Summary of Consolidated Financial Statements for the Fiscal Year Ended March 31, 2003

April 24, 2003

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

FANCL CORPORATION
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Stock exchange listings: Tokyo
Code number: 4921
Head office: Kanagawa Prefecture
Board of Directors' meeting: April 24, 2003
Use of U.S. accounting standards: No

1. Results for Fiscal 2003 (April 1, 2002 to March 31, 2003)

(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 2003	90,025	6.3	11,526	3.7	11,849	7.7
Fiscal 2002	84,657	29.4	11,118	28.8	11,002	24.3

	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 2003	6,428	7.2	279.58	—	9.8	14.9	13.2
Fiscal 2002	5,995	23.2	307.55	—	9.7	14.2	13.0

Notes:
1. Equity in earnings of affiliates: ¥ — million (Fiscal 2002: — million)
2. Average number of shares outstanding (consolidated): 22,994,582 shares (Fiscal 2002: 19,493,070 shares)
   On May 20, 2002, the Company made a 1.2-for-1 stock split for all shareholders of record as of March 31, 2002. The average number of shares outstanding for fiscal 2003 is calculated as if the stock split had taken place at the beginning of the period.
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 period.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2003	79,804	66,349	83.1	2,976.31
Fiscal 2002	79,026	64,718	81.9	3,320.23

Note: Number of shares outstanding at end of period (consolidated): 22,292,672 shares (Fiscal 2002: 19,492,084 shares)
On May 20, 2002, the Company made a 1.2-for-1 stock split for all shareholders of record as of March 31, 2002.

(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 2003	9,828	(5,582)	(5,432)	26,370
Fiscal 2002	7,425	(5,416)	(2,456)	27,535

(4) Scope of consolidation and application of the equity method
Consolidated subsidiaries: 6 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) 2 companies (Eliminated) None
Equity method: (New) None (Eliminated) None

2. Projected Results for Fiscal 2004 (April 1, 2003 to March 31, 2004)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Fiscal 2004 Interim	45,600	4,400	2,600
Fiscal 2004	95,200	11,300	6,600

Reference: Estimated earnings per share (fiscal 2004): ¥296.06 (Estimate based on average number of shares outstanding for the year)

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 10 of the attached materials for more information on the projections.

1. FANCL Group

The FANCL Group comprises FANCL CORPORATION, 12 subsidiaries and three 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:

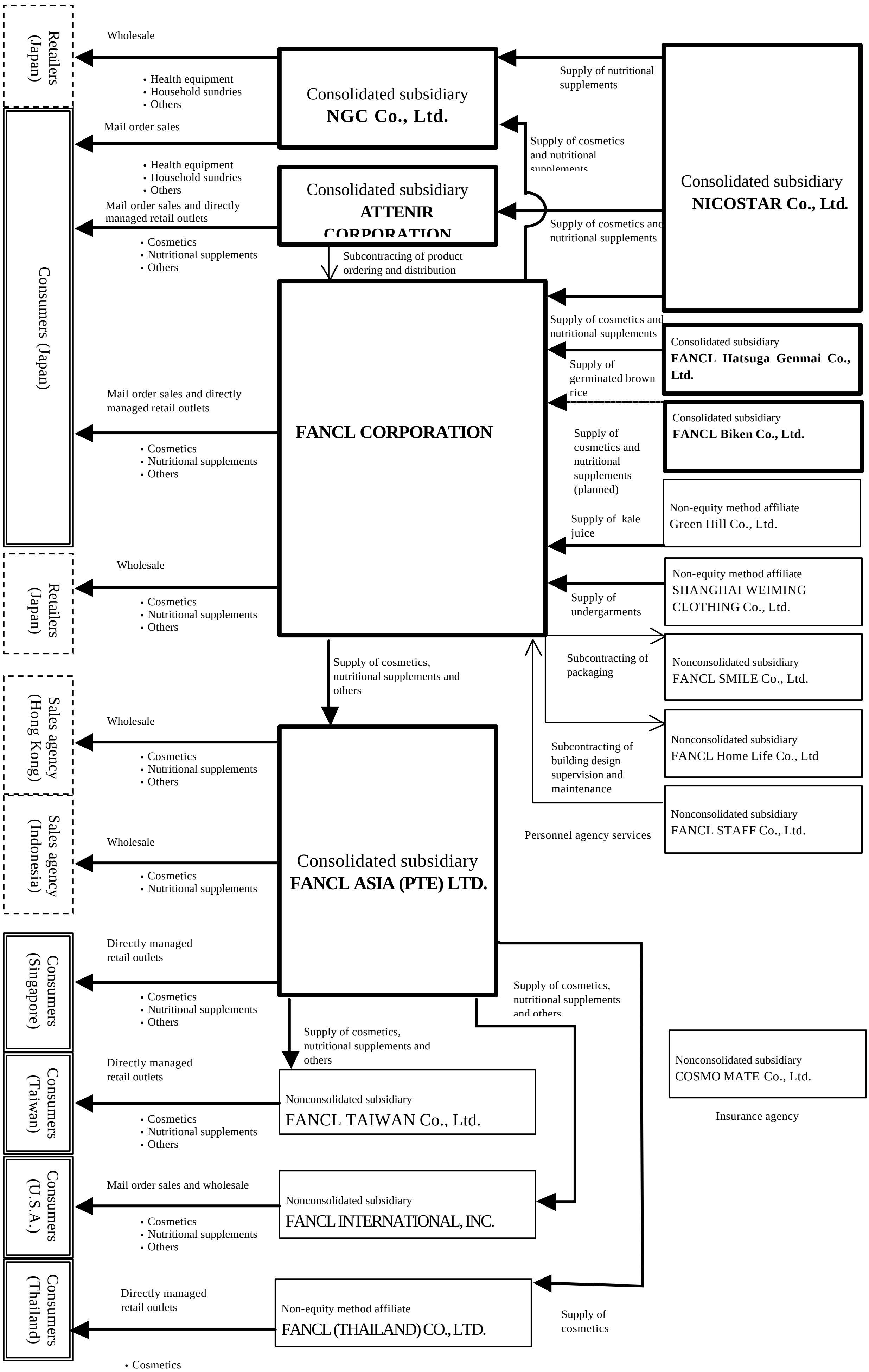
Cosmetics Business:	The manufacture and sales of preservative-free FANCL Cosmetics are conducted by FANCL. ATTENIR Cosmetics are manufactured by NICOSTAR Co., Ltd. (a consolidated subsidiary) and sold by ATTENIR CORPORATION (a consolidated subsidiary).
Nutritional Supplements Business:	Nutritional supplements are manufactured by NICOSTAR Co., Ltd. and sold by FANCL and ATTENIR.
Other Businesses:	NGC Co., Ltd. (a consolidated subsidiary) 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. 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. (a consolidated subsidiary) and sold by FANCL. Kale juice is manufactured on consignment by Green Hill Co., Ltd. (an affiliate not accounted for by the equity method) and external manufacturers and sold by FANCL.

