Summary of Consolidated Financial Statements for the Six Months Ended September 30, 2004

October 29, 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
Code number: 4921
Head office: Kanagawa Prefecture
Board of Directors' meeting: October 29, 2004
Use of U.S. accounting standards: No

1. Results for the six months from April 1, 2004 to September 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 (%)
Six months ended 9/04	42,245	2.5	1,292	(73.6)	1,490	(71.1)
Six months ended 9/03	41,198	(5.4)	4,889	(12.6)	5,163	(12.9)
Year ended 3/04	84,956		7,769		7,686	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Six months ended 9/04	148	(93.3)	7.00	—
Six months ended 9/03	2,231	(27.5)	100.53	—
Year ended 3/04	3,387		154.61	—

Notes:
1. Average number of shares outstanding (consolidated): Six months ended September 30, 2004: 21,283,911 shares
Six months ended September 30, 2003: 22,201,275 shares
Year ended March 31, 2004: 21,909,287 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 9/04	76,796	65,185	84.9	3,062.80
Six months ended 9/03	79,353	66,766	84.1	3,047.03
Year ended 3/04	78,479	65,613	83.6	3,082.47

Note: Number of shares outstanding at end of period (consolidated): Six months ended September 30, 2004: 21,282,826 shares
Six months ended September 30, 2003: 21,912,076 shares
Year ended March 31, 2004: 21,285,958 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 9/04	285	(810)	(542)	22,498
Six months ended 9/03	3,235	(2,351)	(2,035)	25,205
Year ended 3/04	5,861	(4,118)	(4,532)	23,561

(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, 2005

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Year ending 3/05	88,000	5,200	1,700

Reference: Estimated earnings per share (fiscal 2005): ¥ 79.88

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 11 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:

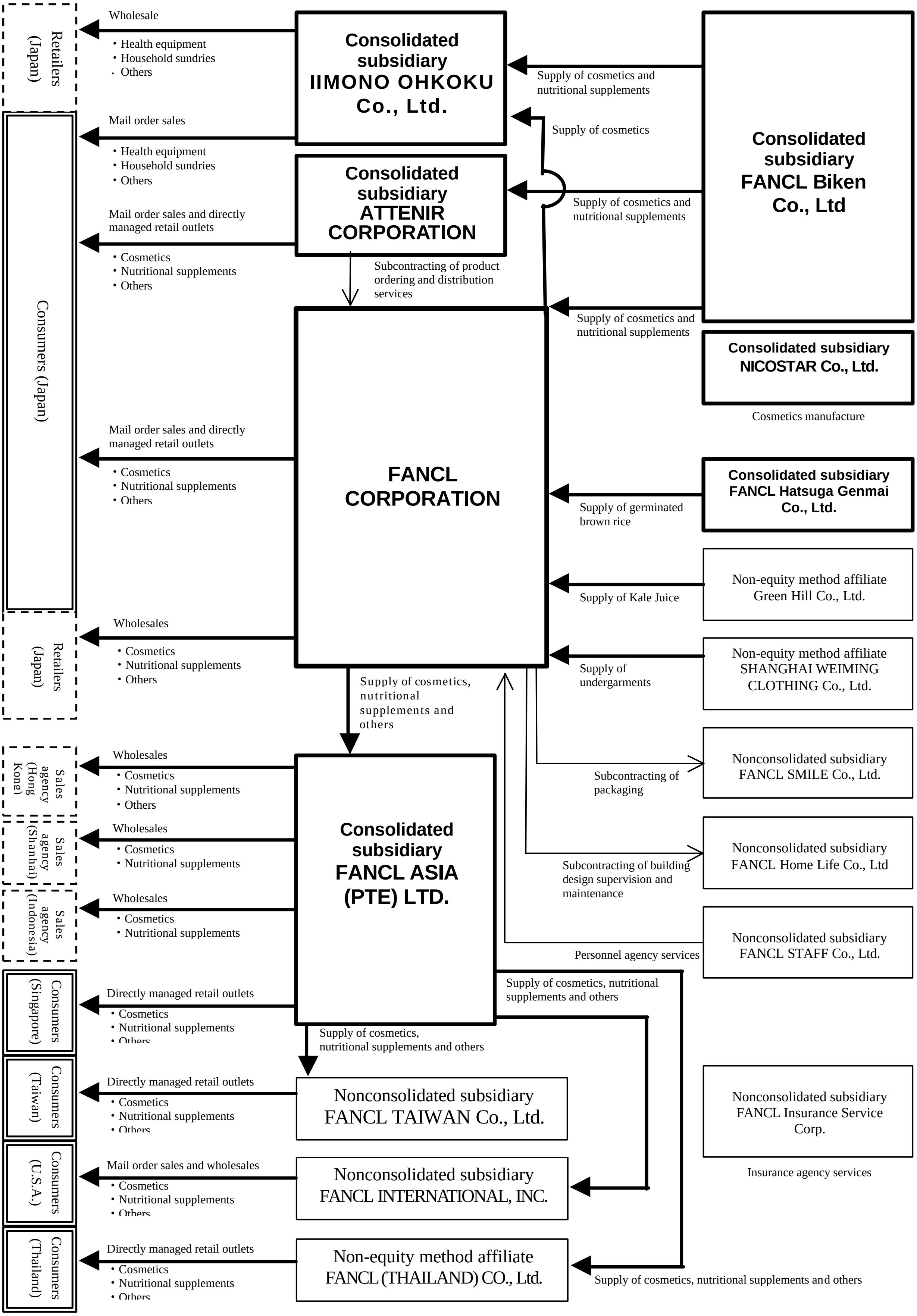
Cosmetics Business:	The manufacture of preservative-free FANCL cosmetics is conducted by FANCL and the consolidated subsidiary FANCL Biken Co., Ltd. and sales are handled by FANCL. ATTENIR Cosmetics are manufactured by FANCL Biken and sold by ATTENIR CORPORATION (a consolidated subsidiary).
Nutritional Supplements Business	Nutritional supplements are manufactured by FANCL Biken, and sold by FANCL and ATTENIR. (See Note)
Other Businesses:	IIMONO OHKOKU Co., Ltd. (a consolidated subsidiary whose name was changed in May 2004 from NGC Co., Ltd.) is engaged in mail-order sales of health equipment and household sundries. *Kaiteki Hadagi* (comfort undergarments) products are manufactured primarily by SHANGHAI WEIMING CLOTHING Co., Ltd. (an affiliate not accounted for by the equity method) and sold by FANCL. 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), respectively.

