Summary of Consolidated Financial Statements for the Fiscal Year Ended March 31, 2002

May 2, 2002

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

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Stock exchange listings: Tokyo
Code number: 4921
Head office: Kanagawa Prefecture
Board of Directors' meeting: May 2, 2002
Use of U.S. accounting standards: No

1. Results for Fiscal 2002 (April 1, 2001-March 31, 2002)

(1) Sales and Income

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Fiscal 2002	84,657	29.4	11,118	28.8	11,002	24.3
Fiscal 2001	65,418	3.9	8,632	(25.2)	8,849	(23.2)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/total assets (%)	Ordinary income/net sales (%)
Fiscal 2002	5,995	23.2	307.55	—	9.7	14.2	13.0
Fiscal 2001	4,867	(27.6)	249.77	—	8.5	12.4	13.5

Notes:
1. Equity in earnings of affiliates: ¥ — million (Fiscal 2001: (¥10 million))
2. Average number of shares outstanding (consolidated): 19,493,070 shares (Fiscal 2001: 19,486,349 shares)
3. Changes in accounting methods: No
4. .Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2002	79,026	64,718	81.9	3,320.23
Fiscal 2001	75,481	59,482	78.8	3,051.42

Note: Number of shares outstanding at end of period (consolidated): 19,492,084 shares (Fiscal 2001: 19,493,284 shares)

(3) Cash Flows

	Net cash provided by operating activities (¥ million)	Net cash used in investing activities (¥ million)	Net cash used in financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2002	7,425	(5,416)	(2,456)	27,535
Fiscal 2001	6,083	(4,838)	(1,410)	27,947

(4) Scope of consolidation and application of the equity method
Consolidated subsidiaries: 4 companies
Nonconsolidated subsidiaries accounted for by the equity method: None
Affiliates accounted for by the equity method: None

(5) Changes in scope of consolidation and application of the equity method:
Consolidation: (New) 1 company (Eliminated) None
Equity method: (New) None (Eliminated) None

2. Projected Results for Fiscal 2003 (April 1, 2002-March 31, 2003)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Fiscal 2003 Interim	45,000	4,800	2,500
Fiscal 2003	93,000	11,600	6,300

Reference: Estimated earnings per share (fiscal 2003): ¥269.32

(Calculated based on an estimated 23,392,200 shares outstanding at the end of the period following a 1.2-for-1 stock split with a base date of March 31, 2002.)

Note: The above projections were made based on information available to the Company at the time of publication of these materials. Actual results may differ depending on a number of factors including but not limited to economic conditions. Please see page 7 of the attached materials for more information on the projections.

