FANCL

REVITALIZING THE FANCL BRAND

ANNUAL REPORT 2011

For the Year Ended March 31, 2011

CONTENTS

THE VALUE OF PRESERVATIVE-FREE

FANCL COMMITMENT EMBODIED IN THE PRESERVATIVE-FREE CONCEPT

FANCL was founded by Kenji Ikemori in 1980 as a mail-order company specializing in cosmetics that customers with sensitive skin could also use with confidence.

When FANCL was founded, existing cosmetics in Japan were associated with a rash of skin trouble. Media reports of injury from cosmetics were rampant as these incidents morphed into a serious social problem. Ikemori reasoned that the culprit was preservatives found in the cosmetics, as well as antioxidants, germicides and other additives, and set out to develop a completely preservative-free line of cosmetics free of additives of any kind. At the time, the preservative paraben was considered minimally necessary to prevent germ contamination once a cosmetics container's seal was broken. To avoid it, Ikemori opted instead for smaller 5 ml bottles that could be used up in a short period of time. After roughly two years of research and testing, FANCL finally witnessed the launch of a completely preservative-free line of cosmetics.

Contained within each of those tiny 5 ml bottles was FANCL's unique commitment to eliminating uncertainty and inconvenience for women struggling with skin trouble by providing safe, dependable cosmetics for them to use. Today, the containers are much larger thanks to advances in manufacturing technology, and FANCL has evolved into a company offering a diverse lineup of products. Ikemori's initial commitment, however, remains unchanged, and lives on in every FANCL product.

CONTINUING TO REFINE AND ADVANCE THE PRESERVATIVE-FREE SCIENCE

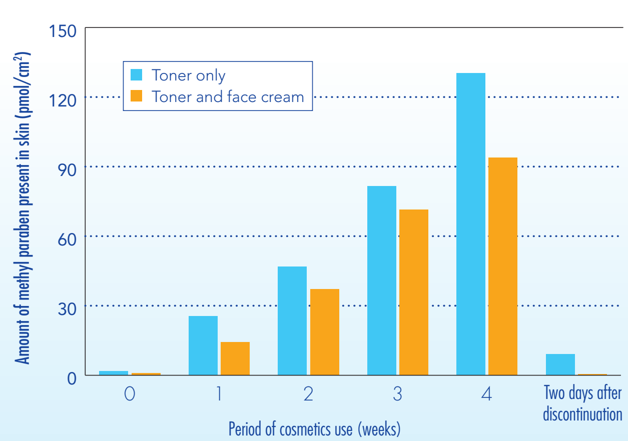
FANCL'S METICULOUS PRESERVATIVE-FREE APPROACH

Viewing "preservative-free" as the best option for the skin, FANCL has worked meticulously to enhance the value of this concept in every area, from research to manufacturing. Only the most essential ingredients are used in any product, allowing the components that enhance beauty to penetrate directly into the skin for maximum effect. This simple approach is an important one for reducing the burden on the skin.

The cosmetics market today is filled with many preservative-free products. To be considered such, these cosmetics contain none of the designated ingredients* that could cause an allergic reaction or dermatitis. But now that "preservative-free" has become synonymous with safe and comfortable use, the phrase itself has taken on a life of its own. In reality, there are many products on the market today that have no "preservatives," per se, but contain a host of additives. FANCL, however, has taken the completely preservative-free concept to the next level. Since day one, not only have FANCL preservative-free cosmetics never contained any of the designated ingredients considered possible allergens, but they also avoid the use of many other ingredients that could possibly trigger an allergic reaction.

* Any of the 102 ingredients that could cause dermatitis or other allergic reactions that companies were required to include on package labeling until March 2001. Current laws require all ingredients—including these 102—to be displayed on product labels.

PRESERVATIVE RESIDUE REMAINS IN THE SKIN WHEN CONVENTIONAL COSMETICS ARE APPLIED



Levels of the preservative methyl paraben present in the skin increased with prolonged use of cosmetics containing it. Levels declined, however, once use was discontinued.

FANCL'S PRESERVATIVE-FREE SCIENCE

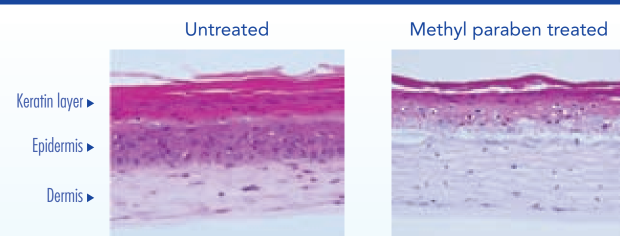
As a pioneer in preservative-free cosmetics, FANCL is the only company in the world with research in the field spanning three decades. We believe in the value of the preservative-free concept, and the FANCL Research Institute, our research division, is dedicated to providing the scientific evidence that becomes persuasive proof for our customers. We refer to the results of this research as "preservative-free science."

One example of this science is research which demonstrated that continued use of cosmetics containing preservatives leads to a preservative build up that puts stress on the skin. For this research, cosmetics containing the widely used preservative methyl paraben were applied to a subject's arm for one month. The amount of methyl paraben present in the skin was then measured on a weekly basis. The results showed that methyl paraben levels increase with prolonged usage, confirming that residual amounts actually remain in the skin over continued use.

Other research by the institute has utilized three-dimensional skin models to show actual skin condition after repeated use of preservative-free versus conventional cosmetics. Based very closely on human skin structure, these artificially constructed three-dimensional skin models are widely used in place of real skin to test the safety and effectiveness of cosmetics. Simulations using these models revealed that the skin of people using preservative-free cosmetics retains keratin, as well as firm epidermal and dermal layers, preserving the strong barrier functions essential for healthy skin. The concept of "preservative-free" is thus not only gentle on the skin, but also has the potential to help slow skin aging.

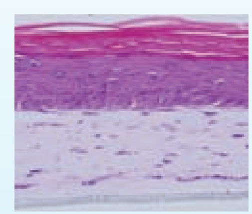
Through repeated research, FANCL has learned that being "preservative-free" is not only essential for those with sensitive skin, but for everyone seeking truly beautiful skin. FANCL will continue to refine and advance its preservative-free science, taking steps toward new growth by properly conveying the value of the preservative-free concept to customers in Japan and across the globe.

THREE-DIMENSIONAL SKIN MODELS (HE STAIN)

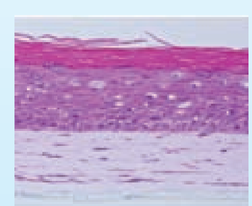


High concentration

Treating a three-dimensional skin model with high concentrations of one type of preservative, methyl paraben, results in a fragile epidermal structure with thin keratin and epidermal layers. The basal membrane joining the epidermis and dermis together is also underdeveloped. No substantial differences in structure were noted, however, at medium or low concentrations.



Medium concentration



Low concentration

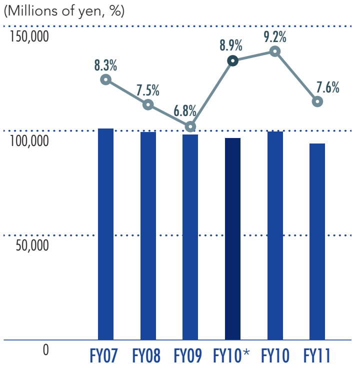
FINANCIAL HIGHLIGHTS

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2011	2010	2010 (Note 2)	2009	2008	2007	**2011**
For the year:							
Net sales	**¥ 93,790**	¥ 99,537	¥96,548	¥ 98,004	¥ 99,350	¥101,065	**$1,127,959**
Operating income	**7,118**	9,159	8,600	6,666	7,467	8,370	**85,599**
Net income	**2,850**	4,307	4,617	2,663	3,694	2,547	**34,271**
Advertising expenses	**8,231**	7,971		8,963	9,876	9,393	**98,986**
Sales promotion expenses	**11,241**	11,461		12,434	12,509	13,502	**135,186**
Net cash provided by operating activities	**6,311**	10,532		6,005	7,379	6,472	**75,905**
Net cash used in investing activities	**(922)**	(3,555)		(1,518)	(672)	(1,734)	**(11,094)**
Net cash provided by (used in) financing activities	**(2,278)**	432		(1,770)	(6,036)	(2,495)	**(27,396)**
Net increase in cash and cash equivalents	**3,059**	7,670		2,672	650	2,243	**36,795**
	Yen						U.S. dollars (Note 1)
Per share:							
Net income	**¥ 43.9**	¥ 68.3		¥ 43.5	¥ 58.4	¥ 39.6	**$ 0.53**
Equity	**1,205.3**	1,188.3		1,155.7	1,141.6	1,116.6	**14.50**
Cash dividends	**34.0**	34.0		34.0	24.0	24.0	**0.41**
	Millions of yen						Thousands of U.S. dollars (Note 1)
At year-end:							
Total assets	**¥ 94,030**	¥ 92,983		¥ 85,309	¥ 85,686	¥ 86,931	**$1,130,850**
Equity	**78,270**	77,137		70,823	69,900	71,449	**941,308**
	%						
Ratio:							
Operating income margin (%)	**7.6**	9.2	8.9	6.8	7.5	8.3	
Advertising and sales promotion expenses ratio (%)	**20.8**	19.5		21.8	22.5	22.7	
ROE (%)	**3.7**	5.8	6.2	3.8	5.3	3.6	

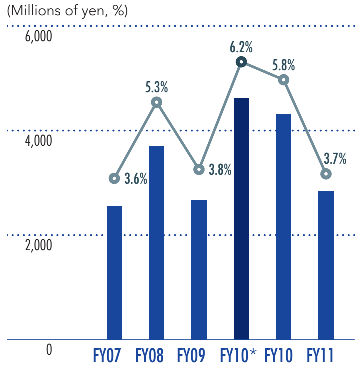
Notes: *1. U.S. dollar amounts are the yen equivalent, calculated, for convenience only, at a rate of ¥83.15 = U.S.$1, the approximate Tokyo foreign exchange market rate as of March 31, 2011.*
2. Based on the scope of consolidation during the fiscal year ended March 31, 2009, prior to the consolidation of Fantastic Natural Cosmetics Limited (FNL) and Fantastic Natural Cosmetics (China) Limited (FNCCL).

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



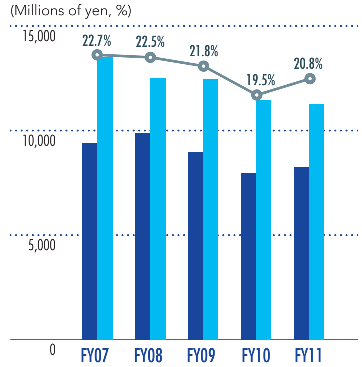
Net Sales
Operating Income Margin

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 September 2009, FANCL converted two sales agents, one in Hong Kong and another in mainland China, into consolidated subsidiaries. However, with the start of the fourth quarter of fiscal 2010, both companies were converted into affiliates accounted for by the equity method. Consequently, although the companies and their three consolidated subsidiaries were included under consolidation in the statements of income for the third quarter of fiscal 2010, they were accounted for as equity-method affiliates from the start of the fourth quarter. However, with the start of the third quarter of fiscal 2011, both companies have been excluded from accounting as equity-method affiliates.

BUSINESS SEGMENTS

▸ Cosmetics

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

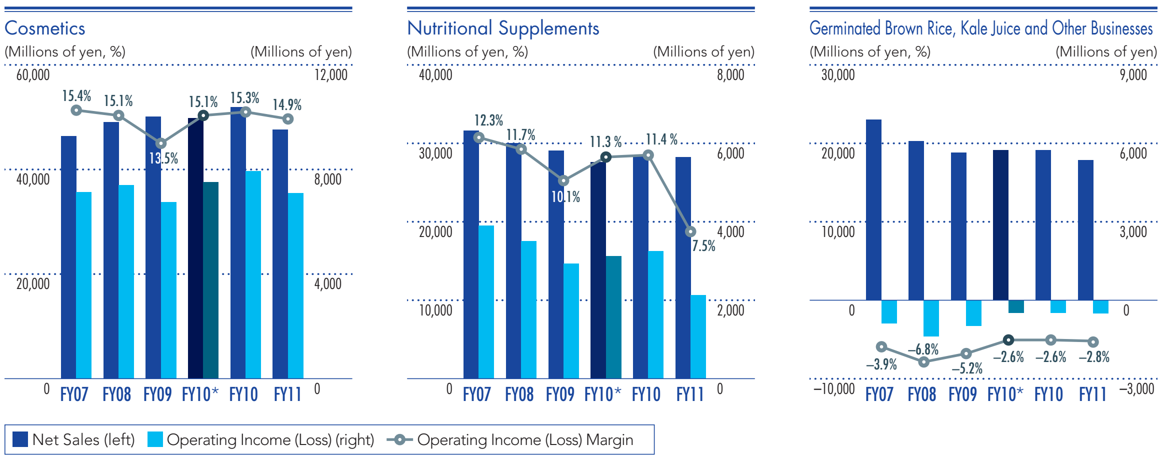
▸ Nutritional Supplements

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

▸ Germinated Brown Rice, Kale Juice and Other Businesses

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 2011, sales in this channel accounted for 53.6% of net sales.

▸ Retail Store Sales

This channel is key to meeting the needs of customers who want to test products before purchasing. In fiscal 2011, sales in this channel accounted for 25.3% of net sales.

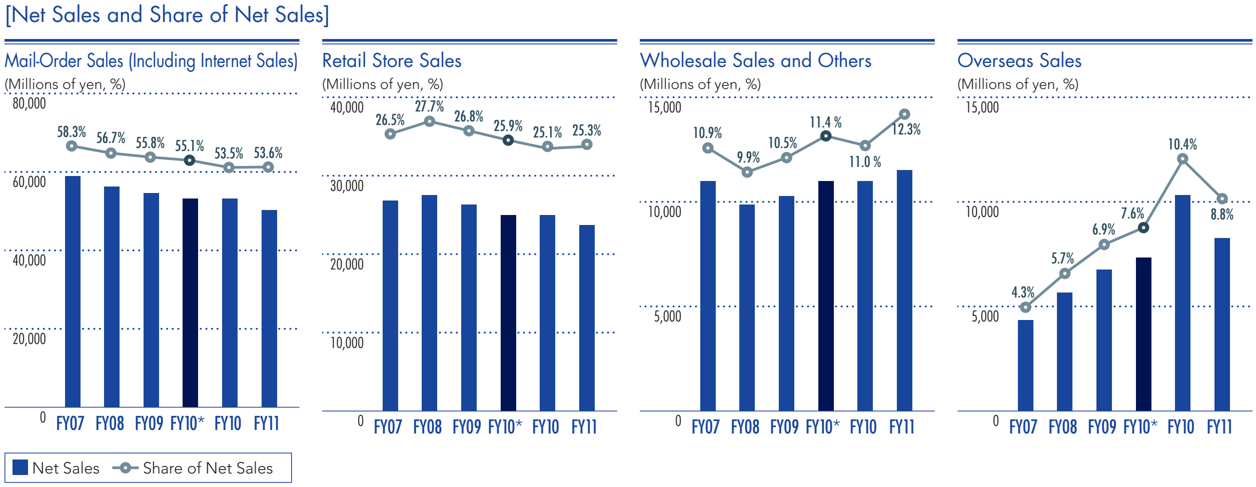
▸ Wholesale Sales, Others

This channel mainly revolves around the sale of supplements and health foods to clients (particularly convenience stores) who understand the brand value offered by FANCL products. In fiscal 2011, this channel accounted for 12.3% of net sales.

▸ Overseas Sales

Overseas, FANCL operates in six countries and regions including Asia, most notably in mainland China and Hong Kong. In fiscal 2011, this channel accounted for 8.8% of net sales.

[Net Sales and Share of Net Sales]



Yoshifumi Narimatsu
C.E.O. and Representative Director

BRAND DEVELOPMENT WILL SPUR NEW GROWTH

The rebranding scheduled for spring 2012 will also mark the beginning of a new era for FANCL. We plan to progressively implement measures aimed at putting FANCL on track for new growth as a "global premium brand" known around the world.

Fiscal 2011 in Review

We had two missions in fiscal 2011, which we positioned as a year of preparations for the spring 2012 rebranding. One was to foster new star products, and the other to improve profitability at our overseas subsidiaries in Asia (Taiwan and Singapore) and America, with a view to further globalizing our operations.

On the first point, our efforts paid off handsomely, with a promotional campaign that included TV commercials leading to hit status for the dietary supplement *Calorie Limit*, which we hope to groom into a long-selling favorite alongside the beauty supplement *HTC Collagen*. With regard to improving profitability at overseas subsidiaries, however, we had a degree of success but ultimately failed to bring the subsidiaries into profit.

On the sales front, the Nutritional Supplements Business reported a steep 202% year-on-year increase in sales of *Calorie Limit*, giving segment sales their strongest boost since fiscal 2006, based on the former standard and excluding operating results from our two sales agencies in Hong Kong and mainland China. Sales from the Cosmetics Business and Other Businesses, however, fell short of prior-year levels, causing Companywide sales to decline.

Profits also fell year on year, reflecting decreased sales and heavy investment ahead of our rebranding program, which we hope will provide impetus for new growth.

Impact and Response to the Great East Japan Earthquake

In the immediate aftermath of the earthquake we were forced to close some of our stores in the Tohoku and Kanto regions. However, all these stores were soon back up and running. With regard to procurement, some of our raw material suppliers sustained damage in the earthquake, but by working together with suppliers we were able to maintain a stable product supply without encountering shortages. At one point our mail-order sales dropped sharply, as our call centers and logistics centers were affected by rolling blackouts enacted to conserve energy after the nuclear power plant accident. Subsequently, we opened temporary call centers outside the areas affected by the blackouts, and in April were able to resume normal marketing activities.