In Japan, FANCL STAFF Co., Ltd. (a nonconsolidated subsidiary) is a personnel agency and introduction business serving mainly 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 group 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 Insurance Service Corp. (a nonconsolidated subsidiary renamed in June 2004 from COSMO MATE Co., Ltd.) is an insurance agency.

The following is an operating structure of the FANCL Group.

FANCL Group Operating Structure



Affiliates

Company	Location	Paid-In Capital	Principal Businesses	Percentage of Voting/ Nonvoting Stock Held		Relationship with FANCL	Relevant Notes
				Voting (%)	Nonvoting (%)		
ATTENIR CORPORA-TION	Sakae-ku, Yokohama, Japan	¥150 million	Cosmetics and nutritional supplements business	100.0	—	Subcontracts product ordering and distribution services Seconded officers: 3	(See Note 4)
NICOSTAR Co., Ltd.	Sakae-ku, Yokohama, Japan	¥10 million	Cosmetics business	100.0	—	— Seconded officers: 3	—
IIMONO OHKOKU Co., Ltd.	Shibuya-ku, Tokyo, Japan	¥160 million	Other businesses	100.0	—	Sells cosmetics Seconded officers: 3	—
FANCL Hatsuga Genmai Co., Ltd.	Tomi City, Nagano, Japan	¥95 million	Other businesses	84.6	—	Manufactures germinated brown rice Seconded officers: 2	(See Note 2)
FANCL ASIA (PTE) LTD	Singapore	S$12,777 thousand	Cosmetics, nutritional supplements business and other businesses	100.0	—	Sells cosmetics, nutritional supplements and others Seconded officers: 4	(See Note 6)
FANCL Biken Co., Ltd.	Sakae-ku, Yokohama, Japan	¥75 million	Cosmetics and nutritional supplements businesses	100.0	—	Manufactures cosmetics and nutritional supplements Seconded directors: 4	(See Note 2)

Notes:
1. Business segment names are shown in the spaces for principal businesses.
2. FANCL Biken Co., Ltd. and FANCL Hatsuga Genmai Co., Ltd. are specified subsidiaries.
3. None of FANCL's affiliates prepares *yuka shoken todokedesho* (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 operating results was as follows:

(Millions of yen)

Principal Operating Results of ATTENIR CORPORATION				
Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
¥5,364	¥737	¥442	¥5,344	¥6,466

5. None of FANCL's affiliates currently carries material excessive debt.
6. Pursuant to a May 2004 capital increase, the capital of FANCL ASIA (PTE) LTD. increased S$3,408 thousand.

2. Management Policy

(1) Basic Management Policy

The FANCL Group's basic management policy is to cultivate a core competence based on "beauty" and "health," and 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 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%

The FANCL Group will work to increase corporate value by focusing on profitability and asset 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. Retained earnings are also used flexibly to purchase treasury stock.

We plan to pay an annual dividend of ¥50.00 per share (comprising interim and year-end dividends of ¥25.00 each) for the fiscal year ended March 31, 2005.

