Summary of Consolidated Financial Statements for the Six Months Ended September 30, 2003

November 4, 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: November 4, 2003
Use of U.S. accounting standards: No

1. Results for the six months from April 1, 2003 to September 30, 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 (%)
Six months ended 9/03	41,198	(5.4)	4,889	(12.6)	5,163	(12.9)
Six months ended 9/02	43,538	5.2	5,591	14.1	5,929	15.6
Year ended 3/03	90,025		11,526		11,849	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Six months ended 9/03	2,231	(27.5)	100.53	—
Six months ended 9/02	3,077	11.9	131.99	—
Year ended 3/03	6,428		279.58	—

Notes:

1. Average number of shares outstanding (consolidated): Six months ended September 30, 2003: 22,201,275 shares
Six months ended September 30, 2002: 23,315,393 shares
Year ended March 31, 2003: 22,994,582 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 interim period.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Six months ended 9/03	79,353	66,766	84.1	3,047.03
Six months ended 9/02	78,859	66,100	83.8	2,866.24
Year ended 3/03	79,804	66,349	83.1	2,976.31

Note: Number of shares outstanding at end of period (consolidated): Six months ended September 30, 2003: 21,912,076 shares
Six months ended September 30, 2002: 23,061,776 shares
Year ended March 31, 2003: 22,292,672 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)
Six months ended 9/03	3,235	(2,351)	(2,035)	25,205
Six months ended 9/02	3,283	(2,094)	(1,977)	26,747
Year ended 3/03	9,828	(5,582)	(5,432)	26,370

(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) None (Eliminated) None
Equity method: (New) None (Eliminated) None

2. Projected results for the year ending March 31, 2004

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Year ending 3/04	85,200	7,700	3,700

Reference: Estimated earnings per share (full year): ¥168.86

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

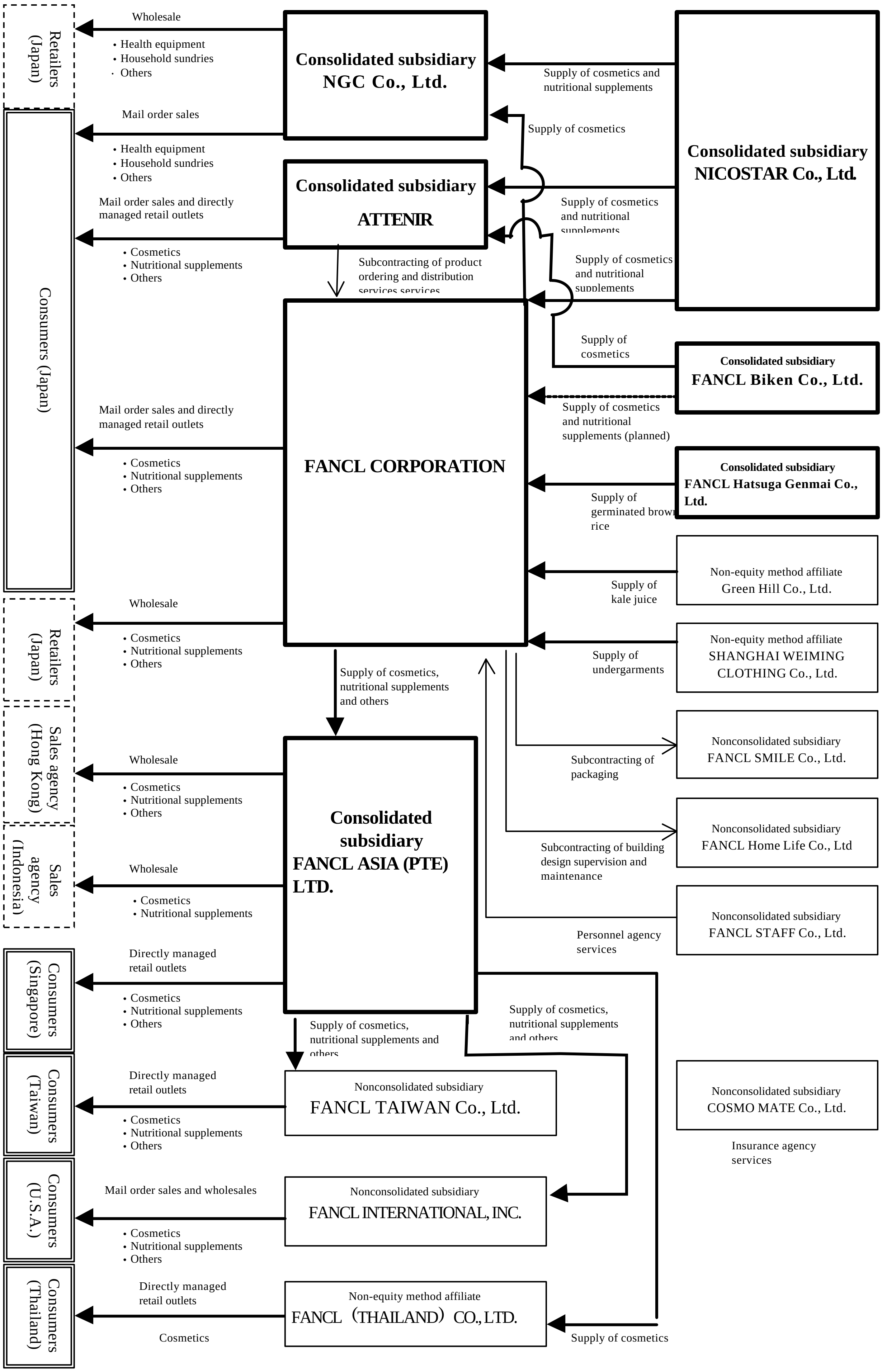
The FANCL Group comprises FANCL CORPORATION, 12 subsidiaries and three affiliates, and is primarily engaged in the manufacture and sales of cosmetics and nutritional supplements. Sales activities are principally conducted through mail order, directly managed retail outlets, and wholesale distribution. 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). FANCL Biken Co., Ltd. (a consolidated subsidiary) began manufacturing certain ATTENIR cosmetics at its Shiga Factory in September 2003, and is scheduled to begin manufacturing FANCL products in January 2004.
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 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), 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. 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: 3	4
NICOSTAR Co., Ltd.	Sakae-ku, Yokohama, Japan	¥100	Cosmetics and nutritional supplements business	100.0	—	Manufactures cosmetics and nutritional supplements Seconded directors: 3	2
NGC Co., Ltd.	Shibuya-ku, Tokyo, Japan	¥160	Other businesses	100.0	—	Sells cosmetics and nutritional supplements Seconded directors: 3	—
FANCL Hatsuga Genmai Co., Ltd.	Ueda, Nagano, Japan	¥ 95	Other businesses	84.6	—	Manufactures germinated brown rice Seconded directors: 2	2
FANCL ASIA (PTE) LTD	Singapore	S$9,369 thousand	Cosmetics, nutritional supplements business and other businesses	100.0	—	Sells cosmetics, nutritional supplements and others Seconded directors: 4	—
FANCL Biken Co., Ltd.	Sakae-ku, Yokohama, Japan	¥50	Cosmetics, nutritional supplements business	100.0	—	Sells cosmetics, nutritional supplements and others Seconded directors: 3	—

