatsuga Genmai Co., Ltd.
FANCL ASIA (PTE.,) LTD.
FANCL B & H CORPORATION
CHALONE INC.

FANCL

FANCL Corporation

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