(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 FANCL Change & Challenge Plan, a three year medium-term management plan that began in the year ending March 31, 2005, 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 (focused on profitability)

Hatsuga Genmai Business, Kale Juice Business: Growth businesses (focused on growth)

[Products and Sales Channels]

In the Cosmetics Business, FANCL will clarify its main products, and continue product development focused on FANCL's strengths in preservative-free products and functionality. Backed by the main mail-order sales channel, FANCL will expand retail sales through aggressive development of new stores and renovations.

In the Nutritional Supplement Business, FANCL will clarify its main products, clearly focus its diverse product lineup, and make research and development the foundation in introducing high-value-added products that use original materials. Backed by the main mail-order channel, FANCL will strengthen retail and wholesale sales. In addition, FANCL will open new markets by conducting public relations activities for nutritional supplements in medical institutions and other facilities.

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

At a general meeting of shareholders on June 19, 2004, FANCL appointed a fourth outside auditor. An outside director was also appointed for the first time as part of efforts to improve transparency of the Board of Directors and strengthen oversight.

FANCL established the Committee on Protection of Personal Information as a standing committee, and is strengthening the system for protection and management of customers’ personal information.

In addition, FANCL moved the Compliance Office to Administrative Headquarters on October 16, 2004, and will continue to promote further legal compliance by strengthening alliances with related divisions.

3. Operating Results and Financial Position

(1) Operating Results

Economic conditions in Japan during the six months ended September 30, 2004 remained uncertain due to factors including high crude oil prices, despite a recovery trend supported by improved corporate profits and a related increase in capital investment.

In the cosmetics industry, the market as a whole was flat despite strong performance of sunscreen and other products due to the influence of the warm summer and mild increases in sales of skincare products.

In the nutritional supplements industry, the market continued to expand amid rising health consciousness, and competition intensified substantially with the diversification of sales channels and the entrance of new market participants.

Total net sales for the six months ended September 30, 2004 increased 2.5 percent compared with the same period in the previous year to ¥42,245 million. Despite a decrease in sales in Other Businesses including the *Hatsuga Genmai* Business and IIMONO OHKOKU Co., Ltd., sales in FANCL's core Cosmetics Business and Nutritional Supplements Business increased over the same period in the previous year.

FANCL invested a total of ¥10,000 million, a ¥3,400 million increase compared with the same period in the previous year, in advertising and promotion, and took other aggressive measures to strengthen the customer base. Consequently, operating income decreased 73.6 percent compared with the same period in the previous year to ¥1,292 million, the operating income ratio decreased by 8.8 percentage points to 3.1 percent, ordinary income decreased 71.1 percent compared with the same period in the previous year to ¥1,490 million, and the ordinary income margin decreased 9.0 percentage points to 3.5 percent.

Net income for the six months ended September 30, 2004 decreased 93.3 percent compared with the same period in the previous year to ¥148 million and the ratio of net income to net sales decreased 5.0 percentage points to 0.4 percent, due to factors including a loss on cancellation of lease recorded in the course of changing to a new production method for *Hatsuga Genmai* and an erosion of deferred tax assets of non-performing consolidated subsidiaries.

1) Cosmetics Business

In FANCL cosmetics, FANCL developed products focused on functionality in order to revitalize the skincare product line, and implemented renewals of *Mild Cleansing Oil* on August 20, 2004, and the core FENATTY skin care series on September 21, 2004. In ATTENIR cosmetics, FANCL renewed makeup and other products and introduced new products.

Sales

In the Cosmetics Business, sales increased 5.3% compared with the same period of the previous year to ¥17,852 million.

	Six months ended September 30, 2004		Six months ended September 30, 2003		% change
	Amount	% of total	Amount	% of total	
FANCL cosmetics	¥13,148	73.7	¥12,735 million	75.1	3.2
ATTENIR cosmetics	4,571	25.6	3,968 million	23.4	15.2
Other	132	0.7	250 million	1.5	(47.1)
Total	¥17,852	100.0	¥16,954 million	100.0	5.3

	Six months ended September 30, 2004		Six months ended September 30, 2003		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥11,059	61.9	¥10,554 million	62.3	4.8
Retail store sales	5,438	30.5	5,256 million	31.0	3.5
Other	1,353	7.6	1,142 million	6.7	18.5
Total	¥17,852	100.0	¥16,954 million	100.0	5.3

Note: Sales of IIMONO OHKOKU Co., Ltd., recorded under Other Businesses in the previous year, were recorded in the Mail-order sales channel starting in the year ended March 31, 2005. Reflecting this change, ¥3 million recorded in the Other Businesses sales channel is recorded in the Mail-order sales channel.

Mail-order sales increased 4.8% compared with the same period of the previous year to ¥11,059 million.

In FANCL cosmetics, sales of the FENATTY skin care series were unable to surpass the level of the same period in the previous year due to consumers' reluctance to purchase before the renewal, and the decline in sales of the skin care series continued. However, sales of *Mild Cleansing Oil* increased as a result of the renewal, and sales of makeup products and limited-edition summer products were strong. As a result, sales of FANCL cosmetics were essentially level with the same period of the previous year at ¥6,805 million, decreasing 0.2 percent. Sales of ATTENIR cosmetics increased 13.9 percent compared with the same period in the previous year to ¥4,251 million, as the number of customers reached a record high of 410,000 people due to effective advertising and promotional activities.

