FANCL Corporation

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2016

April 1, 2015 to June 30, 2015

This document has been translated from the original Japanese as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

First Quarter Results for the Fiscal Year Ending March 31, 2016

FANCL CORPORATION **July 29, 2015**

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Scheduled date for submission of the first quarter *hokokusho* (securities report): August 13, 2015
Scheduled date for distribution of dividends: --
Availability of supplementary explanatory material for first quarter results: Available
Presentation meeting for first quarter results: Scheduled (for institutional investors and analysts)

1) Consolidated results for the first quarter (April 1, 2015 to June 30, 2015) of the fiscal year ending March 31, 2016

(1) Consolidated Operating Results

Millions of yen, rounded down

	Three months ended June 30, 2015		Three months ended June 30, 2014	
		% change		% change
Net sales	22,112	23.8	17,863	(11.2)
Operating income	638	--	(584)	--
Ordinary income	680	--	(530)	--
Net income attributable to owners of the parent company	468	--	(302)	--
Earnings per share (¥)	7.34	--	(4.77)	--
Earnings per share (diluted) (¥)	7.25	--	--	--

Notes: 1. The percentages shown above are a comparison with the same period in the previous fiscal year.
2. Comprehensive income: Three months ended June 30, 2015: ¥462 million (--%)
Three months ended June 30, 2014: -¥305 million (--%)

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of June 30, 2015	As of March 31, 2015
Total assets	86,719	85,311
Net assets	72,037	73,214
Shareholders' equity/total assets (%)	82.4	85.1

Shareholders' equity: As of June 30, 2015: ¥71,443 million
As of March 31, 2015: ¥72,634 million

2) Dividends per share

	FY ended March 31, 2015	FY ending March 31, 2016 (forecast)
Interim period	17.00	17.00
Year-end	17.00	17.00
Annual	34.00	34.00

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

3) Consolidated forecasts for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

Millions of yen

	Six months ending September 30, 2015		Fiscal year ending March 31, 2016	
		Change (%)		Change (%
Net sales	42,600	16.6	90,000	15.9
Operating income	(900)	--	1,500	(62.5)
Ordinary income	(850)	--	1,650	(61.5)
Net income attributable to owners of the parent company	(550)	--	900	(60.9)
Earnings per share (¥)	(¥8.69)	--	¥14.06	--

Note: Changes to the Consolidated forecasts during the period under review: Yes

4) Other

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

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

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

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

(4) Number of outstanding shares (common stock)

1. Number of shares outstanding (including treasury shares)	June 30, 2015	65,176,600 shares	March 31, 2015	65,176,600 shares
2. Number of treasury shares	June 30, 2015	1,863,729 shares	March 31, 2015	1,152,357 shares
3. Average number of shares during the first quarter period	Three months to June 30, 2015	63,767,216 shares	Three months to June 30, 2014	63,566,987 shares

Important Notice

Disclosure of status of quarterly report review procedures:

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

Appropriate use of financial forecasts:

Forecasts, etc., recorded in this document include forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. For further detail, please see Page 7: 1. Operating Results, Section 3, Forecasts for the fiscal year ending March 31, 2016.

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1. Operating Results

(1) Summary of business performance (consolidated)

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

During the first quarter period under review, the Japanese economy continued a modest recovery overall, as consumer spending stabilized due to steady improvement in the employment and income environment, and capital investment increased amid improved corporate earnings, despite a downturn in public investment. Looking ahead, while there are concerns about future trends in emerging economies, as various governmental policies take effect a modest recovery is expected to continue going forward.

During the first quarter period under review, consolidated sales increased 23.8% to ¥22,112 million, mainly due to a large increase in sales in the cosmetics and nutritional supplements businesses as a result of strategic investment in advertising based on policies in the new Medium-term Management Plan. Despite a large increase in spending on marketing compared with the same quarter last year, operating income was ¥638 million (compared to an operating loss of ¥584 million in the previous period), largely due to an increase in gross profit resulting from the increase in sales. Ordinary income was ¥680 million (compared to a loss of ¥530 million in the previous period) and net income attributable to owners of the parent company was ¥468 million (compared to a net loss of ¥302 million in the previous period).

Segment results are as follows:
1) Cosmetics Business
Sales
Sales from the Cosmetics business increased 24.9% to ¥13,497 million.

