

SUMMARY REPORT OF NONCONSOLIDATED FINANCIAL RESULTS

For the Six Months Ended September 30, 2001

Registered Company Name:	FANCL CORPORATION	Stock Listing:	Tokyo
Code No:	4921	Head Office:	Kanagawa
Contact:	Katsuhiko Matsumoto, Director/General Manager, General Affairs Department	Telephone:	(045) 890-1513
Board of Directors' Meeting:	November 7, 2001	Interim dividends:	Paid
Payment Date for Annual Dividends:	December 5, 2001		

1. Business Performance

(1) Results of Operations (For the Six Months Ended September 30, 2001 and 2000, and the Year Ended March 31, 2001)

(Millions of Yen)

	Net Sales	Change (%)	Operating Income	Change (%)	Ordinary Income	Change (%)	Net Income	Change (%)
FY2002 Interim	¥33,038	+21.8	¥3,877	+22.1	¥4,273	+16.8	¥2,341	+16.4
FY2001 Interim	¥27,126	+0.9	¥3,176	-23.9	¥3,660	-17.3	¥2,011	-14.7
FY2001	¥58,824		¥7,733		¥8,214		¥4,523	

	Net Income per Share (Yen)
FY2002 Interim	¥120.14
FY2001 Interim	¥103.21
FY2001	¥232.11

Notes:

1. Average number of common shares: As of September 30, 2001: 19,493,314; as of September 30, 2000: 19,486,740; as of March 31, 2001: 19,486,851
2. Changes in accounting procedures: None
3. Percentage changes for net sales, operating income, ordinary income and net income indicate percentage increase or decrease from first half of the previous fiscal period.

(2) Dividends

	Interim Dividends per Share	Year-End Dividends per Share
FY2002 Interim	¥12.50	—
FY2001 Interim	¥12.50	—
FY2001	—	¥25.00

(3) Financial Position (As of September 30, 2001 and 2000, and March 31, 2001)

	Total Assets (Millions of Yen)	Shareholders' Equity (Millions of Yen)	Shareholders' Equity Ratio (%)	Shareholders' Equity per Share (Yen)
FY2002 Interim	¥64,651	¥54,569	84.4	¥2,799.37
FY2001 Interim	¥61,330	¥50,224	81.9	¥2,577.38
FY2001	¥63,695	¥52,488	82.4	¥2,692.63

Notes:

1. Number of shares outstanding at end of term: As of September 30, 2001: 19,493,384; as of September 30, 2000: 19,486,740; as of March 31, 2000: 19,493,500 (Number shares outstanding as of September 30, 2001, excludes treasury stock.)
2. Treasury stock at end of term: As of September 30, 2001: 116; as of September 30, 2000: 271; as of March 31, 2000: 216

2. Earnings Outlook (For the Year Ending March 31, 2002)

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income	Dividends per Share	
				Year-End	
FY2002	¥66,700	¥9,000	4,900	12.50	25.00

Reference: Projected net income per share for the year ending March 31, 2002: ¥251.37

3. Nonconsolidated Financial Statements and Notes

Nonconsolidated Balance Sheets

As of September 30, 2001 and 2000, and March 31, 2001

(Millions of Yen/%)

ASSETS	FY2002 Interim		FY2001 Interim		FY2001	
		Percentage of Total		Percentage of Total		Percentage of Total
Current assets :						
Cash and cash equivalents	¥11,058		¥ 9,744		¥10,371	
Notes and accounts receivable	6,823		5,158		6,195	
Marketable securities	11,728		14,010		11,723	
Treasury stock	—		2		2	
Inventories	2,986		3,148		4,113	
Deferred tax assets	322		327		256	
Short-term loans to affiliates	628		219		404	
Others	940		325		399	
Allowance for doubtful receivables	(51)		(41)		(47)	
Total current assets	34,435	53.3	32,897	53.6	33,418	52.5
Fixed assets :						
Tangible fixed assets:						
Buildings and structures	7,920		8,352		8,161	
Machinery and equipment	1,738		1,702		1,745	
Land	7,920		7,896		7,896	
Buildings under construction	44		32		1,191	
Others	1,062		1,330		1,153	
	18,686	28.9	19,315	31.5	20,148	31.6
Intangible fixed assets :						
Software	1,255		1,625		1,458	
Others	112		64		83	
	1,367	2.1	1,689	2.8	1,541	2.4
Investments and other assets :						
Investments in securities	316		317		345	
Investment in stocks of affiliates	2,013		1,770		1,800	
Long-term loans to affiliates	2,657		717		1,627	
Guaranty money	2,268		2,071		2,274	
Deferred tax assets	530		379		386	
Others	2,392		2,175		2,170	
Allowance for doubtful receivables	(17)		(3)		(18)	
	10,161	15.7	7,427	12.1	8,586	13.5
Total fixed assets	30,215	46.7	28,433	46.4	30,276	47.5
Total assets	¥64,651	100.0	¥61,330	100.0	¥63,695	100.0

Note: Figures below ¥1 million have been truncated.