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. ATTENIR CORPORATION accounts for more than 10% of FANCL's consolidated net sales, excluding intersegment transactions. The company's principal results of operations in the six months ended September 30, 2003 were as follows:

(Millions of yen)

Principal Operating Results of ATTENIR CORPORATION				
Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
¥4,670	¥726	¥423	¥4,795	¥5,790

5. 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 also focuses on the ordinary income margin, based on the understanding that profit growth will provide long-term returns to stakeholders. In addition, the Company will focus on its target ratio of ordinary income to total assets, and work to improve the balance sheet and increase efficiency.

(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 six months ended September 30, 2003, the Company acquired 377,900 shares of treasury stock on the market.

We intend to pay an annual dividend of ¥35.00 per share (comprising interim and year-end dividends of ¥17.50 each) for the fiscal year ended March 31, 2004.

(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

As part of the renewal of its management structure, FANCL has established the FANCL Change&Challenge Plan, a three year medium-term management plan to begin in the year ending March 31, 2005. The plan aims to restore growth and profitability by (1) clarifying the positioning and orientation of each business and (2) optimizing products and sales channels.

[Target Figures]

	Consolidated net sales	Consolidated ordinary income	Consolidated ordinary income margin	Consolidated ordinary income/total assets
Year ending March 31, 2007	¥120 billion	¥16 billion	13%	16%

[Business Positioning]

Cosmetics Business, Nutritional Supplements Business: Core businesses (aiming for profitability)

Hatsuga Genmai Business, Kale Juice Business: Growth businesses (aiming for growth)

[Products and Sales Channels]

In the Cosmetics Business, FANCL will clearly position FANCL cosmetics as the main product, and continue product development focused on functionality. Backed by the main mail-order sales channel, FANCL will expand retail sales through aggressive development of new stores.

