

Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2005

July 27, 2004

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, First Section

Code number: 4921

1. Preparation of Summary of Quarterly Report

Use of simplified accounting method: Yes

(Details)

Method of depreciation of fixed assets:

- (1) Tangible fixed assets Quarterly portion of estimated amount for the year
 (2) Intangible fixed assets Quarterly portion of estimated amount for the year

Standard for stating income taxes: Calculated using the estimated annual tax rate based on the effective statutory tax rate.

Simplified procedures are used for amounts with an immaterial effect.

Changes from accounting methods used in most recent consolidated fiscal year: None

Changes in scope of consolidation and application of equity method: None

2. Results for the first quarter of Fiscal 2005 (April 1, 2004 to June 30, 2004)

(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 (%)
Three months ended 6/04	20,951	0.3	862	(71.9)	837	(72.5)
Three months ended 6/03	20,885	(5.0)	3,066	(15.0)	3,046	(15.7)
(Ref.) Year ended 3/04	84,956		7,769		7,686	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Three months ended 6/04	212	(87.6)	9.97	—
Three months ended 6/03	1,714	(18.1)	76.92	—
(Ref.) Year ended 3/03	3,387		154.61	—

Note: Year-on-year change for net sales, operating income, ordinary income and net income is the change from the first quarter period of the previous year.

Operating Results (Quarterly Summary)

(1) Operating Results

During the three months ended June 30, 2004, the Japanese economy showed signs of recovery in exports and corporate income. However, conditions remained challenging as a strong sense of uncertainty about the future in areas such as employment and the pension issue led to a persistently sluggish recovery in personal consumption.

In the cosmetics industry, the market was tight, despite level performance of skin care products.

In the nutritional supplements industry, although the market expanded, competition intensified substantially as new participants entered the market.

Net sales for the quarter increased 0.3% compared to the same period in the previous year to ¥20,951 million. Sales in the cosmetics and nutritional supplements businesses increased, but sales of products including *Hatsuga Genmai* and Kale Juice in Other Businesses decreased, resulting in overall sales virtually the same as the same period in the previous year.

Advertising expenses totaled ¥3,005 million, approximately twice the amount from the same period in the previous year, reflecting spending to attract new customers. As a result, operating income decreased 71.9% to ¥862 million, the operating margin decreased 10.6 percentage points to 4.1%, ordinary income decreased 72.5% to ¥837 million and the ordinary margin dropped 10.6 percentage points to 4.0%.

Net income for the quarter decreased 87.6% compared to the same period in the previous year to ¥212 million, and the net income margin decreased 7.2 percentage points to 1.0%, due to a loss recorded on a lease cancellation associated with the introduction of a new manufacturing process for *Hatsuga Genmai*.

(2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Three months ended 6/04	77,604	65,297	84.1	3,067.94
Three months ended 6/03	79,439	67,556	85.0	3,030.63
(Ref.) Year ended 3/04	78,479	65,613	83.6	3,082.47

Cash Flows

	Net cash used in 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)
Three months ended 6/04	(968)	(517)	(460)	21,614
Three months ended 6/03	30	(1,178)	(486)	24,733
(Ref.) Year ended 3/04	5,861	(4,118)	(4,532)	23,561

Qualitative Information Concerning Changes to the Financial Conditions

Cash and cash equivalents ("net cash") as of June 30, 2004, were ¥21,614 million, down ¥1,946 million from the figure as of the previous fiscal year-end. Conditions of each component of cash flows and underlying factors are as follows.

Cash Flows from Operating Activities

Net cash used in operating activities was ¥968 million. Major factors increasing net cash included ¥703 million in income before income taxes and ¥577 million in depreciation and amortization, while main factors contributing to the decrease included an ¥800 million increase in inventories and ¥1,040 million in income taxes paid were the main outflows.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥517 million. The main expenditure was ¥267 million used for shop renewals and renovations.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥460 million, due to the payment of dividends.

Supplementary Materials

(Summary) First Quarter Consolidated Balance Sheets, (Summary) First Quarter Consolidated Statements of Income

Projected Results for Fiscal 2005 (April 1, 2004 to March 31, 2005)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Six months ending 9/04	42,950	1,300	500
Year ending 3/05	93,000	5,200	2,700

Reference: Projected net income per share (full year) ¥126.84

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.

Qualitative information in these projections:

Results were generally in line with projections, and there are at present no revisions to the projections announced on April 27, 2004.