As an emergency assistance measure for quake-affected regions we donated roughly ¥55,000,000 via the Japanese Red Cross Society, combining a corporate contribution with employee donations. We also provided affected municipalities with relief supplies consisting mainly of FANCL products. We have continued making donations and providing relief supplies since April, and plan to remain involved over the medium to long term through employee visits to the most damaged regions, among other activities.

Background to Rebranding and Key Issues for the FANCL Brand

FANCL's history dates back thirty years, when we first engaged in mail-order sales of preservative-free cosmetics that can be used with peace of mind by individuals with sensitive skin. Now, our products are also widely used by women without sensitive skin, while our sales channels have expanded to include retail stores and the Internet, and we now have a more diverse product portfolio that also includes health foods, undergarments, and lifestyle goods. Furthermore, our operations now encompass not just Japan, but also some overseas markets.

Compared to when FANCL was founded, our business is now much larger, while our customers have a more disparate image of the FANCL brand. We found from large-scale brand image surveys conducted domestically and in mainland China and Hong Kong that in customers' eyes, FANCL is associated with both beauty and health, in a somewhat mixed fashion.

These surveys also revealed a gap between Japan and China/Hong Kong in the importance afforded to the "preservative-free" concept. In mainland China and Hong Kong, consumers equate "preservative-free" with "high-quality," and believe that such products are best for achieving natural beauty. In those markets our products are bought primarily to enhance skin that is already healthy. In Japan, on the other hand, many of our customers believe that being safe and worry-free, preservative-free cosmetics are really for individuals with sensitive skin, not for people like themselves who merely seek natural beauty. Our products accordingly are perceived as correcting problem skin, and the true value of being preservative-free does not seem to have reached the customer.

Our goal is to grow FANCL into a global brand. We think that growth will come if we redefine the value of "preservative free" and accurately communicate this value, and with this in mind we have decided to rebuild the brand from spring 2012, starting with the beauty business.

▶ Beauty Business: Purpose behind Rebuilding the Brand

Today, FANCL's preservative-free cosmetics are gaining a strong reputation in mainland China and Hong Kong. With sales prices around 1.6 times higher than in Japan, FANCL is carving out a position as a premium brand in these markets. Our success in mainland China and Hong Kong persuasively demonstrates that the preservative-free concept has currency across Asia, and if properly conveyed should be understood by women around the world, including Japan.

In addition, FANCL has its own R&D capacity. Using scientific evidence derived from our in-house research efforts, we aim to heighten the value of the "preservative-free" concept and develop a global premium brand that is affordable yet high in quality, displays a degree of originality only FANCL can offer, and is regarded as indispensible by customers.

▶ Beauty Business: Strategy for Rebuilding the Brand

In concrete terms, this will entail thoroughly entrenching in both Japan and markets abroad an understanding that FANCL's preservative-free products are not only safe, worry-free and gentle on the skin, but also offer the fastest route to obtaining beautiful skin. A preservative-free skin care regimen can be used to minimize skin stress, which we believe is at the root of many skin woes and skin aging. Through a scientifically grounded theory of health and beauty that zeroes in on skin stress, we will work to ensure that customers correctly grasp the value of preservative-free cosmetics in eliminating skin issues. In our retail stores we will train employees to persuasively explain this

[BEAUTY BUSINESS] PURPOSE BEHIND BRAND RESTRUCTURING

FANCL Goal—Become a "Global Premium Brand"

GLOBAL
Inform people of and have them identify with FANCL's premium value worldwide

Promote the "preservative-free" concept worldwide
Shared sense of value worldwide

×

PREMIUM
Improve loyalty by enhancing added value unique to FANCL

Development of new FANCL users

- Improve skin troubles by shifting to a new lineup that boosts skin health while taking care to relieve skin stress, the root cause of most skin woes and skin aging
- Create mechanisms that link "preservative-free" to "resolving skin trouble"
  For dealing with customers' skin troubles, we will clarify the types of mechanisms at work/approaches to take and their expected benefits.
- Unify brand presentation worldwide, including packaging and advertising expressions
  Ex: Revamp beauty business logos

approach and hone their counseling techniques. We will also seek to attract fresh customers through the launch of new products that allay skin problems by reducing stress on the skin while renewing skin vigor.

To ensure that the beauty brand image is not confused with that of the health business, we plan to revamp the logos currently in use, and will unify the manner in which our brand is presented worldwide, especially in terms of product packaging and advertising expressions.

▶ Health Business: Strategy for Rebuilding the Brand

Since first making an impression on the health food market with our high-quality, low-price supplements, FANCL has evolved into a leading company in the industry. As Japanese society ages, the market is growing as consumers become increasingly health-conscious, and this has attracted many new players from outside the industry. Against this backdrop customers have many reasons for choosing to buy supplements, whether it's on a friend's recommendation or because of a TV commercial. We have found that many consumers do not have a real grasp of what supplements are actually good for them. Many of our middle-aged and older customers take nutritional supplements alongside their medicines. However, medications and supplements have a "cause and effect" relationship, where the supplement can in some cases heighten the drug's effect and in other cases mute it. By the same token, the active ingredients in some medications negate the effects of supplements.

By leveraging our independent R&D capabilities and health-related expertise, we are building the know-how required to provide every individual customer with the products that they truly need. We have begun with the provision of advice concerning the best options for supplement intake alongside medicines, a practice not yet employed by rivals. By ensuring that this level of personal care is also entrenched in our mail-order and retail sales, we seek to have customers reach the realization that FANCL can offer them the products best suited to their needs. By also broadening our range of strategic products geared toward the middle-aged and elderly, we will continue to cultivate customers in this age bracket. We will also continue to strengthen our lineup of star products, with the objective of expanding our health business not just in Japan, but also globally, mainly in Asia.

[HEALTH BUSINESS] DIRECTION OF BRAND RESTRUCTURING

DIRECTION OF THE HEALTH BUSINESS

Leveraging R&D capabilities and health-related specialization and expertise to set FANCL apart

Basic Approach ▶ Supply individuals with information on choosing the supplements they truly need to encourage continuous, worry-free intake

1. Promote products geared towards the middle-aged and elderly
   Become the brand of choice particularly among those who use health food wisely
2. Cultivate and strengthen the lineup of star products, including diet supplements (*Calorie Limit*) and beauty supplements (*HTC Collagen*)

Calorie Limit

HTC Collagen

In Pursuit of Seamless Communication

We now have numerous channels through which to interact with customers. Our idea of seamless communication is based less on the specific circumstances in each of our numerous sales channels, which include mail-order sales, sales through directly operated retail stores, and wholesaling (to convenience stores, supermarkets, drug stores, and so forth), and more on building a framework for communicating with customers in the manner that is best for and most convenient to them.

In our preservative-free cosmetics operations, for example, we utilize three sales channels: catalog mail-order sales, Internet mail-order sales, and sales through directly operated retail stores. Although we use all these separate sales channels to communicate with the customer, the path taken to purchasing the product differs greatly according to the customer. For example, a customer discovering the product in a catalog may still place the order online. Others whose first view of the product is in a catalog or on the Internet may wish to see it in a retail store before buying. And yet another group tends to sample newly launched products in-store, but then place the actual order online. In short, there seems to be a high degree of cross-pollination between individual sales channels. Rather than treating each channel as a single entity, we therefore think it important to ensure that they all work in a mutually complementary fashion to meet the needs of each and every customer. We also think it is essential to encourage repeat visits to retail stores by having customers, for example, receive in-store counseling about the condition of their skin, then use the Internet to send them the results of that session along with an appropriate skin care plan. Another approach is to deal proactively with customers, for instance by using customers' purchase history to identify in a timely fashion items that might need replacing.

By thus removing barriers between sales channels and conveying information more effectively, we can broaden our customers' horizons while at the same time generating significant sales-side synergies. We have already revamped the content of our monthly magazine starting with the April 2011 edition. Our aim in doing so is to provide beauty ideas while also informing customers of the value of "preservative-free." Going forward, we will continue taking steps to achieve the best possible communication with customers in a manner that FANCL is uniquely qualified to deliver.

C×F CLASS FANCL

Providing "a high-quality preservative-free lifestyle" contributing to beauty and daily health

In March 2011 we opened the first of our C×F CLASS FANCL stores—based on the concept of "a high-quality, preservative-free lifestyle"—inside the Futako Tamagawa Rise shopping center in Tokyo's Setagaya Ward. This outlet stocks the entire range of FANCL products. As a matter of course the store offers advice on achieving internal and external beauty by using our preservative-free cosmetics to care for the body's exterior, and taking our supplements to provide internal care. It also has a corner showcasing organic foods and kitchen accessories. Adjoining the store is a café where customers can sample FANCL's *Germinated Brown Rice* and Kale Juice, and enjoy seasonal produce direct from our contract farmers. The menu is based on the macrobiotic approach to food, that of tapping one's own inherent beauty by harnessing the power of nature in a delicious manner.

Interior of C×F CLASS FANCL store (inside Futako Tamagawa Rise shopping center)

A meal from the café's monthly menu

Outlook for Fiscal 2012

In the year ahead we expect the business climate to remain challenging, reflecting sluggish spending due to worsening consumer sentiment following the Great East Japan Earthquake, among other factors. In April and May we were unable to carry out normal marketing activities, having postponed or scaled back promotional campaigns and TV commercials. However we have since taken steps to recover lost ground through additional campaigns, and aim to bounce back from the second quarter.

We have positioned fiscal 2012 as a year to gear up for a new phase of growth, and to that end we will be actively investing in preparations for our rebranding initiative. We will also be focusing on recruitment of new customers, who will play an integral role in the rebuilding of our brand. More specifically, we are planning promotional campaigns for core products such as *Mild Cleansing Oil* and *Calorie Limit*, as well as the launch of supplements designed to strengthen the immune systems of middle-aged and elderly individuals, and new products in our Kale Juice and *Germinated Brown Rice* ranges. Although we see profits falling this fiscal year as we take these steps and invest in rebranding, we aim to keep sales in line with the previous year.

Renewed Growth through Rebranding and Returning Profits to Shareholders

We view fiscal 2012 as the start of a new era for FANCL, driven by rebranding. By ensuring that consumers fully understand the value of "preservative-free," we aim to grow our preservative-free cosmetics into a "global premium brand" much loved by women around the world. In nutritional supplements, we take pride in having pioneered the market in Japan, and plan to harness that experience in delivering to Asia and other regions a standard of personal care that only FANCL can offer. If we can achieve global recognition for the FANCL brand, we believe even more customers will come to use our products. The ensuing profits will then be returned to shareholders. Our continued aims are to pay out 40% or more of consolidated net income, conduct share buybacks as necessary, and retire treasury stock amounting to 10% or more of total shares outstanding.

My sincere desire is to see shareholder expectations of growth from our rebranding rewarded with tangible results. Going forward, I ask for your continued support and understanding of FANCL and our business operations.

July 2011

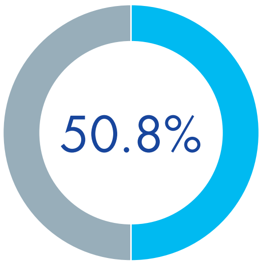
Yoshifumi Narimatsu.

Yoshifumi Narimatsu
C.E.O. and Representative Director

AT A GLANCE

COSMETICS BUSINESS

Proportion of Total Net Sales



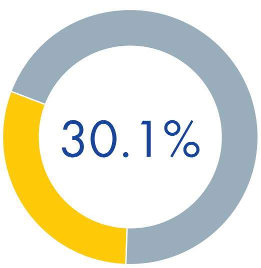
Products

- 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



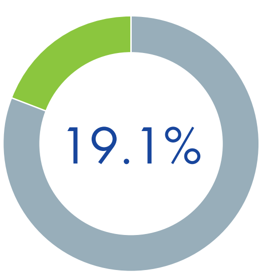
Products

- Health Supplements
  (High-quality nutritional supplements at competitive prices)

- Beauty Supplements
  (Nutritional supplements for inner beauty)

GERMINATED BROWN RICE, KALE JUICE AND OTHER BUSINESSES

Proportion of Total Net Sales

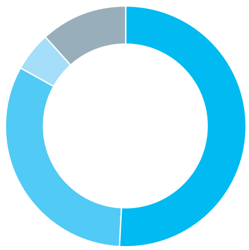


Products

- Germinated Brown Rice
- Kale Juice

- Comfort Undergarments
- Health Equipment and Lifestyle Goods

Sales Channel Breakdown



- Mail-Order Sales 51.1%
- Retail Store Sales 32.2%
- Wholesale and Others 5.1%
- Overseas 11.6%

Major Developments During Fiscal 2011

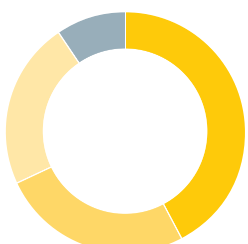
Sales of FANCL cosmetics were lower year on year, with healthy sales of *Additive Free Acne Care*, a series of cosmetics launched in April 2010, outweighed by a slump in sales of other products.

In ATTENIR cosmetics, sales were also lower, with a drop in sales in the first half of the year offsetting firm sales of new skin care lines *Meditune* and *Inner Effector Basic Skincare* launched in September and October 2010.

As a result, Cosmetics Business sales declined 4.3% year on year to ¥47,678 million.

By sales channel, mail-order sales decreased 5.4% year on year to ¥24,375 million, retail stores sales decreased 6.5% to ¥15,361 million, and wholesale sales through other sales channels decreased 11.7% to ¥2,399 million, with overseas sales up 12.7% to ¥5,544 million.

Operating income declined 5.6% year on year to ¥7,098 million, reflecting lower sales coupled with increased marketing expenses from the launch of new skin care lines in ATTENIR cosmetics.

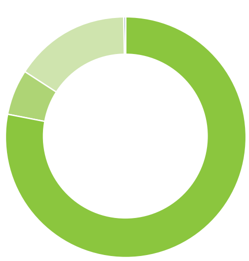


- Mail-Order Sales 42.4%
- Retail Store Sales 25.7%
- Wholesale and Others 22.5%
- Overseas 9.4%

Overall sales increased year on year due to strong growth in sales of *Calorie Limit*, a dietary supplement supported by a promotional campaign that included TV commercials, as well as robust sales of supplements targeting middle-aged and elderly customers. As a result, sales in the Nutritional Supplements Business rose 2.4% year on year to ¥28,248 million.

By sales channel, mail-order sales decreased 2.0% year on year to ¥11,976 million, retail store sales decreased 1.9% to ¥7,264 million, and wholesale sales through other sales channels increased 13.1% to ¥6,342 million, with overseas sales up 13.2% to ¥2,666 million.

Operating income decreased 31.9% to ¥2,125 million due to proactive marketing activities, which negated higher gross profit benefiting from increased sales of *Calorie Limit*.



- Mail-Order Sales 78.2%
- Retail Store Sales 6.0%
- Wholesale and Others 15.6%
- Overseas 0.2%

Sales in the Germinated Brown Rice Business were lower year on year, reflecting slumping performance in the mail-order sales channel.

In the Kale Juice Business, sales declined despite healthy sales of fresh squeezed kale juice, a mainstay product. Lower sales were largely attributable to a fall in benefits from the release of *Beauty Green* in the previous fiscal year.

Sales in the IIMONO OHKOKU Mail-Order Business were also lower year on year, as sales of seasonal merchandise remained weak.

In additional businesses, sales declined due to the impact of a special sale on undergarments in the previous fiscal year.

As a result, overall sales for Other Businesses declined 6.7% year on year to ¥17,864 million.

The operating loss in this business was ¥506 million, a worsening of ¥16 million from the previous fiscal year. Among the factors leading to this deterioration was a slump in the beauty salon business and other operations, despite a return to profitability in the Germinated Brown Rice Business.