FANCL ASIA (PTE) LTD. (a consolidated subsidiary) markets FANCL products in Singapore, as well as in the United States through FANCL INTERNATIONAL, INC. (a nonconsolidated subsidiary), in Taiwan through FANCL TAIWAN Co., Ltd. (a nonconsolidated subsidiary), and in Thailand through FANCL (THAILAND) CO., LTD. (an affiliate not accounted for by the equity method, established in November 2002), respectively.

In Japan, FANCL STAFF Co., Ltd. (a nonconsolidated subsidiary) is a personnel agency and introduction business serving Group companies. FANCL SMILE Co., Ltd. (a nonconsolidated subsidiary), established as a special corporation in line with legislation in Japan aimed at promoting employment opportunities for disabled persons, packages FANCL products. FANCL Home Life Co., Ltd. (a nonconsolidated subsidiary) primarily carries out design supervision and maintenance of buildings for the FANCL group of companies.

FANCL Biken Co., Ltd. (a consolidated subsidiary) was established in October 2002 to collectively manage and operate the FANCL Group's production divisions, and is scheduled to commence operations in September 2003. COSMO MATE Co., Ltd. (a nonconsolidated subsidiary, established in February 2003) is an insurance agency.

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 CORPORA-TION	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 cosmetics and nutritional supplements Seconded directors: 2	2
NGC Co., Ltd.	Shibuya-ku, Tokyo, Japan	¥160	Other businesses	100.0	—	Sells cosmetics and nutritional supplements Seconded directors: 1	4
FANCL Hatsuga Genmai Co., Ltd.	Chiisagata-gun, Nagano, Japan	¥ 95	Other businesses	84.6	—	Manufactures germinated brown rice Seconded directors: 1	2
FANCL ASIA (PTE) LTD	Singapore	S$7,600 thousand	Cosmetics, nutritional supplements business and other businesses	100.0	—	Sells cosmetics, nutritional supplements and others Seconded directors: 4	5
FANCL Biken Co., Ltd.	Sakae-ku, Yokohama, Japan	¥50	Cosmetics and nutritional supplements business	100.0	—	Plans to manufacture cosmetics and nutritional supplements Seconded directors: 2	5

Notes:

1. FANCL segment names are used to describe the principal businesses of affiliates.
2. NICOSTAR Co., Ltd. and FANCL Hatsuga Genmai Co., Ltd. are specified subsidiaries.
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 the year ended March 31, 2003 were as follows:

(Millions of yen)

Principal Operating Results of NGC Co., Ltd.				
Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
¥10,989	¥446	¥226	¥(888)	¥2,278

5. FANCL ASIA (PTE) LTD and FANCL Biken Co., Ltd. were newly consolidated in the year ended March 31, 2003.
6. None of FANCL's affiliates currently carries excessive debt.

2. Management Policy

(1) Basic Management Policy

The FANCL Group'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 aim is to expand into new areas that will enhance our ability to resolve negative issues. 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) Management Indicator Targets

Ordinary income margin: 15%

Ratio of ordinary income to total assets: 16%

While working to increase sales, the FANCL Group has also focused on the ordinary income margin, based on the understanding that profit growth will provide long-term returns to stakeholders. As the current schedule of large-scale investment projects will be completed following the construction of FANCL Square in Ginza, Tokyo during the period under review and the construction of the Shiga Factory during the next fiscal year, FANCL plans to shift the focus of management to improving profitability and increasing efficiency. To do so, the Company will add the ratio of ordinary income to total assets to its list of management indicator targets, and work to improve the balance sheet and increase corporate value.

(3) 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 returns 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, and are also used to purchase treasury stock. During the fiscal year ended March 31, 2003, the Company acquired 1,082,000 shares of treasury stock on the market.

We had intended to pay an annual dividend of ¥25.00 per share, but in line with our shareholders' expectations, we have added a special dividend of ¥10.00 per share, increasing the total annual dividend to ¥35.00 per share (comprising an interim dividend of ¥12.50 and a year-end dividend of ¥22.50) for the fiscal year ended March 31, 2003.

(4) Philosophy and Policy Regarding Lowering the Trading Unit

FANCL lowered its stock trading unit from 1,000 shares to 100 shares in August 1999. In addition, the Company declared stock splits in May 1999, May 2000 and May 2002. The stock trading unit may be adjusted again if considered necessary based on stock price conditions.