(Summary) First Quarter Consolidated Balance Sheets

(Millions of yen)

ASSETS	As of June 30, 2004		As of June 30, 2003		As of March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
I Current assets:		%		%		%
Cash and cash equivalents	13,882		17,001		15,828	
Notes and accounts receivable	8,468		8,280		7,814	
Marketable securities	7,732		7,731		7,732	
Inventories	6,272		5,170		5,472	
Others	2,395		2,119		2,388	
Total current assets	38,751	49.9	40,304	50.7	39,236	50.0
II Fixed assets:						
1. Tangible fixed assets:						
Buildings and structures	12,457		11,098		12,701	
Land	10,847		10,202		10,847	
Others	3,115		5,277		3,217	
Total tangible fixed assets	26,420	34.1	26,578	33.5	26,767	34.1
2. Intangible fixed assets	1,481	1.9	2,196	2.8	1,636	2.1
3. Investments and other assets:						
Investments	2,392		2,236		2,388	
Investment securities	1,290		946		1,083	
Guaranty money	2,457		2,403		2,502	
Others	4,809		4,773		4,864	
Total investments and other assets	10,950	14.1	10,360	13.0	10,839	13.8
Total fixed assets	38,853	50.1	39,135	49.3	39,242	50.0
Total assets	77,604	100.0%	79,439	100.0%	78,479	100.0%

Note: Figures below ¥1 million have been truncated.

LIABILITIES AND SHAREHOLDERS' EQUITY	As of June 30, 2004		As of June 30, 2003		As of March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
LIABILITIES						
I Current liabilities:		%		%		%
Notes and accounts payable	3,478		3,149		3,172	
Accrued liabilities	3,070		2,281		4,273	
Accrued income taxes	559		1,406		1,105	
Others	2,314		2,977		1,471	
Total current liabilities	9,423	12.2%	9,814	12.4	10,022	12.8
II Long-term liabilities:						
Allowance for retirement bonuses	1,228		1,143		1,196	
Allowance for directors' retirement bonuses	1,237		383		1,210	
Others	417		541		437	
Total long-term liabilities	2,883	3.7	2,068	2.6	2,843	3.6
Total liabilities	12,307	15.9	11,883	15.0	12,866	16.4
SHAREHOLDERS' EQUITY						
I Common stock	10,795	13.9	10,795	13.6	10,795	13.7
II Capital reserve	11,706	15.1	11,706	14.7	11,706	14.9
III Retained earnings	50,207	64.7	49,239	62.0	50,528	64.4
IV Net unrealized holding gain on other securities	54	0.0	(9)	(0.0)	54	0.1
V Foreign currency translation adjustment	—	—	(5)	(0.0)	(4)	(0.0)
VI Treasury stock	(7,466)	(9.6)	(4,168)	(5.3)	(7,466)	(9.5)
Total shareholders' equity	65,297	84.1	67,556	85.0	65,613	83.6
Total liabilities and shareholders' equity	77,604	100.0%	79,439	100.0%	78,479	100.0%

Note: Figures below ¥1 million have been truncated.

2. (Summary) First Quarter Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2004		Three months ended March 31, 2003		Year ended March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage Change
Net sales	20,951	100.0%	20,885	100.0%	84,956	100.0%
Cost of sales	7,187	34.3	7,090	33.9	29,260	34.4
Gross profit	13,763	65.7	13,794	66.1	55,696	65.6
Selling, general and administrative expenses	12,901	61.6	10,728	51.4	47,926	56.4
Operating income	862	4.1	3,066	14.7	7,769	9.1
Non-operating income:	53	0.3	23	0.1	701	0.8
Interest and dividend income	3		3		40	
Other non-operating income	50		20		661	
Non-operating expenses:	77	0.4	43	0.2	784	0.9
Interest expense	—		3		2	
Other non-operating expenses	77		39		781	
Ordinary income	837	4.0	3,046	14.6	7,686	9.0
Extraordinary income	18	0.1	—		0	0.0
Extraordinary expenses:	153	0.7	—		1,472	1.7
Loss on disposal of fixed assets	10		—		340	
Other extraordinary expenses	143		—		1,132	
Income before income taxes	703	3.4	3,046	14.6	6,213	7.3
Income taxes	495	2.4	1,362	6.5	3,153	3.7
Adjustment for income taxes	(4)	(0.0)	(30)	(0.0)	(326)	(0.4)
Net income	212	1.0	1,714	8.2	3,387	4.0

Note: Figures below ¥1 million have been truncated.