** In September 2009, FANCL converted two sales agents, one in Hong Kong and another in mainland China, into consolidated subsidiaries. However, with the start of the fourth quarter of fiscal 2010, both companies were converted into affiliates accounted for by the equity method. Consequently, although the companies and their three consolidated subsidiaries were included under consolidation in the statements of income for the third quarter of fiscal 2010, they were accounted for as equity-method affiliates from the start of the fourth quarter. However, with the start of the third quarter of fiscal 2011, both companies have been excluded from accounting as equity-method affiliates. To present an analysis more reflective of actual circumstances, year-on-year comparisons on this page are presented based on results that assume no consolidation of the two sales agents and their consolidated subsidiaries.*

COSMETICS BUSINESS

COSMETICS BUSINESS

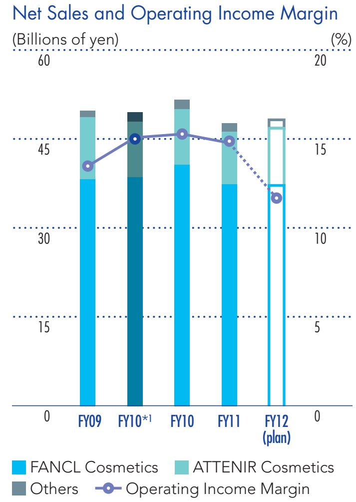
Performance and Targets

	Millions of yen				
	2012 (plan)	**2011**	2010	2010*[1]	2009
Net sales	***48,300***	**47,678**	51,902	49,821	50,081
FANCL cosmetics	***37,230***	**37,453**	40,780	38,699	38,394
ATTENIR cosmetics	***9,650***	**8,790**	9,469	9,469	10,489
Others	***1,420***	**1,436**	1,653	1,653	1,197
Gross profit	***35,050***	**34,798**	38,315	36,126	37,051
Gross profit margin	***72.6%***	**73.0%**	73.8%	72.5%	74.0%
Selling, general and administrative expenses	***29,400***	**27,700**	30,369	28,608	30,290
Advertising expenses	***4,300***	**3,597**	4,064	3,856	(4,897)
Operating income	***5,650***	**7,098**	7,946	7,518	6,762
Operating income margin	***11.7%***	**14.9%**	15.3%	15.1%	13.5%

	Customers			
Number of active customers*[2] at fiscal year-end:				
FANCL cosmetics (Mail-order and retail store)	**1,247,110**	1,303,977	–	1,327,556
ATTENIR cosmetics (Mail-order)	**422,040**	462,211	–	472,784

*[1] *Based on the scope of consolidation during the fiscal year ended March 31, 2009, prior to the consolidation of Fantastic Natural Cosmetics Limited (FNL) and Fantastic Natural Cosmetics (China) Limited (FNCCL).*
*[2] *Active customers: Customers making at least one purchase during the preceding seven months.*

Net Sales and Operating Income Margin

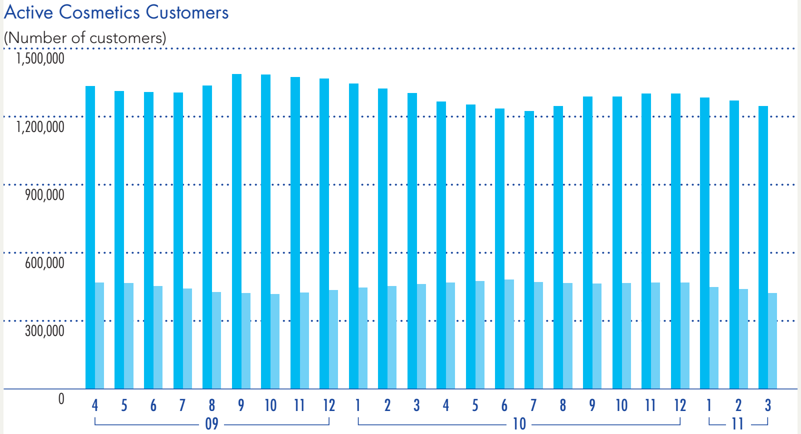


Outlook and Strategies

In the Cosmetics Business, the value proposition for which FANCL products are known in Japan is that they are gentle on the skin, safe, and worry-free. Domestic customers remain largely unaware, however, of the value offered by FANCL's insistence on the concept of "preservative-free" from research through to production. FANCL recognizes the need to redefine the value of "preservative-free," and to accurately communicate this message worldwide in order to meet expectations in Japan and overseas. To this end, we will carry out a rebranding program in the spring of 2012. By highlighting the value of "preservative-free" as the best option for the skin and promoting this worldview on a global basis, FANCL aims to become a "global premium brand." Steps will be taken in fiscal 2012 to finalize and prepare marketing and communication plans to this effect.

As a result, FANCL is aiming for sales in this business of ¥48,300 million (up 1.3% year on year) for fiscal 2012. Operating income is projected to decrease by 20.4% to ¥5,650 million, due to investments in marketing accompanying rebranding.

Active Cosmetics Customers



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

INTRODUCTION TO FANCL PRODUCTS

LAUNCH OF TWO NEW COSMETICS LINES

ATTENIR cosmetics has added two new product lines. The first, *Meditune*, is aimed at young adults for whom skin aging is not yet a conscious concern. Products in this lineup target skin that is sensitive to the environment and given to acne or chaffing. The second lineup, called *Inner Effector Basic Skincare*, is for customers looking to assertively care for aging skin. Together with the existing *Basic Skincare* line, ATTENIR will respond to customers' skincare needs by further enhancing these three cosmetic lineups.

NUTRITIONAL SUPPLEMENTS BUSINESS

NUTRITIONAL SUPPLEMENTS BUSINESS

Performance and Targets

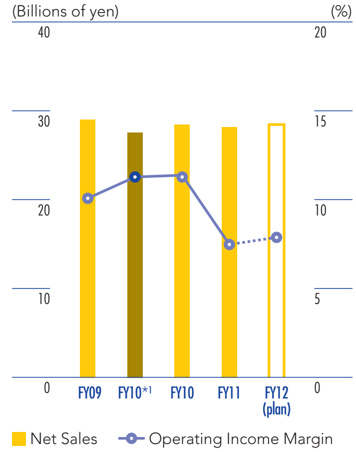
	Millions of yen				
	2012 (plan)	**2011**	2010	2010*1	2009
Net sales	***28,500***	**28,248**	28,492	27,589	29,089
Gross profit	***18,950***	**18,664**	19,420	18,441	19,167
Gross profit margin	***66.5%***	**66.1%**	68.2%	66.8%	65.9%
Selling, general and administrative expenses	***16,700***	**16,539**	16,170	15,320	16,237
Advertising expenses	***2,900***	**2,943**	2,110	2,012	2,215
Operating income	***2,250***	**2,125**	3,250	3,121	2,929
Operating income margin	***7.9%***	**7.5%**	11.4%	11.3%	10.1%

	Customers			
	2011	2010	2010*1	2009
Number of active customers*2 at fiscal year-end: Mail-order and retail store	**1,052,012**	896,959	–	965,433

*1 *Based on the scope of consolidation during the fiscal year ended March 31, 2009, prior to the consolidation of Fantastic Natural Cosmetics Limited (FNL) and Fantastic Natural Cosmetics (China) Limited (FNCCL).*

*2 *Active customers: Customers making at least one purchase during the preceding seven months.*

Net Sales and Operating Income Margin



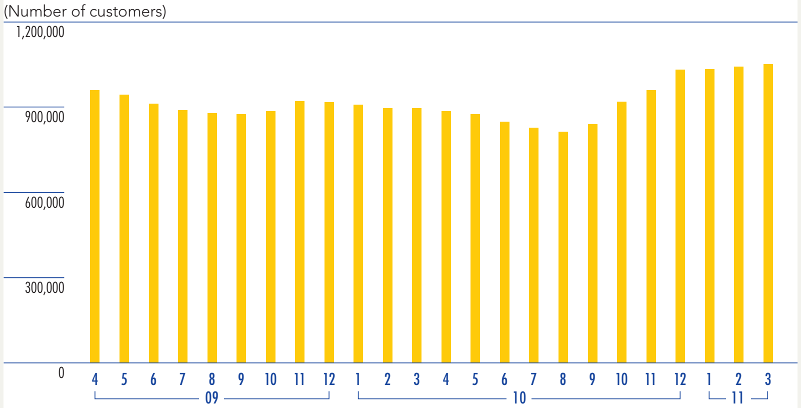
Outlook and Strategies

In the Nutritional Supplements Business, FANCL will set itself apart by leveraging its R&D capabilities and specialized knowledge and expertise pertaining to health to develop mechanisms for offering supplements to each customer that are truly optimized for them. Efforts will focus on attracting more middle-aged and elderly customers, the driving force behind the supplements business. FANCL will also continue to refine its mainstay beauty and dietary supplement products, which have long been an area of strength.

Consequently, FANCL is projecting sales of ¥28,500 million in fiscal 2012, up 0.9% year on year, and operating income of ¥2,250 million, up 5.9% year on year.

Active Nutritional Supplements Customers

(Number of customers)



Number of Active Mail-Order and Retail Store Customers

INTRODUCTION TO FANCL PRODUCTS

LEADING ROLE FOR NUTRITIONAL SUPPLEMENTS IN FISCAL 2011

Calorie Limit, a diet supplement launched in 2000, won support from customers as a product well suited to modern dieting, allowing customers to diet without denying the craving to eat. When customers consume too much sugar or fat, *Calorie Limit* calls on the action of five natural ingredients—green beans, mulberry leaves, cloves, chitosan and Gymnema—to keep their diets on track. FANCL was granted a patent for its combining of mulberry leaves and Gymnema, while the product's verifiable functionality and intuitive name remain reasons for its strong popularity.

GERMINATED BROWN RICE, KALE JUICE AND OTHER BUSINESSES

GERMINATED BROWN RICE, KALE JUICE AND OTHER BUSINESSES

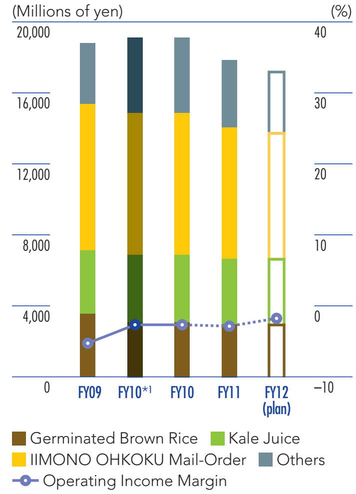
Performance and Targets

	Millions of yen				
	2012 (plan)	**2011**	2010	2010*1	2009
Net sales	***17,200***	**17,864**	19,142	19,138	18,834
Germinated brown rice	***2,950***	**2,988**	3,105	3,104	3,571
Kale juice	***3,700***	**3,682**	3,783	3,781	3,593
IIMONO OHKOKU Mail-Order	***7,100***	**7,418**	8,016	8,016	8,226
Others	***3,450***	**3,775**	4,237	4,237	3,442
Gross profit	***8,230***	**8,380**	8,718	8,712	9,062
Gross profit margin	***47.8%***	**46.9%**	45.5%	45.5%	48.1%
Selling, general and administrative expenses	***8,530***	**8,886**	9,206	9,201	10,043
Advertising expenses	***1,700***	**1,691**	1,797	1,796	1,850
Operating income (loss)	***(300)***	**(506)**	(488)	(489)	(981)
Operating income (loss) margin	***(1.7%)***	**(2.8%)**	(2.6%)	(2.6%)	(5.2%)

	Customers				
Number of active customers*2 at fiscal year-end:					
Germinated brown rice (Mail-order)		**186,182**	204,079	–	206,279
Kale juice (Mail-order)		**93,491**	103,060	–	93,576

*1 *Based on the scope of consolidation during the fiscal year ended March 31, 2009, prior to the consolidation of Fantastic Natural Cosmetics Limited (FNL) and Fantastic Natural Cosmetics (China) Limited (FNCCL).*
*2 *Active customers: Customers making at least one purchase during the preceding seven months.*

Net Sales and Operating Income Margin



Outlook and Strategies

In the Germinated Brown Rice Business, profitability has improved markedly thanks to greater efficiency won through plant consolidations. In addition to instituting a review of manufacturing processes, FANCL will concentrate on the development of products that make this healthy grain easier to consume in a bid to lift profitability even further.

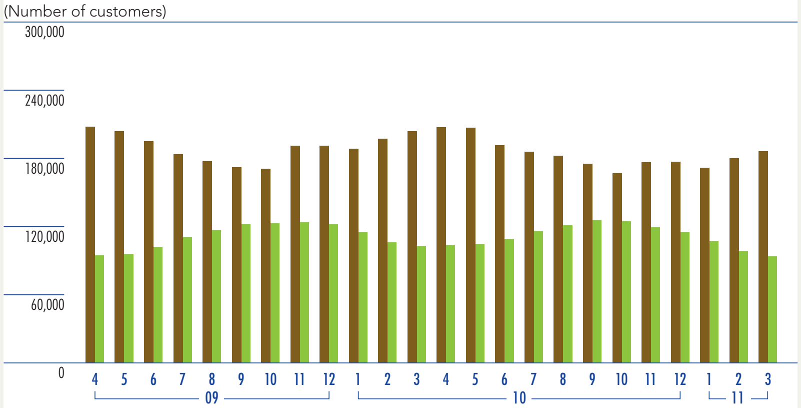
In the Kale Juice Business, we will continue to focus on highly profitable powdered kale juice products, and will embark on the development of processed food products.

In the IIMONO OHKOKU Mail-Order Business, along with narrowing the target customer segment to senior citizens, our far-reaching business restructuring will include a shift to consistently high-selling products where management resources can be best put to use. Strategies that place even more emphasis on profitability will also be enacted, with the aim of making this business a profitable one as quickly as possible.

As a result, for Other Businesses as a whole, FANCL is forecasting sales of ¥17,200 million (down 3.7% year on year) and an operating loss of ¥300 million, representing a year-on-year improvement of ¥206 million.

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)

INTRODUCTION TO FANCL PRODUCTS

FRESH-SQUEEZED KALE JUICE IN AN EASY-TO-USE POWDER

FANCL powdered kale juice products are made from 100% Japanese kale, produced from mineral-rich soil at farms under exclusive contract with FANCL. Made from the entire plant, these products have none of the gritty texture typical to powdered juices, allowing customers to enjoy an authentic, freshly squeezed taste. One small packet a day provides a full day's supply (120 g) of green vegetable nutrients. As such, this product is greatly recommended for customers who need help getting enough vegetables.

R&D

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. Underpinning these value proposition capabilities are FANCL's clear R&D policy and structure.

Basic R&D Approach and R&D Structure

In addition to preservative-free cosmetics, FANCL has actively launched 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 six research centers: the Cosmetics Research Facility, the Health Foods & Supplements Research Facility, the Safety & Quality Design Research Center, the Preventive Medicine Research Center, the Research Promotion Office, and the Academic Research Office. These organizations are staffed by roughly 134 researchers, including scientists with doctorate degrees in fields such as agriculture, pharmaceuticals, and other scientific fields. Joint research is also conducted with external organizations, including universities and materials companies in other industries. Total R&D expenses in fiscal 2011 (including personnel costs for research staff) amounted to ¥2,429 million, consisting of ¥1,113 million for Cosmetics, ¥1,101 million for Nutritional Supplements, and ¥194 million for Other Businesses.

Unwavering Pursuit of Safety

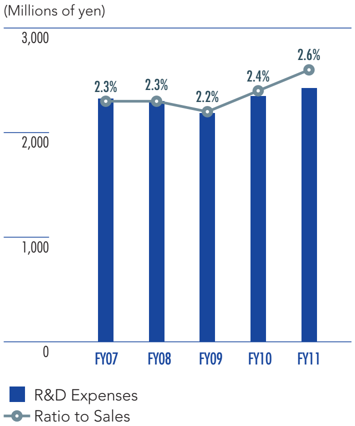
In a discussion of FANCL's R&D structure, the Safety & Quality Design Research Center deserves special note, since product safety and quality are the essence of the FANCL brand. Established in April 2006, this center operates as an independent R&D division, and is responsible for developing technology to evaluate safety and quality, as well as for the final evaluation of products and materials.

FANCL's preservative-free cosmetics not only omit all of the designated ingredients* that could cause an allergic reaction or dermatitis, but also do not contain any other ingredients known to have such effects. This demonstrates our total commitment 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 evaluation standard, known as "FSS" (FANCL Safety Standard). The Company then conducts repeated and rigorous irritant evaluation trials using the latest three-dimensional skin models based on human skin structure. The Company has formulated a similar quality guarantee standard for health foods. Known as "FSQ" (FANCL Standard of Quality). This standard is designed to enable customers to feel confident and secure in using FANCL products, offering an integrated system of assurance covering everything from the selection of raw materials to after-sales service. Final products are then evaluated by the Safety & Quality Design Research Center.

In fiscal 2011, FANCL took the evolution of silybin, a compound with excellent anti-aging properties derived from milk thistle seeds, a step further with the development of "high-absorbing silybin." This deep-penetrating, extremely safe compound has been used to enhance existing products, and has already been blended into the formulations of products *HTC Collagen* and *Beauty Concentrate*.

R&D Expenses
(Millions of yen)



[R&D-Related Data]

	FY2011	FY2010	FY2009	FY2008	FY2007
R&D expenses (Millions of yen)	2,429	2,351	2,189	2,302	2,327
Ratio to sales	2.6%	2.4%	2.2%	2.3%	2.3%
No. of researchers	134	134	128	121	111
No. of patent applications in Japan	57	55	62	42	41

** Any of the 102 ingredients that could cause dermatitis or other allergic reactions that companies were required to include on package labeling until March 2001. Current laws require all ingredients—including these 102—to be displayed on product labels.*

CORPORATE GOVERNANCE, COMPLIANCE AND INVESTOR RELATIONS

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 10 directors, including one outside director. 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.

Corporate Auditors

FANCL has a corporate auditor system anchored by four corporate auditors, three 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 meetings of the Board of Directors, Management Conferences 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 2011 Compensation Packages for Directors and Corporate Auditors

(Millions of yen)

Recipient	Number of recipients	Amount paid
Directors (Outside director)	9 (1)	263 (8)
Corporate auditors (Outside corporate auditors)	4 (3)	39 (27)
Total	13	302

* *"Amount paid" includes compensation from stock options: 7 directors ¥52 million*

Disclosure of Results of Exercise of Voting Rights

Beginning with the June 2010 General Meeting of Shareholders, results from the exercise of voting rights at shareholder meetings are disclosed via EDINET (Electronic Disclosure for Investors' NETwork), operated by Japan's Financial Services Agency.

Internal Control System

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 are 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.