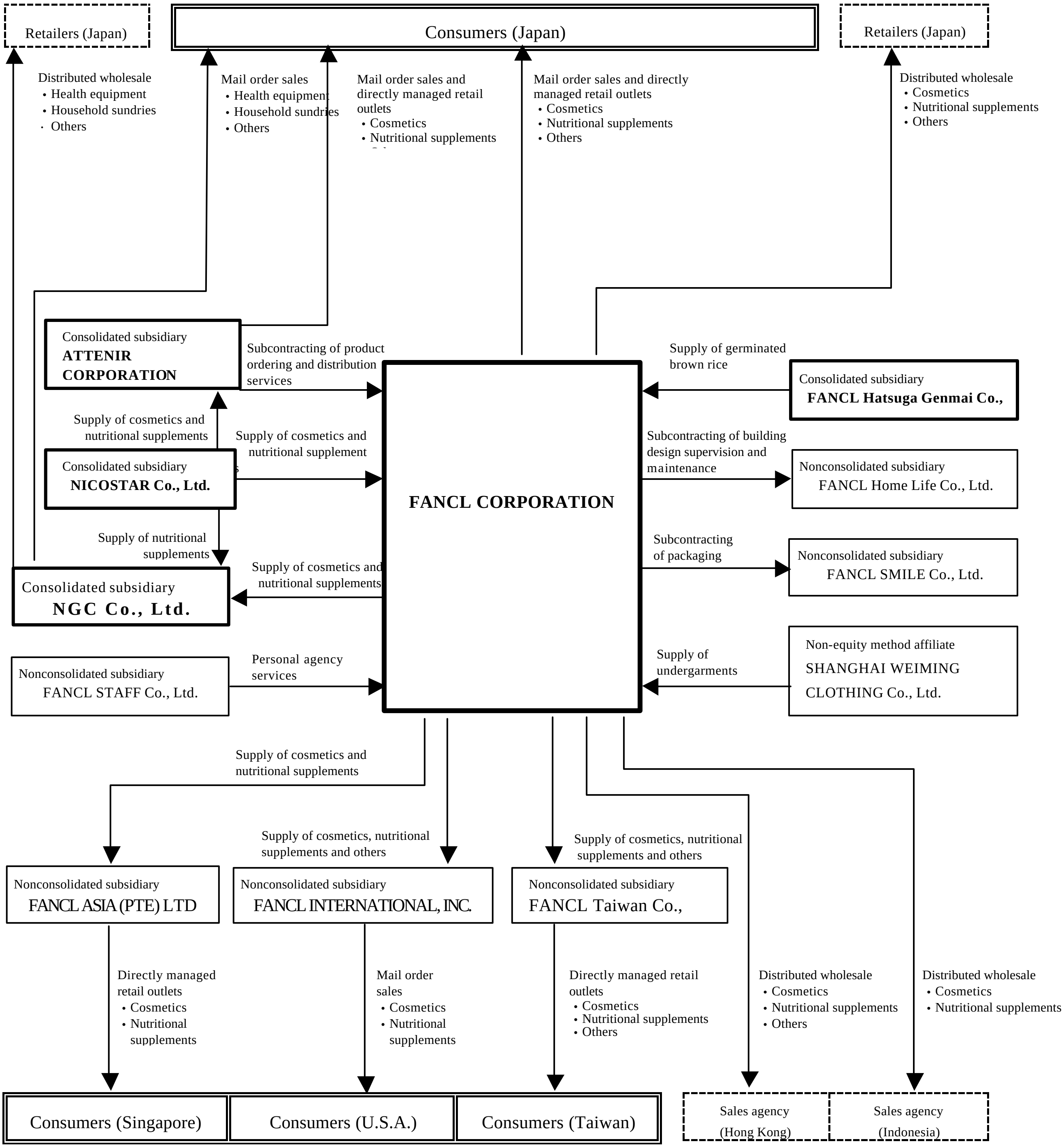
1. FANCL Group

The FANCL Group comprises FANCL CORPORATION, 10 subsidiaries and two affiliates, and is primarily engaged in the manufacture and sales of cosmetics and nutritional supplements. Sales activities are principally conducted through mail order, directly managed retail outlets, and wholesale distribution. The Group's operations and the business segments in which they operate are as follows:

Cosmetics Business:	The manufacture and sales of preservative-free FANCL Cosmetics are conducted by FANCL, which also wholesales certain of these products. ATTENIR Cosmetics are manufactured by subsidiary NICOSTAR Co., Ltd. and sold by subsidiary ATTENIR CORPORATION.
Nutritional Supplements Business:	Nutritional supplements are manufactured by NICOSTAR and sold by FANCL and ATTENIR. Certain products are also distributed wholesale. Nutritional supplement manufacturing operations were transferred to NICOSTAR, from FANCL, on July 1, 2001.
Other Businesses:	NGC Co., Ltd. is engaged in mail-order sales of health equipment and household sundries. *Kaiteki Hadagi* (comfort undergarments) products are manufactured primarily by SHANGHAI WEIMING CLOTHING Co., Ltd. (an affiliate not accounted for by the equity method) and sold by FANCL and ATTENIR. Certain products in this line are sourced from manufacturers outside the FANCL Group. Sales of undergarments by ATTENIR were discontinued in September 2001. General merchandise and accessories for women are sourced from external manufacturers and sold by FANCL and ATTENIR. *Hatsuga Genmai* (germinated brown rice) is manufactured by FANCL Hatsuga Genmai Co., Ltd. and sold by FANCL, which also wholesales this product. Kale juice is sourced from external manufacturers and sold by FANCL. The publishing business is handled by FANCL.

FANCL markets certain products in the United States, Singapore and Taiwan through nonconsolidated subsidiaries FANCL INTERNATIONAL, INC., FANCL ASIA (PTE) LTD. and FANCL TAIWAN Co., Ltd. (established in June 2001), respectively. In Japan, nonconsolidated subsidiary FANCL STAFF Co., Ltd. is a personnel agency and introduction business serving Group companies. Nonconsolidated subsidiary FANCL SMILE Co., Ltd. established as a special corporation in line with legislation in Japan aimed at promoting employment opportunities for disabled persons, packages FANCL products. Nonconsolidated subsidiary FANCL Home Life Co., Ltd. primarily carries out design supervision and maintenance of buildings for the FANCL group of companies. Nonconsolidated subsidiary Mainichi Ga Hakken.com Co., Ltd., which was dissolved on September 28, 2001, and was in the process of being liquidated, completed liquidation on January 10, 2002. Green Hill Co., Ltd., an affiliate not accounted for by the equity method, was established in April 2002 through the joint investment of three parties, including FANCL, for the purpose of producing kale juice.

FANCL Group Operating Structure



Affiliates

Company	Location	Paid-In Capital (Millions of Yen)	Principal Businesses	Percentage of Voting/ Nonvoting Stock Held		Relationship with FANCL	Relevant Notes
				Voting	Nonvoting		
ATTENIR CORPORATION	Sakae-ku, Yokohama, Japan	¥150	Cosmetics and nutritional supplements business	100.0	—	Subcontracts product ordering and distribution services Seconded directors: 2	—
NICOSTAR Co., Ltd.	Sakae-ku, Yokohama, Japan	¥100	Cosmetics and nutritional supplements business	100.0	—	Manufactures certain cosmetics and all nutritional supplements Seconded directors: 2	2
NGC Co., Ltd.	Shibuya-ku, Tokyo, Japan	¥160	Other businesses	81.2	—	Sells certain cosmetics and nutritional supplements Seconded directors: 1	4
FANCL Hatsuga Genmai Co., Ltd.	Ueda, Nagano, Japan	¥ 95	Other businesses	77.6	—	Manufactures germinated brown rice Seconded directors: 1	5

Notes:

1. FANCL segment names are used to describe the principal businesses of affiliates.
2. NICOSTAR Co., Ltd. is a specified subsidiary.
3. None of FANCL's affiliates prepares *yuka shoken todokesho* (securities registration statements) or *yuka shoken hokokusho* (reports of registered securities).
4. NGC Co., Ltd. accounts for more than 10% of FANCL's consolidated net sales, excluding intersegment transactions. The company's principal results of operations in fiscal 2002 were as follows:

(Millions of Yen)

Principal Operating Results of NGC Co., Ltd.				
Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
¥11,567	¥702	¥405	¥(1,103)	¥2,547

5. FANCL Hatsuga Genmai Co., Ltd. was newly consolidated in fiscal 2002.
6. None of FANCL's affiliates currently carries excessive debt.