3. (Summary) First Quarter Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2004	Three months ended June 30, 2003	Year ended March 31, 2004
I Cash flows from operating activities:			
Income before income taxes	703	3,046	6,213
Depreciation and amortization	577	590	2,556
Increase (decrease) in allowance for bonuses	428	408	(60)
Increase (decrease) in allowance for retirement benefits	32	25	77
Interest and dividend income	(3)	(3)	(40)
Gain on sale of marketable securities	(18)	—	—
Loss on disposal of tangible fixed assets	7	—	157
Decrease (increase) in trade receivables	(654)	(72)	406
Decrease (increase) in inventories	(800)	(68)	(369)
Decrease (increase) in other current assets	36	(562)	(228)
Increase (decrease) in trade payables	305	(180)	(168)
Increase (decrease) in other current liabilities	(646)	(467)	811
Others	(172)	56	859
Subtotal	(202)	2,773	10,216
Interest and dividends received	4	2	37
Income taxes paid	(1,040)	(2,744)	(4,954)
Others	271	0	561
Net cash provided by (used in) operating activities	(968)	30	5,861
II Cash flows from investing activities:			
Payment for purchase of tangible fixed assets	(267)	(906)	(3,341)
Payment for purchase of intangible fixed assets	(77)	(292)	(584)
Proceeds from sales of investment securities	38	—	2
Payment for purchase of other investments	(44)	(67)	(379)
Others	(166)	88	184
Net cash used in investing activities	(517)	(1,178)	(4,118)
III Cash flows from financing activities:			
Repayment of long-term debt	—	(100)	(350)
Payment for purchase of treasury stock	—	—	(3,297)
Cash dividends paid	(460)	(386)	(884)
Net cash used in financing activities	(460)	(486)	(4,532)
IV Effect of exchange rate changes on cash and cash equivalents	—	(2)	(20)
V Net increase in cash and cash equivalents	(1,946)	(1,636)	(2,808)
VI Cash and cash equivalents at beginning of period	23,561	26,370	26,370
VII Cash and cash equivalents at end of period	21,614	24,733	23,561

Note: Figures below ¥1 million have been truncated.

Segment Information

1. Business Segments

Three months ended 6/04

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	8,870	7,230	4,850	20,951	—	20,951
(2) Intersegment sales or transfers	—	—	—	—	—	—
Total sales	8,870	7,230	4,850	20,951	—	20,951
Operating expenses	7,272	6,619	5,693	19,584	503	20,088
Operating income (loss)	1,597	611	(843)	1,366	(503)	862

Three months ended 6/03

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	8,854	6,844	5,186	20,885	—	20,885
(2) Intersegment sales or transfers	—	—	—	—	—	—
Total sales	8,854	6,844	5,186	20,885	—	20,885
Operating expenses	6,686	5,554	5,059	17,300	518	17,818
Operating income (loss)	2,168	1,289	127	3,584	(518)	3,066

Information by Segment

1) Cosmetics Business

Sales

In the Cosmetics Business, sales increased 0.2% compared with the same period in the previous year to ¥8,870 million.

Sales of FANCL cosmetics were down due to continuing lackluster sales of FENATTY and other skin care products, while sales of ATTENIR cosmetics were favorable due to factors including a record-high number of mail-order customers.

	Three months ended 6/04		Three months ended 6/03		% change
	Amount	% of total	Amount	% of total	
FANCL cosmetics	¥6,539 million	73.7	¥6,662 million	75.2	(1.8)
ATTENIR cosmetics	¥2,280 million	25.7	¥2,054 million	23.2	11.0
Other	¥49 million	0.6	¥137 million	1.6	(63.6)
Total	¥8,870 million	100.0	¥8,854 million	100.0	0.2

	Three months ended 6/04		Three months ended 6/03		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥5,575 million	62.9	¥5,563 million	62.8	0.2
Retail store sales	¥2,683 million	30.2	¥2,670 million	30.2	0.5
Other	¥611 million	6.9	¥620 million	7.0	(1.4)
Total	¥8,870 million	100.0	¥8,854 million	100.0	0.2

Note: Sales of IIMONO OHKOKU Co., Ltd., recorded under Other in the previous year, are now listed under Mail-order Sales. For this reason, ¥1 million recorded under Other in the previous year is restated here under Mail-Order Sales.

Mail-order sales were ¥5,575 million, an increase of 0.2% compared with the same period in the previous year.

Sales of FANCL cosmetics decreased 4.6% to ¥3,453 million despite a recovery trend in customer numbers encouraged by aggressive spending on advertising. Sales of FENATTY and other skin care cosmetics continued to decline.

Sales of ATTENIR cosmetics increased 9.3% to ¥2,121 million, as effective advertising and sales promotions led to a record-high number of customers (as of June 30, 2004) and continuing strong sales of skin care products and makeup products.

Retail store sales increased slightly by 0.5 % compared with the same period in the previous year to ¥2,683 million.