(5) Principal Medium-Term Tasks and Business Strategies

The principal medium-term management task facing the FANCL Group, which is undertaking a major transformation from a structure based primarily on mail-order sales to diverse sales channels, is to build a business model to accommodate this new sales format. As our strategy for dealing with this management task, we are working to centralize the management of customer information in the mail-order, directly managed retail outlet and wholesale sales channels and to develop sales promotions and advertisements that cut across sales channels. In research and development, we aim to strengthen basic research and develop new materials. In manufacturing, we will swiftly and smoothly set in place a system of two production facilities for Eastern and Western Japan in order to decentralize risk, while working to significantly reduce shortages and waste and shorten production lead time, and to absorb increased costs due to new factories.

The Cosmetics Business seeks to gain additional support from customers through thorough product development and services related to the basic concepts in the lineup of FANCL cosmetics, which are safe, reliable and preservative-free, and ATTENIR cosmetics, which offer high quality at a low price.

In the Nutritional Supplements Business, faced with increasingly intense competition, we will focus on developing superior products backed by our strong research and development capabilities.

In the *Hatsuga Genmai* (germinated brown rice) Business, we will help to expand the germinated brown rice market by supplying products to processed food manufacturers and others and by sponsoring events such as exhibits of dishes using germinated brown rice, while working to develop our operations.

In the Kale Juice Business, we will work to develop foods that use kale juice and to expand sales routes while reviewing distribution costs in order to quickly achieve profitability.

In overseas markets, we will promote our centralized management company in Singapore as the base for our efforts towards the globalization of the FANCL brand, focusing on Asia.

(6) Basic Policy on Corporate Governance and Status of Implementation of Measures

The FANCL Group strongly emphasizes corporate governance in its management.

The general meeting of shareholders is held on a holiday to avoid the dates of general meetings of other companies and to make it easy for shareholders to attend. In addition, FANCL actively discloses its financial data, working to speed up the release of monthly sales data and announcements of financial results.

The board of directors, composed of ten directors and three corporate auditors, meets regularly once a month. Important issues are thoroughly discussed before resolutions are passed.

In April 2003, the corporate organization, primarily the sales divisions, was reorganized by function to better incorporate the customer's point of view.

FANCL ensures that all three corporate auditors are outside auditors (two are full-time and one is part-time). They attend all meetings of the board of directors as well as management conferences and other important meetings, in addition to carrying out regular exchange of opinions with top management to create a fair, highly transparent management review system. There are no special interests such as business dealings between outside auditors and the Company. In addition, we have established an Internal Auditing Office to audit the performance of our management activities.

Furthermore, we have established a Consumer Center to handle customers' opinions, requests and complaints, as well as a Quality Assurance Division to investigate and resolve the causes of claims about products and services. We have also organized a Customer Committee, whose members are selected from among our customers. The committee members meet regularly to share their honest opinions about our products and services, which will be used to make improvements.

FANCL plans to continue its efforts to further enhance corporate governance.

3. Operating Results and Financial Position

(1) Operating Results

The Japanese economy showed no signs of a recovery during the year ended March 31, 2003, as bad debt increased due to worsening deflation and the unemployment rate reached record high levels, while personal consumption remained sluggish.

The cosmetics industry remained flat overall due to continued polarization in product prices, despite hints of an upturn in certain categories of the market.

In the nutritional supplements industry, although the market is expanding, competition intensified substantially with the diversification of sales channels and the entry of major competitors into the market.

1) Cosmetics Business

FANCL cosmetics are developed from the perspective of "Inner and Outer Beauty," and following the launch of the new FENATTY skin care series in the fiscal year ended March 31, 2002, the Company introduced Evante in April 2002 and CLEARTUNE in June 2002. For ATTENIR cosmetics, a renewal of makeup products in the fiscal year ended March 31, 2002 was followed by a renewal of skin care products in September 2002.

Sales

In the Cosmetics Business, sales increased 1.1% compared with the previous fiscal year to ¥37,155 million.

Of the total, sales of FANCL cosmetics were ¥29,683 million, a decrease of 0.9% compared with the previous year, and sales of ATTENIR cosmetics were ¥7,078 million, an increase of 9.1% compared with the previous year.

	Year ended March 31, 2003		Year ended March 31, 2002		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥22,961 million	61.8	¥23,065 million	62.8	(0.5)
Retail store sales	¥11,554 million	31.1	¥11,336 million	30.8	1.9
Other	¥2,639 million	7.1	¥2,346 million	6.4	12.5
Total	¥37,155 million	100.0	¥36,748 million	100.0	1.1

Mail-order sales totaled ¥22,961 million, a decrease of 0.5% compared with the previous year.

For FANCL cosmetics, insufficient notification about the switch to new series such as FENATTY caused confusion among customers immediately following their launch. Despite this fact, sales of skin care products were higher than the previous year, due to the steady shift towards new product lines and an increase in new customers. However, total mail-order sales fell 3.4% compared with the previous year to ¥16,235 million, due to a decrease in sales of makeup, hair care and body care products. Sales of ATTENIR cosmetics increased 7.5% compared with the previous year to ¥6,725 million, due to effective advertising campaigns that increased the customer base and product renewals that were well-received by customers.

Retail store sales increased 1.9% compared with the previous year to ¥11,554 million. Sales at existing stores, which had been steadily declining, recovered to the level of the previous year due to the success of measures to revitalize sales. In an effort to develop new types of stores, FANCL opened one FANCL Style shop, which combines FANCL House and Genki Station, and one FANCL Garden shop, which features a café. As of March 31, 2003, the number of FANCL House shops (including two franchise stores) was 119 (with eight new shops opened and three shops closed during the period) and the number of ATTENIR shops was five (with no openings or closures during the period).

In **other sales channels**, sales increased 12.5% compared with the previous year to ¥2,639 million, as the number of products sold at Lawson convenience stores increased from five to 16 in June with the start of the "Inner and Outer Beauty" promotion.