In the Nutritional Supplement Business, FANCL will clarify the main products, focus a diverse product lineup, and make research and development the foundation in introducing high value-added products based on original materials. Backed by the main mail-order channel, FANCL will strengthen retail and wholesale sales.

FANCL aims to bring the *Hatsuga Genmai* Business and Kale Juice Business into the black by ensuring superior quality and improving profitability through expanded sales and more efficient distribution. Backed by the main wholesale sales channel, FANCL will strengthen mail-order sales.

(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 eleven 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, and in July 2003 a partial restructuring, primarily of the product planning division, was conducted to strengthen the newly reorganized corporate organization.

FANCL ensures that all three corporate auditors are outside auditors. 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

Economic conditions in Japan remained uncertain during the six months ended September 30, 2003, with a pickup in the export environment, an upturn in business confidence and other indications of an economic recovery offset by the recent strengthening of the yen and uncertainty over a recovery in domestic demand.

In the cosmetics industry, the market as a whole expanded slightly amid continuing price polarization.

In the nutritional supplements industry, although the market is expanding, competition intensified substantially.

1) Cosmetics Business

In FANCL cosmetics, FANCL launched a new slimming gel Shape Design product on May 21, 2003 and conducted a major renewal of the Belmeil line of preservative-free makeup on September 19, 2003 to revitalize body care products and makeup, which sold poorly in the fiscal year ended March 31, 2003. In ATTENIR cosmetics, ATTENIR conducted renewals and new product introductions primarily in whitening-related products and beauty lotions.

Sales

In the Cosmetics Business, sales decreased 8.4% compared with the same period of the previous year to ¥16,954 million.

	Six months ended September 30, 2003		Six months ended September 30, 2002		% change
	Amount	% of total	Amount	% of total	
FANCL cosmetics	¥12,735 million	75.1	¥15,010 million	81.1	(15.2)
ATTENIR cosmetics	¥3,968 million	23.4	¥3,318 million	17.9	19.6
Other	¥250 million	1.5	¥180 million	1.0	38.8
Total	¥16,954 million	100.0	¥18,509 million	100.0	(8.4)

	Six months ended September 30, 2003		Six months ended September 30, 2002		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥10,551 million	62.2	¥11,301 million	61.1	(6.6)
Retail store sales	¥5,256 million	31.0	¥5,761 million	31.1	(8.8)
Other	¥1,146 million	6.8	¥1,447 million	7.8	(20.8)
Total	¥16,954 million	100.0	¥18,509 million	100.0	(8.4)

Mail-order sales decreased 6.6% compared with the same period of the previous year to ¥10,551 million, due to a decline in the number of customers.

In FANCL cosmetics, sales of body care products increased slightly compared with the same period of the previous year, during which they performed poorly. However, overall FANCL cosmetics sales decreased 16.2% compared with the same period of the previous year to ¥6,818 million, due to a significant decline in sales of skin care products, particularly of the FENATTY skin care series. On the other hand, sales of ATTENIR cosmetics increased 18.1% compared with the same period of the previous fiscal year to ¥3,732 million due to effective advertising campaigns that increased the customer base to a record high level and product renewals that were well-received by customers.

Retail store sales decreased 8.8% compared with the same period of the previous year, to ¥5,256 million. Despite the opening of FANCL Square on April 4, 2003, sales at existing stores, the foundation for a recovery, decreased. As of September 30, 2003, the number of FANCL House shops (including two franchise stores) was 118 (with one closure during the period); the number of FANCL Style shops was one (no openings or closures during the period); the number of ATTENIR shops was five (no openings or closures during the period); and the number of other shops was one (no openings or closures during the period).

In **other sales channels**, sales decreased 20.8% compared with the same period of the previous year to ¥1,146 million, due to sluggish daily sales at Lawson convenience stores and a decrease in exports to Hong Kong as a result of SARS and other factors.

Operating income

Although a scale-back in the point rally campaign and other sales promotions improved the cost of sales ratio, the reduced sales increased the impact of fixed expenses. As a result, operating income declined 8.9% compared with the same period of the previous year to ¥3,663 million and the operating margin fell 0.1 percentage points to 21.6%.

2) Nutritional Supplements Business

In the Nutritional Supplements Business, FANCL launched Shape Design Supplement on May 21, 2003, and MESIMA, a mycelium-based supplement co-developed with HAN KOOK SIN YAK.

Sales

In the Nutritional Supplements Business, sales increased 0.1% compared with the same period of the previous year to ¥14,230 million.