2. Management Policy

(1) Basic Management Policy

FANCL's basic management policy is to cultivate a core competence centered on an ability to resolve negative issues. Consumers often have negative feelings—such as dissatisfaction and uneasiness or concern—about the products they use. FANCL's ongoing goal as a company is to maximize sensitivity and creativity to transcend accepted norms, thereby continuing to create new markets and offer new value. Our mainstay businesses at present are cosmetics and nutritional supplements. Our aim is to expand into new areas that will enhance our ability to resolve negative issues. At the same time, we will continue taking decisive measures that will enable us to maintain an ordinary income margin of 15%. These efforts also reflect our recognition that no business lasts forever, and that to increase corporate value and ensure stable, long-term returns to shareholders we must constantly work to identify new market needs and seek ways to resolve related negative issues.

(2) Policy Regarding the Allocation of Earnings

FANCL recognizes ensuring shareholders a fair return on their investment as a key management responsibility. Accordingly, our dividend policy is to maintain stable retums in the form of dividends and stock splits, while at the same time ensuring payouts are in keeping with our fiscal results, provisions to support future business development and business prospects. Retained earnings will be applied to capital investment, research and development and investment in new businesses, with the aim of reinforcing and broadening our operating foundation. We intend to pay dividends of ¥25.00 per share—comprising interim and year-end dividends of ¥12.50—for the fiscal year ending March 31, 2002.

(3) Philosophy and Policy Regarding Lowering the Trading Unit

FANCL implemented a stock split at the ratio of 1:1.2 to shareholders listed in the register of shareholders at the close of March 31, 2002. We will also move toward lowering the stock trading unit in order to expand our shareholder base and increase the liquidity of our stock.

(4) Principal Medium-Term Tasks and Business Strategies

The principal tasks facing the FANCL Group are to reinforce the performance of its cosmetics business; strengthen the foundation of its market-leading nutritional supplements business and bring the *Hatsuga Genmai* (germinated brown rice) and kale juice businesses to profitability as quickly as possible.

Strategies for the cosmetics business will include supplementing our cosmetics that enhance beauty from the outside by establishing and developing a philosophy of "inner and outer beauty," and carrying out marketing that fully exercises our research and development capabilities in this area.

In the nutritional supplements business, we were the first company in the world to succeed in product development using a plant-derived hard capsule. As evidence of our research and development capabilities, we will utilize this plant-derived capsule in all of our capsule products to clearly differentiate FANCL from competitors.

In the *Hatsuga Genmai* (germinated brown rice) business, we are steadily changing our sales method from wholesale distribution to direct sales and OEM supply. In the future, we will work to expand the customer base by strengthening marketing to food manufacturers and the restaurant industry, as well as developing products that use germinated brown rice.

In the kale juice businesses, policies will be implemented to thoroughly strengthen sales in order to achieve profitability.

In overseas markets, we will focus on expanding our business in Asia. We will move marketing coordination functions to our subsidiary in Singapore, and bolster training of marketing staff as well as advertising.

FANCL Square, slated to open in Ginza, Tokyo, in spring 2003, will operate as a place where consumers can access all of FANCL's products, and will serve to polish our brand image.

In addition, FANCL strives to be an environment-friendly company, and will work to obtain ISO 14001 certification for its environmental management system.

(5) Management System Reform Measures (Enhancing Corporate Governance)

To accelerate decision-making and effectively delegate authority in the FANCL group of companies, we have implemented a corporate executive officer system. The number of corporate executive officers will be increased from four at present to seven. All three auditors will be outside auditors to ensure the effectiveness of corporate governance.

In organizational matters, we implemented organizational reforms in April 2002 to strengthen our management base. The entire company was reorganized into five divisions: the President's Supervisory Division, Business Headquarters #1, #2, Customer Relations Headquarters and Administrative Headquarters. Authority will be delegated to each of these divisions to create a flat organization.

To widen our management options, FANCL will acquire treasury stock during this fiscal year. We will also introduce stock options to increase the motivation of employees.

3. Operating Results and Financial Position

(1) Operating Results

Economic conditions were difficult in Japan during the year ended March 31, 2002, due to a deflationary trend and stock market downturn, coupled with the global information technology slump, the terrorist attacks on the United States, and the occurrence of Bovine Spongiform Encephalopathy.

The cosmetics industry in Japan posted negative growth for the fourth consecutive year, and product prices continued to fall. In the nutritional supplements industry, although competition intensified further with the entry of major food and pharmaceutical manufacturers, growing public interest in good health supported the continued expansion of the market.

Cosmetics

In the Cosmetics Business, sales increased 3.0% compared with the previous fiscal year, to ¥36,748 million.

By sales channel, mail-order sales accounted for ¥23,065 million of the total, slipping 1.6% from the prior fiscal year. FANCL Cosmetics are developed products from the standpoint of inner and outer beauty, and in March 2002 the Company launched a new skin care cosmetic series, FENATTY. It also increased publication of its information magazine from 8 to 12 times annually, and carried out various sales measures, such as seasonal giveaway promotions. Despite these measures, however, sales declined from the prior fiscal year. On the other hand, ATTENIR Cosmetics revised the structure and content of its information magazine and conducted effective advertising activities, which resulted in a steady increase in customers. The renewal of makeup products in February 2002 also attracted customers, and although sales surpassed the level of the prior fiscal year, the increase was not enough to compensate for the decline in sales of FANCL Cosmetics.

Sales at retail stores increased 3.1% to ¥11,336 million. Although sales at existing stores declined, overall revenues increased due to the contribution of sales from stores that opened in the prior fiscal year. As a measure to revitalize sales at existing stores, we implemented renovations of 17 stores during fiscal 2002. As of March 31, 2002, our cosmetics retail network consisted of 114 FANCL House stores, including two franchises, and five ATTENIR stores. One FANCL House store was opened and eight stores closed during fiscal 2002. No ATTENIR stores were opened or closed during the period. Sales through other channels increased 91.1%, to ¥2,346 million, boosted by solid sales at Lawson convenience stores in Japan and sales in Hong Kong.