Increased sales at existing stores due to factors including reform of store operations, and the effect of renovations and new store openings led to an overall increase in store sales, but the percentage of cosmetic sales in store sales decreased. As of June 30, 2004, the number of FANCL House shops (including two franchise stores; one store opened, one store closed, and four stores changed to FANCL House J shop listings during the quarter) was 110, the number of FANCL House J shops (formerly FANCL Style: two shops opened, four shops previously listed as FANCL House added during the quarter) was 16, the number of ATTENIR shops was seven (one store opened during the quarter), and the number of other shops was one (no stores opened or closed during the quarter).

In **other sales channels**, sales decreased 1.4 percent to ¥611 million, as increased overseas sales centered on Hong Kong failed to cover a decrease in daily sales at convenience stores.

Operating income

Operating income decreased 26.3 percent compared to the same period in the previous year to ¥1,597 million and the operating margin dropped 6.5 percentage points to 18.0% due to increased expenses from factors including the start of operations at the Shiga Factory and aggressive spending on advertising.

2) Nutritional Supplements Business

In the Nutritional Supplements Business, on April 20, 2004 and May 21, 2004, FANCL launched improved versions of four mineral products incorporating the new compound Twintose jointly developed with Hokkaido University and Nippon Beet Sugar Manufacturing Co., Ltd.

Sales

In the Nutritional Supplements Business, sales increased 5.6% compared with the same period in the previous year to ¥7,230 million.

	Three months ended 6/04		Three months ended 6/03		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥3,850 million	53.3	¥3,912 million	57.2	(1.6)
Retail store sales	¥1,612 million	22.3	¥1,368 million	20.0	17.8
Other	¥1,767 million	24.4	¥1,562 million	22.8	13.1
Total	¥7,230 million	100.0	¥6,844 million	100.0	5.6

Note: Mail-order sales of IIMONO OHKOKU Co., Ltd., recorded under Other in the previous year, are now listed under Mail-order Sales. For this reason, ¥13 million recorded under Other in the previous year is restated here under Mail-order Sales.

Mail-order sales decreased 1.6% compared with the same period in the previous year to ¥3,850 million, as the number of customers decreased due to intensified competition. By product segment, sales increased for mineral supplements incorporating the compound Twintose and vitamin products such as the co-enzyme Q10. This increase, however, did not fully compensate for the decline in sales of diet and the Support Series products.

Retail store sales increased 17.8 percent to ¥1,612 million, as the percentage of nutritional supplements in store sales rose amid an overall recovery in retail store sales. As in the mail-order sales channel, sales of mineral products with the Twintose compound and vitamin products were favorable, while sales of beauty products also increased. As of June 30, 2004, the number of Genki Station shops was 9 (no stores opened or closed during the quarter) and the number of other stores was 2 (no stores opened or closed during the quarter).

In other sales channels, sales increased 13.1% compared with the previous year to ¥1,767 million, reflecting favorable overseas sales centered on Hong Kong and strong GMS sales.

Operating income

Operating income decreased 52.6% compared to the same period in the previous year to ¥611 million, and the operating margin decreased 10.3 percentage points to 8.5%. Reduction in cost of sales ratio through cutting the cost of raw materials could not cover the substantial increase in advertising expenses for promoting recognition for the new compound Twintose and other campaigns.

3) Other Businesses

Sales

In Other Businesses, sales decreased 6.5% compared with the same period in the previous year to ¥4,850 million.

	Three months ended 6/04	Three months ended 6/03	% change
<i>Hatsuga Genmai</i> Business	¥1,444 million	¥1,564 million	(7.6)
Kale Juice Business	¥696 million	¥793 million	(12.3)
NGC mail-order business	¥1,728 million	¥1,947 million	(11.2)
Other	¥980 million	¥881 million	11.2
Total	¥4,850 million	¥5,186 million	(6.5)

In the ***Hatsuga Genmai* Business**, OEM supply to the Japan Rice Millers and Distributors Cooperative and the Hokuren Federation of Agricultural Cooperatives increased over the same period in the previous year, due to *Hatsuga Genmai* being featured on popular health information TV programs and other factors. However, a decline in mail-order sales due to a decrease in the number of customers led to an overall decline in sales. Sales of *Hatsuga Genmai* with significantly improved taste, smell and texture due to a new production process began on June 18 through mail-order and retail store sales.

In the **Kale Juice Business**, sales declined compared with the same period in the previous year due to factors including the suspension of frozen type sales caused by a raw material shortage brought on by unseasonable weather. Frozen type sales resumed in all sales channels on May 21, 2004.

In the mail-order business of **IIMONO OHKOKU Co., Ltd. (formerly the mail-order business of NGC Co., Ltd.)**, sales declined compared with the same period in the previous year as catalogue sales failed to grow after the major catalogue renewal conducted in the previous year.

In other businesses, sales increased over the same period in the previous year, due to factors including solid sales of household sundries.