	Six months ended September 30, 2003		Six months ended September 30, 2002		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥7,879 million	55.4	¥8,258 million	58.1	(4.6)
Retail store sales	¥2,837 million	19.9	¥2,635 million	18.5	7.6
Other	¥3,514 million	24.7	¥3,322 million	23.4	5.8
Total	¥14,230 million	100.0	¥14,217 million	100.0	0.1

Mail-order sales decreased 4.6% compared with the same period of the previous year to ¥7,879 million. By product type, an increase in sales of diet supplements and herbal supplements led by new products could not cover the decrease in sales of the Support Series, vitamins and minerals, and other products.

In **retail store sales**, sales increased 7.6% compared with the same period of the previous year to ¥2,837 million, due to favorable sales at FANCL House shops, which focus on sales of cosmetics, and the opening of FANCL Square. As of September 30, 2003, the number of Genki Station shops was nine (one shop opened during the period) and the number of Genki Net shops was two (8 shop closures during the period).

In **other sales channels**, sales increased 5.8% compared with the same period of the previous year to ¥3,514 million, due to the start of OEM supply in September 2003.

Operating income

Operating income decreased 15.3% compared with the same period of the previous year to ¥2,672 million and the operating margin fell 3.4 percentage points to 18.8%, due to a substantial decline in gross profit sales brought on by high prices for some raw materials and sluggish sales of products with comparatively high margins.

3) Other Businesses

Sales

In Other Businesses, sales declined 7.4% compared with the same period of the previous year to ¥10,013 million.

	Six months ended September 30, 2003	Six months ended September 30, 2002	% change
Hatsuga Genmai Business	¥2,881 million	¥3,176 million	(9.3)
Kale juice Business	¥1,618 million	¥1,035 million	56.3
NGC mail-order business	¥3,913 million	¥5,173 million	(24.4)
Other	¥1,600 million	¥1,425 million	12.3
Total	¥10,013 million	¥10,811 million	(7.4)

In the ***Hatsuga Genmai* Business**, mail-order sales fell below the level for the same period of the previous year, with strong sales of 8kg and 4kg bags unable to offset the decrease in sales of pop rice crackers and other processed foods. OEM supply to the Japan Rice Millers and Distributors Cooperative and the Hokuren Federation of Agricultural Cooperatives also fell below the level for the same period of the previous year, due to sluggish growth in the number of stores handling the product.

In the **Kale Juice Business**, mail-order sales increased substantially due to a rise in the number of annual subscribers to the delivery service. Convenience store and other wholesale sales were also favorable.

In the mail-order business of **NGC Co., Ltd**, sales declined compared with the same period of the previous year, due to revisions of the catalogue contents, distribution list and product lineup in connection with the ongoing business model restructuring.

In **other businesses**, sales of household sundries were strong, and net sales from FANCL Square esthetic salons and other shops were recorded in the six months ending September 30, 2003. As a result, sales exceeded the level recorded during the same period of the previous year.

Operating income

The mail-order business of NGC Co., Ltd posted an operating loss, but income from the *Hatsuga Genmai* Business and the Kale Juice Business improved. Consequently, operating loss decreased ¥237 million compared to the same period of the previous year to ¥407 million.

As a result of the above factors, total net sales for the interim period decreased 5.4% to ¥41,198 million, operating income decreased 12.6% to ¥4,889 million, and the operating margin fell 0.9 percentage points to 11.9%.

Due to the termination of leveraged-lease income from investment in an anonymous association during the six months ended September 30, 2002, net non-operating income declined ¥64 million over the same period of the previous year, ordinary income decreased 12.9% to ¥5,163 million and the ordinary income margin fell 1.1 percentage points to 12.5%. As a result of extraordinary losses, including a loss recorded on the transfer of the reserve directors' retirement bonuses from the previous fiscal year in connection with a change in the regulations, net income decreased 27.5% compared with the same period of the previous year to ¥2,231 million and the ratio of net income to net sales decreased 1.7 percentage points to 5.4%.

(2) Cash Flows

Decrease in net cash provided by operating activities, and increases in cash used by investing activities and cash used by financing activities led to a ¥1,164 million decrease in cash and cash equivalents from the beginning to the end of the interim period, to ¥25,205 million.

Net cash provided by operating activities amounted to ¥3,235 million, a decrease of ¥48 million over the same period of the previous year, due to factors including ¥4,019 million in income before income taxes, ¥1,207 million in depreciation and amortization, and ¥2,729 million in income taxes paid.

Net cash used in investing activities totaled ¥2,351 million, an increase of ¥257 million compared to the same period of the previous year, due to factors including ¥2,243 million in payment for purchase of fixed assets.