(Millions of Yen/%)

	FY2002 Interim		FY2001 Interim		FY2001	
LIABILITIES AND SHAREHOLDERS' EQUITY		Percentage of Total		Percentage of Total		Percentage of Total
Current liabilities:						
Notes and accounts payable	¥1,776		¥ 1,436		¥1,662	
Current portion of long-term debt	811		830		823	
Bonds with warrants exercisable within one year	—		19		—	
Accrued expenses	2,547		2,979		3,056	
Accrued income taxes	1,824		1,540		1,958	
Allowance for bonuses	607		633		619	
Others	642		824		668	
Total current liabilities	8,209	12.7	8,262	13.5	8,789	13.8
Long-term liabilities:						
Long-term debt	690		1,501		1,092	
Allowance for retirement bonuses	584		536		570	
Allowance for directors' retirement bonuses	327		345		365	
Long-term accrued expenses	214		458		331	
Others	57		—		57	
	1,872	2.9	2,842	4.6	2,417	3.8
Total liabilities	10,082	15.6	11,105	18.1	11,206	17.6
Shareholders' equity:						
Common stock	10,795	16.7	10,791	17.6	10,795	16.9
Capital reserve	11,706	18.1	11,702	19.1	11,706	18.4
Earned surplus	267	0.4	218	0.4	243	0.4
Other reserves:						
Voluntary reserves	29,100		25,100		25,100	
Interim retained earnings	2,712		2,395		4,638	
	31,812	49.2	27,495	44.8	29,738	46.7
Other adjustments for valuation of marketable securities	(11)	(0.0)	17	0.0	5	0.0
Treasury stock	(0)	(0.0)	—	—	—	—
Total shareholders' equity	54,569	84.4	50,224	81.9	52,488	82.4
Total liabilities and shareholders' equity	¥64,651	100.0	¥61,330	100.0	¥63,695	100.0

Note: Figures below ¥1 million have been truncated.

Nonconsolidated Statements of Income

For the six months ended September 30, 2001 and 2000, and the year ended March 31, 2001

(Millions of Yen/%)

	FY2002 Interim	Percentage of Total	FY2001 Interim	Percentage of Total	FY2001	Percentage of Total
Net sales	¥33,038	100.0	¥27,126	100.0	¥58,824	100.0
Cost of sales	10,694	32.4	7,609	28.1	17,014	28.9
Gross profit	22,344	67.6	19,517	71.9	41,809	71.1
Selling, general and administrative expenses	18,466	55.9	16,341	60.2	34,075	57.9
Operating income	3,877	11.7	3,176	11.7	7,733	13.2
Nonoperating income:						
Interest and dividends received	155		144		188	
Other nonoperating income	427		593		851	
	583	1.8	737	2.7	1,040	1.8
Nonoperating expenses:						
Interest and dividends paid	14		22		40	
Other nonoperating expenses	172		231		518	
	187	0.6	253	0.9	559	1.0
Ordinary income	4,273	12.9	3,660	13.5	8,214	14.0
Extraordinary income:						
Income on sales of fixed assets	—		0		—	
Income on amortization of transitional obligation for retirement benefits	—		61		61	
	—	0.0	61	0.2	61	0.1
Extraordinary expenses:						
Valuation loss on stock of affiliates	258		—		—	
Loss on doubtful receivables	53		—		—	
Loss on sales of fixed assets	25		28		125	
Valuation loss on investment securities	—		13		0	
Valuation loss on golf club memberships	—		31		55	
Special service bonuses for directors	0		3		1	
	338	1.0	76	0.3	183	0.3
Income before income taxes	3,935	11.9	3,644	13.4	8,092	13.8
Income taxes	1,790	5.4	1,616	5.9	3,479	5.9
Adjustment for income taxes	(197)	(0.6)	17	0.1	89	0.2
Net income	¥ 2,341	7.1	¥ 2,011	7.4	¥ 4,523	7.7
Retained earnings brought forward	370		383		383	
Interim dividends	—		—		243	
Reversal of earned surplus accompanying interim dividends	—		—		24	
Unappropriated retained earnings	¥ 2,712		¥ 2,395		¥ 4,638	

Note: Figures below ¥1 million have been truncated.

Significant Accounting Policies

1. Basis and method for valuation for significant assets

(1) Basis and method of valuation of inventories

Finished goods, work in process, raw materials:

At cost by the average method

Merchandise:

At cost by the monthly average method

Supplies:

At cost by the last purchase price method

(2) Basis and method of valuation of securities

Other marketable securities:

Stocks with market value: At lower of cost or market by the moving average method, based on the market closing price on the last day of the period (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method.)

Stocks with no market value: At cost by the average method

(3) Derivatives

Market value method

2. Depreciation of fixed assets

Property and equipment:

Declining balance method based on estimated useful life, with the exception of buildings (excluding attached structures) acquired on or after April 1, 1998, which are depreciated by the straight-line method.

