

## Summary of Nonconsolidated 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.

### FANCL CORPORATION

URL: <http://www.fancl.co.jp>

Contact: Katsuhiro Matsumoto

Director/General Manager,  
General Affairs Department

Phone: -81-45-226-1200

Stock exchange listings: Tokyo  
Code number: 4921  
Head office: Kanagawa Prefecture  
Board of Directors' meeting: May 2, 2002  
General Meeting of Shareholders: June 16, 2002  
Use of U.S. accounting standards: No  
Use of basic unit of stock: Yes (100 shares)  
Interim dividends: Paid

### 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	66,302	12.7	8,455	9.3	8,723	6.2
Fiscal 2001	58,824	4.7	7,733	(23.1)	8,214	(18.3)

	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	4,794	6.0	245.94	—	8.8	13.3	13.2
Fiscal 2001	4,523	(23.7)	232.11	—	9.0	13.3	14.0

Notes:

1. Average number of shares outstanding: 19,493,070 shares (Fiscal 2001: 19,486,851 shares)
2. Changes in accounting methods: No
3. Year-on year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

#### (2) Dividends

	Annual dividends per share (¥)			Total dividends (annual) (¥ million)	Payout ratio (%)	Dividend rate for shareholders' equity (%)
	Interim	Year-end				
Fiscal 2002	25.00	12.50	12.50	487	10.2	0.9
Fiscal 2001	25.00	12.50	12.50	487	10.8	0.9

#### (3) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2002	67,146	56,762	84.5	2,912.06
Fiscal 2001	63,695	52,488	82.4	2,692.63

Notes:

1. Number of shares outstanding at end of period: 19,492,084 shares (Fiscal 2001: 19,493,500 shares)  
Shares outstanding at the end of Fiscal 2002 are the number after deduction of treasury stock.
2. Number of shares of treasury stock at end of period: 1,416 shares (Fiscal 2001: 216 shares)

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

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Annual dividends per share (¥)		
				Interim	Year-end	
Fiscal 2003 Interim	36,000	4,100	2,400	12.50		
Fiscal 2003	74,000	9,700	5,600		12.50	25.00

Reference: Estimated earnings per share (fiscal 2003): ¥ 239.39

(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.

## 10. Nonconsolidated 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	
<b>Current assets</b>					
Cash and cash equivalents	13,574		10,371		3,203
Notes and accounts receivable	6,578		6,195		383
Marketable securities	7,731		11,723		(3,992)
Treasury stock			2		(2)
Inventories	3,183		4,113		(930)
Deferred tax assets	338		256		82
Short-term loans to affiliates	2,314		404		1,910
Others	479		399		80
Allowance for doubtful accounts	(50)		(47)		(3)
<b>Total current assets</b>	<b>34,150</b>	<b>50.9%</b>	<b>33,418</b>	<b>52.5%</b>	<b>732</b>
<b>Fixed assets</b>					
Tangible fixed assets:					
Buildings	7,684		8,161		(477)
Machinery and equipment	1,723		1,745		(22)
Land	7,920		7,896		24
Construction in progress	455		1,191		(736)
Others	1,122		1,153		(31)
<b>Total tangible fixed assets</b>	<b>18,907</b>	<b>28.2</b>	<b>20,148</b>	<b>31.6</b>	<b>(1,241)</b>
Intangible fixed assets:					
Software	1,180		1,458		(278)
Others	65		83		(18)
<b>Total intangible fixed assets</b>	<b>1,245</b>	<b>1.8</b>	<b>1,541</b>	<b>2.4</b>	<b>(296)</b>
Investments and other assets:					
Equity in affiliates	1,792		1,800		(8)
Long-term loans to affiliates	3,744		1,627		2,117
Guaranty money	2,182		2,274		(92)
Deferred tax assets	417		386		31
Investment securities	304		345		(41)
Others	4,423		2,170		2,253
Allowance for doubtful accounts	(20)		(18)		(2)
<b>Total investments and other assets</b>	<b>12,842</b>	<b>19.1</b>	<b>8,586</b>	<b>13.5</b>	<b>4,256</b>
<b>Total fixed assets</b>	<b>32,995</b>	<b>49.1</b>	<b>30,276</b>	<b>47.5</b>	<b>2,719</b>
<b>Total assets</b>	<b>67,146</b>	<b>100.0%</b>	<b>63,695</b>	<b>100.0%</b>	<b>3,451</b>