Net cash used in financing activities was ¥2,035 million, an increase of ¥58 million compared to the same period of the previous year. Factors included a ¥1,334 million payment for purchase of treasury stock, ¥500 million in cash dividends paid and the repayment of long-term debt totaling ¥200 million.

(3) Outlook

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

In the Cosmetics Business, strengthened advertising and sales promotions to halt the decline in the number of customers for FANCL cosmetics are not expected to show results until the next fiscal year. Although an increase in revenues is expected for ATTENIR cosmetics, a decline in revenues is forecast for the Cosmetics Business as a whole.

In the Nutritional Supplements Business, amid intensifying competition between companies, revenues are expected to increase in retail store and wholesale sales, although with a decrease in mail-order sales, overall sales are expected to be essentially flat.

In the *Hatsuga Genmai* Business, both mail-order sales and OEM supply are expected to decrease.

In the Kale Juice Business, both mail-order sales and wholesale sales are expected to increase.

As a result, based on these projections, we forecast consolidated net sales for the fiscal year ending March 31, 2004 to decrease 5.4% year-on-year to ¥85,200 million.

We project ordinary income of ¥7,700 million, a 35.0% decrease, and net income of ¥3,700 million, a 42.4% decrease, due to factors including a decrease in gross profit of the Cosmetics Business brought on by an increase in expenses for the Shiga Factory and a decrease in revenues, a higher cost of sales ratio for nutritional supplements, and an increase in expenses for FANCL Square.

We intend to pay an annual dividend of ¥35.00 per share, comprising interim and year-end dividends of ¥17.50 each.

4. Interim Consolidated Financial Statements and Notes

Interim Consolidated Balance Sheets

(Millions of yen)

ASSETS	As of September 30, 2003		As of September 30, 2002		As of March 31, 2003	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
I Current assets:						
Cash and cash equivalents	17,473		19,460		18,638	
Notes and accounts receivable	7,650		8,178		8,220	
Marketable securities	7,732		7,731		7,731	
Inventories	4,872		6,551		5,103	
Deferred tax assets	737		718		767	
Others	1,337		925		919	
Allowance for doubtful accounts	(170)		(172)		(173)	
Total current assets	39,632	50.0%	43,393	55.0%	41,207	51.6%
II Fixed assets:						
1. Tangible fixed assets:						
Buildings and structures	10,920		9,578		11,198	
Equipment and vehicles	1,624		1,792		1,679	
Tools and fixtures	1,020		975		1,000	
Land	10,777		10,317		10,202	
Construction in progress	2,639		500		2,028	
Total tangible fixed assets	26,982	34.0	23,165	29.4	26,109	32.7
2. Intangible fixed assets:						
Software	804		1,114		960	
Goodwill	707		906		843	
Others	590		81		231	
Total intangible fixed assets	2,102	2.6	2,102	2.7	2,036	2.6
3. Investments and other assets:						
Investment securities	1,022		1,020		947	
Long-term loans	1,014		1,031		1,010	
Guaranty money	2,407		2,408		2,464	
Deferred tax assets	733		313		357	
Others	5,746		5,686		5,950	
Allowance for doubtful accounts	(288)		(263)		(279)	
Total investments and other assets	10,636	13.4	10,198	12.9	10,450	13.1
Total fixed assets	39,721	50.0	35,465	45.0	38,596	48.4
Total assets	79,353	100.0%	78,859	100.0%	79,804	100.0%

Note: Figures below ¥1 million have been truncated.

(Millions of yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	As of September 30, 2003		As of September 30, 2002		As of March 31, 2003	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
LIABILITIES						
I Current liabilities:						
Notes and accounts payable	2,721		3,401		3,341	
Current portion of long-term debt	150		540		350	
Accrued liabilities	3,062		2,801		3,277	
Accrued expenses	357		236		457	
Accrued income taxes	2,168		2,591		2,772	
Allowance for bonuses	862		814		823	
Others	468		324		381	
Total current liabilities	9,791	12.4%	10,709	13.6%	11,403	14.3%
II Long-term liabilities:						
Long-term debt	—		150		—	
Allowance for retirement bonuses	1,146		1,072		1,118	
Allowance for directors' retirement bonuses	1,155		352		370	
Others	492		473		561	
Total long-term liabilities	2,794	3.5	2,048	2.6	2,050	2.6
Total liabilities	12,586	15.9	12,758	16.2	13,454	16.9
SHAREHOLDERS' EQUITY						
I Common stock	10,795	13.6	10,795	13.7	10,795	13.5
II Capital reserve	11,706	14.7	11,706	14.8	11,706	14.7
III Retained earnings	49,756	62.7	44,963	57.0	48,027	60.2
IV Net unrealized holding gain on other securities	18	0.0	(13)	(0.0)	(9)	(0.0)
V Foreign currency translation adjustment	(6)	(0.0)	(9)	(0.0)	(0)	(0.0)
VI Treasury stock	(5,502)	(6.9)	(1,341)	(1.7)	(4,168)	(5.2)
Total shareholders' equity	66,766	84.1	66,100	83.8	66,349	83.1
Total liabilities and shareholders' equity	79,353	100.0%	78,859	100.0%	79,804	100.0%

Note: Figures below ¥1 million have been truncated.