Retail store sales increased 3.5 percent compared with the same period in the previous year to ¥5,438 million. Sales at existing stores increased after a decline due to strengthened store staff education, reformed operations, renovated stores and other factors including the effect of opening new stores. As of September 30, 2004, the number of FANCL House shops (including two franchise stores) was 108 (with four openings, one closure and nine changes to FANCL House J shops during the period); the number of FANCL House J shops (former FANCL Style shops) was 23 (with four openings and nine changes from FANCL House shops during the period); the number of ATTENIR shops was eight (with two openings during the period); and the number of other shops was one (no openings or closures during the period).

In **other sales channels**, sales decreased 18.5 percent compared with the same period in the previous year to ¥1,353 million, as exports to Hong Kong and other overseas sales increased.

Operating income

Operating income decreased 43.9 percent compared with the same period in the previous year to ¥2,055 million and the operating income ratio decreased 10.1 percentage points to 11.5 percent, due to an increase in the cost of sales ratio brought on by the start of operations at the Shiga Factory, and as a result of aggressive investment in advertising and promotion.

2) Nutritional Supplements Business

FANCL launched improved versions of four products containing the new compound TWINTOSE, jointly developed with Hokkaido University and Nippon Beet Sugar Manufacturing Co., Ltd., on April 21, 2004 and May 21, 2004.

Sales

In the Nutritional Supplements Business, sales increased 4.4% compared with the same period of the previous year to ¥14,850 million.

	Six months ended September 30, 2004		Six months ended September 30, 2003		% change
	Amount	% of total	Amount	% of total	
Mail-order sales	¥7,889	53.1	¥7,904 million	55.6	(0.2)
Retail store sales	3,403	22.9	2,837 million	19.9	19.9
Other	3,557	24.0	3,488 million	24.5	2.0
Total	¥14,850	100.0	¥14,230 million	100.0	4.4

Note: Sales of IIMONO OHKOKU Co., Ltd., recorded under Other Businesses in the previous year, were recorded in the Mail-order sales channel starting in the year ended March 31, 2005. Reflecting this change, ¥25 million recorded in the Other Businesses sales channel is recorded in the Mail-order sales channel.

Mail-order sales decreased 0.2 percent compared with the same period in the previous year to ¥7,889 million. By product group, sales of minerals containing the compound TWINTOSE, Coenzyme Q10, and other vitamins increased. Coenzyme Q10 achieved record-high sales due to the effect of lower prices and features on health information television programs. However, these increases could not cover the decrease in sales of support series and diet-related products.

Retail store sales increased 19.9 percent compared with the same period in the previous year to ¥3,403 million, due to favorable sales, particularly of cosmetics, at FANCL House shops, and the opening of FANCL House J shops (including changes from other shops) which have greater sales of nutritional supplements compared to FANCL House shops. As of September 30, 2004, the number of Genki Station shops was nine (no openings or closures during the period) and the number of other shops was two (no openings or closures during the period).

In **other sales channels**, sales increased 2.0 percent compared with the same period in the previous year to ¥3,557 million, as exports to Hong Kong and other overseas sales increased, offsetting stagnant sales to convenience stores.

Operating income

Operating income decreased 35.3 percent compared with the same period in the previous year to ¥1,729 million, and the operating income ratio decreased 7.2 percentage points to 11.6 percent, despite a lower cost of sales ratio related to lower cost of raw materials, due to aggressive investment in advertising to extend recognition of the new compound TWINTOSE.

3) Other Businesses

Sales

In Other Businesses, sales decreased 4.7 percent compared with the same period of the previous year to ¥9,543 million.

	Six months ended September 30, 2004	Six months ended September 30, 2003	% change
Hatsuga Genmai Business	¥2,626	¥2,881 million	(8.8)
Kale juice Business	1,651	1,618 million	2.0
IIMONO OHKOKU mail-order business	3,355	3,913 million	(14.3)
Other	1,910	1,600 million	19.3
Total	¥9,543	¥10,013 million	(4.7)

In the ***Hatsuga Genmai* Business**, sales were below the level of the same period of the previous year, due in part to the effect of the heat, despite the start of store and mail-order sales of *Hatsuga Mai*, manufactured through a new production process for improved taste, smell and texture, on June 18, 2004.

In the **Kale Juice Business**, sales increased over the level of the same period of the previous year, as sales of frozen type and powdered type were strong due to factors including the restart of frozen type sales, which had been suspended due to a shortage of raw materials caused by the climate, on May 21, 2004, and the launch of powdered-type containing the TWINTOSE compound on July 21, 2004.