Owing to the impact of our “Point-up Service,” which offers customers 5% off the regular price of cosmetics products, the cost of sales ratio rose during the period. As a result, although we worked to lower communications and sales costs, operating income increased 1.0% to ¥8,406 million, and the operating margin decreased by 0.4 percentage point to 22.9%.

Nutritional Supplements

In the Nutritional Supplements Business, sales climbed 14.1% to ¥28,995 million.

By sales channel, mail-order sales increased 2.3% to ¥17,987 million. Sales in the first half were up over the prior fiscal year, but difficulty in securing new customers resulted in a year-on-year decline in sales in the second half.

Retail sales advanced 20.4% to ¥5,512 million, backed by higher sales at FANCL House stores and the contribution of sales at five Genki Station stores that were opened in the prior fiscal year. During fiscal 2002, one new Genki Station store was opened, for a total of eight at the end of the period. In other sales channels, sales increased 69.1% to ¥5,495 million, the result of higher average daily sales at Seven Eleven convenience stores and the start of sales at other outlets, such as major regional supermarkets.

By product segment, growth was posted in sales of highly original products such as diet supplements, including *Perfect Slim Drink*, launched in May 2001, as well as nutritional products such as multivitamins and multiminerals, and the Support Series, which consumers can select in accordance with their needs, such as vision support or memory support.

The increase in sales in other sales channels contributed to improvement in profitability. As a result, operating income climbed 27.0% to ¥5,960 million, and the operating margin rose 2.1 percentage points, to 20.6%.

Other Businesses

In the *Hatsuga Genmai* (germinated brown rice) Business, after a complete reformulation of the “wet type” in April 2001, we launched a substantially improved “dry type.” In addition, we implemented a television advertising campaign featuring former prime minister Morihiro Hosokawa, and strengthened wholesale distribution to national supermarket chains and other sales channels. However, because profitability remained low, in January 2002 we discontinued wholesale distribution and switched to OEM supply to the Japan Rice Millers and Distributors Cooperative and the Hokuren Federation of Agricultural Cooperatives. In mail-order sales, a trial set helped generate a steady increase in customers, which contributed to growth in sales. As a result, sales in the *Hatsuga Genmai* business jumped 205.4% to ¥3,339 million.

In the Kale Juice Business, in addition to wholesale distribution primarily to convenience stores, we began mail-order sales in June 2001. In September 2001, two new powdered varieties were launched. As a result, sales climbed 387.7% to ¥1,105 million.

In the “comfortable lifestyle business” category, an increase in mail-order customers, for comfort sundries led to a year-on-year gain in sales.

In publishing operations, a decrease in the number of people buying *Mainichi ga Hakken*, a magazine for middle-aged and senior readers, resulted in a decline in sales from the previous fiscal year.

The mail-order business of NGC Co., Ltd., newly included in this segment, benefited from brisk sales of gardening supplies and cooling and heating equipment and an increase in customers, leading to sales of ¥11,567 million.

Overall, sales in the Other Business segment advanced 335.7%, to ¥18,913 million. On an actual basis, excluding the results of newly consolidated subsidiaries NGC and FANCL Hatsuga Genmai, sales increased 69.3% to ¥7,349 million. As a consequence of paid-in-advance advertising expenses for germinated brown rice and kale juice, the segment posted an operating loss of ¥1,680 million. Excluding the results of NGC and FANCL Hatsuga Genmai, the segment would have recorded an operating loss of ¥2,447 million, about the same as in the prior fiscal year.

As a result of the above factors, total net sales for the period increased 29.4% to ¥84,657 million, operating income climbed 28.8% to ¥11,118 million, and the operating margin decreased 0.1 percentage point to 13.1%. On an actual basis, excluding the results of NGC and FANCL Hatsuga Genmai, net sales increased 11.7% to ¥73,094 million, operating income increased 22.9% to ¥10,609 million, and the operating margin improved 1.3 percentage points to 14.5%.

Net non-operating income declined ¥333 million year-on-year due to a decrease in insurance maturity repayments and a loss on disposals associated with product renewals. Consequently, ordinary income increased 24.3% to ¥11,002 million, and the ordinary income margin decreased 0.5 percentage point to 13.0 percent. On an actual basis, ordinary income increased 18.9 percent to ¥10,519 million, and the ordinary income margin improved 0.9 percentage point to 14.4%.

The Company posted losses on the liquidation of subsidiary Mainichi Ga Hakken.com and the write-off of credits to MYCAL Corporation. These and other factors resulted in a 23.2% gain in net income to ¥5,995 million, and a 0.3 percentage point decrease in the net margin to 7.1%. On an actual basis, net income increased 19.7% to ¥5,825 million, and the net margin increased 0.6 percentage point to 8.0%.

(2) Cash Flows

Despite an increase in cash provided by operating activities, an increase in cash used in investing activities and an increase in cash used in financing activities led to a ¥412 million decrease in cash and cash equivalents at end of the period, to ¥27,535 million.

Net cash provided by operating activities amounted to ¥7,425 million, ¥1,341 million more than in the prior fiscal year, mainly because of a ¥1,826 million increase in income before income taxes. Net cash used in investing activities totaled ¥5,416 million, an increase of ¥577 million from the prior fiscal year. This was the result of ¥4,261 million in payment for purchase of tangible assets mainly related to the No. 2 Nagano germinated brown rice factory, and ¥2,390 million in expenditures the securitization of real estate, which offset ¥1,167 million in income from the leaseback of machinery and equipment for the production of *Hatsuga Genmai* at the Kagawa factory. Net cash used in financing activities was ¥2,456 million, ¥1,046 million more than in the previous fiscal year, a consequence of the repayment of short-term loans totaling ¥1,170 million.