Operating income

Income declined in the *Hatsuga Genmai* and Kale Juice businesses due to increased advertising expenses and other factors, and IIMONO OHKOKU Co., Ltd. recorded a net loss. Consequently, the operating income recorded for the same period in the previous year deteriorated by ¥970 million to become an operating loss of ¥843 million.

Nonconsolidated Financial Statements and Notes

First Quarter Summary of Nonconsolidated Balance Sheets

(Millions of yen)

ASSETS	As of June 30, 2004		As of June 30, 2003		As of March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
I Current assets		%		%		%
Cash and cash equivalents	6,768		10,561		9,300	
Notes and accounts receivable	6,679		6,209		6,472	
Marketable securities	7,732		7,731		7,732	
Inventories	3,658		2,921		3,179	
Others	2,456		1,721		1,875	
Total current assets	27,295	42.0	29,146	43.7	28,561	43.3
II Fixed assets						
1. Tangible fixed assets:						
Buildings and structures	9,063		9,440		9,226	
Land	8,048		7,920		8,048	
Others	2,094		2,312		2,173	
Total tangible fixed assets	19,207	29.6	19,673	29.5	19,448	29.5
2. Intangible fixed assets	740	1.2	1,344	2.0	811	1.3
3. Investments and other assets:						
Investments	2,392		2,236		2,388	
Investment securities	219		249		205	
Guaranty money	2,178		2,224		2,225	
Others	12,877		11,783		12,260	
Total investments and other assets	17,688	27.2	16,494	24.8	17,078	25.9
Total fixed assets	37,616	58.0	37,513	56.3	37,338	56.7
Total assets	64,911	100.0%	66,659	100.0%	65,900	100.0%

Note: Figures below ¥1 million have been truncated.

(Millions of yen)

LIABILITIES AND SHAREHOLDERS' EQUITY	As of June 30, 2004		As of June 30, 2003		As of March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
LIABILITIES		%		%		%
I Current liabilities:						
Notes and accounts payable	2,175		1,690		2,371	
Accrued liabilities	2,825		2,134		3,627	
Accrued income taxes	221		1,027		760	
Others	1,970		2,260		1,181	
Total current liabilities	7,192	11.1	7,113	10.7	7,940	12.0
II Long-term liabilities:						
Allowance for retirement bonuses	833		759		804	
Allowance for directors' retirement bonuses	1,237		383		1,210	
Others	78		112		78	
Total long-term liabilities	2,148	3.3	1,257	1.9	2,093	3.2
Total liabilities	9,341	14.4	8,370	12.6	10,034	15.2
SHAREHOLDERS' EQUITY						
I Common stock	10,795	16.6	10,795	16.2	10,795	16.4
II Capital reserve	11,706	18.1	11,706	17.6	11,706	17.8
III Retained earnings	40,506	62.4	39,955	59.9	40,802	61.9
IV Net unrealized holding gain on other securities	28	0.0	1	0.0	28	0.0
V Treasury stock	(7,466)	(11.5)	(4,168)	(6.3)	(7,466)	(11.3)
Total shareholders' equity	55,570	85.6	58,289	87.4	55,865	84.8
Total liabilities and shareholders' equity	64,911	100.0%	66,659	100.0%	65,900	100.0%

Note: Figures below ¥1 million have been truncated.

(Summary) Nonconsolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2004		Three months ended June 30, 2003		Year ended March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
Net sales	16,394	100.0%	16,389	100.0%	66,448	100.0%
Cost of sales	5,935	36.2	5,790	35.3	23,850	35.9
Gross profit	10,459	63.8	10,598	64.7	42,598	64.1
Selling, general and administrative expenses	10,275	62.7	8,406	51.3	37,450	56.4
Operating income	183	1.1	2,192	13.4	5,147	7.7
Non-operating income:	276	1.7	210	1.3	1,354	2.0
Interest and dividend income	125		123		220	
Other non-operating income	150		86		1,133	
Non-operating expenses:	49	0.3	36	0.2	594	0.8
Interest expense	—		1		3	
Other non-operating expenses	49		34		591	
Ordinary income	410	2.5	2,366	14.4	5,906	8.9
Extraordinary income	—		—		—	
Extraordinary expenses	10	0.1	—		1,461	2.2
Income before income taxes	400	2.4	2,366	14.4	4,445	6.7
Income taxes	163	1.0	993	6.1	2,235	
Adjustment for income taxes	—		—		(392)	
Net income	236	1.4	1,372	8.4	2,602	3.9

Note: Figures below ¥1 million have been truncated.