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	
<b>Current liabilities:</b>					
Notes and accounts payable	1,865		1,662		203
Current portion of long-term debt	742		823		(81)
Accrued liabilities	3,058		3,056		2
Accrued income taxes	1,950		1,958		(8)
Allowance for bonuses	621		619		2
Others	627		668		(41)
Total current liabilities	8,865	13.2%	8,789	13.8%	76
<b>Long-term liabilities:</b>					
Long-term debt	350		1,092		(742)
Allowance for retirement bonuses	639		570		
Allowance for directors' retirement bonuses	346		365		69 (19)
Accrued long-term liabilities	124		331		(207)
Other long-term liabilities	57		57		
Total long-term liabilities	1,518	2.3	2,417	3.8	(899)
<b>Total liabilities</b>	<b>10,384</b>	<b>15.5</b>	<b>11,206</b>	<b>17.6</b>	<b>(822)</b>
<b>Shareholders' equity</b>					
Common stock	10,795	16.1	10,795	16.9	
Capital reserve	11,706	17.4	11,706	18.4	
Legal reserve	267	0.4	243	0.4	24
Other retained earnings	34,021	50.6	29,738	46.7	4,283
Voluntary reserves	29,100		25,100		4,000
Unappropriated retained earnings at end of period	4,921		4,638		283
Net unrealized holding gain on other securities	(18)	(0.0)	5	0.0	(23)
Treasury stock	(9)	(0.0)			(9)
Total shareholders' equity	56,762	84.5	52,488	82.4	4,274
<b>Total liabilities and shareholders' equity</b>	<b>67,146</b>	<b>100.0%</b>	<b>63,695</b>	<b>100.0%</b>	<b>3,451</b>

Note: Figures below ¥1 million have been truncated.

## 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	66,302	100.0%	58,824	100.0%	7,478	12.7%
Cost of sales	21,759	32.8	17,014	28.9	4,745	27.9
Gross profit	36,088	54.4	34,075	57.9	2,013	5.9
Selling, general and administrative expenses						
Operating income	8,455	12.8	7,733	13.2	722	9.3
Non-operating income:	861	1.3	1,040	1.8	(179)	(17.2)
Interest and dividend income	201		188		13	
Other non-operating income	659		851		(192)	
Non-operating expenses:	592	0.9	559	1.0	33	5.9
Interest expense	26		40		(14)	
Other non-operating expenses	566		518		48	
Ordinary income	8,723	13.2	8,214	14.0	509	6.2
Extraordinary income:		0.0	61	0.1	(61)	
Income on amortization of transitional obligation for retirement benefits			61			
Extraordinary expenses	456	0.7	183	0.3	273	149.2
Loss on sale of fixed assets	143		125		18	
Valuation loss on investment securities			0		0	
Valuation loss on golf club memberships			55		(55)	
Loss on liquidation of affiliated company	258				258	
Loss on doubtful receivables	53				53	
Special service bonuses for directors	0		1		(1)	
Income before income taxes	8,266	12.5	8,092	13.8	174	2.2
Income taxes	3,567	5.4	3,479	5.9	(88)	
Adjustment for income taxes	(94)	(0.1)	89	0.2	(183)	
Net income	4,794	7.2%	4,523	7.7	271	6.0%
Retained earnings brought forward	370		383		(13)	
Interim dividends	243		243			
Reversal of earned surplus accompanying interim dividends			24			
Unappropriated retained earnings	4,921		4,638		283	

Note: Figures below ¥1 million have been truncated.