The estimated useful lives for such assets are as follows:

Buildings and structures: Three–50 years

Machinery and transport equipment: Two–22 years

Furniture, tools and fixtures: Two–20 years

Intangible fixed assets:

Straight-line method, with the exception of software intended for internal use, which is amortized by the straight-line method over its estimated useful life (five years)

Long-term prepaid expenses:

Straight-line method

3. Allowances

Allowance for doubtful accounts:

The Company makes provisions against estimated uncollectible receivables sufficient to cover possible losses on the collection of receivables based on a review of the potential for recovery of individual receivables.

Allowance for bonuses:

To prepare for future bonus payments to employees, the Company makes provisions in the amount accrued based on the estimated payment.

Allowance for retirement bonuses:

To prepare for future retirement bonus payments to employees, the Company makes provisions in the amount accrued based on the estimated total retirement bonus payables and pension assets at the end of the current fiscal year.

Allowance for directors' retirement bonuses:

To prepare for future retirement bonus payments to directors, the Company makes provisions based on internal regulations.

4. Foreign currency-denominated assets and liabilities

Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date and differences are accounted for as income or losses. Foreign currency-denominated assets and liabilities hedged by forward exchange contracts are translated at the contracted rate of exchange.

5. Leases

Finance leases other than those which transfer the right of ownership to the lessee are accounted for in the same manner as ordinary operating lease transactions.

6. Hedge accounting

Hedge accounting policy:

Derivative instruments are accounted for using deferral hedge accounting. Forward exchange contracts meeting the appropriate criteria are accounted for using the allocation method.

Hedging instruments/targets:

Forward exchange contracts/payables or forecast transactions denominated in foreign currencies.

Policy regarding use of hedging:

The Company enters into forward exchange and interest rate swap contracts in the normal course of its business to manage currency and interest rate exposure.

Method of assessing hedge effectiveness:

As a rule, the Company uses individual forward exchange contracts and thus does not assess hedge effectiveness.

Other risk management information relevant to hedge accounting:

The Company has formulated standards to govern its use of derivatives. The use of derivatives in daily business is managed by the Accounting Department, which reports to the Board of Directors on the progress of transactions.

7. Consumption tax

All transactions are posted in amounts prior to deduction of consumption and other taxes.

(Addendum)

From the period under review, treasury stocks, which were previously included in current assets, are accounted for as a deduction from shareholders' equity.

Notes to Balance Sheets

(Millions of Yen)

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Accumulated depreciation of tangible fixed assets	¥6,967	¥5,749	¥6,304
Contingent liabilities	¥ 873	¥1,091	¥ 982

Notes to Statements of Income

(Millions of Yen)

	Six Months Ended September 30, 2001	Six Months Ended September 30, 2000	Year Ended March 31, 2001
Principal components of selling, general and administrative expenses			
Advertising	¥4,587	¥3,391	¥7,606
Sales promotions	2,461	2,492	5,075
Transport	1,512	1,305	2,745
Communications	1,076	1,198	2,482
Fees	2,347	1,824	4,054
Salaries	2,391	2,214	4,458
Depreciation	616	642	1,263
Research and development expenses included administrative and manufacturing expenses	671	588	1,265

Leases

Finance leases in which the right of ownership is not transferred to the lessee

1. Purchase cost, accumulated depreciation and balance at end of period

(Millions of Yen)

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Machinery and equipment:			
Purchase cost	¥1,100	¥555	¥778
Accumulated depreciation	282	161	213
Balance at end of period	817	394	564
Others:			
Purchase cost	1,014	993	1,057
Accumulated depreciation	479	403	483
Balance at end of period	534	589	573
Totals:			
Purchase cost	¥2,114	¥1,549	1,836
Accumulated depreciation	762	565	697
Balance at end of period	1,352	984	1,138

Note: The percentage of tangible fixed assets accounted for by outstanding lease payments as of September 30, 2000, and March 31, 2001, were negligible. Accordingly, these amounts are presented prior to the deduction of interest expenses.

2. Future lease payments

(Millions of Yen)

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Within one year	¥ 387	¥ 300	¥ 331
More than one year	898	684	807
	¥1,285	¥ 984	¥1,138

Note: The percentage of tangible fixed assets accounted for by outstanding lease payments as of September 30, 2000, and March 31, 2001, were negligible. Accordingly, these amounts are presented prior to the deduction of interest expenses.

3. Outstanding lease payments and depreciation and interest expenses

(Millions of Yen)

	As of September 30, 2001	As of September 30, 2000	As of March 31, 2001
Outstanding lease payments	¥274	¥131	¥305
Depreciation expense	208	131	305
Interest expense	¥ 15	¥—	¥—

4. Method of calculating depreciation and interest expenses

Depreciation expense is calculated by the straight-line method over the lease term of the lease asset assuming no residual value. Interest expense is calculated by the interest method, whereby the difference between total lease payment and purchase cost is distributed in equal installments over the term of the lease.

Marketable Securities

During the six months ended September 30, 2001, and the six months ended September 30, 2000, the Company had no stocks in subsidiaries or affiliates with market value.