Operating income

Although advertising expenses decreased, there were increases in costs associated with opening new shops and promotional expenses due to the start of the "Inner and Outer Beauty" promotion at Lawson convenience stores. As a result, operating income decreased 3.7% compared with the previous year to ¥8,099 million and the operating margin fell 1.1 percentage points to 21.8%.

2) Nutritional Supplements Business

In the Nutritional Supplements business, FANCL worked to differentiate its products through such efforts as the introduction of a plant-based hard capsule and expanded the product lineup with the launch of 14 new herbal supplements between June and November 2002.

Sales

In the Nutritional Supplements Business, sales increased 0.7% compared with the previous year, to ¥29,210 million.

	Year ended March 31, 2003		Year ended March 31, 2002		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥17,123 million	58.6	¥17,987 million	62.0	(4.8)
Retail store sales	¥5,524 million	18.9	¥5,512 million	19.0	0.2
Other	¥6,563 million	22.5	¥5,495 million	19.0	19.4
Total	¥29,210 million	100.0	¥28,995 million	100.0	0.7

Mail-order sales decreased 4.8% compared with the previous year to ¥17,123 million. Attracting new customers proved difficult due to heightened competition, and unit prices fell due to customers' desire for lower-cost products. By product segment, sales of herbal supplements were strong due to the addition of new products, but this was insufficient to compensate for the decline in sales of diet supplements, which had posted growth during the previous year, and the Support Series.

In **retail store sales**, sales of diet supplements at FANCL House shops were down compared to the previous year, but sales at Genki Station shops were healthy due to an increase in the number of customers. As a result, sales at retail stores increased 0.2% compared with the previous year to ¥5,524 million. As of March 31, 2003, the number of Genki Station shops was eight (with one new shop opened and one shop closed during the period) and the number of Genki Net shops was ten (with nine new shops opened during the period).

In **other sales channels**, sales increased 19.4% compared with the previous year to ¥6,563 million, the result of the start of sales of 15 products at Lawson convenience stores in June.

Operating income

Although the cost of sales ratio increased, mainly due to the introduction of a plant-based hard capsule, advertising and sales promotion expenses declined. As a result, operating income increased 15.4% compared with the previous year, to ¥6,878 million, and the operating margin rose 3.0 percentage points to 23.6%.

3) Other Businesses

Sales

In Other Businesses, sales rose 25.1% compared with the previous year, to ¥23,659 million.

	Year ended March 31, 2003	Year ended March 31, 2002	% change
Hatsuga Genmai Business	¥6,844 million	¥3,339 million	104.9
Kale juice Business	¥2,501 million	¥1,105 million	126.2
NGC mail-order business	¥10,936 million	¥11,567 million	(5.5)
Other	¥3,376 million	¥2,900 million	16.4
Total	¥23,659 million	¥18,913 million	25.1

In the ***Hatsuga Genmai* Business**, a trial set generated an increase in customers. In addition, sales of economy-size 4-kg and 8-kg packages were solid, and mail-order sales increased substantially. The product was featured on a popular health information television program, and OEM supply to the Japan Rice Millers and Distributors Cooperative and the Hokuren Federation of Agricultural Cooperatives rose steadily. There was also a gradual increase in commercial uses, such as in convenience store ready-made meals, beverages and bread.

In the **Kale Juice Business**, effective television advertising contributed to an increase in the number of annual subscribers to the delivery service, resulting in substantial growth in mail-order sales. Wholesale sales were also favorable, due to an increase in the number of stores carrying the product with the introduction of a three-serving pack for convenience stores in June.

In the mail-order business of **NGC Co., Ltd.** there was an increase in sales of fitness equipment and other products. However, there was a decrease in sales of gardening products, cooling equipment and heating equipment, which sold favorably in the previous year. As a result, sales declined compared with the previous year.

In **other businesses**, sales of household sundries and undergarments were strong, but sales of *Mainichi ga Hakken*, a magazine for middle-aged and senior readers, declined compared with the previous year. Because it is unlikely that the magazine will achieve profitability, publication will cease after the July 2003 issue.

Operating income

Despite efforts to reduce losses in the *Hatsuga Genmai* Business, operating loss was ¥1,645 million, essentially unchanged from the previous year, due to widening losses in the Kale Juice Business and the losses recorded in other businesses.

As a result of the above factors, total **net sales** for the year increased 6.3% compared with the previous year to ¥90,025 million, **operating income** rose 3.7% to ¥11,526 million, and the operating margin declined 0.3 percentage points to 12.8%.

Net non-operating income rose ¥439 million compared with the previous year, due to an increase in insurance maturity repayments and a decrease in losses on disposal of inventories. Consequently, **ordinary income** increased 7.7% to ¥11,849 million and the ordinary income margin increased 0.2 percentage points to 13.2%.

Net income increased 7.2% compared with the previous year to ¥6,428 million, as a result of losses posted on the disposal of equipment at the former Nagano factory of FANCL Hatsuga Genmai Co., Ltd., and the ratio of net income to net sales remained unchanged, at 7.1%.

(2) Cash Flows

Although net cash provided by operating activities increased, increases in both net cash used in investing activities and net cash used in financing activities led to a ¥1,165 million decrease in cash and cash equivalents at the end of the year, to ¥26,370 million.

Net cash provided by operating activities amounted to ¥9,828 million, an increase of ¥2,402 million compared with the previous year, due to factors including ¥11,078 million in income before income taxes, ¥2,268 million in depreciation and amortization, a ¥399 million decrease in inventories, and ¥5,114 million in income taxes paid.

Net cash used in investing activities totaled ¥5,582 million, an increase of ¥166 million compared with the previous year, due to factors including ¥1,000 million, net, for the payment and termination of deposits and ¥4,170 million in payment for purchase of fixed assets.

Net cash used in financing activities was ¥5,432 million, an increase of ¥2,976 million compared with the previous year. Factors included a ¥4,159 million payment for purchase of treasury stock, the repayment of long-term debt totaling ¥742 million, and ¥530 million in cash dividends paid.