2) Internet-Based Execution of Voting Rights Available

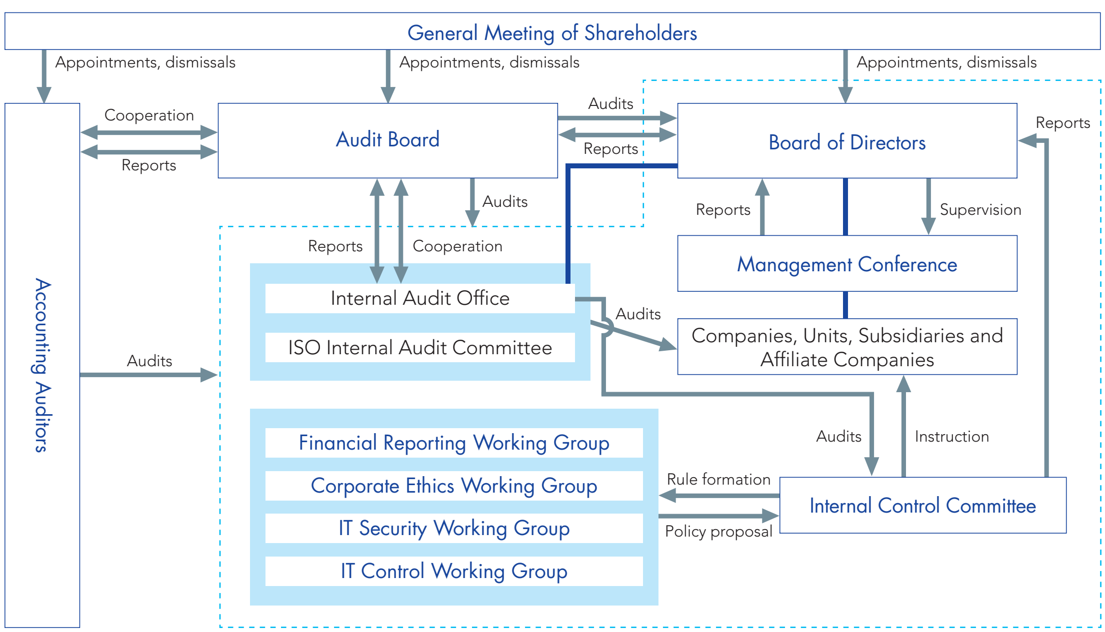
As another example of how we are utilizing the Internet to enhance shareholder convenience, Online voting was made available from the June 2004 General Meeting of Shareholders as an alternative to the execution of voting rights by means of conventional mail. To improve the online voting experience, we 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 18, 2011)

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	
Executive Managing Officers and Directors	Kazuyuki Shimada	Haruki Murakami
Executive Officers and Directors	Kenichi Sugama Toru Tsurusaki	Mayuko Yamaoka
Directors	Jyunji Iida Norito Ikeda*[1]	Akihiro Yanagisawa
Executive Officers	Yasushi Sumida Yoshihisa Hosaka Mitsuko Yazaki	Norihiro Shigematsu Yoshiyuki Nishi
Statutory Auditors	Toshio Shinozawa Katsunori Koseki*[2]	Akira Tobishima*[2] Masako Maeda*[2]

*[1] *Outside director*
*[2] *Outside statutory auditors*

CORPORATE SOCIAL RESPONSIBILITY

The desire to eliminate negative issues such as dissatisfaction, uncertainty and inconvenience from the world is an unwavering commitment that FANCL has extolled since it was founded. In line with this philosophy, FANCL consistently delivers satisfying products and services to its customers through businesses anchored in health and beauty. At FANCL, we take corporate social responsibility (CSR) seriously, and strive to deepen bonds with society through vigorous involvement in social contribution and environmental protection activities.

Social Contribution Activities

Our efforts to contribute to society reflect constant consideration of what FANCL can do to help everyone enjoy a future defined by beauty and good health.

Relief Support for the Great East Japan Earthquake and Energy-saving Measures

We continue to offer our prayers for the victims of the Great East Japan Earthquake that struck in March 2011. Our sympathies are also with those whose lives have been altered by this tragedy, as well as the surviving families of those who were lost.

In the immediate aftermath of the disaster, the FANCL Group provided economic support in the form of monetary donations, as well as material support consisting mainly of FANCL products, through the Japanese Red Cross Society, NPOs, and local governments in the hardest-hit areas. In terms of medium- to long-term support, FANCL is offering individual-level assistance through direct visits and contact by employee volunteers. Here, we are leveraging health and beauty products, along with distinctive FANCL technologies, to promote projects that support the mental and physical well-being of people living amid the devastation and in evacuation centers.

• FANCL Group Plan for Delivering Wellness and Happiness to the Affected Region

Employee volunteers visit areas devastated by the March 2011 disaster, bringing with them FANCL's own unique technologies and expertise based around the themes of health and beauty. Through cosmetics sessions, hand massages, and other direct contact, these activities are playing a role in caring for the mental and physical well-being of those impacted by the earthquake and tsunami.

• Collaboration with the Japan Dietetic Association

In partnership with the Japan Dietetic Association, FANCL is providing nutritional supplements, kale juice, germinated brown rice and other functional foods to people in devastated areas and evacuation centers who may lack proper nourishment. Employee volunteers explain the best options for supplement and food intake in an effort to help those in the affected region stay healthy.

Elsewhere, FANCL has stepped up-longstanding energy-saving measures, including scaling down on office lighting and adjusting climate control temperatures. In addition, we have turned off or introduced LED lighting on ad towers and billboards, and are on track to cut FANCL's maximum electricity usage during summer 2011 by more than 15% year on year.

Environmental Protection Activities

In fiscal 2008, we formulated the "FANCL Eco Plan," an environmental business plan to guide environmental activities across the entire FANCL Group.

Reducing Carbon Emissions from Manufacturing Processes

We installed a 371 kW solar power system at the FANCL B&H Shiga Plant, a FANCL Group cosmetics manufacturing site located in the town of Hino, in Gamo County, Shiga Prefecture, Japan. The system, which is the largest of its kind in Shiga Prefecture, began operating in February 2011.

It is also the first in Japan to use the state-of-the-art, high-efficiency solar cell modules contained. Annual power output from the system is projected to be 352,765 kWh, and is scheduled to cover roughly 13% of the electricity consumed by the plant. Operation of the system is also expected to cut carbon emissions by approximately 129 tons per year.

FANCL has long positioned the Shiga site as an environmentally friendly eco-plant, and has extensively pursued "zero emissions" activities (complete recycling or reuse as resources) and other initiatives at the plant over the years. With the recent introduction of the solar power system and a switch over to natural gas for fuel, FANCL is aiming for plant facilities that have greater environmental performance in terms of manufacturing processes as well.

FINANCIAL SECTION

ELEVEN-YEAR SUMMARY

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31

						Millions of yen
	2011	2010	2010 (Note 3)	2009	2008	2007
For the year:						
Net sales	**¥93,790**	¥99,537	¥96,548	¥98,004	¥99,350	¥101,065
Cosmetics	**47,678**	51,902	49,821	50,081	49,062	46,376
Nutritional supplements	**28,248**	28,492	27,589	29,089	30,017	31,666
Others	**17,864**	19,142	19,138	18,834	20,271	23,023
Net sales, by sales channel						
Mail-order sales	**50,318**	53,259	53,259	54,680	56,301	58,921
Retail store sales	**23,696**	24,992	24,992	26,307	27,530	26,815
Wholesale and overseas	**19,775**	21,286	18,298	17,017	15,519	15,329
Gross profit	**61,842**	66,453	63,279	65,281	66,988	67,170
Gross profit margin (%)	**65.9**	66.8	65.5	66.6	67.4	66.5
Selling, general and administrative expenses	**54,725**	57,294	54,679	58,615	59,521	58,800
Selling, general and administrative expense ratio (%)	**58.3**	57.6	56.6	59.8	59.9	58.2
Operating income (loss)	**7,118**	9,159	8,600	6,666	7,467	8,370
Cosmetics	**7,098**	7,946	7,518	6,762	7,409	7,133
Nutritional supplements	**2,125**	3,250	3,121	2,929	3,506	3,903
Others	**(506)**	(488)	(489)	(981)	(1,385)	(898)
Operating income margin (%)	**7.6**	9.2	8.9	6.8	7.5	8.3
Net income	**2,850**	4,307	4,617	2,663	3,694	2,547
Net income to net sales (%)	**3.0**	4.3	4.8	2.7	3.7	2.5
ROE (%)	**3.7**	5.8	6.2	3.8	5.3	3.6
Advertising expenses	**¥ 8,231**	¥ 7,971	–	¥ 8,963	¥ 9,876	¥ 9,393
Sales promotion expenses	**11,241**	11,461	–	12,434	12,509	13,502
Research and development expenses	**2,429**	2,351	–	2,189	2,302	2,327
Capital expenditures	**3,652**	1,511	–	3,905	2,317	3,865
Depreciation	**2,971**	3,158	–	3,167	3,020	2,670
Net cash provided by operating activities	**¥ 6,311**	¥10,532	–	¥ 6,005	¥ 7,379	¥ 6,472
Net cash used in investing activities	**(922)**	(3,555)	–	(1,518)	(672)	(1,734)
Net cash provided by (used in) financing activities	**(2,278)**	432	–	(1,770)	(6,036)	(2,495)
Net increase (decrease) in cash and cash equivalents	**3,059**	7,670	–	2,672	650	2,243

						Yen
Per share:						
Net income	**¥ 43.9**	¥ 68.3	–	¥ 43.5	¥ 58.4	¥ 39.6
Equity (Note 2)	**1,205.3**	1,188.3	–	1,155.7	1,141.6	1,116.6
Cash dividends	**34.0**	34.0	–	34.0	24.0	24.0

						Millions of yen
At year-end:						
Total assets	**¥94,030**	¥92,983	–	¥85,309	¥85,686	¥86,931
Equity (Note 2)	**78,270**	77,137	–	70,823	69,900	71,449
Equity ratio (%)	**83.2**	83.0	–	83.0	81.6	82.2
Interest-bearing debt	**–**	–	–	–	–	–
Working capital	**36,153**	35,262	–	36,669	36,049	36,701
Number of stores	**195**	194		197	218	218
Number of consolidated subsidiaries	**7**	8		7	7	6

2006	2005	2004	2003	2002	2001
¥ 95,322	¥87,937	¥84,957	¥90,026	¥84,657	¥65,418
41,287	37,098	34,926	37,155	36,748	35,669
33,246	31,132	29,656	29,211	28,995	25,408
20,789	19,707	20,375	23,660	18,914	4,341
57,237	54,544	54,439	59,334	56,821	43,360
23,607	20,067	17,722	17,744	17,073	15,632
14,478	13,326	12,796	12,948	10,763	6,426
62,083	57,905	55,696	58,982	56,682	47,034
65.1	65.8	65.6	65.5	67.0	71.9
53,508	52,477	47,927	47,456	45,564	38,402
56.1	59.7	56.4	52.7	53.9	58.7
8,575	5,428	7,769	11,526	11,118	8,632
5,568	4,745	6,283	8,099	8,406	8,320
5,405	4,638	5,371	6,879	5,960	4,694
(762)	(1,967)	(1,821)	(1,646)	(1,681)	(2,532)
9.0	6.2	9.1	12.8	13.1	13.2
5,184	1,710	3,387	6,429	5,995	4,867
5.4	1.9	4.0	7.1	7.1	7.4
7.5	2.6	5.1	9.8	9.7	8.5
¥ 9,792	¥11,105	¥ 9,865	¥ 9,262	¥10,213	¥ 8,896
9,319	9,475	7,998	8,615	8,161	5,810
1,978	1,959	1,720	1,683	1,524	1,294
2,592	2,257	4,864	5,397	3,589	2,727
2,540	2,463	2,556	2,268	2,245	2,379
¥ 9,163	¥ 4,638	¥ 5,861	¥ 9,828	¥ 7,426	¥ 6,083
(10,280)	(4,807)	(4,117)	(5,582)	(5,416)	(4,838)
(22)	(1,090)	(4,533)	(5,432)	(2,456)	(1,410)
(1,139)	(1,254)	(2,809)	(1,213)	(437)	(162)

¥ 242.6	¥ 80.3	¥ 154.6	¥ 279.5	¥ 307.6	¥ 249.8
3,317.0	3,111.2	3,082.4	2,976.3	3,320.2	3,051.4
55.0	50.0	42.5	35.0	25.0	25.0

¥85,148	¥79,416	¥78,479	¥79,804	¥79,026	¥75,481
71,406	66,203	65,613	66,350	64,719	59,482
83.9	83.4	83.6	83.1	81.9	78.8
–	–	–	350	1,092	3,086
33,037	28,622	29,214	29,805	31,082	28,456
208	169	143	144	133	138
6	6	6	6	4	3

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.

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

3. Based on the scope of consolidation during the fiscal year ended March 31, 2009, prior to the consolidation of Fantastic Natural Cosmetics Limited (FNL) and Fantastic Natural Cosmetics (China) Limited (FNCCL).

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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Net sales	**¥23,395**	¥24,064	**¥22,381**	¥23,619	**¥26,109**	¥28,979	**¥21,904**	¥22,875
Cosmetics	**12,046**	12,786	**11,712**	12,126	**12,992**	15,229	**10,928**	11,761
Nutritional supplements	**6,626**	6,767	**6,449**	6,761	**8,230**	8,321	**7,042**	6,644
Others	**4,723**	4,511	**4,221**	4,732	**4,987**	5,429	**3,933**	4,470
Net sales, by sales channel								
Mail-order sales	**12,612**	13,446	**11,558**	12,636	**14,659**	14,778	**11,490**	12,399
Retail store sales	**6,140**	6,335	**6,058**	6,347	**6,122**	6,364	**5,376**	5,946
Wholesale and others	**2,686**	2,532	**2,688**	2,891	**3,341**	2,913	**2,806**	2,640
Overseas sales	**1,957**	1,751	**2,077**	1,745	**1,987**	4,924	**2,231**	1,890
Operating income	**2,127**	1,803	**461**	1,324	**2,963**	3,586	**1,566**	2,446
Cosmetics	**2,186**	1,791	**852**	1,280	**2,422**	3,089	**1,637**	1,786
Nutritional supplements	**619**	705	**168**	631	**911**	793	**428**	1,121
Others	**(194)**	(194)	**(165)**	(203)	**23**	16	**(170)**	(107)
Net income	**¥ 813**	¥ 971	**¥ 164**	¥ 572	**¥ 1,782**	¥ 1,522	**¥ 91**	¥ 1,242

	Yen							
Stock price range								
High	**¥ 1,805**	¥ 1,175	**¥ 1,440**	¥ 1,464	**¥ 1,353**	¥ 1,815	**¥1,299**	¥ 1,898
Low	**1,189**	1,100	**1,222**	1,125	**1,095**	1,404	**1,001**	1,664

Monthly sales

	Millions of yen											
	2010									2011		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Cosmetics	3,845	3,862	4,338	3,968	3,863	3,880	3,737	4,801	4,455	3,410	3,621	3,898
YoY increase (decrease)	(10.8%)	(9.5%)	3.1%	2.2%	(11.4%)	(0.0%)	(5.7%)	(1.0%)	6.4%	(10.8%)	(5.6%)	(4.9%)
Nutritional supplements	2,162	2,063	2,402	2,166	2,021	2,262	2,525	2,756	2,849	2,299	2,228	2,515
YoY increase (decrease)	(5.0%)	(8.5%)	7.4%	(1.0%)	(8.1%)	(4.8%)	5.9%	12.4%	13.2%	11.2%	6.1%	1.6%
Others	1,503	1,498	1,722	1,576	1,242	1,403	1,545	1,806	1,635	1,374	1,374	1,185
YoY increase (decrease)	6.0%	2.3%	5.8%	(0.5%)	(0.8%)	(26.0%)	(19.3%)	(6.4%)	3.4%	(9.1%)	(9.7%)	(17.5%)
Total	7,511	7,423	8,461	7,710	7,126	7,545	7,807	9,364	8,939	7,083	7,223	7,599
YoY increase (decrease)	(6.2%)	(7.0%)	4.8%	0.8%	(8.8%)	(7.5%)	(5.5%)	1.4%	7.9%	(4.3%)	(3.1%)	(5.2%)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Two FANCL sales agents, one in Hong Kong and another in mainland China, were considered affiliates accounted for by the equity method from the start of the fourth quarter of fiscal 2010. However, with the start of the third quarter of fiscal 2011, both companies have been excluded from accounting as equity-method affiliates.

STATEMENTS OF INCOME

Net Sales

Net sales declined 5.8% year on year to ¥93,790 million, reflecting the exclusion of two sales agents, one in Hong Kong and another in mainland China, from accounting as equity-method affiliates, as well as lower sales in the Cosmetics Business and in Other Businesses.

Cosmetics Business net sales fell 8.1% to ¥47,678 million.

Net sales of FANCL cosmetics declined 8.2% to ¥37,453 million due to the exclusion from accounting as equity-method affiliates of sales agents in Hong Kong and mainland China. This change outweighed healthy sales of *Additive-Free Acne Care*, which was revamped and released in April 2010. In the ATTENIR cosmetics brand, sales decreased 7.2% to ¥8,790 million, as a drop in sales in the first half of the year outweighed firm sales of new skin care lines *Meditune* and *Inner Effector Basic Skincare* launched in September and October 2010.

Net sales in the Nutritional Supplements Business declined 0.9% year on year to ¥28,248 million.

In addition to strong growth in sales of *Calorie Limit*, a dietary supplement supported by a promotional campaign that included TV commercials, net sales benefited from robust sales of supplements targeting middle-aged and elderly customers. These gains were negated, however, by the exclusion of sales agents in Hong Kong and mainland China from accounting as equity-method affiliates.

Net sales in Other Businesses decreased by 6.7% overall to ¥17,864 million.

In the Germinated Brown Rice Business, net sales declined 3.8% to ¥2,988 million due mainly to slumping performance in the mail-order sales channel. In the Kale Juice Business, sales were ¥3,682 million, or 2.7% lower, with firm sales of the mainstay product in this business, fresh squeezed kale juice, offset by a weakening of sales of *Beauty Green* following robust performance last year on the back of its new release.