Mail-order sales of **IIMONO OHKOKU Co., Ltd.,** formerly NGC Co., Ltd., decreased over the same period of the previous year, as sales through the main catalog, which was significantly revised, were sluggish as were sales in other channels.

In **Other Businesses**, sales increased over the same period of the previous year, as sales of *Kaiteki Hadagi* comfort undergarments and household sundries were strong.

Operating income

Losses increased in IIMONO OHKOKU Co., Ltd. and all other businesses. Consequently, operating loss increased ¥1,058 million compared with the same period of the previous year to ¥1,465 million.

(2) Cash Flows

Cash and cash equivalents (“net cash”) at the end of the fiscal year decreased ¥1,062 million from the end of the previous year to ¥22,498 million. Cash flows and factors are as appear below.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥285 million, due to factors including ¥1,266 million in income before income taxes, ¥1,181 million in depreciation and amortization, ¥1,069 million in income taxes paid and ¥517 million in increased inventory.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥810 million, due primarily to ¥497 million in payment for acquisition of equipment for new shops.

(Cash flows from financing activities)

Net cash used in financing activities was ¥542 million, due primarily to ¥531 million in cash dividends paid.

Trends in cash flow indicators for the FANCL Group

	Six months ended September 30, 2002	Year ended March 31, 2003	Six months ended September 30, 2003	Year ended March 31, 2004	Six months ended September 30, 2004
Shareholders’ equity ratio	83.8	83.1	84.1	83.6	84.9
Shareholders’ equity ratio on market value basis	104.7	114.3	93.9	95.7	110.6
Debt repayment period (Years)	0.21	0.04	0.05	—	—
Interest coverage ratio	410.4	756.0	1,078.3	2,930.5	—

Shareholders’ equity ratio = Shareholder equity/Total assets

Shareholders’ equity ratio, market-value basis = Total market value of stock/Total assets

Debt repayment period = Interest-bearing liabilities/Cash flows from operating activities

Interest coverage ratio = Cash flows from operating activities/Interest expense

Notes:
1. All indicators are calculated based on consolidated financial figures.
2. Total market value of stock is calculated by multiplying the closing share price on the final day of the period by the number of shares issued and outstanding on the final day of the period, excluding treasury stock.
3. Cash flows from operating activities are as stated on the consolidated statements of cash flows. Interest-bearing liabilities include all debt stated on the consolidated balance sheets on which interest is paid. For interest expense, cash paid for interest on the consolidated statements of cash flows is used.

(3) Outlook

Looking at the economic situation, the business environment in which the Company operates is expected to remain challenging, despite the emergence of some positive signs.

In the Cosmetics Business, aggressive sales promotions focused on core skin care products renewed in the first half, together with new store openings are expected to lead to increased revenue for FANCL cosmetics. Furthermore, an increase in revenues is expected for ATTENIR cosmetics due to factors including the introduction of new products.

In the Nutritional Supplements Business, sales of products that use original materials such as TWINTOSE are expected to increase, leading to growth in revenues.

In the *Hatsuga Genmai* Business, despite the introduction of *Hatsuga Mai*, manufactured through a new production process, stagnant growth in the number of customers is expected to lead to flat revenues.

In the Kale Juice Business, revenues are expected to increase, due to smooth sales of frozen type and powder type.

Revenues of IIMONO OHKOKU Co., Ltd. are expected to decrease, due to the forecast continuation of sluggish core catalogue sales.

As a result, based on these projections, we forecast net sales for the fiscal year ending March 31, 2005 to increase 3.6% year-on-year to ¥88,000 million.

We project ordinary income of ¥5,200 million, a 32.3% decrease year-on-year, due to aggressive investment in advertising and sales promotions and an increase in expenses related to store openings, and net income of ¥1,700 million, a 49.8% decrease year-on-year, due to a loss on cancellation of lease recorded in the course of changing to a new production method for *Hatsuga Genmai* and an erosion of deferred tax assets of non-performing consolidated subsidiaries.

We intend to pay an annual dividend of ¥50.00 per share, comprising interim and year-end dividends of ¥25.00 each.