(3) Outlook

Looking at the economic situation, the business environment in which the Company operates is expected to remain challenging.

In FANCL cosmetics, the Company will carry out a renewal of the Belmeil line of additive-free makeup that can be safely used by people with sensitive skin, and in ATTENIR cosmetics, the renewal of special care products such as beauty lotion is aimed at creating synergy with last year's renewal of skin care products. Through the above initiatives, increased revenue is forecast for the Cosmetics Business due to the development of aggressive sales strategies and the launch of the renewed products.

In the Nutritional Supplements Business, although conditions will be challenging due to the entry of new competitors into the market, sales are expected to grow slightly as the Company works to provide information to customers and to maximize the distinctiveness of each product by narrowing the range of the current product lineup.

In both the *Hatsuga Genmai* (germinated brown rice) Business and the Kale Juice Business, efforts to strengthen relationships with existing suppliers and attract new customers, including commercial clients, will lead to increased revenue.

For the mail-order business of NGC Co., Ltd. decreased revenue is expected due to restructuring efforts that will involve a substantial review of sales, services and product selection.

As a result of the above factors, we forecast consolidated net sales for the fiscal year ending March 31, 2004 to increase 5.7% year-on-year to ¥95,200 million. We project that ordinary income will decrease 4.6% to ¥11,300 million, due to such factors as start-up expenses and increased personnel expenses for FANCL Square and an increase in costs starting in the second half in connection with the acquisition of the Shiga Factory, and net income will increase 2.7% to ¥6,600 million. We intend to pay an annual dividend of ¥35.00 per share, comprising interim and year-end dividends of ¥17.50 each.

(4) Appropriation 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, ¥6,986 million for investment in plant and equipment, ¥2,365 million for repayment of debt, ¥3,100 million for investments in and loans to subsidiaries, ¥1,389 million for working capital, and ¥1,620 million to cover part of our investment in a special-purpose company established to purchase an office building using a real estate trust was appropriated as of March 31, 2003, generally in accordance with the original plan. As a result, the entire amount of appropriated funds was used as of March 31, 2003, and there is no balance remaining.

4. Consolidated Financial Statements and Notes

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2003		As of March 31, 2002		Increase (decrease)
	Amount	Percentage of Total	Amount	Percentage of Total	
ASSETS					
Current assets:					
Cash and cash equivalents	18,638		19,804		(1,166)
Notes and accounts receivable	8,220		8,298		(78)
Marketable securities	7,731		7,731		—
Inventories	5,103		5,483		(380)
Deferred tax assets	767		514		253
Others	919		1,906		(987)
Allowance for doubtful accounts	(173)		(176)		3
Total current assets	41,207	51.6%	43,561	55.1%	(2,354)
Fixed assets:					
Tangible fixed assets:					
Buildings and structures	11,198		9,836		1,362
Equipment and vehicles	1,679		2,271		(592)
Tools and fixtures	1,000		984		16
Land	10,202		10,317		(115)
Construction in progress	2,028		643		1,385
Total tangible fixed assets	26,109	32.7	24,053	30.4	2,056
Intangible fixed assets:					
Software	960		1,235		(275)
Goodwill	843		1,036		(193)
Others	231		82		149
Total intangible fixed assets	2,036	2.6	2,354	3.0	(318)
Investments and other assets:					
Investment securities	947		1,183		(236)
Long-term loans	1,010		1,122		(112)
Guaranty money	2,464		2,349		115
Deferred tax assets	357		257		100
Others	5,950		4,427		1,523
Allowance for doubtful accounts	(279)		(284)		5
Total investments and other assets	10,450	13.1	9,055	11.5	1,395
Total fixed assets	38,596	48.4	35,464	44.9	3,132
Total assets	79,804	100.0%	79,026	100.0%	778

Note: Figures below ¥1 million have been truncated.

	As of March 31, 2003		As of March 31, 2002		Increase (decrease)
	Amount	Percentage of Total	Amount	Percentage of Total	
LIABILITIES					
Current liabilities:					
Notes and accounts payable	3,341		3,638		(297)
Current portion of long-term debt	350		742		(392)
Accrued liabilities	3,277		3,737		(460)
Accrued expenses	457		284		173
Accrued income taxes	2,772		2,850		(78)
Allowance for bonuses	823		766		57
Others	381		459		(78)
Total current liabilities	11,403	14.3%	12,479	15.8%	(1,076)
Long-term liabilities:					
Long-term debt	—		350		(350)
Allowance for retirement bonuses	1,118		1,004		114
Allowance for directors' retirement bonuses	370		346		24
Others	561		126		435
Total long-term liabilities	2,050	2.6	1,828	2.3	222
Total liabilities	13,454	16.9	14,308	18.1	(854)
SHAREHOLDERS' EQUITY					
Common stock	—	—	10,795	13.7	—
Additional paid-in capital	—	—	11,706	14.8	—
Consolidated retained earnings	—	—	42,245	53.5	—
Net unrealized holding gain on other securities	—	—	(18)	(0.0)	—
Treasury stock	—	—	(9)	(0.0)	—
Total shareholders' equity	—	—	64,718	81.9	—
Total liabilities and shareholders' equity	—	—	79,026	100.0%	—
Common stock	10,795	13.5			
Capital reserve	11,706	14.7			
Retained earnings	48,027	60.2			
Net unrealized holding gain on other securities	(9)	(0.0)			
Foreign currency translation adjustment	(0)	(0.0)			
Treasury stock	(4,168)	(5.2)			
Total shareholders' equity	66,349	83.1			
Total liabilities and shareholders' equity	79,804	100.0%			

Note: Figures below ¥1 million have been truncated.