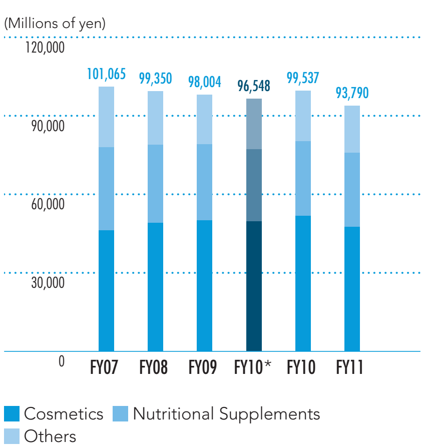
In the IIMONO OHKOKU Mail-Order Business, net sales were also lower, falling 7.5% to ¥7,418 million, as sales of seasonal merchandise failed to recover.

In additional businesses, net sales declined 10.9% year on year to ¥3,775 million due to the impact of a special sale on undergarments in the previous fiscal year.

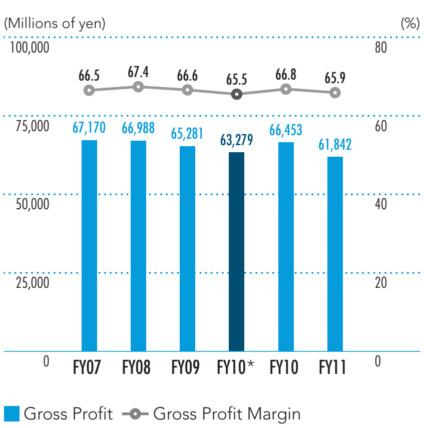
Gross Profit

The gross profit margin declined 0.8 of a percentage point year on year to 65.9%, primarily from the exclusion from accounting as equity-method affiliates of sales agents in Hong Kong and mainland China, despite improved profitability in the Germinated Brown Rice Business.

Net Sales by Business Segment



Gross Profit and Gross Profit Margin



* Based on the scope of consolidation during the fiscal year ended March 31, 2009, prior to the consolidation of Fantastic Natural Cosmetics Limited (FNL) and Fantastic Natural Cosmetics (China) Limited (FNCCL).

In the Cosmetics Business, the gross profit margin decreased 0.8 of a percentage point to 73.0%.

In the Nutritional Supplements Business, the gross profit margin decreased 2.1 percentage points to 66.1 %

In Other Businesses, the gross profit margin improved 1.4 percentage points to 46.9%

SG&A Expenses

The ratio of selling, general and administrative (SG&A) expenses to net sales worsened 0.8 of a percentage point year on year, to 58.3%. This outcome reflected lower sales, which negated a decline in SG&A expenses from a review of head office costs and a decrease in amortization of goodwill.

Operating Income

As a result of the aforementioned factors, operating income decreased 22.3% year on year to ¥7,118 million, and the operating income margin declined 1.6 percentage points to 7.6%.

In the Cosmetics Business, operating income decreased 10.7% to ¥7,098 million, the result of lower sales. The operating income margin was 0.4 of a percentage point lower at 14.9%.

In the Nutritional Supplements Business, operating income fell 34.6% to ¥2,125 million, due to proactive marketing activities. The operating income margin decreased 3.9 percentage points to 7.5%.

Other Businesses posted an operating loss of ¥506 million, an increase of ¥18 million over the previous fiscal year, as a slump in the beauty salon business offset a return to profitability in the Germinated Brown Rice Business.

Other Income (Expenses)

Other expenses were ¥449 million, worsening ¥472 million year on year. In addition to the posting of an allowance for doubtful accounts, this outcome reflected a loss on equity-method investments associated with sales agents in Hong Kong and mainland China.

Income Before Income Taxes and Minority Interests

Income before income taxes and minority interests decreased 38.2% year on year to ¥5,428 million. Income before income taxes and minority interests as a percentage of net sales was 5.8%, down 3.0 percentage points compared with the previous fiscal year.

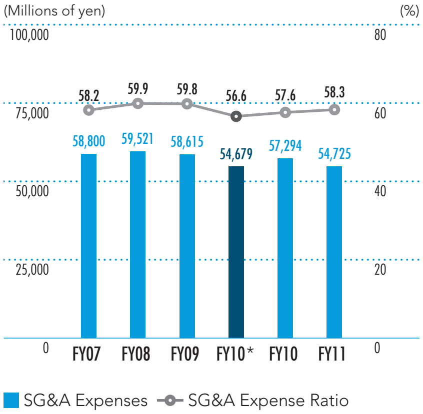
Net Income

Net income decreased 33.8% year on year to ¥2,850 million, and the ratio of net income to net sales was down 1.3 percentage points to 3.0%.

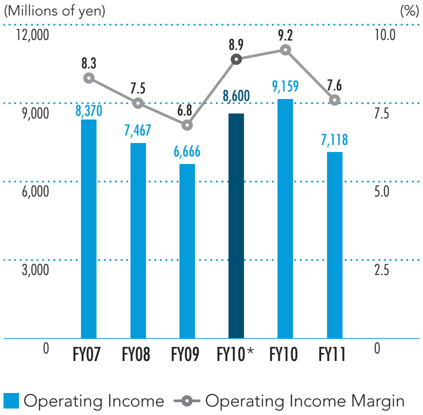
Net income per share was ¥43.89.

Return on equity (ROE) decreased 2.1 percentage points to 3.7%.

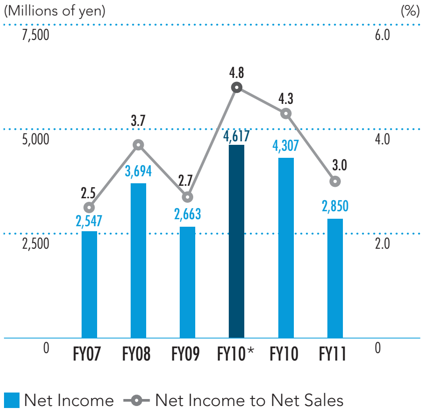
SG&A Expenses and
SG&A Expense Ratio



Operating Income and
Operating Income Margin



Net Income and
Net Income to Net Sales



* Based on the scope of consolidation during the fiscal year ended March 31, 2009, prior to the consolidation of Fantastic Natural Cosmetics Limited (FNL) and Fantastic Natural Cosmetics (China) Limited (FNCCL).

BALANCE SHEET

Assets

[Current Assets]

Current assets amounted to ¥48,296 million, virtually unchanged from the previous fiscal year-end.

[Property, Plant and Equipment, Net]

Property, plant and equipment, net totaled ¥23,552 million, down ¥245 million from the previous fiscal year-end due to ongoing depreciation.

[Intangible Fixed Assets]

Intangible fixed assets rose ¥654 million year on year to ¥3,768 million, due to an increase in software in progress.

[Investments and Other Assets]

Investments and other assets increased by ¥369 million from the previous fiscal year-end to ¥18,414 million, reflecting an increase in deferred tax assets.

Liabilities

[Current Liabilities]

Current liabilities declined ¥623 million to ¥12,142 million, due mainly to a decrease in accrued income taxes.

[Non-Current Liabilities]

Non-current liabilities amounted to ¥3,240 million, up ¥618 million from the previous fiscal year-end, due to the posting of asset retirement obligations.

Net Assets

[Total Net Assets]

Total net assets were ¥78,647 million, up ¥1,051 million compared with the previous fiscal year-end, due primarily to growth in retained earnings.

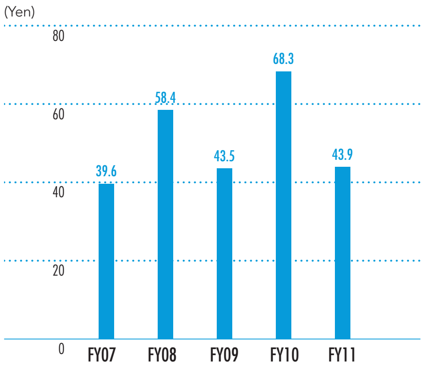
[Capital Expenditures]

Capital expenditures for the fiscal year under review totaled ¥3,652 million (including intangible fixed assets), and consisted mainly of capital expenditures for the installation of equipment offering improved environmental performance and investment in systems to enhance customer security.

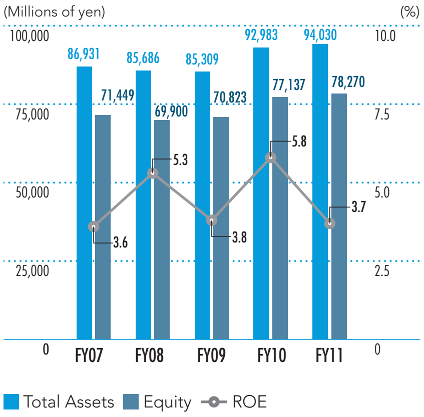
By product segment, capital expenditures in the Cosmetics Business amounted to ¥2,253 million, ¥1,066 million in the Nutritional Supplements Business, and ¥333 million in Other Businesses. Capital expenditures common to all businesses included the opening of new stores, the renovation of existing stores, and investments in equipment offering improved environmental performance.

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

Net Income per Share



Total Assets, Equity and ROE



Cash Flows

Cash and cash equivalents as of March 31, 2011 were ¥28,070 million, ¥3,059 million higher than at the end of the previous fiscal year. The main contributing factors were as follows:

[Cash Flows From Operating Activities]

Cash provided by operating activities during the period under review was ¥6,311 million. The primary factors behind increased operating cash flow included income before income taxes and minority interests of ¥5,428 million and depreciation and amortization expenses of ¥2,971 million. Factors reducing operating cash flow included income taxes paid of ¥3,545 million.

[Cash Flows From Investing Activities]

Cash used in investing activities during the period under review was ¥922 million. This was largely the result of outlays such as ¥6,500 million for the purchase of investment securities, ¥1,712 million for purchases of property, plant and equipment, and a ¥1,593 million payment for acquisition of intangible fixed assets. Cash inflows included ¥8,499 million in proceeds from sale and redemption of investment securities.

[Cash Flows From Financing Activities]

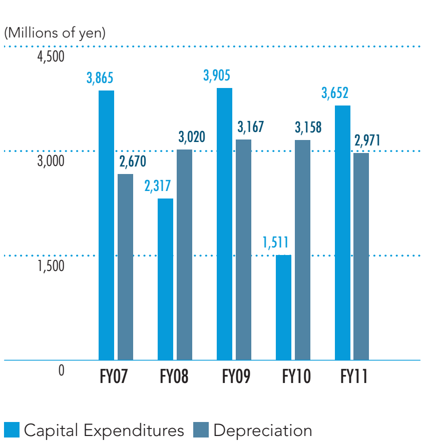
Cash used in financing activities during the period under review was ¥2,278 million. This was largely the result of an outlay of ¥2,203 million for the payment of dividends.

Trends in Cash Flow-Related Indices

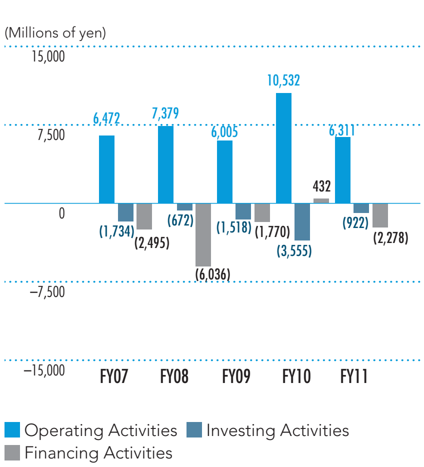
Years ended March 31	2011	2010	2009	2008	2007
Equity ratio (%)	83.2	83.0	83.0	81.6	82.2
Equity ratio based on market price (%)	80.5	123.7	80.2	98.2	120.3
Debt service coverage (%)	–	–	–	0.0	–
Interest coverage ratio (times)	–	1,182.3	34,577.9	1,635.2	–

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 From Operating Activities figure in the consolidated statements of cash flows.
4. Interest bearing debt includes all debt on which interest is paid recorded in the liabilities section of the consolidated balance sheet.

Capital Expenditures and Depreciation



Cash Flows



BUSINESS RISKS

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. Furthermore, 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 six 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.

7. Risk From Fluctuations in Currency Exchange Rates

The transactions of FANCL Group subsidiaries and affiliates based outside of Japan are denominated in non-yen currencies.

Furthermore, the financial statements of subsidiaries and affiliates based outside of Japan are converted into yen for the purpose of creating the consolidated financial statements.

Consequently, fluctuations in currency exchange rates could potentially have a significant impact on the operating results and financial position of the FANCL Group.

CONSOLIDATED BALANCE SHEETS

FANCL CORPORATION and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
Assets	**2011**	2010	**2011**
Current assets:			
Cash and bank deposits *(Notes 4 and 15)*	**¥ 18,661**	¥ 19,505	**$ 224,429**
Short term investment securities *(Notes 4 and 5)*	**10,911**	10,005	**131,224**
Notes and accounts receivable—trade *(Notes 4 and 19)*	**10,188**	10,241	**122,520**
Less: Allowance for doubtful accounts *(Note 4)*	**(189)**	(234)	**(2,275)**
	9,998	10,007	**120,245**
Merchandise and products	**3,090**	3,049	**37,162**
Work in progress	**34**	41	**403**
Raw materials and supplies	**3,178**	3,104	**38,225**
Deferred income taxes *(Note 7)*	**1,022**	1,190	**12,290**
Other current assets	**1,401**	1,127	**16,848**
Total current assets	**48,296**	48,027	**580,827**
Property, plant and equipment, at cost *(Note 11)*:			
Land	**10,885**	10,971	**130,909**
Buildings and structures	**23,184**	22,332	**278,819**
Machinery, vehicles, tools, furniture and fixtures	**11,794**	11,502	**141,837**
Lease asset	**286**	264	**3,440**
Construction in progress	**85**	83	**1,028**
	46,234	45,152	**556,033**
Less: Accumulated depreciation	**(22,682)**	(21,355)	**(272,781)**
Property, plant and equipment, net	**23,552**	23,797	**283,252**
Intangible assets:			
Goodwill	**398**	511	**4,782**
Other intangible fixed assets	**3,370**	2,603	**40,534**
Intangible assets, net	**3,768**	3,114	**45,316**
Investments and other assets:			
Investment securities *(Notes 4 and 5)*:			
Non-consolidated subsidiaries and affiliates	**710**	10,752	**8,543**
Other investment securities	**11,197**	1,176	**134,655**
	11,907	11,929	**143,197**
Lease and guarantee deposits *(Note 4)*	**2,329**	2,556	**28,006**
Long-term loans receivable *(Note 4)*	**966**	899	**11,615**
Deferred income taxes *(Note 7)*	**920**	541	**11,061**
Other assets	**3,020**	2,480	**36,326**
Less: Allowance for doubtful accounts	**(728)**	(360)	**(8,751)**
Total investments and other assets	**18,414**	18,045	**221,455**
Total assets	**¥ 94,030**	¥ 92,983	**$1,130,850**

Liabilities and net assets	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 2) 2011
Current liabilities:			
Notes and accounts payable—trade *(Note 4)*	**¥ 3,367**	¥ 3,358	**$ 40,496**
Accounts payable—other *(Note 4)*	**3,505**	2,997	**42,159**
Accrued income taxes *(Note 4)*	**1,654**	2,315	**19,892**
Reserve for customer awards	**1,391**	1,352	**16,734**
Other current liabilities	**2,224**	2,744	**26,749**
Total current liabilities	**12,142**	12,765	**146,030**
Noncurrent liabilities:			
Accrued retirement benefits *(Note 8)*	**2,255**	2,027	**27,122**
Other long-term liabilities	**985**	595	**11,849**
Total noncurrent liabilities	**3,240**	2,622	**38,970**
Net assets:			
Shareholders' equity *(Note 6)*:			
Common stock:			
Authorized—233,838,000 shares in 2011 and 2010			
Issued — 65,176,600 shares in 2011 and 2010	**10,795**	10,795	**129,828**
Capital surplus	**11,706**	11,706	**140,785**
Retained earnings	**56,070**	55,065	**674,322**
Less: Treasury stock 240,901 shares in 2011 and 263,985 shares in 2010	**(307)**	(336)	**(3,689)**
Total shareholders' equity	**78,265**	77,231	**941,245**
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	**5**	10	**63**
Foreign currency translation adjustment	**0**	(104)	**0**
Total Accumulated other comprehensive income	**5**	(94)	**63**
Warrants	**378**	342	**4,542**
Minority interests	**0**	117	**0**
Total net assets *(Note 14)*	**78,647**	77,596	**945,850**
Total liabilities and net assets	**¥94,030**	¥92,983	**$1,130,850**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2011	2010	**2011**
Net sales *(Note 19)*	**¥93,790**	¥99,537	**$1,127,959**
Cost of sales	**31,947**	33,084	**384,214**
Gross profit	**61,842**	66,453	**743,745**
Selling, general and administrative expenses *(Note 9)*	**54,725**	57,294	**658,147**
Operating income	**7,118**	9,159	**85,599**
Other income (expenses):			
Interest and dividend income	**87**	100	**1,052**
Loss on valuation of investment securities	**(5)**	(29)	**(65)**
Loss on valuation of stocks of subsidiaries and affiliates	**(599)**	–	**(7,198)**
Loss on impairment of fixed assets *(Note 11)*	**(175)**	(225)	**(2,101)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(309)**	–	**(3,721)**
Loss on closing of stores	**(114)**	(77)	**(1,371)**
Other, net	**(575)**	(152)	**(6,918)**
Income before income taxes and minority interests	**5,428**	8,776	**65,276**
Income taxes *(Note 7)*:			
Current	**2,776**	4,032	**33,389**
Deferred	**(197)**	(277)	**(2,369)**
	2,579	3,755	**31,020**
Income before minority interests	**2,848**	–	**34,256**
Minority interests	**(1)**	(714)	**(15)**
Net income *(Note 14)*	**¥ 2,850**	¥ 4,307	**$ 34,271**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 2)
Income before minority interests	**¥2,848**	**$34,256**
Other comprehensive income:		
Net unrealized holding gain (loss) on other securities	**(5)**	**(60)**
Foreign currency translation adjustment	**5**	**59**
Share of other comprehensive income of companies accounted for by the equity-method	**99**	**1,188**
Total other comprehensive income *(Note 20)*	**99**	**1,188**
Comprehensive income	**¥2,947**	**$35,443**
Total comprehensive income attributable to:		
Shareholders of the parent company	**¥2,948**	**$35,459**
Minority interests	**¥ (1)**	**$ (15)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Thousands	Millions of yen								
	Common stock									
	Number of shares	Amount	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding (loss) gain on other securities	Translation adjustments	Warrants	Minority interests	Total net assets
March 31, 2009	65,176	¥ 10,795	¥ 11,706	¥ 53,288	¥(4,961)	¥ 0	¥ (5)	¥ 311	¥ 109	¥ 71,243
Cash dividends	–	–	–	(2,084)	–	–	–	–	–	(2,084)
Net income	–	–	–	4,307	–	–	–	–	–	4,307
Purchase of treasury stock	–	–	–	–	(3)	–	–	–	–	(3)
Sale of treasury stock *(Note 19)*	–	–	–	(445)	4,628	–	–	–	–	4,182
Other net changes during the year	–	–	–	–	–	10	(99)	32	7	(49)
March 31, 2010	65,176	10,795	11,706	55,065	(336)	10	(104)	342	117	77,596
Cash dividends	**–**	**–**	**–**	**(2,207)**	**–**	**–**	**–**	**–**	**–**	**(2,207)**
Net income	**–**	**–**	**–**	**2,850**	**–**	**–**	**–**	**–**	**–**	**2,850**
Purchase of treasury stock	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Sale of treasury stock *(Note 19)*	**–**	**–**	**–**	**(0)**	**30**	**–**	**–**	**–**	**–**	**30**
Other net changes during the year	**–**	**–**	**–**	**362**	**–**	**(5)**	**104**	**35**	**(117)**	**380**
March 31, 2011	**65,176**	**¥10,795**	**¥11,706**	**¥56,070**	**¥ (307)**	**¥ 5**	**¥ 0**	**¥378**	**¥ 0**	**¥78,647**