4. Interim Consolidated Financial Statements and Notes

Interim Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2004		As of September 30, 2003		As of March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
(ASSET)		%		%		%
I Current assets						
Cash and cash equivalents	14,765		17,473		15,828	
Notes and accounts receivable	8,262		7,650		7,814	
Marketable securities	7,733		7,732		7,732	
Inventories	5,990		4,872		5,472	
Deferred tax assets	438		737		683	
Others	1,397		1,337		1,888	
Allowance for doubtful accounts	(137)		(170)		(182)	
Total current assets	38,449	50.0	39,632	50.0	39,236	50.0
II Fixed assets						
1. Tangible fixed assets						
Buildings and structures	12,454		10,920		12,701	
Machinery and transport equipment	1,913		1,624		1,995	
Furniture, tools and fixtures	1,119		1,020		1,160	
Land	10,847		10,777		10,847	
Construction in progress	7		2,639		62	
Total tangible fixed assets	26,342	34.3	26,982	34.0	26,767	34.1
2. Intangible fixed assets						
Software	813		804		810	
Goodwill	435		707		571	
Others	134		590		254	
Total intangible fixed assets	1,383	1.8	2,102	2.6	1,636	2.1
3. Investments and other assets						
Investment securities	1,107		1,022		1,083	
Long-term loans	1,007		1,014		1,007	
Guaranty money	2,480		2,407		2,502	
Deferred tax assets	561		733		756	
Others	5,751		5,746		5,776	
Allowance for doubtful accounts	(286)		(288)		(287)	
Total investments and other assets	10,621	13.9	10,636	13.4	10,839	13.8
Total fixed assets	38,347	50.0	39,721	50.0	39,242	50.0
Total assets	76,796	100.0	79,353	100.0	78,479	100.0

Note: Figures below ¥1 million have been truncated.

(Millions of yen)

	As of September 30, 2004		As of September 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	2,904		2,721		3,172	
Current portion of long-term debt	-		150		-	
Accrued liabilities	3,805		3,062		4,273	
Accrued expenses	387		357		430	
Accrued income taxes	733		2,168		1,105	
Allowance for bonuses	759		862		763	
Others	199		468		277	
Total current liabilities	8,789	11.4	9,791	12.4	10,022	12.8
II Long-term liabilities						
Allowance for retirement bonuses	1,230		1,146		1,196	
Allowance for directors' retirement bonuses	1,081		1,155		1,210	
Others	509		492		437	
Total long-term liabilities	2,821	3.7	2,794	3.5	2,843	3.6
Total liabilities	11,611	15.1	12,586	15.9	12,866	16.4
(SHAREHOLDERS' EQUITY)						
I Common stock	10,795	14.1	10,795	13.6	10,795	13.7
II Capital reserve	11,706	15.2	11,706	14.7	11,706	14.9
III Retained earnings	50,144	65.3	49,756	62.7	50,528	64.4
IV Net unrealized holding gain on other securities	22	0.0	18	0.0	54	0.1
V Foreign currency translation adjustment	(4)	(0.0)	(6)	(0.0)	(4)	(0.0)
VI Treasury stock	(7,477)	(9.7)	(5,502)	(6.9)	(7,466)	(9.5)
Total shareholders' equity	65,185	84.9	66,766	84.1	65,613	83.6
Total liabilities and shareholders' equity	76,796	100.0	79,353	100.0	78,479	100.0

Note: Figures below ¥1 million have been truncated.

Interim Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2004		Six months ended September 30, 2003		Fiscal year ended March 31, 2004	
	Amount	Percentage of Total	Amount	Percentage of Total	Amount	Percentage of Total
		%		%		%
Net sales	42,245	100.0	41,198	100.0	84,956	100.0
Cost of sales	14,481	34.3	14,055	34.1	29,260	34.4
Gross profit	27,764	65.7	27,142	65.9	55,696	65.6
Selling, general and administrative expenses	26,471	62.6	22,252	54.0	47,926	56.4
Operating income	1,292	3.1	4,889	11.9	7,769	9.1
Non-operating income	414	1.0	470	1.1	701	0.8
Interest and dividend income	21		21		40	
Other non-operating income	392		448		661	
Non-operating expenses	217	0.5	196	0.5	784	0.9
Interest expense	-		3		2	
Other non-operating expenses	217		193		781	
Ordinary income	1,490	3.5	5,163	12.5	7,686	9.0
Extraordinary income	57	0.1	0	0.0	0	0.0
Gain on sale of fixed assets	-		0		0	
Gain on sale of investment securities	57		-		-	
Extraordinary expenses	281	0.6	1,143	2.8	1,472	1.7
Loss on disposal of fixed assets	119		11		340	
Valuation loss on investment securities	-		89		89	
Valuation loss on golf club memberships	-		7		7	
Special service bonuses for directors	18		176		176	
Transfer of reserve for retirement allowances for directors	-		858		858	
Loss on cancellation of leases	143		-		-	
Income before income taxes	1,266	3.0	4,019	9.7	6,213	7.3
Income taxes	650	1.5	2,138	5.2	3,153	3.7
Adjustment for income taxes	466	1.1	(351)	(0.9)	(326)	(0.4)
Net income	148	0.4	2,231	5.4	3,387	4.0

Note: Figures below ¥1 million have been truncated.

Interim Consolidated Statements of Retained Earnings

(Millions of yen)

Item	Six months ended September 30, 2004		Six months ended September 30, 2003		Fiscal year ended March 31, 2004	
(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	50,528	50,528	48,027	48,027	48,027	48,027
II Increase in retained earnings						
1. Net income	148	148	2,231	2,231	3,387	3,387
III Decrease in retained earnings						
1. Dividends	532		501		885	
2. Bonuses to directors	1	533	1	502	1	886
IV Balance at end of the period		50,144		49,756		50,528

Note: Figures below ¥1 million have been truncated.