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2002			
	Amount	Percentage of Total	Amount	Percentage of Total	Increase (Decrease)	Percentage Change
Net sales	90,025	100.0%	84,657	100.0%	5,368	6.3%
Cost of sales	31,044	34.5	27,975	33.0	3,069	11.0
Gross profit	58,981	65.5	56,682	67.0	2,299	4.1
Selling, general and administrative expenses	47,455	52.7	45,563	53.8	1,892	4.2
Operating income	11,526	12.8	11,118	13.1	408	3.7
Non-operating income:	891	1.0	636	0.8	255	40.1
Interest and dividend income	44		46		(2)	
Other non-operating income	847		590		257	
Non-operating expenses:	567	0.6	753	0.9	(186)	(24.7)
Interest expense	13		37		(24)	
Other non-operating expenses	553		715		(162)	
Ordinary income	11,849	13.2	11,002	13.0	847	7.7
Extraordinary income:	7	0.0	0	0.0	7	3,221.0
Gain on sale of fixed assets	0		—		0	
Reserve for allowance for doubtful receivables	6		—		6	
Gain on sale of investment securities	—		0		(0)	
Extraordinary expenses:	778	0.9	458	0.5	320	69.9
Loss on retirement and sale of fixed assets	629		143		486	
Valuation loss on investment securities	66		—		66	
Valuation loss on golf club memberships	1		1		0	
Special service bonuses for directors	63		0		63	
Loss on liquidation of affiliated company	—		258		(258)	
Loss on sale of stock of affiliated companies	17		—		17	
Loss on doubtful receivables	—		53		(53)	
Income before income taxes	11,078	12.3	10,544	12.5	534	5.1
Income taxes	5,001	5.6	4,745	5.6	256	
Adjustment for income taxes	(351)	(0.4)	(195)	(0.2)	(156)	
Net income	6,428	7.1	5,995	7.1	433	7.2

Note: Figures below ¥1 million have been truncated.

Consolidated Statements of Retained Earnings

(Millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2002	
Balance of consolidated retained earnings at beginning of the period		—		36,977
Decrease in consolidated retained earnings				
Dividends	—		487	
Decrease in consolidated retained earnings due to increase in consolidated subsidiaries	—		3	
Decrease in consolidated retained earnings due to change in equity in earnings resulting from third-party offering by consolidated subsidiary	—	—	237	727
Net income		—		5,995
Balance of consolidated retained earnings at end of the period		—		42,245
(Capital reserve)				
Balance at beginning of the period				
Additional paid-in capital at beginning of the period	11,706	11,706		
Balance at end of the period		11,706		
(Retained earnings)				
Balance at beginning of the period				
Consolidated retained earnings at beginning of the period	42,245	42,245		
Increase in retained earnings				
Net income	6,428	6,428		
Decrease in retained earnings				
Dividends	531			
Decrease in retained earnings due to increase in consolidated subsidiaries	114			
		646		
Balance at end of the period		48,027		

Note: Figures below ¥1 million have been truncated.

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2002
Cash flows from operating activities:		
Income before income taxes	11,078	10,544
Depreciation and amortization	2,268	2,245
Amortization in excess of investment cost over equity in net assets of consolidated subsidiaries	259	259
Increase (decrease) in allowance for bonuses	57	(18)
Increase (decrease) in allowance for doubtful accounts	(7)	1
Increase (decrease) in allowance for retirement benefits	114	119
Interest and dividend income	(44)	(46)
Interest expenses	13	37
Exchange loss (gain)	12	(12)
Loss (gain) on sale of treasury stock	—	(1)
Valuation loss on investment securities	66	—
Investment gain on anonymous association	(268)	—
Loss on liquidation of affiliated companies	—	258
Valuation loss on golf club memberships	1	1
Net refund of insurance premiums	(283)	(126)
Gain on sale of tangible fixed assets	0	—
Loss on sale of tangible fixed assets	11	—
Loss on disposal of tangible fixed assets	603	145
Loss on disposal of intangible fixed assets	14	—
Decrease (increase) in trade receivables	86	(359)
Decrease (increase) in inventories	399	(692)
Decrease (increase) in other current assets	1,068	(1,306)
Decrease in other fixed assets	—	8
Decrease in trade payables	(316)	(28)
Increase (decrease) in other current liabilities	(530)	537
Decrease in other fixed liabilities	(161)	(225)
Other extraordinary expenses	17	—
Others	(8)	0
Subtotal	14,451	11,343
Interest and dividends received	44	39
Interest paid	(15)	(37)
Refund on insurance premiums	461	247
Income taxes paid	(5,114)	(4,166)
Net cash provided by operating activities	9,828	7,425
Cash flows from investing activities:		
Payment for deposits	(1,500)	(500)
Proceeds from termination of deposits	500	—
Payment for purchase of tangible fixed assets	(4,170)	(3,561)
Proceeds from sales of tangible fixed assets	12	1,390
Payment for retirement of tangible fixed assets	(19)	—
Payment for purchase of intangible fixed assets	(386)	(699)
Payment for purchases of investment securities	(20)	(0)
Proceeds from sales of investment securities	50	0
Payment for purchase of investments in subsidiaries	(60)	—
Payments for purchase of investments in affiliates	(5)	(381)
Proceeds from liquidation of affiliated company	—	221
Payment for loans	(50)	—
Proceeds from collection of loans	121	61
Payment for purchase of other investments	(416)	(2,390)
Proceeds from sales of other investments	105	442
Proceeds from investment in anonymous association	141	—
Proceeds from reduced value entry for land	115	—
Net cash used in investing activities	(5,582)	(5,416)

(continued on following page)

Cash flows from financing activities:		
Repayment of short-term loans	—	(1,170)
Repayment of long-term debt	(742)	(823)
Minority interests	—	30
Payment for purchase of treasury stock	(4,159)	(23)
Proceeds from sales of treasury stock	—	17
Cash dividends paid	(530)	(487)
Net cash used in financing activities	(5,432)	(2,456)
Effect of exchange rate changes on cash and cash equivalents	(27)	9
Net increase in cash and cash equivalents	(1,213)	(437)
Cash and cash equivalents at beginning of year	27,535	27,947
Reconciliation of cash and cash equivalents related to change in scope of consolidation	48	25
Cash and cash equivalents at end of year	26,370	27,535

Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

Names of principal affiliated companies are presented in "FANCL Group."