	Thousands of U.S. dollars *(Note 2)*								
	Common stock								
	Amount	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding (loss) gain on other securities	Translation adjustments	Warrants	Minority interests	Total net assets
March 31, 2010	$ 116,027	$ 125,819	$ 591,847	$ (3,612)	$109	$(1,115)	$ 3,679	$ 1,253	$ 834,008
Cash dividends	**–**	**–**	**(26,548)**	**–**	**–**	**–**	**–**	**–**	**(26,548)**
Net income	**–**	**–**	**34,271**	**–**	**–**	**–**	**–**	**–**	**34,271**
Purchase of treasury stock	**–**	**–**	**–**	**(12)**	**–**	**–**	**–**	**–**	**(12)**
Sale of treasury stock *(Note 19)*	**–**	**–**	**(1)**	**365**	**–**	**–**	**–**	**–**	**364**
Other net changes during the year	**–**	**–**	**4,357**	**–**	**(59)**	**1,247**	**425**	**(1,402)**	**4,568**
March 31, 2011	**$129,828**	**$140,785**	**$674,322**	**$(3,689)**	**$ 63**	**$ 0**	**$4,542**	**$ 0**	**$945,850**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars *(Note 2)*
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 5,428**	¥ 8,776	**$ 65,276**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**2,971**	3,158	**35,727**
Loss on impairment of fixed assets	**175**	225	**2,101**
Share-based payments	**66**	96	**788**
Amortization of goodwill	**114**	578	**1,366**
(Reversal of) provision for reserve for customer awards	**39**	(2)	**474**
Increase (decrease) in allowance for doubtful accounts	**326**	164	**3,918**
Accrued retirement benefits, net of payments	**209**	128	**2,511**
Loss on valuation of investment securities	**5**	29	**65**
Loss (gain) on sales of investment securities	**0**	–	**0**
Loss on valuation of stocks of subsidiaries and affiliates	**599**	–	**7,198**
Income from investment in a silent partnership	**(22)**	(22)	**(261)**
Loss on disposal of fixed assets	**51**	38	**608**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**309**	–	**3,721**
Loss on closing of stores	**114**	77	**1,371**
Changes in operating assets and liabilities:			
Notes and accounts receivable—trade	**52**	(101)	**631**
Inventories	**(108)**	(235)	**(1,302)**
Other current assets	**(195)**	122	**(2,350)**
Other fixed assets	**(198)**	221	**(2,382)**
Accounts payable—trade	**9**	565	**112**
Other current liabilities	**(172)**	3	**(2,065)**
Other noncurrent liabilities	**(46)**	(105)	**(548)**
Income taxes paid	**(3,545)**	(3,087)	**(42,635)**
Other, net	**131**	(97)	**1,579**
Net cash provided by operating activities	**6,311**	10,532	**75,905**
Cash flows from investing activities:			
Payment by receipt of time deposit	**–**	0	**–**
Proceeds from cancellation of time deposits	**1,000**	1,500	**12,026**
Purchases of property, plant and equipment	**(1,712)**	(1,227)	**(20,595)**
Purchases of intangible assets	**(1,593)**	(671)	**(19,161)**
Purchase of investments in subsidiaries resulting in change in scope of consolidation	**–**	(1,210)	**–**
Proceeds from collection of long-term loans receivable	**31**	218	**372**
Purchases of short-term investment securities	**(6,500)**	(5,496)	**(78,170)**
Proceeds from sales and redemption of securities	**8,499**	4,997	**102,212**
Purchase of investment securities	**–**	(1,015)	**–**
Proceeds from sales and redemption of investment securities	**0**	507	**4**
Purchase of shares in affiliates	**(172)**	(530)	**(2,073)**
Payments for loans receivable	**(97)**	(662)	**(1,166)**
Payment of businesses combination	**0**	–	**4**
Other, net	**(378)**	32	**(4,542)**
Net cash used in investing activities	**(922)**	(3,555)	**(11,094)**
Cash flows from financing activities:			
Proceeds from short-term borrowings	**–**	408	**–**
Repayments of short-term loans	**–**	(474)	**–**
Repayments of long-term loans	**–**	(155)	**–**
Redemption of bonds	**–**	(180)	**–**
Purchases of treasury stock	**(1)**	(3)	**(12)**
Proceeds from sale of treasury stock	**0**	4,145	**1**
Cash dividends paid	**(2,203)**	(2,079)	**(26,489)**
Cash dividends paid to minority interests	**–**	(1,159)	**–**
Other, net	**(75)**	(72)	**(896)**
Net cash provided by (used in) financing activities	**(2,278)**	432	**(27,396)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(52)**	261	**(620)**
Net increase in cash and cash equivalents	**3,059**	7,670	**36,795**
Cash and cash equivalents at beginning of the year	**25,011**	26,733	**300,788**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**–**	(9,392)	**–**
Cash and cash equivalents at end of the year *(Note 15)*	**¥28,070**	¥25,011	**$337,583**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FANCL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

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 other affiliates 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 a 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, vehicles, tools, furniture and fixtures	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.

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 transactions in which ownership is not transferred to the lessee commencing on or before March 31, 2008 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 collectibility 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) Amortization of Goodwill

Goodwill is amortized equally over its estimated useful life. In case of its immateriality, goodwill is amortized on a lump-sum basis 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.

2. U.S. DOLLAR AMOUNTS

For the convenience of the reader, the accompanying consolidated financial statements with respect to the year ended March 31, 2011 have been presented in U.S. dollars by translating all yen amounts at ¥83.15 = U.S.$1.00, the exchange rate prevailing on March 31, 2011. 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

Accounting Standards for Asset Retirement Obligations

Effective from the fiscal year ended March 31, 2011, the Company has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

This had the effect of reducing consolidated operating income and ordinary income by ¥35 million ($415 thousand), respectively, and income before income taxes and minority interests by ¥344 million ($4,136 thousand), in the fiscal year ended March 31, 2011.

Accounting Standards for Business Combinations

Effective April 1, 2010, the Company applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Amendments to the Accounting Standard for Research and Development Cost" (ASBJ Statement No. 23, December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, December 26, 2008) and "Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

Application of Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)

Effective from the fiscal year ended March 31, 2010, the Company has applied "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, July 31, 2008).

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

Consolidated Income Statement

Effective from the fiscal year ended March 31, 2011, based on "Accounting Standard of Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), the Company has applied Cabinet Office Ordinance for Partial Amendment of Regulation for Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 5; March 24, 2009). As a result, the account item "Income before minority interests" is presented.

Accounting Standard for Presentation of Comprehensive Income

Effective from the fiscal year ended March 31, 2011, the Company adopted the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 Issued on June 30, 2010). In accordance with this new standard, consolidated statement of comprehensive income for the year ended March 31, 2010 is disclosed in Note 20.

4. FINANCIAL INSTRUMENTS

From the fiscal year ended March 31, 2010, the Company has applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, March 10, 2008) and issued "Guidance on Accounting Standard for Financial Instruments and Related Disclosures" (ASBJ Guidance No. 19, March 10, 2008).

1. Matters Relating to Financial Instruments

(1) Basic policy on treating financial instruments

With respect to managing funds, the Group limits such management to short-term deposits and highly safe financial assets, based on internal regulations governing fund management.

With regard to derivatives, the Group's policy is to avoid speculative transactions. As such, the Group had no derivative transactions during the fiscal year ended March 31, 2011.

(2) Description, risks and risk management framework regarding financial instruments

Notes and accounts receivable, which are operating receivables, are exposed to the credit risk of counterparties. In confronting such risk, the Group, in line with internal regulations for managing credit exposure, manages the accounts and remaining balances for each customer at the appropriate closing date. The Group also has a system for assessing the credit status of major customers on an annual basis.

Shares, which are investment securities, are exposed to the risk from fluctuations in market prices. These shares, however, consist mainly of those of holdings in companies for business purposes, with fair value periodically assessed and reported to the Board of Directors.

Deposits and guarantee money set aside for rental properties are exposed to the credit risk of corporate counterparties. To mitigate this risk, the Group researches the credit standing of corporate counterparties—the parties covered under guarantees—at the time that the FANCL Group opens stores.

(3) Supplementary explanation to matters regarding fair values of financial instruments

Fair values of financial instruments are based on market price. If market price is not available, other reasonable valuation techniques are used. Such techniques include variable factors and the results of valuation may change depending on the assumptions used.

2. Matters Regarding Fair Values of Financial Instruments

The following table represents the amounts of financial instruments recorded in the consolidated balance sheet and their fair values, as well as the differences between the balance sheet amounts and the fair values. Financial instruments whose fair values are deemed extremely difficult to assess are not included (refer to "Note ii" below).

As of March 31, 2011	Millions of yen Carrying value	Fair value	Unrealized gain (loss)	Thousands of U.S. dollars Carrying value	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	¥18,661	¥18,661	¥ –	$224,429	$224,429	$ –
(2) Notes and accounts receivable—trade	10,188			122,520		
Allowance for doubtful accounts	(189)			(2,275)		
	9,998	9,998	–	120,246	120,246	–
(3) Short-term investment securities	10,911	10,911	–	131,224	131,224	–
(4) Investment securities						
Other investment securities	1,089	952	(137)	13,102	11,451	(1,651)
(5) Lease and guarantee deposits						
Store deposits and guarantee money	1,997	1,743	(255)	24,022	20,957	(3,064)
(6) Long-term loans receivable	966	255	(711)	11,615	3,070	(8,545)
Total assets	¥43,624	¥42,521	¥(1,103)	$524,637	$511,376	$(13,261)
(1) Notes and accounts payable—trade	¥ 3,367	¥ 3,367	¥ –	$ 40,496	$ 40,496	$ –
(2) Accounts payable—other	3,505	3,505	–	42,159	42,159	–
(3) Accrued income taxes	1,654	1,654	–	19,892	19,892	–
Total liabilities	¥ 8,527	¥ 8,527	¥ –	$102,547	$102,547	$ –

As of March 31, 2010	Millions of yen Carrying value	Fair value	Unrealized gain (loss)
(1) Cash and bank deposits	¥19,505	¥19,505	¥ –
(2) Notes and accounts receivable—trade	10,241		
Allowance for doubtful accounts	(233)		
	10,007	10,007	–
(3) Short-term investment securities	10,005	10,005	–
(4) Investment securities			
Other investment securities	1,176	1,176	–
(5) Lease and guarantee deposits			
Store deposits and guarantee money	2,159	2,071	(88)
(6) Long-term loans receivable	899	564	(335)
Total assets	¥43,752	¥43,329	¥(424)
(1) Notes and accounts payable—trade	¥ 3,358	¥ 3,358	¥ –
(2) Accounts payable—other	2,997	2,997	–
(3) Accrued income taxes	2,315	2,315	–
Total liabilities	¥ 8,669	¥ 8,669	¥ –

(Note i) Methods for calculating fair value of financial instruments and matters regarding short-term investment securities and derivatives

Assets

(1) Cash and bank deposits and (2) notes and accounts receivable—trade

Due to short-term settlement, the fair value for these items is largely the same as their book value. As such, the book value represents the fair value.

Notes and accounts receivable are deducted by the relating allowance for doubtful accounts.

(3) Short-term investment securities

For short-term investment securities, the fair value of bonds is based largely on the price quoted by the financial institution involved in the transaction.

(4) Investment securities

For investment securities, the fair value of shares is the market price. For bonds, fair value is based largely on the price quoted by the financial institution involved in the transaction.

For notes on marketable securities owned for holding purposes, refer to Note 5, "Investment Securities."

(5) Lease and guarantee deposits

Fair value for lease and guarantee deposits accompanying store openings is calculated using a reasonable discount rate based on the average number of years before store closure typically occurs.

(6) Long-term loans receivable

Fair value is measured as present value calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new borrowings.

Regarding potentially doubtful receivables, the estimated amount considered doubtful is calculated based on the estimated amount deemed recoverable. Since the value derived after deduction of the amount presently deemed doubtful from the carrying value listed on the balance sheet is nearly the same as fair value, this amount is used to represent the fair value.

Liabilities

(1) Notes and accounts payable—trade, (2) accounts payable—other and (3) accrued income taxes

Due to short-term settlement, the fair value of these items is largely the same as their book value. As such, the book value represents the fair value.

(Note ii) Financial instruments whose fair values are deemed extremely difficult to assess

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2011	2010	2011
Category	Carrying value		
① Unlisted equity securities*[1]	¥10,817	¥10,752	$130,095
② Other lease and guarantee deposits*[2]	331	398	3,984

*[1] *The fair value of unlisted equity securities is not disclosed because their market prices are not available and future cash flows cannot be estimated, making their fair values extremely difficult to assess.*

*[2] *"Other lease and guarantee deposits," included under "Lease and guarantee deposits," is not disclosed because market prices are not available, and because of the extreme difficulty of estimating both the actual deposit period from the time that a store opens until its eventual closure, as well as any reasonable cash flows, making the value difficult to assess.*

(Note iii) Projected redemption amounts for monetary receivables and securities with maturity after account closing date

	Millions of yen				Thousands of U.S. dollars			
As of March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after five years through five years	Due after five years through ten years	Due after ten years
Cash and bank deposits	¥18,601	¥1,500	¥ –	¥ –	$223,709	$18,040	$ –	$ –
Notes and accounts receivable	10,188	–	–	–	122,520	–	–	–
Marketable and investment securities								
Other securities held to maturity:								
(1) Bonds (corporate bonds)	4,000	–	1,000	–	48,106	–	12,026	–
(2) Others	6,909	–	–	–	83,091	–	–	–
Long-term loans receivable*	27	656	44	196	321	7,888	529	2,353
Total	¥39,725	¥2,156	¥1,044	¥196	$477,747	$25,928	$12,556	$2,353

** Excluded an amount of ¥70 million ($842 thousand) considered unredeemable.*

	Millions of yen			
As of March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and bank deposits	¥19,456	¥ –	¥ –	¥ –
Notes and accounts receivable	10,241	–	–	–
Marketable and investment securities				
Other securities held to maturity:				
(1) Bonds (corporate bonds)	5,500	–	1,000	–
(2) Others	4,506	–	–	–
Long-term loans receivable*	29	586	45	198
Total	¥39,732	¥586	¥1,045	¥198

** Excluded an amount of ¥70 ($842 thousand) million considered unredeemable.*

(Note iv) Projected repayment amounts for corporate bonds, long-term loans, lease obligations and other interest-bearing debt after the account closing date

Refer to Notes 5 and 10 for information regarding corporate bonds, long-term loans, lease obligations, and other interest-bearing liabilities.

5. INVESTMENT SECURITIES

Information regarding investment securities with quoted market prices classified as other securities at March 31, 2011 and 2010 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2011	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥ 19	¥ 21	¥ 2	$ 234	$ 258	$ 24
Bonds	1,012	1,028	16	12,172	12,360	188
Others	–	–	–	–	–	–
Subtotal	1,032	1,049	18	12,405	12,618	212
Securities whose acquisition cost exceeds their carrying value:						
Stocks	49	40	(8)	584	484	(100)
Bonds	4,002	4,002	(0)	48,133	48,133	(0)
Others	6,909	6,909	–	83,091	83,091	–
Subtotal	10,960	10,952	(8)	131,808	131,708	(100)
Total	¥11,991	¥12,001	¥ 9	$144,214	$144,326	$ 112

	Millions of yen		
As of March 31, 2010	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 46	¥ 58	¥12
Bonds	1,014	1,022	8
Subtotal	1,059	1,079	20
Securities whose acquisition cost exceeds their carrying value:			
Stocks	100	97	(3)
Subtotal	100	97	(3)
Total	¥1,159	¥1,176	¥17

Accounting for the impairment in securities

"Acquisition cost" in the above chart is recognized at book value after impairment treatment. Impairment losses on other securities of ¥5 million ($65 thousand) and ¥29 million were recognized for the years ended March 31, 2011 and 2010, respectively.