Interim Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2003		Six months ended September 30, 2002		Year ended March 31, 2003	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Net sales	41,198	100.0%	43,538	100.0%	90,025	100.0%
Cost of sales	14,055	34.1	14,641	33.6	31,044	34.5
Gross profit	27,142	65.9	28,896	66.4	58,981	65.5
Selling, general and administrative expenses	22,252	54.0	23,304	53.6	47,455	52.7
Operating income	4,889	11.9	5,591	12.8	11,526	12.8
Non-operating income:	470	1.1	525	1.2	891	1.0
Interest and dividend income	21		19		44	
Other non-operating income	448		506		847	
Non-operating expenses:	196	0.5	188	0.4	567	0.6
Interest expense	3		8		13	
Other non-operating expenses	193		180		553	
Ordinary income	5,163	12.5	5,929	13.6	11,849	13.2
Extraordinary income:	0	0.0	19	0.0	7	0.0
Gain on sale of fixed assets	0		0		0	
Reserve for allowance for doubtful receivables	—		19		6	
Extraordinary expenses:	1,143	2.8	553	1.2	778	0.9
Loss on disposal of fixed assets	11		499		629	
Valuation loss on investment securities	89		32		66	
Valuation loss on golf club memberships	7		—		1	
Special service bonuses for directors	178		21		63	
Transfer of reserve for retirement allowances for directors	856		—		—	
Loss on sale of stocks of affiliates	—		—		17	
Income before income taxes	4,019	9.7	5,395	12.4	11,078	12.3
Income taxes	2,138	5.2	2,585	5.9	5,001	5.6
Adjustment for income taxes	(351)	(0.9)	(267)	(0.6)	(351)	(0.4)
Net income	2,231	5.4	3,077	7.1	6,428	7.1%

Note: Figures below ¥1 million have been truncated.

Interim Consolidated Statements of Retained Earnings

(Millions of yen)

	Six months ended September 30, 2003		Six months ended September 30, 2002		Year ended March 31, 2003	
(Capital reserve)						
I Balance at beginning of the period						
1. Additional paid-in capital at beginning of the period	11,706	11,706	11,706	11,706	11,706	11,706
II Balance at end of the period		11,706		11,706		11,706
(Retained earnings)						
I Balance at beginning of the period						
1. Consolidated retained earnings at beginning of the period	48,027	48,027	42,245	42,245	42,245	42,245
II Increase in retained earnings						
1. Net income	2,231	2,231	3,077	3,077	6,428	6,428
III Decrease in retained earnings						
1. Dividends	501		243		531	
2. Bonuses to directors	1		—		—	
3. Decrease in retained earnings due to increase in consolidated subsidiaries	—	502	114	358	114	646
IV Balance at end of the period		49,756		44,963		48,027

Note: Figures below ¥1 million have been truncated.