Number of consolidated subsidiaries ………………………. 6 companies

(New) 2 consolidated subsidiaries from the year ended March 31, 2003
FANCL ASIA (PTE) LTD
FANCL Biken Co., Ltd.

Number of nonconsolidated subsidiaries ……………………. 6 companies

(New) 1 company newly established during the year ended March 31, 2003
COSMO MATE Co., Ltd.

Nonconsolidated subsidiaries are nonconsolidated because they are small-sized companies and their respective total assets, net income (in proportion to equity) and retained earnings (in proportion to equity) would not have a significant effect on the consolidated financial statements.

2. Application of the Equity Method

The Company's nonconsolidated subsidiaries (6 companies) mentioned above and affiliated companies (3 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

Among consolidated subsidiaries, the year-end closing date of FANCL ASIA (PTE) LTD is December 31. The financial statements as of the closing date are used in preparing the consolidated financial statements. Consolidation adjustments are made as necessary for significant transactions occurring until the consolidated closing date.

Because FANCL ASIA (PTE) LTD changed its reporting period during this consolidated fiscal year, its results were calculated for the nine-month period from April 1 to December 31, 2002. However, the effect of this was insignificant.

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

(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:	3–50 years
Machinery and transport equipment:	2–22 years
Furniture, tools and fixtures:	2–20 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

(3) 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 benefit payments to employees, the Company makes provisions in the amount recognized as accruing at the end of the consolidated fiscal year, based on the estimated retirement benefit obligation and pension assets at the end of the fiscal year.

Actuarial gains and losses are charged to income on a straight-line basis over a certain number of years (five years) within the average remaining years of service starting from the year after the gain or loss arises.

(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.

(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

(a) 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.

(b) Hedging instruments/targets: Forward exchange contracts/payables or forecast transactions denominated in foreign currencies.

(c) 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.

(d) Method of assessing hedge effectiveness: As a rule, the Company uses individual forward exchange contracts and thus does not assess hedge effectiveness.

(e) 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

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

6. Amortization of Goodwill

Goodwill is amortized on a straight-line basis, generally averaged 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 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.

9. Other Major Items Pertaining to the Basis for Preparation of the Consolidated Financial Statements

(a) Accounting Standards for Treasury Stock and Reversal of Legal Reserve, etc.

Effective from the year-ended March 31, 2003, “Accounting Standards for Treasury Stock and Reversal of Legal Reserve, etc.” (Corporate Accounting Standards Committee, February 21, 2002, Corporate Accounting Standards, No. 1) are applied. The effect of this change on profit and loss is insignificant.

Due to the revision of rules for consolidated financial statements, the “Shareholders’ equity” section of the consolidated balance sheets and the consolidated statements of retained earnings are prepared in accordance with the revised rules for consolidated financial statements.

(b) Accounting Standards for Earnings per Share

Effective from the year ended March 31, 2003, “Accounting Standards for Earnings per Share” (Corporate Accounting Standards Committee, September 25, 2002, Corporate Accounting Standards No. 2) and “Guidelines for Application of Accounting Standards for Earnings per Share” (Corporate Accounting Standards Committee, September 25, 2002, Corporate Accounting Standards No. 4) are applied.

There is no effect on earnings per share in connection with the accounting standards and guidelines for application mentioned above.

Notes to Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2003	As of March 31, 2002
1. Accumulated depreciation of tangible fixed assets	10,821	9,574
2. Contingent liabilities	1,872	764

Notes to Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2002
1. Principal components of selling, general and administrative expenses		
Advertising	9,261	10,212
Sales promotions	8,615	8,160
Transport	4,366	3,781
Communications	2,939	2,800
Fees	4,535	5,110
Salaries	6,072	5,828
Depreciation	1,427	1,388
2. R&D expenses included in general and administrative and manufacturing expenses	1,683	1,524

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, 2003	Year ended March 31, 2002
Cash and deposits account	18,638	19,804
Securities account	7,731	7,731
Total	26,370	27,535
Deposits with maturities of less than three months	—	—
Cash and cash equivalents	26,370	27,535

Leases

1. 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)

	Year ended March 31, 2003	Year ended March 31, 2002
Machinery and transport equipment:		
Purchase cost	4,357	2,598
Accumulated depreciation	1,105	598
Balance at end of period	3,252	1,999
Furniture, tools and fixtures:		
Purchase cost	872	1,110
Accumulated depreciation	513	604
Balance at end of period	359	506
Total:		
Purchase cost	5,229	3,708
Accumulated depreciation	1,618	1,202
Balance at end of period	3,611	2,506

(2) Future lease payments

(Millions of yen)

	As of March 31, 2003	As of March 31, 2002
Within one year	736	573
More than one year	2,874	1,899
	3,610	2,473

(3) Outstanding lease payments and depreciation

(Millions of yen)

	As of March 31, 2003	As of March 31, 2002
Outstanding lease payments	827	681
Depreciation expense	778	627
Interest expense	92	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.