(3) Outlook

FANCL Cosmetics will focus on bolstering the appeal of its “preservative-free cosmetics” through development of products aimed at adapting to skin age and solving skin problems, and implementing its philosophy of “inner and outer beauty” from research to sales. ATTENIR Cosmetics will implement a renewal of its skin care cosmetics. Although little growth is expected in mail-order sales and retail sales, growth in wholesale distribution is expected to lead to an overall increase in net sales of the Cosmetics Business segment.

In the Nutritional Supplements Business segment, sales are expected to increase as we clearly differentiate FANCL through measures such as introducing the world’s first plant-derived capsule in the field of nutritional supplements, and launch a variety of new and improved products.

In the *Hatsuga Genmai* (germinated brown rice) Business, we will introduce new processed food products, strengthen measures in mail-order sales, and expect to increase production capacity with the startup of the Nagano factory. In addition, we will expand mail-order sales and begin door-to-door sales in the kale juice business. We expect each of these efforts to contribute to growth in sales.

As a result, we forecast consolidated net sales for the fiscal year ending March 31, 2003, to increase 9.9% year-on-year to ¥93,000 million. We project ordinary income of ¥11,600 million, a 5.4% increase, net income of ¥6,300 million, a 5.1% increase, and an ordinary income ratio of 12.5%. We intend to pay dividends of ¥25.00 per share, comprising interim and year-end dividends of ¥12.50 each, to shareholders of FANCL CORPORATION.

(4) Appropration of Procured Funds

On December 7, 1999, FANCL offered shares for public subscription at market price, raising funds of ¥15,460 million. The fund investment plan and actual fund appropriation were as follows.

1. Investment Plan at Time of Issuance
   Of the ¥15,460 million raised, ¥7,916 million was earmarked for investment in plant and equipment, ¥3,055 million for repayment of debt, ¥3,100 million for investments in and loans to subsidiaries, and ¥1,389 for working capital.
2. Actual Fund Appropriation
   Of the ¥15,460 million raised, ¥12,345 million (¥5,893 million for investment in plant and equipment, ¥1,963 million for repayment of debt, ¥3,100 million for investments in and loans to subsidiaries, and ¥1,389 million for working capital) was appropriated largely according to the original plan. In addition, ¥1,620 million was appropriated to cover part of our ¥2,000 million investment in the business of a special-purpose company established to purchase an office building using a real estate trust.
   The remaining ¥1,495 million was appropriated for part of the capital investment funds for FANCL Square, which is under construction in Ginza, Tokyo.

4. Consolidated Financial Statements and Notes

Balance Sheets

(Millions of yen)

ASSETS	As of March 31, 2002		As of March 31, 2001		Increase (decrease)
		Percentage of Total		Percentage of Total	
Current assets:					
Cash and cash equivalents	19,804		16,224		3,580
Notes and accounts receivable	8,298		7,936		362
Marketable securities	7,731		11,723		(3,992)
Inventories	5,483		4,758		725
Deferred tax assets	514		445		69
Others	1,906		1,031		875
Allowance for doubtful accounts	(176)		(419)		243
Total current assets	43,561	55.1%	41,701	55.2%	1,860
Fixed assets:					
Tangible fixed assets:					
Construction in progress	9,836		9,244		592
Equipment and vehicles	2,271		1,943		328
Tools and fixtures	984		962		22
Land	10,317		9,715		602
Construction in progress	643		1,191		(548)
Total tangible fixed assets	24,053	30.4	23,056	30.6	997
Intangible fixed assets:					
Software	1,235		1,512		(277)
Goodwill	1,036		1,424		(388)
Others	82		111		(29)
Total intangible fixed assets	2,354	3.0	3,048	4.0	(694)
Investments and other assets:					
Investment securities	1,183		1,398		(215)
Long-term loans	1,122		1,584		(462)
Guaranty money	2,349		2,397		(48)
Deferred tax assets	257		189		68
Others	4,427		2,136		2,291
Allowance for doubtful accounts	(284)		(31)		(253)
Total investments and other assets	9,055	11.5	7,674	10.2	1,381
Total fixed assets	35,464	44.9	33,780	44.8	1,684
Total assets	79,026	100.0%	75,481	100.0%	3,545

Note: Figures below ¥1 million have been truncated.

(Millions of yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	As of March 31, 2002		As of March 31, 2001		Increase (decrease)
		Percentage of Total		Percentage of Total	
Current liabilities:					
Notes and accounts payable	3,638		3,859		(221)
Short-term loans	—		1,170		(1,170)
Current portion of long-term debt	742		823		(81)
Accrued liabilities	3,737		3,591		146
Accrued expenses	284		261		23
Accrued income taxes	2,850		2,304		546
Allowance for bonuses	766		773		(7)
Others	459		460		(1)
Total current liabilities	12,479	15.8%	13,244	17.6%	(765)
Long-term liabilities:					
Long-term debt	350		1,092		(742)
Deferred tax liabilities	—		78		(78)
Allowance for retirement bonuses	1,004		884		120
Allowance for directors' retirement bonuses	346		365		(19)
Others	126		332		(206)
Total long-term liabilities	1,828	2.3	2,754	3.6	(926)
Total liabilities	14,308	18.1	15,999	21.2	(1,691)
Shareholders' equity					
Common stock	10,795	13.7	10,795	14.3	—
Additional paid-in capital	11,706	14.8	11,706	15.5	—
Consolidated retained earnings	42,245	53.5	36,977	49.0	5,268
Net unrealized holding gain on other securities	(18)	(0.0)	5	0.0	(23)
	64,727	81.9	59,484	78.8	5,243
Treasury stock	(9)	(0.0)	(2)	(0.0)	(7)
Total shareholders' equity	64,718	81.9	59,482	78.8	5,236
Total liabilities and shareholders' equity	79,026	100.0%	75,481	100.0%	3,545

Note: Figures below ¥1 million have been truncated.