Interim Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year ended March 31, 2003
Cash flows from operating activities:			
Income before income taxes	4,019	5,395	11,078
Depreciation and amortization	1,207	1,086	2,268
Amortization in excess of investment cost over equity in net assets of consolidated subsidiaries	136	129	259
Increase (decrease) in allowance for bonuses	38	47	57
Increase (decrease) in allowance for doubtful accounts	(1)	(23)	(7)
Increase (decrease) in allowance for retirement benefits	27	67	114
Interest and dividend income	(21)	(19)	(44)
Interest expenses	3	8	13
Exchange loss	12	12	12
Valuation loss on investment securities	89	32	66
Investment gain on anonymous association	(83)	(183)	(268)
Valuation loss on golf club memberships	7	—	1
Net refund of insurance premiums	(254)	(173)	(283)
Gain on sale of tangible fixed assets	(0)	(0)	(0)
Loss on disposal of tangible fixed assets	10	499	614
Loss on disposal of intangible fixed assets	1	—	14
Transfer of reserve for retirement allowances for directors			
Decrease (increase) in trade receivables	856	—	—
Increase in inventories	558	121	86
Decrease (increase) in other current assets	230	(1,050)	399
Decrease in other fixed assets	(425)	1,056	1,068
Decrease in trade payables	—	8	—
Decrease in other current liabilities	(608)	(249)	(316)
Decrease in other fixed liabilities	(239)	(818)	(530)
Other extraordinary loss	(138)	(78)	(161)
Others	—	—	17
	(1)	(8)	(8)
Subtotal	5,423	5,859	14,451
Interest and dividends received	11	19	44
Interest paid	(2)	(9)	(15)
Refund on insurance premiums	532	325	461
Income taxes paid	(2,729)	(2,912)	(5,114)
Net cash provided by operating activities	3,235	3,283	9,828
Cash flows from investing activities:			
Payment for deposits	—	(1,530)	(1,500)
Proceeds from termination of deposits	—	100	500
Payment for purchase of tangible fixed assets	(1,722)	(540)	(4,170)
Proceeds from sales of tangible fixed assets	6	1	12
Proceeds from disposal of tangible fixed assets	—	—	(19)
Payment for purchase of intangible fixed assets	(521)	(171)	(386)
Payment for purchases of investment securities	—	—	(20)
Proceeds from sales of investment securities	2	—	50
Payments for purchase of investments in affiliates	(121)	—	(65)
Lending of loans	—	—	(50)
Proceeds from collection of loans	38	45	121
Proceeds from investment on anonymous association	—	141	141
Payment for purchase of other investments	(107)	(187)	(416)
Proceeds from sales of other investments	75	47	105
Proceeds from reduced-value entry of land	—	—	115
Net cash used in investing activities	(2,351)	(2,094)	(5,582)

(Continued on following page)

Cash flows from financing activities:			
Repayment of long-term debt	(200)	(402)	(742)
Payment for purchase of treasury stock	(1,334)	(1,331)	(4,159)
Cash dividends paid	(500)	(242)	(530)
Bonuses to directors	(1)	—	—
Net cash used in financing activities	(2,035)	(1,977)	(5,432)
Effect of exchange rate changes on cash and cash equivalents	(12)	(20)	(27)
Net increase in cash and cash equivalents	(1,164)	(808)	(1,213)
Cash and cash equivalents at beginning of period	26,370	27,535	27,535
Reconciliation of cash and cash equivalents related to change in scope of consolidation	—	20	48
Cash and cash equivalents at end of period	25,205	26,747	26,370

Preparation of the Consolidated Financial Statements

1. Scope of Consolidation

Principal affiliated companies are described in 1. FANCL Group.

Number of consolidated subsidiaries 6

Number of nonconsolidated subsidiaries 6

Nonconsolidated subsidiaries are unconsolidated 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 interim consolidated financial statements.

2. Application of the Equity Method

The Company's six nonconsolidated subsidiaries mentioned above and three 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

Among consolidated subsidiaries, the interim closing date of FANCL ASIA (PTE) LTD is June 30. The interim financial statements as of the interim closing date are used in preparing the interim consolidated financial statements. Consolidation adjustments are made as necessary for significant transactions occurring until the interim consolidated closing date.

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 benefit payments to employees, the Company makes provisions in the amount recognized as accruing at the end of the consolidated interim period, 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.

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.
Consolidated subsidiaries do not engage in derivative transactions.

(7) Others

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

5. 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 Interim Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2003	As of September 30, 2002	As of March 31, 2003
1. Accumulated depreciation of tangible fixed assets	11,596	10,128	10,821
2. Contingent liabilities	1,633	679	1,872

Notes to Interim Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year ended March 31, 2003
1. Principal components of selling, general and administrative expenses			
Advertising	3,774	4,220	9,261
Sales promotions	3,643	4,427	8,615
Transport	1,950	2,130	4,366
Communications	1,283	1,439	2,939
Fees	2,145	2,235	4,535
Salaries	3,114	3,025	6,072
Depreciation	843	733	1,427
Transfer of reserve for doubtful accounts	15	—	—
2. R&D expenses included in general and administrative and manufacturing expenses	872	843	1,683

Notes to Interim 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)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year ended March 31, 2003
Cash and deposits account	17,473	19,460	18,638
Securities account	7,732	7,731	7,731
Total	25,205	27,192	26,370
Deposits with maturities of less than three months	—	445	—
Cash and cash equivalents	25,205	26,747	26,370

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)

	Six months ended September 30, 2003	Six months ended September 30, 2002	Year ended March 31, 2003
Machinery and transport equipment:			
Purchase cost	4,354	4,401	4,357
Accumulated depreciation	1,398	854	1,105
Balance at end of period	2,956	3,547	3,252
Furniture, tools and fixtures:			
Purchase cost	705	1,050	872
Accumulated depreciation	383	632	513
Balance at end of period	322	417	359
Total:			
Purchase cost	5,060	5,452	5,229
Accumulated depreciation	1,781	1,487	1,618
Balance at end of period	3,278	3,965	3,611