(Millions of yen, rounded down)

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	10,966	81.2	8,708	80.6	25.9
ATTENIR Cosmetics	1,888	14.0	1,791	16.6	5.4
boscia	363	2.7	--	--	--
Others	278	2.1	305	2.8	(9.0)
Totals	13,497	100.0	10,805	100.0	24.9

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	5,750	42.6	5,133	47.5	12.0
Retail store sales	5,127	38.0	3,796	35.1	35.1
Wholesales and others	1,022	7.6	752	7.0	35.9
Overseas Sales	1,597	11.8	1,123	10.4	42.2
Totals	13,497	100.0	10,805	100.0	24.9

Sales of **FANCL Cosmetics** increased 25.9% to ¥10,966 million, with positive trends resulting from the effects of a *Mild Cleansing Oil* promotion, as well as the renewal of the facial whitening line and a 35th anniversary campaign.

Sales of **ATTENIR Cosmetics** increased 5.4% to ¥1,888 million due to the effects of a renewal of core skincare and make up lines conducted in the previous period, and a campaign aimed at existing customers.

Furthermore, from the fiscal year ending March 31, 2016, U.S. subsidiaries FANCL INTERNATIONAL, INC. and boscia, LLC have been included in the scope of consolidation, and the boscia brand contributed sales of ¥363 million in the first quarter period under review.

Results by sales channels were: mail order sales increased 12.0% year on year to ¥5,750 million, retail store sales increased 35.1% to ¥5,127 million, wholesale sales through other sales channels increased 35.9% to ¥1,022 million, and overseas sales increased 42.2% to ¥1, 597 million.

Operating income
Despite an increase in marketing costs compared to the previous period, operating income increased by 485.3% to ¥1,692 million, mainly due to an increase in sales.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales increased 27.9% to ¥6,875 million.

(Millions of yen, rounded down)

	Three months ended June 30, 2015		Three months ended June 30, 2014		Change (%)
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	2,528	36.8	2,106	39.2	20.1
Retail store sales	1,716	25.0	1,286	23.9	33.4
Wholesales and others	2,286	33.2	1,664	31.0	37.4
Overseas Sales	343	5.0	318	5.9	7.8
Totals	6,875	100.0	5,376	100.0	27.9

Revenues from **product sales** increased due to strong sales of dietary supplement *Calorie Limit for the Mature Aged* and *Enkin,* a supplement which assists with eye focus (labeled functional food).

Results by **sales channels** were: mail order sales increased 20.1% to ¥2,528 million, retail store sales increased 33.4% to ¥1,716 million, wholesale sales through other sales channels increased 37.4% to ¥2,286 million and overseas sales increased 7.8% to ¥343 million.

Operating income

Operating income of ¥48 million was recorded in the first quarter period under review (compared to an operating loss of ¥451 million in the previous period), mainly due to an increase in sales and despite a large increase in marketing costs compared to the previous period.

3) Other Related Business

Sales

Other related business increased 3.4% year on year to ¥1,738 million

(Millions of yen, rounded down)

	Three months ended June 30, 2015	Three months ended June 30, 2014	Change (%)
Hatsuga genmai	642	581	10.5
Kale juice	663	657	0.9
Other	433	443	(2.2)
Totals	1,738	1,681	3.4

Hatsuga genmai (germinated brown rice) sales increased 10.5% to ¥642 million due to proactive sales tactics such as the airing of TV commercials from May 20.

Sales of Kale juice, for which TV commercials were launched from June 19, increased 0.9% to ¥663 million.

Other sales decreased 2.2% to ¥433 million.

Operating income

An operating loss of ¥724 million was recorded for the first quarter period, (compared with operating income of ¥20 million recorded in the previous period) due to factors such as a large increase in marketing costs for the Hatsuga genmai and kale juice businesses compared to the previous period.

(2) Summary of consolidated financial position

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

Assets increased ¥1,408 million to ¥86,719 million. The primary contributing factors were an increase of ¥1,475 million in current assets and a decrease of ¥67 million in fixed assets. Contributing to the increase in current assets were a ¥2,600 million increase in cash and deposits, a ¥769 million increase in notes and accounts receivable, a ¥2,330 million increase in "Other" current assets due to an increase in deposits, and a ¥4,999 million decrease in marketable securities. The decrease in fixed assets was primarily the result of a ¥685 million decrease in other investment assets due to a decline in investment securities, and a ¥625 million increase in tangible fixed assets due to an increase in "Other" tangible fixed assets and other factors.
Liabilities increased ¥2,585 million from the end of the previous fiscal year to ¥14,682 million. The primary contributing factors were an increase of ¥2,580 million in current liabilities and an increase of ¥4 million in fixed liabilities. Factors contributing to the increase in current liabilities include a ¥582 million increase in notes and accounts payable, a ¥2,209 million increase in "Other" current liabilities due to an increase in accounts payable, and a ¥804 million decrease in income taxes payable.