## Statements of Appropriation of Retained Earnings

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Unappropriated retained earnings at the end of the year	4,921	4,638
Appropriations		24
Legal reserve	243	243
Dividends*	4,300	4,000
General reserve	377	370
Balance to be carried forward		
<b>Total</b>	<b>4,921</b>	<b>4,638</b>

\* Dividends   Fiscal 2002: Interim period   12.50 yen  
  End of period   12.50 yen

Fiscal 2001: Interim period   12.50 yen  
  End of period   12.50 yen

## Significant Accounting Policies

### 1. Basis and Method for valuation of Securities

- (a) Shares of subsidiaries and affiliates: At cost by the average method
- (b) 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

### 2. Derivatives Market value method

### 3. 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

### 4. Depreciation of Fixed Assets

- (a) 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: 7–50 years
  - Machinery and equipment: 3–22 years
- (b) 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)
- (c) Long-term prepaid expenses: Straight-line method

### 5. Allowances

- (a) 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.
- (b) Allowance for bonuses: To prepare for future bonus payments to employees, the Company makes provisions in the amount accrued based on the estimated payment.
- (c) Allowance for retirement bonuses: To prepare for future retirement bonus payments to employees, the Company makes provisions based on the estimated total retirement bonus payables and pension assets at the end of the current fiscal year.
- (d) 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.

### 6. 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.

### 7. 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.

## 8. 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.

## 9. 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 Unconsolidated Balance Sheets

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
1. Accumulated depreciation of tangible fixed assets	7,579	6,304
2. Contingent liabilities	764	982

## Notes to Unconsolidated 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	7,698	7,606
Sales promotions	5,282	5,075
Transport	3,140	2,745
Communications	2,213	2,482
Fees	4,740	4,054
Salaries	4,872	4,458
Depreciation	1,272	1,263
2. R&D expenses included in general and administrative and manufacturing expenses	1,450	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 year

(Millions of yen)

	Year ended March 31, 2002	Year ended March 31, 2001
Machinery and transport equipment:		
Purchase cost	1,100	778
Accumulated depreciation	374	213
Balance at end of year	726	564
Furniture, tools and fixtures:		
Purchase cost	933	992
Accumulated depreciation	477	448
Balance at end of year	455	544
Vehicles and carriers:		
Purchase cost	40	65
Accumulated depreciation	23	35
Balance at end of year	17	29
Total:		
Purchase cost	2,074	1,836
Accumulated depreciation	875	697
Balance at end of year	1,198	1,138

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 and transport equipment:		
Purchase cost	1,194	778
Accumulated depreciation	418	213
Balance at end of year	776	564
Furniture, tools and fixtures:		
Purchase cost	1,010	992
Accumulated depreciation	520	448
Balance at end of year	489	544
Vehicles and carriers:		
Purchase cost	44	65
Accumulated depreciation	25	35
Balance at end of year	19	29
Total:		
Purchase cost	2,249	1,836
Accumulated depreciation	964	697
Balance at end of year	1,285	1,138

## 2. Future lease payments

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
Within one year	364	331
More than one year	812	807
	1,177	1,138

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 year ended March 31, 2002. If the previous method had been used, the figures would be as follows.

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
Within one year	416	331
More than one year	868	807
	1,285	1,138

## 3. Outstanding lease payments and depreciation

(Millions of yen)

	As of March 31, 2002	As of March 31, 2001
Outstanding lease payments	454	305
Depreciation expense	421	305
Interest expense	28	

## 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	182	170
Accrued bonuses	175	95
Unrealized loss on inventories	10	
Reserve for retirement benefits	186	157
Reserve for directors' retirement benefits	145	153
Depreciation	54	60
Reserve for doubtful accounts	17	14
Loss on valuation of golf memberships		18
Other	32	0
Deferred tax assets – subtotal	804	672
Deferred tax liabilities		
Prepaid pension expenses	48	25
Other		3
Deferred tax liabilities – subtotal	48	29
Net deferred tax assets	755	643

## **11. Change of Directors**

(As of June 16, 2002)

### 1. Change of Representative Directors

No change

### 2. Change of Directors

#### (a) New Auditor Candidates

External Statutory Auditor, Yasuhiro Yoneda (Former Counselor of SOLXYZ Co., Ltd.)

External Statutory Auditor, Fumiko Ikeda (Managing Director of Yokohama Consumer Association)

#### (b) Retiring Auditors

Tsuneharu Mochizuki (Statutory Auditor)

Yoshitaka Kanbayashi (Statutory Auditor)

#### (c) New Corporate Officer Candidates

Masayoshi Koike (Manager of Dietary Supplements Division of Business Headquarters #2)

Noburo Katase (Manager of Purchasing Division of Administrative Headquarters)

Kenichi Sugama (Manager of Personnel Division and Incubation Center)

#### (d) Managing Director Candidates

Yoshifumi Narimatsu (Director)