When the market value of the securities at year-end declines by more than 50% of the acquisition cost, the Company deems market value to be irrecoverable and recognizes impairment treatment for such securities.

In cases when market value declines by more than 30% but by less than 50% of the acquisition cost at year-end, the Company does not recognize impairment losses, apart from in cases when market value declines due to the factors of downturns in business and others.

6. SHAREHOLDERS' EQUITY

The Law provides that amounts from capital surplus 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 legal capital surplus included in capital surplus or the legal retained earnings included in retained earnings based on the applicable sources of such distributions until the sum of the legal capital surplus and the legal retained earnings 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 and half-year cash dividends per share, which the Company paid to the shareholders of record as at the respective period ends for the years ended March 31, 2011 and 2010, were as follows:

	Yen		U.S. dollars
	2011	2010	**2011**
Year-end	**¥17.00**	¥17.00	**$0.20**
Half-year	**17.00**	17.00	**0.20**

The effective dates of the distribution for year-end and half-year cash dividends, which were paid during the year ended March 31, 2011, were June 21, 2010 and December 6, 2010, respectively.

The cash dividends of retained earnings of the Company for the year ended March 31, 2011 approved at a meeting of the Board of Directors, which was held on May 9, 2011, were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	**¥1,104**	**$13,271**

	Yen	U.S. dollars
Cash dividends per share	**¥17.00**	**$0.20**

7. INCOME TAXES

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Accrued enterprise taxes	**¥ 69**	¥ 88	**$ 835**
Accrued bonuses	**394**	428	**4,741**
Allowance for doubtful accounts	**275**	167	**3,310**
Reserve for customer awards	**558**	542	**6,708**
Allowance for retirement benefits	**877**	794	**10,547**
Allowance for directors' benefits	**41**	33	**489**
Long-term accrued amount payable	**30**	32	**364**
Net loss carried forward	**1,361**	1,198	**16,368**
Loss on valuation of investment securities	**132**	130	**1,588**
Impairment loss	**410**	430	**4,935**
Asset retirement obligations	**195**	–	**2,349**
Other	**489**	496	**5,881**
Gross deferred tax assets	**4,832**	4,338	**58,115**
Valuation allowance	**(2,411)**	(2,208)	**(28,994)**
Total deferred tax assets	**2,421**	2,130	**29,121**
Deferred tax liabilities:			
Prepaid pension cost	**157**	160	**1,883**
Unrealized intercompany profit on land	**232**	232	**2,791**
Gain on valuation of land	**247**	247	**2,967**
Removal expenses associated with asset retirement obligations	**60**	–	**725**
Other	**43**	7	**511**
Total deferred tax liabilities	**738**	647	**8,877**
Net deferred tax assets	**¥ 1,683**	¥ 1,483	**$ 20,244**

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, 2011 and 2010.

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, 2011 and 2010 is summarized as follows:

	2011	2010
Statutory tax rate	40.63%	40.63%
Additions to (deductions from) income taxes resulting from:		
Permanent nondeductible difference such as entertainment expenses	1.58	1.08
Inhabitants' per capital taxes	2.42	1.49
Permanent difference not recognized for tax purposes such as dividends received	(0.11)	(0.05)
Valuation allowance	3.75	2.15
Tax credits such as for research and development expenses	(2.59)	(1.56)
Difference in effective tax rates among the Company and its consolidated subsidiaries	(3.03)	(3.35)
Amortization of goodwill	0.85	1.93
Equity in loss of affiliated companies	1.41	–
Portion of tax exemption for overseas subsidiaries	2.60	–
Other	0.01	0.47
Effective tax rate	47.52%	42.79%

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, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥(2,947)	¥(2,698)	$(35,446)
Fair value plan assets	965	908	11,601
Funded status	(1,983)	(1,790)	(23,846)
Unrecognized actuarial net loss	226	237	2,714
Net retirement benefit obligation	(1,757)	(1,553)	(21,132)
Prepaid pension cost	398	393	4,788
Accrued retirement benefits	¥(2,155)	¥(1,946)	$(25,920)

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 ¥100 million ($1,197 thousand) and ¥81 million have been included in accrued retirement benefits in the accompanying consolidated balance sheets at March 31, 2011 and 2010, respectively.

Retirement benefit expenses for the years ended March 31, 2011 and 2010 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost-benefits earned during the year	¥293	¥254	$3,525
Interest cost on projected benefit obligation	31	30	378
Expected return on plan assets	(20)	(18)	(240)
Amortization of unrecognized actuarial net loss	86	93	1,039
Contributions to welfare pension fund	322	323	3,878
Retirement benefit expenses	¥713	¥682	$8,580

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 principal assumptions used in the above actuarial calculations for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	1.75%	1.75%
Expected rate of return	3.00%	3.00%
Actuarial cost method	Unit credit 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.*

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, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Fund's assets	¥5,996	¥4,877	$72,112
Projected benefit obligation	5,199	5,391	62,528
Funded status	¥ 797	¥ (515)	$ 9,585

The funded status above primarily consisted of unamortized prior service cost of ¥298 million ($3,588 thousand), additional asset appraisal value of ¥584 million ($7,018 thousand) and a general reserve of ¥695 million($8,360 thousand) and retained earnings for the year of 984 million ($11,830 thousand).

For the fiscal year ended March 31, 2009, prior service cost in the Fund was 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 55.3% for the year ended March 31, 2011. This percentage is not always in agreement with the actual payment responsibility of the Company's group.

9. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses charged to income for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Research and development expenses	¥2,429	¥2,351	$29,209

10. LEASES

The Group holds certain machinery and equipment under finance leases which do not transfer ownership to the lessee. 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, 2011 and 2010 would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Machinery and equipment:			
Acquisition cost	¥2,023	¥3,513	$24,333
Accumulated depreciation	1,570	2,744	18,878
Accumulated loss on impairment	400	400	4,815
	¥ 53	¥ 369	$ 640

The following table represents the future minimum lease payments subsequent to March 31, 2011 under finance leases which do not transfer ownership.

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Minimum lease payments:		
Due within one year	¥248	$2,978
Due after one year	229	2,751
	476	5,729
Accumulated loss on impairment	79	954

Lease expenses related to finance leases which do not transfer ownership for the years ended March 31, 2011 and 2010 amounted to ¥349 million ($4,199 thousand) and ¥583 million, respectively. Depreciation related to these leases for the years ended March 31, 2011 and 2010 would have been ¥320 million ($3,854 thousand) and ¥540 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, 2011 and 2010 consisted of the following:

As of March 31, 2011

<table>
<tr><th rowspan="2">Used for</th><th rowspan="2">Type of assets</th><th colspan="2">Amount</th><th rowspan="2">Place</th></tr>
<tr><th>Millions of yen</th><th>Thousands of U.S. dollars</th></tr>
<tr><td rowspan="5">Cosmetics manufacturing facilities</td><td>Building and structures</td><td>¥ 37</td><td>$ 445</td><td rowspan="5">Kagawa Pref., Takamatsu City</td></tr>
<tr><td>Machinery and transportation equipment</td><td>4</td><td>47</td></tr>
<tr><td>Tools and equipment</td><td>2</td><td>18</td></tr>
<tr><td>Land</td><td>18</td><td>217</td></tr>
<tr><td>Intangible fixed assets</td><td>1</td><td>16</td></tr>
<tr><td rowspan="7">Store equipment</td><td>Building and structures</td><td>64</td><td>766</td><td rowspan="3">Kanto Area</td></tr>
<tr><td>Tools and equipment</td><td>5</td><td>60</td></tr>
<tr><td>Long-term prepaid expenses</td><td>0</td><td>2</td></tr>
<tr><td>Building and structures</td><td>12</td><td>140</td><td rowspan="2">Kinki Area</td></tr>
<tr><td>Tools and equipment</td><td>2</td><td>23</td></tr>
<tr><td>Building and structures</td><td>15</td><td>181</td><td>Chugoku Area</td></tr>
<tr><td>Building and structures</td><td>16</td><td>187</td><td>Kyushu Area</td></tr>
<tr><td colspan="2">Total</td><td>¥175</td><td>$2,101</td><td></td></tr>
</table>

Outline of impairment loss recognition

(1) For cosmetics manufacturing facilities, following the merger and absorption of CHALONE INC. by NICOSTAR BEAUTECH Co., Ltd., both companies are consolidated subsidiaries of FANCL, the book values of production facilities, which would not be used in future were written down to the recoverable amounts of the facilities. This reduction in value (¥62 million ($744 thousand)) was charged as an impairment loss under extraordinary losses.

(2) For store equipment, following the decisions of the store closure or renovation, the book values of such equipment were written down to the recoverable amounts of these assets. This reduction in value (¥113 million ($1,357 thousand)) was charged as an impairment loss under extraordinary losses.

Grouping method:

The FANCL Group primarily groups assets by type of operation. Idle assets are grouped by facility.

Method for calculating recoverable value

1. The recoverable value of cosmetics manufacturing facilities is measured as the net sale value. The value of applicable assets is calculated based largely on valuation by the appraisal of real estate.
2. The recoverable value of store equipment is calculated as the net sale value. Assets other than those that can be diverted are unlikely to be sold and have a value of zero.

As of March 31, 2010

Used for	Type of assets	Amount Millions of yen	Place
Production equipment for germinated brown rice	Building and structures Leased assets	¥ 0 16	Tomi City, Nagano Prefecture
Cosmetics business	Goodwill	194	Ouragun, Gunma Prefecture
Store equipment	Building and structures Tools and equipment	13 2	Kanto Area
Total		¥225	

Outline of impairment loss recognition

(1) For equipment at production plants for germinated brown rice, the book value for production equipment projected to go unused in the future was reduced to the value deemed recoverable, resulting in a reduction of ¥17 million booked as an impairment loss in other expenses.

(2) For goodwill pertaining to consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd., a charge of ¥194 million for unamortized goodwill at the fiscal year-end was booked as an impairment loss in other expenses. This reflected a projected shortfall in realizing earnings in line with figures put forth in the business plan at the time of the subsidiary's acquisition.

(3) For facilities for retail stores, following the decision to close certain stores, the book value for store assets was reduced to the value deemed recoverable, resulting in a reduction of ¥15 million booked as an impairment loss in other expenses.

Grouping method:

The FANCL Group primarily groups assets by type of operation. Idle assets are grouped by facility.

Method for calculating recoverable value

1. The recoverable value of equipment for germinated brown rice production plants is calculated from estimated net sale values; applicable assets with no prospects of being repurposed or sold are calculated as zero.
2. The recoverable value of goodwill is calculated based on future business plans.
3. The recoverable value of stores are calculated from estimated net sale values. Assets without other applications are recorded as zero since there is the possibility that they will not be sold.

12. STOCK OPTION PLANS

Stock Option-Related Expenses and Line Items for the Consolidated Fiscal Year

Selling, general and administrative expenses ¥66 million ($788 thousand) and ¥88 million were recorded for the year ended March 31, 2011 and 2010, respectively.

At March 31, 2011, the Company had the following stock option plans which were 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	November 12, 2009	November 15, 2010
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	7 directors and 3 executive officers	7 directors and 5 executive officers
Type of shares with warrants granted	Common stock	Common stock	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	44,900 shares	73,300 shares
Option price per warrant	¥5,514	¥1,217	¥1,670	¥1	¥1	¥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	December 2, 2009 –December 1, 2039	December 2, 2010 –December 1, 2040

At March 31, 2010, the Company had the following stock option plans which were 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	November 12, 2009
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	7 directors and 3 executive officers
Type of shares with warrants granted	Common stock	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	44,900 shares
Option price per warrant	¥5,514	¥1,217	¥1,670	¥1	¥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	December 2, 2009 –December 1, 2039

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

Contingent liabilities as of March 31, 2011 amounted to ¥1,541 million ($18,529 thousand) and represented guarantees of borrowings incurred by the 16 industrial corporations (including FANCL B&H CORPORATION) which are members of the Nagareyama Industrial Cooperative Association (the "Association") for the purpose of financing their purchases of manufacturing and other facilities located in the Nagareyama City area. FANCL B&H CORPORATION 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 ($7,117 thousand) and plant of ¥1,456 million ($17,506 thousand) located in the Nagareyama area were pledged as collateral for the above borrowings as of March 31, 2011.

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 shares 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 of common stock 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 shares of common stock outstanding at each year-end.

	Yen		U.S. dollars
	2011	2010	**2011**
Net income:			
—Basic	**¥ 43.89**	¥ 68.26	**$ 0.53**
—Diluted	**43.77**	68.11	**0.53**
Net assets	**1,205.34**	1,188.32	**14.50**

15. SUPPLEMENTARY CASH FLOW INFORMATION

The following table represents a reconciliation of cash and bank deposits in the accompanying consolidated balance sheets with cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and bank deposits	**¥18,661**	¥19,505	**$224,429**
Marketable securities	**10,911**	10,005	**131,224**
Time deposits for periods of more than three months	**0**	(1,000)	**0**
Marketable securities pledged as collateral for periods of more than three months	**1,503**	(3,500)	**18,070**
Cash and cash equivalents	**¥28,070**	¥25,011	**$337,583**

The following table represents a breakdown of assets and liabilities at the time of consolidation following newly consolidation due to share acquisition and the relation of acquisition cost and expenditures (net) resulting from acquisition or proceeds (net) from acquisition for the year ended March 31, 2010.

Fantastic Natural Cosmetics Limited and its consolidated subsidiaries, and Fantastic Natural Cosmetics (China) Limited and its consolidated subsidiaries:

	Millions of yen
	2010
Current assets	¥ 11,538
Noncurrent assets	712
Goodwill	9,861
Current liabilities	(11,815)
Minority interests	(261)
Share acquisition cost	10,035
Cash and cash equivalents of the acquired company	(8,825)
Less: Expenditure for acquisition	¥ 1,210

NEUES, K.K.:

	Millions of yen
	2010
Current assets	¥ 630
Noncurrent assets	771
Goodwill	76
Current liabilities	(915)
Noncurrent liabilities	(305)
Share acquisition cost	257
Cash and cash equivalents of the acquired company	(435)
Loss: Proceeds from acquisition	¥(179)

The following table represents a breakdown of assets and liabilities of companies converted to equity-method affiliates following exclusion from scope of consolidation for the year ended March 31, 2010.

Fantastic Natural Cosmetics Limited and its consolidated subsidiaries, and Fantastic Natural Cosmetics (China) Limited and its consolidated subsidiaries:

	Millions of yen
	2010
Current assets	¥11,810
Noncurrent assets	701
Total assets	12,511
Current liabilities	11,805
Total liabilities	¥11,805

16. BUSINESS COMBINATION

As of March 31, 2011

Common Control Transactions

1. Overview of Transaction
   (1) Name of applicable business and business lines
   Business name: Cosmetics Business
   Business lines: Manufacture and sale of cosmetics
   (2) Date of business combination
   March 1, 2011
   (3) Legal form of business combination
   Merger via absorption in which NICOSTAR BEAUTECH Co., Ltd. (consolidated subsidiary of FANCL) is the surviving company and CHALONE INC. (consolidated subsidiary of FANCL) is the company absorbed via merger.
   (4) Corporate name following combination
   NICOSTAR BEAUTECH Co., Ltd. (consolidated subsidiary of FANCL)
   (5) Other matters regarding the overview of transaction
   Conducted as part of efforts to enhance competitiveness under Group management, integration of the business operations of CHALONE INC. under consolidated subsidiary NICOSTAR BEAUTECH Co., Ltd. is designed to reinforce the OEM operations and reduce the production costs.
2. Overview of Accounting Treatment
   The business combination is treated as a "common control transaction" pursuant to "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), and "Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

As of March 31, 2010

Purchasing Method

1. Name and Business Lines of Acquired Company; Reasons for, Date and Legal Format of Business Combination; Name and Voting Rights Held in Company Following Corporate Combination
   (1) Name and Business Lines of Acquired Company
   Name of acquired company: NEUES, K.K.
   Business lines: Cosmetics-related business, nutritional supplements-related business, other businesses
   (2) Main Reasons for Business Combination
   The purpose of the share acquisition was to beneficially integrate the Company's strengths in preservative-free technologies with NEUES, K.K.'s practical services to allow opportunities for more customers to experience how preservative-free skin beautification works.
   (3) Date of Combination
   July 1, 2009
   (4) Legal Format of the Business Combination and Name after Combination
   Legal format of the business combination: Share acquisition
   Name of company after combination: NEUES, K.K.
   (5) Voting Rights Acquired
   100%
2. Period of Inclusion of Operating Results of Acquired Company in the Accompanying Consolidated Financial Statements
   From June 1, 2009 to February 28, 2010
3. Total Acquisition Cost of Acquired Company and Cost Breakdown

	Millions of yen
	2010
Initial acquisition cost: Common stock of NEUES, K.K.	¥250
Expenses directly related to acquisition: Advisory expenses, etc.	7
Total acquisition cost	¥257

4. Value of Goodwill Resulting from Acquisition, Reasons for Occurrence, and Amortization Method and Period
   (1) Value of goodwill resulting from acquisition
   ¥76 million
   (2) Reasons for occurrence
   Goodwill resulted from reasonably estimates of future excess earnings capacity of the acquired company as a result of anticipated business development.
   (3) Amortization method and period
   Lump-sum amortization was carried out for the fiscal year.
5. Amounts and Breakdown of Major Assets and Liabilities Received in Conjunction with the Business Combination

	Millions of yen
	2010
Current assets	¥ 630
Noncurrent assets	771
Total assets	1,400
Current liabilities	915
Noncurrent liabilities	305
Total liabilities	¥1,220

6. Estimated Effect on the Consolidated Statements of Income for the Fiscal Year Assuming Completion of Business Combination at Beginning of Fiscal Year

	Millions of yen
	2010
Net sales	¥ 458
Operating income	(7)
Ordinary income	(8)
Income before income taxes and minority interests	(26)
Net income	(26)
Net income per share	¥(0.41)

(Method for Calculating Estimated Effect and Important Assumptions)
The estimated effect was calculated as the difference noted upon comparison of the net sales and income data calculated on the assumption that the business combination was completed at the beginning of the consolidated fiscal year with actual net sales and income data of acquired company for the fiscal year ended March 31, 2010.