Net assets decreased ¥1,176 million to ¥72,037 million. Contributing factors include a ¥1,034 million increase in treasury shares due to the purchase of own shares, a ¥1,088 million decline in retained earnings from dividend payments, and a ¥468 million increase in retained earnings due to the recording of net income attributable to owners of the parent.
As a result, the shareholders' equity ratio declined 2.7 percentage points from the end of the previous fiscal year to 82.4%.

(3) Forecasts for the fiscal year ending March 31, 2016

The following revisions have been made to the business results forecasts for the consolidated interim period of the fiscal year ending March 31, 2016 (April 1, 2015 to September 30, 2015), which were announced on May 11, 2015.

(Consolidated interim period)

	Revised forecasts		Previously announced forecasts	
		Change (%)		Change (%)
Net sales	42,600	16.6	40,800	11.7
Operating income	(900)	--	(1,800)	--
Ordinary income	(850)	--	(1,750)	--
Net income	(550)	--	(1,200)	--
Earnings per share (¥)	(¥8.69)	--	(18.74)	--

The consolidated interim sales and income forecasts have been revised as above in light of strong results from strategic investments in advertising which were launched in April based on policies in the new Medium-term Management Plan, as well as stronger-than-expected inbound demand, and revisions to the time of use of a portion of advertising expenditure.

The full-year consolidated results forecasts are unchanged from that announced on May 11, 2015.

2. Other

(1) Changes to subsidiaries during the period

As of the first quarter period under review, FANCL INTERNATIONAL, INC. and boscia, LLC, which were non-consolidated subsidiaries, have been included in the scope of consolidation as they have become more material.

Furthermore, the fiscal year end of FANCL INTERNATIONAL, INC. and boscia, LLC is December 31. Because this is within three months of the consolidated fiscal year end, their financial statements as of March 31, 2015 have been used in the preparation of the consolidated quarterly financial statements.

All necessary adjustments have been made for significant transactions that occurred in the period up until the end of the quarterly period.

(2) Use of special accounting procedures: None

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

Change in accounting policy

The Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No.21) of September 13, 2013, the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22) of September 13, 2013, and the Accounting Standard for Business Divestitures (ASBJ Statement No.7) of September 13, 2013, have been applied from the first quarter period under review, and a change in presentation has been made to 'net income' for the quarterly financial results. To reflect these changes in presentation, the consolidated financial statements for the first quarter of the previous consolidated fiscal year, and the previous consolidated fiscal year, have been restated.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen, rounded down

	As of June 30, 2015	As of March 31, 2015
ASSETS		
I. Current assets:		
Cash and cash equivalents	21,253	18,652
Notes and accounts receivable	9,490	8,721
Marketable securities	7,007	12,006
Merchandise and products	3,256	3,030
Work in progress	46	21
Raw materials and supplies	3,557	3,034
Others	4,846	2,534
Allowance for doubtful accounts	(49)	(49)
Total current assets	49,426	47,951
II. Fixed assets:		
Tangible fixed assets		
Buildings and structures	25,025	25,007
Accumulated depreciation and accumulated impairment loss	(14,035)	(13,896)
Buildings and structures (net)	10,990	11,111
Machinery and transport equipment	7,047	6,870
Accumulated depreciation and accumulated impairment loss	(5,992)	(5,938)
Machinery and transport equipment (net)	1,055	931
Furniture, tools and fixtures	7,157	7,111
Accumulated depreciation and accumulated impairment loss	(6,077)	(6,018)
Furniture, tools and fixtures (net)	1,080	1,092
Land	11,951	11,951
Lease assets	392	384
Accumulated depreciation and accumulated impairment loss	(236)	(228)
Lease assets (net)	156	155
Others	1,256	622
Total tangible fixed assets	26,490	25,865
Intangible fixed assets		
Others	2,973	2,980
Total intangible fixed assets	2,973	2,980
Investments and other assets		
Investment securities	5,657	6,087
Others	2,171	2,426
Total investments and other assets	7,829	8,514
Total fixed assets	37,292	37,360
Total Assets	**86,719**	**85,311**

Consolidated Balance Sheets, continued

Millions of yen, rounded down

	As of June 30, 2015	As of March 31, 2015
LIABILITIES		
I. Current liabilities:		
Notes and accounts payable	2,697	2,115
Accrued income taxes	807	1,612
Allowance for bonus	1,538	966
Allowance for points	1,441	1,420
Others	6,490	4,280
Total current liabilities	12,974	10,394
II. Long-term liabilities:		
Allowance for directors' retirement bonuses	--	88
Retirement benefit liabilities	1,059	1,063
Asset retirement obligations	364	359
Others	283	190
Total long-term liabilities	1,707	1,702
Total liabilities	14,682	12,096
NET ASSETS		
Shareholders' equity		
Common stock	10,795	10,795
Additional paid-in capital	11,706	11,706
Retained earnings	51,170	51,468
Treasury stock	(2,396)	(1,362)
Total shareholders' equity	71,275	72,607
Other comprehensive income		
Foreign currency translation adjustment	143	--
Total adjustments related to retirement benefits	24	27
Total other comprehensive income	167	27
Warrants	593	579
Total net assets	72,037	73,214
Total Liabilities and Net Assets	**86,719**	85,311