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2002		Year ended March 31, 2001		Increase (decrease)	
		Percentage of Total		Percentage of Total		Percentage of Total
Net sales	84,657	100.0%	65,418	100.0%	19,239	29.4%
Cost of sales	27,975	33.0	18,383	28.1	9,592	52.2
Gross profit	56,682	67.0	47,034	71.9	9,468	20.5
Selling, general and administrative expenses	45,563	53.8	38,402	58.7	7,161	18.6
Operating income	11,118	13.1	8,632	13.2	2,486	28.8
Non-operating income:	636	0.8	819	1.3	(183)	(22.3)
Interest and dividend income	46		74		(28)	
Other non-operating income	590		744		(154)	
Non-operating expenses:	753	0.9	601	1.0	152	25.3
Interest expense	37		40		(3)	
Equity in losses of affiliated companies	—		10		(10)	
Other non-operating expenses	715		550		165	
Ordinary income	11,002	13.0	8,849	13.5	2,153	24.3
Extraordinary income:	0	0.0	67	0.1	(67)	(100.0)
Gain on sale of fixed assets	—		0		0	
Reserve for allowance for doubtful receivables	—		0		(0)	
Gain on sale of investment securities	0		—		0	
Income on amortization of transitional obligation for retirement benefits	—		66		(66)	
Extraordinary expenses:	458	0.5	198	0.3	260	131.3
Loss on sale of fixed assets	143		125		18	
Valuation loss on investment securities	—		0		(0)	
Valuation loss on golf club memberships	1		70		(69)	
Special service bonuses for directors	0		1		(0)	
Loss on liquidation of affiliated company	258		—		258	
Loss on doubtful receivables	53		—		53	
Income before income taxes	10,544	12.5	8,718	13.3	1,826	20.9
Income taxes	4,745	5.6	3,750	5.7	995	
Adjustment for income taxes	(195)	(0.2)	100	0.2	(295)	
Net income	5,995	7.1%	4,867	7.4%	1,128	23.2%

Note: Figures below ¥1 million have been truncated.

Consolidated Statements of Retained Earnings

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Balance at beginning of the year	36,977	32,653
Decrease in retained earnings		
Decrease in retained earnings due to increase in consolidated subsidiaries	3	—
Decrease in retained earnings due to change in equity in earnings resulting from third-party offering by consolidated subsidiary	237	—
Dividends	487	543
	727	543
Net income	5,995	4,867
Balance at the end of the year	42,245	36,977

Note: Figures below ¥1 million have been truncated.

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Cash flows from operating activities:		
Income before income taxes	10,544	8,718
Depreciation and amortization	2,245	2,379
Equity in losses of nonconsolidated subsidiaries	—	10
Amortization in excess of investment cost over equity in net assets of consolidated subsidiaries	259	—
Increase in allowance for bonuses	(18)	59
Increase in allowance for doubtful accounts	1	25
Decrease in allowance for retirement bonuses	—	(652)
Increase in allowance for retirement benefits	119	653
Interest and dividend income	(46)	(74)
Interest expenses	37	40
Exchange loss	(12)	(3)
Loss on sale of treasury stock	(1)	11
Loss on liquidation of affiliate	258	—
Valuation loss on investment securities	0	0
Valuation loss on golf club memberships	1	70
Net refund of insurance premiums	(126)	(350)
Loss on disposal of tangible fixed assets	145	125
Gain on disposal of tangible fixed assets	—	(0)
Increase in trade receivables	(359)	(1,401)
Increase in inventories	(692)	(698)
Increase in other current assets	(1,306)	(147)
Increase (decrease) in other fixed assets	8	(0)
Increase (decrease) in trade payables	(28)	538
Increase in other current liabilities	537	70
Increase (decrease) in other fixed liabilities	(225)	29
Others	(0)	—
Subtotal	11,343	9,405
Interest and dividends received	39	76
Interest paid	(37)	(39)
Refund on insurance premiums	247	621
Income taxes paid	(4,166)	(3,980)
Net cash provided by operating activities	7,425	6,083
Cash flows from investing activities:		
Payment for deposits	(500)	—
Payment for purchase of tangible fixed assets	(3,561)	(2,385)
Proceeds from sales of tangible fixed assets	1,390	11
Payment for purchase of intangible fixed assets	(699)	(643)
Proceeds from sale of intangible fixed assets	—	0
Payment for purchases of investment securities	(0)	(161)
Proceeds from sales of investment securities	0	0
Payments for purchase of investments in affiliates	(381)	(652)
Proceeds from purchase of investments in subsidiaries related to change in scope of consolidation	—	1,137
Proceeds from liquidation of affiliated company	221	—
Payment for loans	—	(1,611)
Proceeds from collection of loans	61	123
Payment for purchase of other investments	(2,390)	(955)
Proceeds from sales of other investments	442	313
Other	—	(14)
Net cash used in investing activities	(5,416)	(4,838)

(Continued on following page)

Cash flows from financing activities:		
Repayment of short-term loans	(1,170)	—
Payment for redemption of bonds	—	(19)
Repayment of long-term debt	(823)	(845)
Proceeds from issuance of common stock	—	7
Minority interests	30	—
Payment for purchase of treasury stock	(23)	(138)
Proceeds from sales of treasury stock	17	126
Cash dividends paid	(487)	(541)
Net cash used in financing activities	(2,456)	(1,410)
Effect of exchange rate changes on cash and cash equivalents	9	3
Net increase in cash and cash equivalents	(437)	(161)
Cash and cash equivalents at beginning of year	27,947	28,109
Reconciliation of cash and cash equivalents related to change in scope of consolidation	25	—
Cash and cash equivalents at end of year	27,535	27,947

Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

Names of significant consolidated subsidiaries are listed in "FANCL Group."