(2) Future lease payments

(Millions of yen)

	As of September 30, 2003	As of September 30, 2002	As of March 31, 2003
Within one year	705	758	736
More than one year	2,542	3,148	2,874
Total	3,248	3,907	3,610

(3) Outstanding lease payments and depreciation

(Millions of yen)

	As of September 30, 2003	As of September 30, 2002	As of March 31, 2003
Outstanding lease payments	476	435	827
Depreciation expense	398	375	778
Interest expense	49	46	92

(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 September 30, 2003	As of September 30, 2002	As of March 31, 2003
Within one year	0	0	0
More than one year	2	3	3
Total	3	4	4

5. Segment Information

1. Business Segments

Six months ended September 30, 2003

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales:						
(1) Sales to external customers	16,954	14,230	10,013	41,198	—	41,198
(2) Intersegment sales or transfers	—	—	—	—	—	—
Total sales	16,954	14,230	10,013	41,198	—	41,198
Operating expenses	13,290	11,558	10,420	35,270	1,038	36,308
Operating income (loss)	3,663	2,672	(407)	5,928	(1,038)	4,889

Six months ended September 30, 2002

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales:						
(1) Sales to external customers	18,509	14,217	10,811	43,538	—	43,538
(2) Intersegment sales or transfers	—	—	—	—	—	—
Total sales	18,509	14,217	10,811	43,538	—	43,538
Operating expenses	14,487	11,061	11,456	37,004	941	37,946
Operating income (loss)	4,022	3,155	(644)	6,533	(941)	5,591

Year ended March 31, 2003

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales:						
(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

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, etc.
3. Unallocatable operating expenses included in “Eliminations or Corporate” consist of operating expenses incurred by the Administration Department of the Company.

2. Geographic Area

During the six months ended September 30, 2002, sales in Japan accounted for more than 90 percent of total net sales. Therefore, 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 interim periods ended September 30, 2002 and 2003 and the fiscal year ended March 31, 2003. Accordingly, overseas sales information is not provided.

6. Production, Orders and Sales

1. Actual Production

(Millions of yen)

	As of September 30, 2003	As of September 30, 2002	As of March 31, 2003
Cosmetics	17,852	22,597	40,004
Nutritional supplements	14,057	15,237	30,175
Others	4,648	6,189	12,880
Total	36,557	44,024	83,060

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 September 30, 2003	As of September 30, 2002	As of March 31, 2003
Cosmetics	16,954	18,509	37,155
Nutritional supplements	14,230	14,217	29,210
Others	10,013	10,811	23,659
Total	41,198	43,538	90,025

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

Six months ended September 30, 2003

1. Market Value of Other Marketable Securities

(Millions of yen)

	Acquisition Cost	Book Value	Unrealized Gain (Loss)
Stocks	126	155	29
Bonds	—	—	—
Others	—	—	—
Total	126	155	29

2. Securities for which Market Value is Not Calculated

(Millions of yen)

	Book Value
Other marketable securities:	
Current assets:	
Money management funds (MMF)	4,725
Free financial funds (FFF)	3,006
Fixed assets:	
Unlisted stocks (excluding over-the-counter stocks)	90
Total	7,823

Six months ended September 30, 2002

1. Market Value of Other Marketable Securities

(Millions of yen)

	Acquisition Cost	Book Value	Unrealized Gain (Loss)
Stocks	182	145	(36)
Bonds	50	50	0
Others	—	—	—
Total	232	196	(35)

2. Securities for which Market Value is Not Calculated

(Millions of yen)

	Book Value
Other marketable securities:	
Current assets:	
Money management funds (MMF)	4,725
Free financial funds (FFF)	3,006
Fixed assets:	
Unlisted stocks (excluding over-the-counter stocks)	163
Total	7,895

Year ended March 31, 2003

1. Market Value of Other Marketable Securities

(Millions of yen)

	Acquisition Cost	Book Value	Unrealized Gain (Loss)
Stocks	189	107	(81)
Bonds	—	—	—
Others	—	—	—
Total	189	107	(81)

2. Securities for which Market Value is Not Calculated

(Millions of yen)

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

8. Derivatives

As of September 30, 2003
No pertinent derivative transactions were undertaken during the interim period ended September 30, 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 September 30, 2002
No pertinent derivative transactions were undertaken during the interim period ended September 30, 2002.

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.