(2) Consolidated statements of income and Consolidated statements of comprehensive income

Consolidated statements of income

Millions of yen, rounded down

	April 1, 2015 to June 30, 2015	April 1, 2014 to June 30, 2014
Net sales	22,112	17,863
Cost of sales	6,519	5,345
Gross profit	15,592	12,517
Selling, general and administrative expenses	14,954	13,102
Operating income	638	(584)
Non-operating income		
Interest income	1	5
Dividend income	0	0
Rental income	26	3
Gain on foreign exchange	--	5
Other non-operating income	41	50
Total non-operating income	69	65
Non-operating expenses		
Rent expenses on fixed asses	8	--
Loss on foreign exchange	13	--
Other non-operating expenses	5	11
Total non-operating expenses	27	11
Ordinary income	680	(530)
Extraordinary income		
Income from sale of fixed assets	0	--
Gain on reversal of subscription rights to shares	0	1
Total extraordinary income	0	1
Extraordinary loss		
Loss on disposal of fixed assets	9	1
Impairment loss	--	1
Loss on closure of stores	3	0
Other	0	1
Total extraordinary loss	12	5
Income before income taxes	668	(534)
Income and other taxes	604	228
Adjustments to income and other taxes	(403)	(459)
Total income and other taxes	200	(231)
Net income	468	(302)
Net income attributable to owners of the parent company	468	(302)

Consolidated statements of comprehensive income

Millions of yen, rounded down

	April 1, 2015 to June 30, 2015	April 1, 2014 to June 30, 2014
Income before minority interests	468	(302)
Other comprehensive income		
Net unrealized holding gain on other securities	--	(0)
Foreign currency translation adjustment	(2)	--
Adjustments related to retirement benefits	(3)	(2)
Total other comprehensive income	(6)	(2)
Comprehensive income	462	(305)
(Breakdown)		
Comprehensive income attributable to owners of the parent company	462	(305)
Comprehensive income attributable to minor interests	--	--

(3) Notes to the consolidated financial statements

Items related to going concern:
No applicable items

Note on significant change in shareholders' equity
No applicable items

Segment information

Business Segments

1. Three months ended June 30, 2015 (Millions of yen, rounded down)

	Business Segments			Total	Eliminations or Corporate*2	Consolidated *3
	Cosmetics Business	Nutritional Supplements Business	Other Related Business*1			
1. Sales and operating income:						
(1) Sales to external customers	13,497	6,875	1,738	22,112	--	22,112
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	13,497	6,875	1,738	22,112	--	22,112
Operating income (loss)	1,692	48	(724)	1,016	(378)	638

Notes:
1. The Other Related Business segment consists of sundries, personnel effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and kale juice.
2. The adjustment amount on segment income (loss) of (¥378) million includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income (loss) is adjusted for operating income (loss) as recorded in the consolidated financial statements.

2. Items related to changes in the classification of reporting segments
From the first quarter period under review, as a result of a review of reporting segments for the purpose of ensuring appropriate understanding of the financial situation and operating results of the Fancl Group, several business segments which were previously included in the "Other" business segment have now been grouped into the "Other Related Business" segment.
The results for the previous first quarter period are also presented using the new segment classification method.

2. Three months ended June 30, 2014 (Millions of yen, rounded down)

	Business Segments			Total	Eliminations or Corporate*2	Consolidated *3
	Cosmetics Business	Nutritional Supplements Business	Other Related Business*1			
1. Sales and operating income:						
(1) Sales to external customers	10,805	5,376	1,681	17,863	--	17,863
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	10,805	5,376	1,681	17,863	--	17,863
Operating income (loss)	289	(451)	20	(141)	(443)	(584)

Notes:

1. The Other Related Business segment The Other Related Business segment consists of sundries, personnel effects, comfort undergarments, Hatsuga genmai (germinated brown rice), and kale juice.
2. The adjustment amount on segment income (loss) of (¥443) million includes total company expenses not distributed to each reportable segment and consist primarily of costs related to the General Affairs section of the parent company not included in the reportable segments.
3. Segment income (loss) is adjusted for operating income (loss) as recorded in the consolidated financial statements.