2. Operating leases

Future lease payments

(Millions of yen)

	As of March 31, 2003	As of March 31, 2002
Within one year	0	—
More than one year	3	—
Total	4	—

Tax-Effect Accounting

Breakdown of major factors giving rise to deferred tax assets and liabilities

(Millions of yen)

	As of March 31, 2003	As of March 31, 2002
Deferred tax assets		
Accrued enterprise taxes	277	267
Nondeductible reserve for bonuses	280	208
Nondeductible allowance for doubtful receivables	161	138
Unrealized gain on inventories	13	33
Unrecognized loss on discarding of inventory	1	21
Nondeductible reserve for retirement benefits	381	312
Nondeductible reserve for special service bonuses for directors	152	145
Loss carryforwards	154	—
Nondeductible depreciation and amortization	57	56
Valuation loss on golf club memberships	21	25
Others	97	20
Total deferred tax assets	1,597	1,230
Deferred tax liabilities		
Unrealized gain on land	232	232
Gain on valuation of land	165	170
Prepaid pension expenses	75	56
Others	0	—
Total tax liabilities	473	458
Net deferred tax assets	1,123	771

Note: Due to the application of "Handling the Application of Tax-Effect Accounting upon Implementation of a Pro Form Standard Tax System for Corporate Enterprise Taxes" (Japan Association of Certified Public Accountants, March 25, 2003), the effective tax rate used in calculating deferred tax assets and liabilities was mainly 42% for the year ended March 31, 2002, mainly 42% for current assets and liabilities in the year ended March 31, 2003 and mainly 41% for fixed assets and liabilities in the year ended March 31, 2003. As a result, deferred tax assets decreased by ¥15 million, and adjustment s for corporate taxes listed under expenses increased by the same amount in the year ended March 31, 2003.

Retirement Benefits

1. Description of Retirement Benefit System Used

The Company has a defined benefit system comprising a qualified pension plan, a contributory pension plan and a lump-sum retirement plan.

One of the Company's consolidated subsidiaries uses a contributory pension plan and a lump-sum retirement plan.

2. Retirement Benefit Obligation (as of March 31, 2003)

Prepaid pension expenses	¥181 million
Reserve for retirement benefits	¥1,118 million

Note: The consolidated subsidiary uses the simplified method of calculating retirement benefit obligation.

3. Retirement Benefit Expenses (year ended March 31, 2003)

Retirement benefit expenses	¥415 million

4. Items Related to Basis of Calculation of Retirement Benefit Obligation

(1) Discount rate	1.75%
(2) Expected rate of return	3.00%
(3) Method of period allocation for estimated retirement benefits	Straight-line basis
(4) Years over which net actuarial gain and losses are amortized	5 years (expensed from the period following the occurrence of proportional amounts on a straight-line basis over the fixed number of years within the average remaining service time in each period when obligations arise)
(5) Years over which net obligation is amortized	Amortized as a lump-sum expense in the fiscal year in which it occurs

5. Segment Information

1. Business Segments

Year ended March 31, 2003

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
I. Sales & operating income:						
(1) Sales to external customers	37,155	29,210	23,659	90,025	—	90,025
(2) Intersegment sales or transfers	—	—	—	—	—	—
Total sales	37,155	29,210	23,659	90,025	—	90,025
Operating expenses	29,056	22,332	25,305	76,693	1,806	78,499
Operating income (loss)	8,099	6,878	(1,645)	13,332	(1,806)	11,526
II. Total assets, depreciation and amortization, and capital expenditures						
Total assets	23,016	11,172	9,200	43,388	36,415	79,804
Depreciation and amortization	1,218	596	375	2,190	77	2,268
Capital expenditures	2,474	349	373	3,197	2,199	5,396

Year ended March 31, 2002

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
I. 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
II. Total assets, depreciation and amortization, and capital expenditures						
Total assets	21,228	12,048	10,229	43,506	35,519	79,026
Depreciation and amortization	1,292	631	239	2,164	81	2,245
Capital expenditures	1,056	634	1,897	3,589	—	3,589

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, publishing operations, mail-order and retail sales of germinated brown rice and kale juice, 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 listed under "Eliminations or Corporate" include cash and cash equivalents, marketable securities, land, investment securities and insurance reserve.

2. Geographic Segments

During the year ended March 31, 2003, sales in Japan accounted for more than 90 percent of total net sales. Therefore, segment information by geographic area is not provided.

The Company had no consolidated subsidiaries or branches based in countries other than Japan in the fiscal year ended March 31, 2002. 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 the fiscal years ended March 31, 2003 and 2002, respectively. Accordingly, overseas sales information is not provided.

Production, Orders and Sales

1. Actual Production

(Millions of yen)

	As of March 31, 2003	As of March 31, 2002
Cosmetics	40,004	43,107
Nutritional supplements	30,175	29,921
Others	12,880	6,397
Total	83,060	79,426

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, 2003	As of March 31, 2002
Cosmetics	37,155 (41.3%)	36,748 (43.4%)
Nutritional supplements	29,210 (32.4%)	28,995 (34.3%)
Others	23,659 (26.3%)	18,913 (22.3%)
Total	90,025 (100.0%)	84,657 (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, 2003			Year ended March 31, 2002		
	Acquisition Cost	Book Value	Unrealized Gain (Loss)	Acquisition Cost	Book Value	Unrealized Gain (Loss)
1. Stocks	189	107	(81)	124	91	(32)
2. Bonds						
National/Local Government	—	—	—	—	—	—
Corporate	—	—	—	50	50	0
Others	—	—	—	—	—	—
3. Others	—	—	—	—	—	—
Total	189	107	(81)	174	142	(32)

2. Securities for which Market Value is Not Calculated

(Millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2002
	Book Value	
Other marketable securities:		
Current assets:		
Money management funds (MMF)	4,725	4,725
Free financial funds (FFF)	3,006	3,006
Fixed assets:		
Unlisted stocks (excluding over-the-counter stocks)	182	222
Total	7,914	7,953

8. Derivatives

As of March 31, 2003
No pertinent derivative transactions were undertaken during the year ended March 31, 2003.
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, 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.