Sales By Segment

(Millions of yen, %)

Consolidated	Three Months ended 6/03			Three Months ended 6/04			Six Months ended 9/03			Six Months ended 9/04 (Projection)			FY2004			FY2005 (Projection)			
	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	
C O S M E	Mail Order	5,563	62.8	(6.4)	5,575	62.9	0.2	10,554	62.3	(6.6)	10,300	60.6	(2.4)	21,869	62.6	(4.8)	22,000	60.6	0.6
	Retail Store	2,670	30.2	(6.5)	2,683	30.2	0.5	5,256	31.0	(8.8)	5,500	32.4	4.6	10,608	30.4	(8.2)	11,700	32.2	10.3
	Wholesale	620	7.0	(23.9)	611	6.9	(1.4)	1,142	6.7	(20.9)	1,200	7.1	5.0	2,448	7.0	(7.2)	2,600	7.2	6.2
	Sub total	8,854	42.4	(7.9)	8,870	42.3	0.2	16,954	41.2	(8.4)	17,000	39.6	0.3	34,925	41.1	(6.0)	36,300	39.0	3.9
S U P P L I E	Mail Order	3,912	57.2	(4.7)	3,850	53.3	(1.6)	7,904	55.5	(4.3)	7,900	53.7	(0.1)	16,439	55.4	(4.3)	16,550	52.5	0.7
	Retail Store	1,368	20.0	4.5	1,612	22.3	17.8	2,837	19.9	7.6	3,000	20.4	5.7	5,994	20.2	8.5	6,750	21.4	12.6
	Wholesale	1,562	22.8	(14.0)	1,767	24.4	13.1	3,488	24.5	5.0	3,800	25.9	8.9	7,221	24.4	10.9	8,200	26.0	13.5
	Sub total	6,844	32.8	(5.4)	7,230	34.5	5.6	14,230	34.5	0.1	14,700	34.2	3.3	29,655	34.9	1.5	31,500	33.9	6.2
O T H E R S	Mail Order	4,005	77.2	(3.6)	3,645	75.2	(9.0)	7,751	77.4	(10.9)	8,700	77.3	12.2	16,129	79.2	(16.2)	19,150	76.0	18.7
	Retail Store	276	5.3	140.2	298	6.1	8.0	553	5.5	92.7	550	4.9	(0.7)	1,119	5.5	68.4	1,150	4.6	2.7
	Wholesale	905	17.5	4.9	906	18.7	0.1	1,708	17.1	(6.6)	2,000	17.8	17.1	3,125	15.3	(16.5)	4,900	19.4	56.8
	Sub total	5,186	24.8	1.0	4,850	23.2	(6.5)	10,013	24.3	(7.4)	11,250	26.2	12.3	20,375	24.0	(13.9)	25,200	27.1	23.7
T O T A L	Mail Order	13,481	64.5	(5.1)	13,070	62.4	(3.0)	26,210	63.6	(7.2)	26,900	62.6	2.6	54,438	64.1	(8.3)	57,700	62.0	6.0
	Retail Store	4,315	20.7	0.8	4,594	21.9	6.5	8,647	21.0	(0.4)	9,050	21.1	4.6	17,722	20.9	(0.1)	19,600	21.1	10.6
	Wholesale	3,088	14.8	(11.6)	3,286	15.7	6.4	6,340	15.4	(3.9)	7,000	16.3	10.4	12,795	15.1	(0.8)	15,700	16.9	22.7
	Sub total	20,885	100.0	(5.0)	20,951	100.0	0.3	41,198	100.0	(5.4)	42,950	100.0	4.3	84,956	100.0	(5.6)	93,000	100.0	9.5

(New Businesses)

(Millions of yen, %)

	Three Months ended 6/03			Three Months ended 6/04			Six Months ended 9/03			Six Months ended 9/04 (Projection)			FY2004			FY2005 (Projection)			
	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	
R i C E	Mail Order	909	58.1	11.1	742	51.4	(18.3)	1,695	58.8	(6.9)	1,750	58.3	3.2	3,215	59.7	(19.8)	3,950	54.9	22.8
	Retail Store	77	5.0	33.7	81	5.6	4.7	145	5.0	(4.9)	150	5.0	3.1	278	5.2	(16.8)	350	4.9	25.8
	Wholesale	576	36.9	1.4	620	42.9	7.6	1,040	36.1	(13.5)	1,100	36.7	5.7	1,889	35.1	(24.4)	2,900	40.3	53.5
	Sub total	1,564	7.5	8.2	1,444	6.9	(7.6)	2,881	7.0	(9.3)	3,000	7.0	4.1	5,383	6.3	(21.3)	7,200	7.7	33.7
K a I E	Mail Order	402	50.7	110.1	320	46.1	(20.2)	805	49.8	68.9	800	44.4	(0.7)	1,435	48.1	12.3	1,900	46.3	32.4
	Retail Store	91	11.5	64.2	122	17.6	34.6	195	12.0	46.5	200	11.1	2.6	434	14.6	49.7	400	9.8	(8.0)
	Wholesale	300	37.8	63.4	252	36.3	(15.9)	618	38.2	45.2	800	44.4	29.4	1,114	37.3	19.6	1,800	43.9	61.5
	Sub total	793	3.8	84.3	696	3.3	(12.3)	1,618	3.9	56.3	1,800	4.2	11.2	2,985	3.5	19.3	4,100	4.4	37.3