Number of consolidated subsidiaries: 4

(New) One company became a consolidated subsidiary in the fiscal year ended March 31, 2002:
FANCL Hatsuga Genmai Co., Ltd.

Number of nonconsolidated subsidiaries: 6

(New) One subsidiary was newly established in the fiscal year ended March 31, 2002:
FANCL TAIWAN Co., Ltd.

Nonconsolidated subsidiaries are small in scale, and are not included in consolidation because their total assets, net sales, net income and retained earnings would not have a material effect on the consolidated financial statements. Mainichi Ga Hakken.com Co., Ltd., which had been a nonconsolidated subsidiary, completed liquidation on January 10, 2002.

2. Application of the Equity Method

The Company's six nonconsolidated subsidiaries and two affiliated companies did not significantly influence the net loss or retained earnings of the Company and are thus accounted for using the cost method, rather than the equity method.

3. Fiscal Year-End of Consolidated Subsidiaries

All of the Company's consolidated subsidiaries have the same fiscal year-end as the Company.

4. Accounting Standards

(1) Basis and method for valuation of major assets

(a) 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

(b) Derivatives: Market value method

(c) 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) 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:	3–50 years
Machinery and transport equipment:	2–22 years
Furniture, tools and fixtures:	2–20 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 the necessary provisions at the end of the fiscal year 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) Others

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

5. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are valued using the full mark-to-market method.

6. Amortization of Consolidation Adjustment Account

The consolidation adjustment account is amortized on a straight-line basis, generally over a five-year period.

7. Treatment of Profit Distribution Items, etc.

The Consolidated Statements of Retained Earnings are prepared on the basis of profit distributions of consolidated companies decided during the consolidated fiscal year.

8. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows consist primarily of cash on hand, cash deposits and short-term, highly liquid investments with original maturities of three months or less which are readily convertible into cash with insignificant risk of change in value.

Notes to Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
1. Accumulated depreciation of tangible fixed assets	9,574	7,810
2. Contingent liabilities	764	982

Notes to Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
1. Principal components of selling, general and administrative expenses		
Advertising	10,212	8,895
Sales promotions	8,160	5,810
Transport	3,781	3,170
Communications	2,800	2,892
Fees	5,110	4,309
Salaries	5,828	4,896
Depreciation	1,388	1,371
2. R&D expenses included in general and administrative and manufacturing expenses	1,524	1,294

Notes to Consolidated Statements of Cash Flows

Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Cash and deposits account	19,804	16,224
Securities account	7,731	11,723
Deposits with maturities of less than three months	27,535 —	27,947 —
Cash and cash equivalents	27,535	27,947

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 year

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Machinery and transport equipment:		
Purchase cost	2,598	976
Accumulated depreciation	598	288
Balance at end of year	1,999	687
Furniture, tools and fixtures:		
Purchase cost	1,110	1,207
Accumulated depreciation	604	569
Balance at end of year	506	637
Total:		
Purchase cost	3,708	2,183
Accumulated depreciation	1,202	858
Balance at end of year	2,506	1,325

Note: Previously, purchase cost was calculated before deducting portions attributable to interest expense, based on the standard of significance. Because the significance of this item has increased, the principle method is used beginning from the year ended March 31, 2002. If the previous method had been used, the figures would be as follows.

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Machinery, equipment and vehicles:		
Purchase cost	2,845	976
Accumulated depreciation	668	288
Balance at end of year	2,177	687
Furniture, tools and fixtures:		
Purchase cost	1,202	1,207
Accumulated depreciation	641	569
Balance at end of year	560	637
Total:		
Purchase cost	4,047	2,183
Accumulated depreciation	1,309	858
Balance at end of year	2,738	1,325

2. Future lease payments

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
Within one year	573	396
More than one year	1,899	928
	2,473	1,325

Note: Previously, the balance of future lease payments was calculated before deducting portions attributable to interest expense, based on the standard of significance. Because the significance of this item has increased, the principle method is used beginning from the fiscal year ended March 31, 2002. If the previous method had been used, the figures would be as follows.

	As of March 31, 2002	As of March 31, 2001
Within one year	664	396
More than one year	2,073	928
	2,738	1,325

3. Outstanding lease payments and depreciation

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
Outstanding lease payments	681	322
Depreciation expense	627	322
Interest expense	58	—

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.

Tax Effect Accounting

Breakdown of major factors giving rise to deferred tax assets and liabilities (Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Deferred tax assets		
Accrued enterprise tax	267	203
Accrued bonuses	208	128
Reserve for doubtful accounts	138	140
Unrealized loss on inventories	33	3
Unrecognized loss on disposal of inventories	21	—
Reserve for retirement benefits	312	273
Reserve for directors' retirement benefits	145	153
Depreciation	56	63
Loss on valuation of golf memberships	—	24
Other	45	0
Deferred tax assets – subtotal	1,230	991
Deferred tax liabilities		
Unrealized intercompany profit on land	232	232
Unrealized revaluation gain on land with respect to acquisition of NGC Co.,Ltd.	170	170
Prepaid pension expenses	56	29
Other	—	3
Deferred tax liabilities – subtotal	458	435
Net deferred tax assets	771	556

Retirement Benefits

1. Summary of Retirement Benefit System Employed

The retirement benefit system used by the Company and its consolidated subsidiaries is composed of the Public Welfare Pension System, a contributory pension plan and lump-sum severance payments.

However, one consolidated subsidiary uses a contributory pension plan and lump-sum severance payments.