Interim Consolidated Statements of Cash Flows

(Millions of yen)

Item	Six months ended September 30, 2004	Six months ended September 30, 2003	Fiscal year ended March 31, 2004
	Amount	Amount	Amount
I Cash flows from operating activities			
Income before income taxes	1,266	4,019	6,213
Depreciation and amortization	1,181	1,207	2,556
Amortization in excess of investment cost over equity in net assets of consolidated subsidiaries	136	136	272
Increase (decrease) in allowance for bonuses	(3)	38	(60)
Increase (decrease) in allowance for doubtful accounts	(45)	(1)	8
Increase (decrease) in allowance for retirement benefits	34	27	77
Interest and dividend income	(21)	(21)	(40)
Interest expenses	-	3	2
Exchange loss	(7)	12	19
Valuation loss on investment securities	-	89	89
Gain on sale of investment securities	(57)	-	-
Investment gain on anonymous association	(69)	(83)	(151)
Valuation loss on golf club memberships	-	7	7
Net refund of insurance premiums	(187)	(254)	(267)
Gain on sale of tangible fixed assets	-	(0)	(0)
Loss on sale of tangible fixed assets	-	-	13
Loss on disposal of tangible fixed assets	115	10	157
Loss on disposal of intangible fixed assets	4	1	168
Bonuses to directors	(1)	(1)	(1)
Decrease (increase) in trade receivables	(448)	558	406
Decrease (increase) in inventories	(517)	230	(369)
Decrease (increase) in other current assets	364	(425)	(228)
Increase (decrease) in trade payables	(268)	(608)	(168)
Increase (decrease) in other current liabilities	(687)	(239)	811
Increase (decrease) in other fixed liabilities	(36)	717	696
Others	18	(1)	-
Subtotal	768	5,423	10,216
Interest and dividends received	27	11	37
Interest paid	-	(2)	(1)
Refund on insurance premiums	558	532	563
Income taxes paid	(1,069)	(2,729)	(4,954)
Net cash provided by operating activities	285	3,235	5,861
II Cash flows from investing activities			
Payment for purchase of tangible fixed assets	(652)	(1,722)	(3,341)
Proceeds from sales of tangible fixed assets	-	6	27
Payment for purchase of intangible fixed assets	(53)	(521)	(584)
Proceeds from sales of investment securities	115	2	2
Payments for purchase of investments in affiliates	-	(121)	(118)
Lending of loans	(13)	-	(13)
Proceeds from collection of loans	15	38	61
Payment for purchase of other investments	(389)	(107)	(379)
Proceeds from sales of other investments	76	75	171
Proceeds from capital decrease of affiliated companies	90	-	-
Proceeds from reduced-value entry of land	-	-	57
Net cash used in investing activities	(810)	(2,351)	(4,118)

III Cash flows from financing activities			
Repayment of long-term debt	-	(200)	(350)
Payment for purchase of treasury stock	(12)	(1,334)	(3,297)
Proceeds from sales of treasury stock	0	-	-
Cash dividends paid	(531)	(500)	(884)
Net cash used in financing activities	(542)	(2,035)	(4,532)
IV Effect of exchange rate changes on cash and cash equivalents	5	(12)	(20)
V Net increase in cash and cash equivalents	(1,062)	(1,164)	(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	22,498	25,205	23,561

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

(a)) Tangible fixed assets: 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 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.

(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

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.

[Additional information]
(Pro-forma standard taxation)
Following the announcement of the Report on Practical Measures No. 12 "Practical Booking of the Pro-Forma Standard Tax included in the Enterprise Tax for the Purpose of Expressing on the Income Statement" (from Accounting Standards Board of Japan dated February 13, 2004), from this interim accounting period, the amount of 46 million yen from the income tax is included in the selling, general and administrative expenses as equivalent to the ratio to added value and the ratio to total capital based on the Report.

(Notes to Interim Consolidated Balance Sheets)

(Millions of yen)

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
1. Accumulated depreciation of tangible fixed assets	13,069	11,596	12,306
2. Contingent liabilities	2,667	1,633	2,948

(Notes to Interim Consolidated Statements of Income)

(Millions of yen)

	Six months ended September 30, 2003	Six months ended September 30, 2004	Fiscal year ended March 31, 2004
1. Principal components of selling, general and administrative expenses			
Advertising	6,031	3,774	9,864
Sales promotions	4,789	3,643	7,997
Transport	2,057	1,950	3,995
Communications	1,119	1,283	2,430
Fees	2,293	2,145	4,373
Salaries	3,575	3,114	6,481
Depreciation	696	843	1,674
Transfer of reserve for doubtful accounts	13	15	42
2. R&D expenses included in general and administrative and manufacturing expenses	1,055	872	1,720