Number of Live Customers

	As of June 30, 2003	As of June 30, 2004	Increase (decrease)
	Cosmetics	1,053,409	1,052,490
Cosmetics Mail Order	587,494	604,916	17,422
Cosmetics Retail Stores	552,443	530,597	(21,846)
Nutritional Supple	1,070,214	1,058,023	(12,191)
Supple Mail Order	668,584	655,683	(12,901)
Supple Retail Stores	444,985	446,572	1,587
Rice Mail Order	375,224	395,685	20,461
Kale Mail Order	108,209	91,343	(16,866)
Mail order	1,246,973	1,346,016	99,043
Retail Stores	842,997	852,868	9,871
ATTENIR Cosme Mail Order	327,890	403,739	75,849

Unit Prices

(Yen, %)

	Three Months ended 6/03	Three Months ended 6/04	% change
	Cosmetics Mail Order	6,309	5,841
Supple Mail Order	6,088	6,093	0.1
FANCL HOUSE (Cosme·Supple)	3,306	3,312	0.2
Genki·Station (Supple)	773	869	12.4

Monthly Sales at existing Stores (Thousand of Yen, %)

	Three Months ended 6/03	Three Months ended 6/04	% change
	FANCL HOUSE (80 shops)	9,535	9,614
Genki Station (5 shops)	12,723	11,933	(6.2)

Segment Information

(Millions of yen, %)

		Three Months ended 6/03			Three Months ended 6/04			Six Months ended 9/03			Six Months ended 9/04 (Projection)			FY2004			FY2005 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
C o s u m e	Sales	8,854	42.4	(7.9)	8,870	42.3	0.2	16,954	41.2	(8.4)	17,000	39.6	0.3	34,925	41.1	(6.0)	36,300	39.0	3.9
	Gross Profit	6,754	76.3		6,626	74.7		12,877	76.0		12,600	74.1		26,394	75.6		27,300	75.2	
	SGA	4,586	51.8	(9.9)	5,028	56.7	9.6	9,214	54.3	(7.4)	10,500	61.8	14.0	20,111	57.6	(1.0)	22,500	62.0	11.9
	Advertising	606	6.8	(14.1)	956	10.8	57.8	1,403	8.3	6.6	2,400	14.1	71.0	3,932	11.3	18.2	5,350	14.7	36.0
	Operating Income	2,168	24.5	(0.8)	1,597	18.0	(26.3)	3,663	21.6	(8.9)	2,100	12.4	(42.7)	6,283	18.0	(22.4)	4,800	13.2	(23.6)
S u p p l e	Sales	6,844	32.8	(5.4)	7,230	34.5	5.6	14,230	34.5	0.1	14,700	34.2	3.3	29,655	34.9	1.5	31,500	33.9	6.2
	Gross Profit	4,323	63.2		4,710	65.1		8,956	62.9		9,400	63.9		19,047	64.2		20,200	64.1	
	SGA	3,034	44.3	(1.6)	4,098	56.7	35.1	6,284	44.2	0.6	8,250	56.1	31.3	13,675	46.1	11.3	16,500	52.4	20.7
	Advertising	343	5.0	(23.2)	1,161	16.1	238.1	893	6.3	(1.0)	2,200	15.0	146.2	2,501	8.4	37.0	4,150	13.2	65.9
	Operating Income	1,289	18.8	(25.4)	611	8.5	(52.6)	2,672	18.8	(15.3)	1,150	7.8	(57.0)	5,371	18.1	(21.9)	3,700	11.7	(31.1)
O t h e r s	Sales	5,186	24.8	1.0	4,850	23.2	(6.5)	10,013	24.3	(7.4)	11,250	26.2	12.3	20,375	24.0	(13.9)	25,200	27.1	23.7
	Gross Profit	2,717	52.4		2,426	50.0		5,308	53.0		5,700	50.7		10,254	50.3		13,100	52.0	
	SGA	2,589	49.9	3.3	3,269	67.4	26.3	5,715	57.1	(7.3)	6,600	58.7	15.5	12,075	59.3	(7.5)	14,450	57.3	19.7
	Advertising	533	10.3	(9.6)	886	18.3	66.2	1,477	14.8	(26.2)	1,900	16.9	28.6	3,430	16.8	(16.5)	4,500	17.9	31.2
	Operating Income	127	2.5	(6.3)	(843)	(17.4)	-	(407)	(4.1)	-	(900)	(8.0)	-	(1,820)	(8.9)	-	(1,350)	(5.4)	-
Eliminations or Corporate		(518)			(503)			(1,038)			(1,050)			(2,064)			(1,950)		
T o t a l	Sales	20,885	100.0	(5.0)	20,951	100.0	0.3	41,198	100.0	(5.4)	42,950	100.0	4.3	84,956	100.0	(5.6)	93,000	100.0	9.5
	Gross Profit	13,794	66.1		13,763	65.7		27,142	65.9		27,700	64.5		55,696	65.6		60,600	65.2	
	SGA	10,728	51.4	(3.6)	12,901	61.6	20.3	22,252	54.0	(4.5)	26,400	61.5	18.6	47,926	56.4	1.0	55,400	59.6	15.6
	Advertising	1,483	7.1	(14.9)	3,005	14.3	102.5	3,774	9.2	(10.6)	6,500	15.1	72.2	9,864	11.6	6.5	14,000	15.1	41.9
	Operating Income	3,066	14.7	(15.0)	862	4.1	(71.9)	4,889	11.9	(12.6)	1,300	3.0	(73.4)	7,769	9.1	(32.6)	5,200	5.6	(33.1)