This estimated effect stated in this note for the year ended March 31, 2010 is unaudited.

17. ASSET RETIREMENT OBLIGATIONS

As of March 31, 2011

Items from among asset retirement obligations posted in the consolidated balance sheets

(1) Overview of applicable asset retirement obligations

① Obligation to restore to original condition based on real estate lease agreements
Following termination of lease agreements, the Company and FANCL Group companies have obligations to restore offices and stores used under real estate lease agreements to their original condition.

② Pursuant to the Act on Ensuring the Implementation of Recovery and Destruction of Fluorocarbons Concerning Designated Products, the Construction Material Recycling Law, and the Law Concerning Special Measures against PCB Waste
The Company and FANCL Group companies have legal obligation to eliminate CFCs and PCB waste at Group offices and manufacturing facilities.

(2) Method for calculating amount of applicable asset retirement obligations

① Obligation to restore to original condition based on real estate lease agreements
The Company has adopted an estimate based on an anticipated usage period ranging from 8 to 36 years from the acquisition, with an applied discount rates of 1.60–2.32%.

② Pursuant to the Act on Ensuring the Implementation of Recovery and Destruction of Fluorocarbons Concerning Designated Products, the Construction Material Recycling Law, and the Law Concerning Special Measures Against PCB Waste The Company has adopted an estimate for its obligation to conduct surveys and enact countermeasures based on an anticipated usage period of 15 years from the acquisition, with an applied discount rates of 0.80–1.60%

(3) Total change in applicable asset retirement obligations for the fiscal year under review

	Millions of yen	Thousands of U.S. dollars
	2011	**2011**
Balance at April 1, 2010 (see Note)	**¥464**	**$5,581**
Liabilities incurred due to the acquisition of property, plant and equipment	**29**	**347**
Accretion expense	**9**	**112**
Liabilities settled	**14**	**164**
Balance at March 31, 2011	**489**	**5,876**

(Note) Balance at the beginning of the year reflects application of the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008) from the fiscal year under review.

18. SEGMENT INFORMATION

For the year ended March 31, 2011

Effective the year ended March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued by the ASBJ on March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued by the ASBJ on March 21, 2008) have been applied. Segment information for the year ended March 31, 2010 have not been restated for comparative purposes since there are no differences between those under the new standards and the previous standards.

(a) Summary of reportable segments

Reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance.

The Group manufactures and distributes cosmetics products and nutritional supplements in domestic and over-seas markets under the comprehensive business strategy. The reportable segments have been comprised of the cosmetics business, which produce original products and OEM products, and the nutritional supplements business.

(b) Accounting treatments of the sales, income (loss), assets, and other items for each reporting segment

The accounting treatment for reporting segments are substantially the same as those disclosed in the significant accounting policies in Note 1. Segment performance is evaluated based on operating income.

(c) Information by reportable segments

	Millions of yen					
Year ended March 31, 2011	Cosmetics business	Nutritional supplements business	Other businesses(*1)	Total	Eliminations or corporate(*2)	Consolidated
I. Sales, profits or losses and assets by reportable segments						
Sales to external customers	**¥47,678**	**¥28,248**	**¥17,864**	**¥93,790**	**¥ –**	**¥93,790**
Intersegment sales or transfers	**–**	**–**	**–**	**–**	**–**	**–**
Total sales	**47,678**	**28,248**	**17,864**	**93,790**	**–**	**93,790**
Segment profits (losses)	**7,098**	**2,125**	**(506)**	**8,717**	**(1,600)**	**7,118**
Segment assets	**¥33,345**	**¥14,885**	**¥12,460**	**¥60,691**	**¥33,339**	**¥94,030**
II. Other items						
Depreciation and amortization	**¥ 1,749**	**¥ 793**	**¥ 320**	**¥ 2,861**	**¥ 55**	**¥ 2,916**
Amortization of goodwill	**114**	**–**	**–**	**114**	**–**	**114**
Increase in property, plant and equipment and intangible fixed assets	**2,253**	**1,066**	**333**	**3,652**	**–**	**3,652**

Year ended March 31, 2011	Cosmetics business	Nutritional supplements business	Other businesses(*1)	Total	Eliminations or corporate (*2)	Consolidated
	Thousands of U.S. dollars					
I. Sales, profits or losses and assets by reportable segments						
Sales to external customers	$573,402	$339,718	$214,839	$1,127,959	$ –	$1,127,959
Intersegment sales or transfers	–	–	–	–	–	–
Total sales	573,402	339,718	214,839	1,127,959	–	1,127,959
Segment profits (losses)	85,361	25,560	(6,082)	(104,839)	(19,240)	85,599
Segment assets	$401,023	$179,018	$149,854	$ 729,895	$400,955	$1,130,850
II. Other items						
Depreciation and amortization	$ 21,033	$ 9,532	$ 3,844	$ 34,409	$ 662	$ 35,071
Amortization of goodwill	1,366	–	–	1,366	–	1,366
Increase in property, plant and equipment and intangible fixed assets	27,098	12,814	4,007	43,919	–	43,919

(*1) *Other businesses mainly consist of mail-order sales business of comfort undergarments, health equipment and lifestyle goods, germinated brown rice business, kale juice business and esthetic business.*

(*2) *Unallocatable operating expenses included under "Eliminations or corporate" for the year ended March 31, 2011 amounted to ¥1,600 million ($19,240 thousand) and consisted of operating expenses incurred in the Administration Department of the Company and stock options. Corporate assets included under "Eliminations or corporate" at March 31, 2011 amounted to ¥33,339 million ($400,955 thousand) and consisted principally of cash and cash equivalents, short-term investments, land and funds for long-term investments (investment securities and other) of the Company.*

(d) Information related to impairment loss on fixed assets by reportable segment

	Cosmetics business	Nutritional supplements business	Total	Other businesses(*)	Eliminations or corporate	Consolidated
	Millions of yen					
Impairment loss for the year ended March 31, 2011	¥107	¥16	¥123	¥52	–	¥175

	Cosmetics business	Nutritional supplements business	Total	Other businesses(*)	Eliminations or corporate	Consolidated
	Thousands of U.S. dollars					
Impairment loss for the year ended March 31, 2011	$1,283	$195	$1,478	$623	–	$2,102

*: *Other businesses mainly consist of germinated brown rice business, kale juice business and esthetic business*

(e) Information related to goodwill by reportable segment

	Cosmetics business	Nutritional supplements business	Total	Other businesses	Eliminations or corporate	Consolidated
	Millions of yen					
Amortization for the year ended March 31, 2011	¥114	–	¥114	–	–	¥114
Carrying value at March 31, 2011	¥398	–	¥398	–	–	¥398

	Cosmetics business	Nutritional supplements business	Total	Other businesses	Eliminations or corporate	Consolidated
	Thousands of U.S. dollars					
Amortization for the year ended March 31, 2011	$1,366	–	$1,366	–	–	$1,366
Carrying value at March 31, 2011	$4,782	–	$4,782	–	–	$4,782

(f) Information on profit arising from negative goodwill by reporting segment

Negative goodwill amounted ¥52 million ($624 thousand) resulting from business combination of CHALONE INC on October 1, 2010, was recognized as profit for the year ended March 31, 2011.

For the year ended March 31, 2010

Business Segment

The Company and its subsidiaries operate principally in three business segments:

Business Segment	Major Products
Cosmetics	Mail-order sales, retail store sales, and wholesale of cosmetics
Nutritional supplements	Mail-order sales, retail store sales, and wholesale of nutritional supplements
Other	Mail-order sales of comfort undergarments and health equipment and lifestyle goods, germinated brown rice, kale juice, etc.

Business segment information for the Company and its subsidiaries for the year ended March 31, 2010 is presented below:

	Millions of yen					
Year ended March 31, 2010	Cosmetics business	Nutritional supplements business	Other businesses	Total	Eliminations or corporate(*)	Consolidated
I. Sales and operating income						
Sales to external customers	¥51,902	¥28,492	¥19,142	¥99,537	¥ –	¥99,537
Intersegment sales or transfers	–	–	–	–	–	–
Total sales	51,902	28,492	19,142	99,537	–	99,537
Operating expenses	43,956	25,242	19,630	88,829	1,549	90,378
Operating income (loss)	¥ 7,946	¥ 3,250	¥ (488)	¥10,708	¥ (1,549)	¥ 9,159
II. Total assets, depreciation and capital expenditures						
Total assets	¥34,098	¥14,137	¥12,554	¥60,788	¥32,195	¥92,983
Depreciation	1,920	823	353	3,096	49	3,145
Impairment loss	203	5	17	225	–	225
Capital expenditures	930	450	131	1,511	–	1,511

(*) *Unallocatable operating expenses included under "Eliminations or corporate" for the year ended March 31, 2010 amounted to ¥1,549 million and consisted of operating expenses incurred in the Administration Department of the Company and stock options. Corporate assets included under "Eliminations or corporate" at March 31, 2010 amounted to ¥32,195 million and consisted principally of cash and cash equivalents, short-term investments, land, and funds for long-term investments (investment securities and other) of the Company.*

Geographical Segment

Geographical segment information for the year ended March 31, 2010 is presented below:

	Millions of yen				
	Japan	Asia	Total	Eliminations or corporate	Consolidated
I. Sales and operating income					
Net sales					
(1) Sales to external customers	¥89,227	¥10,310	¥ 99,537	¥ –	¥99,537
(2) Intersegment sales or transfers	6,332	–	6,332	(6,332)	–
Total	95,559	10,310	105,869	(6,332)	99,537
Operating expenses	87,229	9,473	96,703	(6,325)	90,378
Operating income	¥ 8,330	¥ 836	¥ 9,166	¥ (7)	¥ 9,159
II. Assets	¥81,480	¥13,796	¥ 95,276	¥(2,293)	¥92,983

Overseas Sales Information

Overseas sales information for the year ended March 31, 2010 is presented below:

	Asia	Other regions	Total
I. Overseas sales (Millions of yen)	¥10,196	¥114	¥10,310
II. Consolidated sales (Millions of yen)	¥ –	¥ –	¥99,537
III. Overseas sales as a percentage of consolidated sales (%)	10.2	0.1	10.4

19. RELATED PARTIES

Related parties transactions for the years ended March 31, 2011 and 2010 were principally summarized as follows:

Years ended March 31,		Millions of yen		Thousands of U.S. dollars
Name of company	Detail of transaction	2011	2010	2011
Nagareyama Industrial Park	Debt guarantees	¥1,541	¥1,698	$18,529
CMC Holdings Limited	Sale of treasury stock	–	4,140	–
Fantastic Natural Cosmetics Limited	Sale of products	4,019	1,155	48,334
Fantastic Natural Cosmetics (China) Limited	Sale of products	2,686	–	32,299

Balance of related parties transactions as of March 31, 2011 were principally summarized as follows:

		Millions of yen	Thousands of U.S. dollars
Name of company	Description	2011	2011
Fantastic Natural Cosmetics Limited	Accounts receivable	¥1,378	$16,570
Fantastic Natural Cosmetics (China) Limited	Accounts receivable	828	9,953

20. OTHER COMPREHENSIVE INCOME

The following table presents components of other comprehensive income for the year ended March 31, 2010:

	Millions of yen
	2010
Net unrealized holding gain (loss) on other securities	¥ 11
Foreign currency translation adjustment	(252)
Share of other comprehensive income of companies accounted for by the equity-method	(6)
Total other comprehensive income	¥ (258)
Total comprehensive income attributable to:	
Shareholders of the parent company	¥4,219
Minority interests	¥ 554

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
FANCL CORPORATION

We have audited the accompanying consolidated balance sheets of FANCL CORPORATION and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, 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, 2011 and 2010, 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, 2011 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

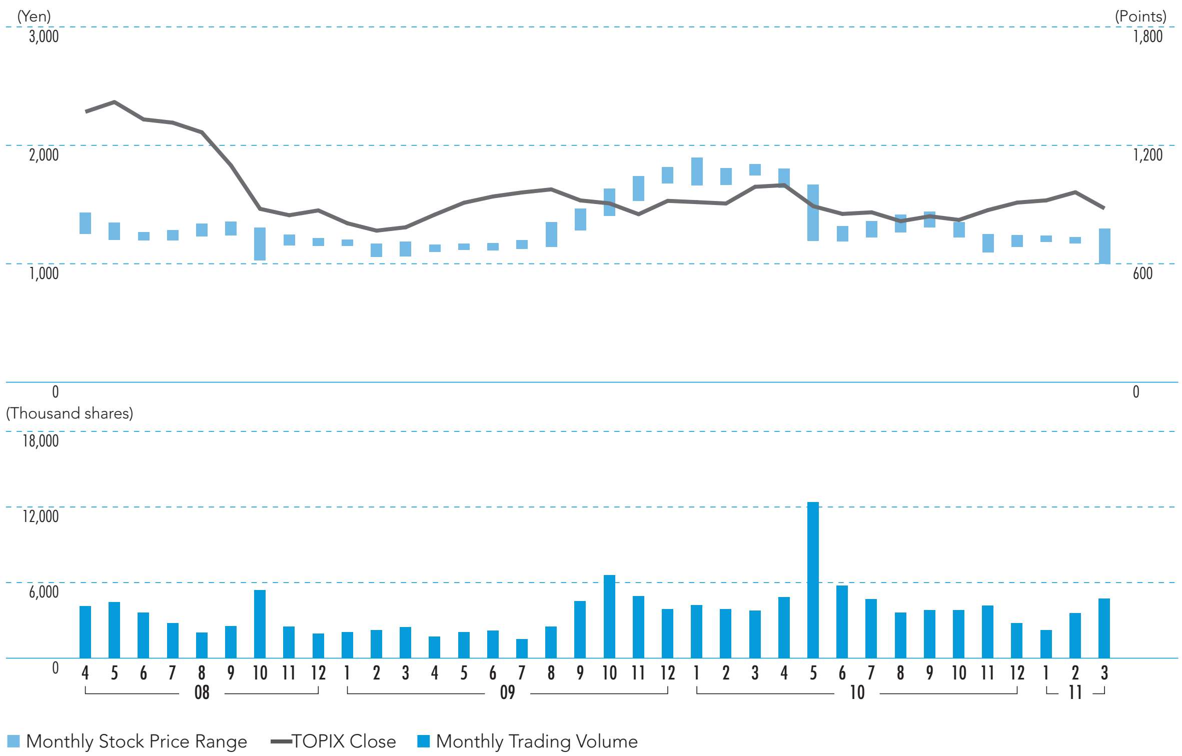
June 18, 2011

SHAREHOLDER INFORMATION

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

	2010									2011		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
High (¥)	1,805	1,669	1,318	1,358	1,417	1,440	1,353	1,251	1,242	1,240	1,225	1,299
Low (¥)	1,643	1,194	1,189	1,222	1,267	1,305	1,225	1,095	1,143	1,186	1,171	1,001
Trading volume (Thousand shares)	4,852	12,367	5,766	4,668	3,617	3,824	3,812	4,173	2,770	2,224	3,585	4,723

Monthly Stock Data

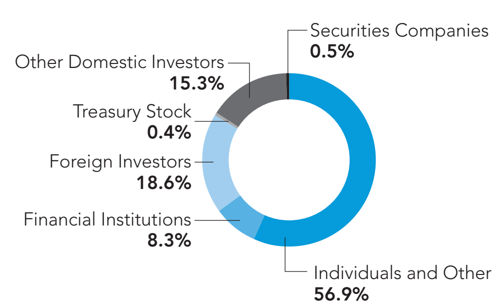


Composition of Shareholders

(Percentage of ownership)

	2009		2010		2011
	Mar.	Sep.	Mar.	Sep.	Mar.
Individuals and other	63.1	61.1	53.8	55.4	56.9
Financial institutions	8.9	9.4	13.2	9.1	8.3
Foreign investors	6.4	7.3	17.0	18.7	18.6
Treasury stock	6.0	5.9	0.4	0.4	0.4
Other domestic investors	15.4	15.4	15.2	15.3	15.3
Securities companies	0.2	0.9	0.4	1.2	0.5

As of March 31, 2011



CORPORATE INFORMATION

(As of March 31, 2011)

Head Office

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

85,882

Number of Full-time Employees

721

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan
http://www.tr.mufg.jp/daikou/

Annual Meeting of Shareholders

Held in mid-June

Consolidated Subsidiaries

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

FANCL

FANCL Corporation

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Head Office phone: 81(45)226-1200
http://www.fancl.co.jp/corporate/index_e.html

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