2. Retirement Benefit Obligation (as of March 31, 2002)

Prepaid pension expenses ¥128 million

Reserve for retirement benefits ¥1,004 million

Note: Consolidated subsidiaries use a simplified method in calculating retirement benefit obligations.

3. Retirement Benefit Expenses (April 1, 2001 – March 31, 2002)

Retirement benefit expenses ¥354 million

4. Basis for calculation of retirement benefit obligation, etc.

1) Discount rate 1.75%

2) Expected rate of return 3.00%

3) Method of allocation of estimated pension cost Straight line method

4) Years over which actuarial valuation differences are allocated

5 years (expensed from the following period using the declining-balance method)

5) Years over which difference from accounting change is allocated

Treated as one-time charge in the consolidated accounting period in which it occurred

5. Segment Information

1. Business Segments

Fiscal 2002 (April 1, 2001-March 31, 2002) (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales & operating income:						
(1) Sales to external customers	36,748	28,995	18,913	84,657	—	84,657
(2) Intersegment sales or transfers	—	—	—	—	—	—
Total sales	36,748	28,995	18,913	84,657	—	84,657
Operating expenses	28,341	23,034	20,594	71,971	1,567	73,538
Operating income (loss)	8,406	5,960	(1,680)	12,686	(1,567)	11,118
2. Total assets, depreciation & capital expenditures:						
Total assets	21,228	12,048	10,229	43,506	35,519	79,026
Depreciation	1,292	631	239	2,164	81	2,245
Capital expenditures	1,056	634	1,897	3,589	—	3,589

Fiscal 2001 (April 1, 2000-March 31, 2001) (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales & operating income:						
(1) Sales to external customers	35,669	25,408	4,341	65,418	—	65,418
(2) Intersegment sales or transfers	—	—	—	—	—	—
Total sales	35,669	25,408	4,341	65,418	—	65,418
Operating expenses	27,349	20,713	6,873	54,936	1,849	56,786
Operating income (loss)	8,320	4,694	(2,532)	10,481	(1,849)	8,632
2. Total assets, depreciation & capital expenditures:						
Total assets	23,419	10,677	6,003	40,100	35,381	75,481
Depreciation	1,552	660	92	2,305	73	2,379
Capital expenditures	895	474	1,356	2,726	—	2,726

Notes:

1. Segmentation has been adopted for internal management purposes.
2. Segment operations are as follows:
   Cosmetics business: Mail-order and retail sales and wholesaling of a variety of cosmetics products
   Nutritional supplements business: Mail-order and retail sales and wholesaling of a variety of nutritional supplements
   Other businesses: Mail-order sales of personal sundries, accessories, undergarments, health equipment and household sundries, mail-order and retail sales of germinated brown rice and kale juice, publishing operations, etc.
3. Unallocatable operating expenses included in “Eliminations or Corporate” consist of operating expenses incurred by the Administration Department of the Company.
4. Corporate assets included in “Eliminations or Corporate” consist principally of cash and deposits, marketable securities, land, investment securities, insurance reserve, and other items of the parent company.

2. Geographic Area

The Company had no consolidated subsidiaries or branches based in countries other than Japan in fiscal 2002 and fiscal 2001. Accordingly, segment information by geographic area is not provided.

3. Overseas Sales

Sales in overseas markets accounted for less than 10% of consolidated net sales in fiscal 2002 and fiscal 2001. Accordingly, overseas sales information is not provided.

6. Production, Orders and Sales

1. Actual Production

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
Cosmetics	43,107	35,252
Nutritional supplements	29,921	25,936
Others	6,397	3,289
Total	79,426	64,478

Notes:
1. Amounts represent sales prices.
2. Amounts are prior to the deduction of national and regional consumption taxes.

2. Orders

Production is conducted based on sales forecasts. Accordingly, order information is not available.

3. Sales by Product Category

(Millions of yen)

	As of March 31, 2002		As of March 31, 2001	
		Percentage of Total		Percentage of Total
Cosmetics	36,748	43.4	35,669	54.6
Nutritional supplements	28,995	34.3	25,408	38.8
Others	18,913	22.3	4,341	6.6
Total	84,657	100.0	65,418	100.0

Notes:
1. Others includes sales of undergarments, germinated brown rice, kale juice, sundries and other products.
2. Amounts are prior to the deduction of national and regional consumption taxes.

7. Securities

1. Market Value of Other Marketable Securities

(Millions of yen)

	Year ended March 31, 2002			Year ended March 31, 2001		
	Acquisition Cost	Book Value	Unrealized Gain (Loss)	Acquisition Cost	Book Value	Unrealized Gain (Loss)
1. Stocks	124	91	(32)	124	132	7
2. Bonds						
National/Local Government	—	—	—	—	—	—
Corporate	50	50	0	50	51	1
Others	—	—	—	—	—	—
3. Others	—	—	—	—	—	—
Total	174	142	(32)	174	183	8

2. Securities for which Market Value is Not Calculated

	Year ended March 31, 2002	Year ended March 31, 2001
Other marketable securities:	Book Value	Book Value
Current assets:		
Money management funds (MMF)	4,725	8,719
Free financial funds (FFF)	3,006	3,003
Fixed assets:		
Unlisted stocks (excluding over-the-counter stocks)	222	222
Total	7,953	11,945

8. Derivatives

As of March 31, 2002
No pertinent derivative transactions were undertaken during the year ended March 31, 2002.
The Company did undertake forward exchange contracts during the period, but these are accounted for using hedge accounting and are therefore not indicated herein.

As of March 31, 2001
No pertinent derivative transactions were undertaken during the year ended March 31, 2001.
The Company did undertake forward exchange contracts during the period, but these are accounted for using hedge accounting and are therefore not indicated herein.