(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, 2004	Six months ended September 30, 2003	Fiscal year ended March 31, 2004
Cash and deposits account	14,765	17,473	15,828
Securities account	7,733	7,732	7,732
Total	22,498	25,205	23,561
Deposits with maturities of more than three months	-	-	-
Cash and cash equivalents	22,498	25,205	23,561

(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)

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Machinery and transport equipment:			
Purchase cost	5,320	4,354	4,362
Accumulated depreciation	1,798	1,398	1,669
Balance at end of period	3,521	2,956	2,622
Furniture, tools and fixtures:			
Purchase cost	636	705	693
Accumulated depreciation	393	383	404
Balance at end of period	243	322	288
Total:			
Purchase cost	5,957	5,060	5,055
Accumulated depreciation	2,192	1,781	2,103
Balance at end of period	3,765	3,278	2,951

(2) Future lease payments

(Millions of yen)

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Within one year	740	705	692
More than one year	2,971	2,542	2,283
Total	3,711	3,248	2,975

(3) Outstanding lease payments and depreciation

(Millions of yen)

	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Outstanding lease payments	525	476	834
Depreciation expense	405	398	773
Interest expense	46	49	86

(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, 2004	As of September 30, 2003	As of March 31, 2004
Within one year	2	0	0
More than one year	4	2	2
Total	6	3	3

5. Segment Information

1. Business Segments

Six months ended September 30, 2004 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	17,852	14,850	9,543	42,245	-	42,245
(2) Intersegment sales or transfers	-	-	-	-	-	-
Total sales	17,852	14,850	9,543	42,245	-	42,245
Operating expenses	15,796	13,120	11,008	39,925	1,027	40,953
Operating income (loss)	2,055	1,729	(1,465)	2,319	(1,027)	1,292

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

Fiscal year ended March 31, 2004 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	34,925	29,655	20,375	84,956	-	84,956
(2) Intersegment sales or transfers	-	-	-	-	-	-
Total sales	34,925	29,655	20,375	84,956	-	84,956
Operating expenses	28,642	24,283	22,195	75,122	2,064	77,187
Operating income (loss)	6,283	5,371	(1,820)	9,834	(2,064)	7,769

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 and wholesales of *Hatsuga Genmai* (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 interim periods ended September 30, 2003 and 2004 and the fiscal year ended March 31, 2004, 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, 2003 and 2004 and the fiscal year ended March 31, 2004. Accordingly, overseas sales information is not provided.

6. Production, Orders and Sales

1. Production

Actual Production (Millions of yen)

Item \ Term	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Cosmetics	19,538	17,852	36,961
Nutritional supplements	15,120	14,057	30,199
Others	4,945	4,648	8,585
Total	39,603	36,557	75,746

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

Sales by Product Category (Millions of yen)

Item \ Term	As of September 30, 2004	As of September 30, 2003	As of March 31, 2004
Cosmetics	17,852	16,954	34,925
Nutritional supplements	14,850	14,230	29,655
Others	9,543	10,013	20,375
Total	42,245	41,198	84,956

Notes:
1. thers includes sales of Hatsuga Genmai (germinated brown rice), Kale Juice, undergarments, sundries and other products.
2. Amounts are prior to the deduction of national and regional consumption taxes.

7. Securities

As of September 30, 2004

1. Market Value of Other Marketable Securities (Millions of yen)

	Acquisition Cost	Book Value	Unrealized Gain (Loss)
Stocks	66	103	37
Bonds	—	—	—
Others	—	—	—
Total	66	103	37

2. Securities for which Market Value is Not Calculated (Millions of yen)

Type	Book Value
Other marketable securities	
(Current assets)	
Money management funds (MMF)	4,726
Free financial funds (FFF)	3,006
(Fixed assets)	
Unlisted stocks (excluding over-the-counter stocks)	90
Total	7,823

As of 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)

Type	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

As of March 31, 2004

1. Market Value of Other Marketable Securities (Millions of yen)

	Acquisition Cost	Book Value	Unrealized Gain (Loss)
Stocks	124	216	92
Bonds	—	—	—
Others	—	—	—
Total	124	216	92

2. Securities for which Market Value is Not Calculated (Millions of yen)

Type	Book Value
Other marketable securities	
(Current assets)	
Money management funds (MMF)	4,726
Free financial funds (FFF)	3,006
(Fixed assets)	
Unlisted stocks (excluding over-the-counter stocks)	90
Total	7,823

8. Value of Derivative Contracts, Market Value and Valuation Gains and Losses

As of September 30, 2004
No pertinent derivative transactions were undertaken during the interim period ended September 30, 2004
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, 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 March 31, 2004
No pertinent derivative transactions were undertaken during the fiscal year ended March 31, 2004
The Company did undertake forward exchange contracts during the period, but these are accounted for using hedge accounting and are therefore not indicated herein.