General and administrative expenses

(Millions of yen, %)

		Three Months ended 6/03			Three Months ended 6/04			Six Months ended 9/03			Six Months ended 9/04 (Projection)			FY2004			FY2005 (Projection)		
		amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change	amount	% of Total	% change
Advertising		1,483	7.1	(14.9)	3,005	14.3	102.5	3,774	9.2	(10.6)	6,500	15.1	72.2	9,864	11.6	6.5	14,000	15.1	41.9
Sales Promotions		1,926	9.2	(11.9)	2,220	10.6	15.3	3,643	8.8	(17.7)	4,450	10.4	22.1	7,997	9.4	(7.2)	9,000	9.7	12.5
Transport		988	4.7	(6.1)	998	4.8	0.9	1,950	4.7	(8.4)	1,950	4.5	0.0	3,995	4.7	(8.5)	4,150	4.5	3.9
Communications		666	3.2	(2.2)	554	2.6	(16.8)	1,283	3.1	(10.8)	1,100	2.6	(14.3)	2,430	2.9	(17.3)	2,200	2.4	(9.5)
Fees/outourcing		1,748	8.4	3.7	1,855	8.9	6.1	3,387	8.2	(0.2)	3,750	8.7	10.7	7,179	8.5	2.5	7,950	8.5	10.7
Salaries		2,394	11.5	3.2	2,644	12.6	10.4	4,912	11.9	5.7	5,400	12.6	9.9	9,837	11.6	4.2	11,050	11.9	12.3
Depreciations		412	2.0	16.2	324	1.5	(21.2)	843	2.0	15.0	750	1.7	(11.1)	1,674	2.0	17.3	1,700	1.8	1.6
Others		1,107	5.3	0.9	1,297	6.2	17.2	2,457	6.0	6.4	2,500	5.8	1.7	4,947	5.8	12.3	5,350	5.8	8.1
Total		10,728	51.4	(3.6)	12,901	61.6	20.3	22,252	54.0	(4.5)	26,400	61.5	18.6	47,926	56.4	1.0	55,400	59.6	15.6

Number of Shops by Region

As of June 30,2004

		Hokkaido	Tohoku	Kanto (except Tokyo)	TOKYO	Tokai ,Hokuriku& Shinetsu	Kinki	Chugoku,Shikoku	Kyusyu, Okinawa	Total
Fanci House	Directly Managed Stores	2	5	30	23	14	19	7	8	108
	FC	1	-	-	-	-	-	-	1	2
Fanci House J (Fanci Style)		-	-	4	6	1	2	2	1	16
Genki Station		2	-	-	3	1	2	-	1	9
ATTENIR Shop		-	-	1	2	1	2	1	-	7
Others		-	-	1	2	-	-	-	-	3
Total		5	5	36	36	17	25	10	11	145

Number of Shops

	As of March 31, 2000	As of March 31, 2001	As of March 31, 2002	As of March 31, 2003	As of March 31, 2004	As of June 30, 2004	As of March 31, 2005 (projection)
Fanci House	82	121	114	119	114	110	129
Fanci House (Fanci Style)	-	-	-	1	10	16	27
Genki Station	2	7	8	8	9	9	9
ATTNIER Shop	1	5	5	5	6	7	9
Others	1	5	6	11	3	3	3
Total	86	138	133	144	142	145	177