FANCL Corporation

Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2006

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Interim results for the Fiscal Year Ending March 31, 2006

FANCL CORPORATION **November 1, 2005**

Stock exchange listings: Tokyo 1st section, code number 4921
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Representative: Kenji Fujiwara, President and Representative Director
Date of board meeting: November 1, 2005

Use of U.S. accounting standards: No

1) Consolidated results for the interim period of Fiscal 2006 (April 1, 2005 to September 30, 2005)

(1) Sales and Income

Millions of yen, rounded down

	Interim period ended September 30, 2005		Interim period ended September 30, 2004		Year ended March 31, 2005
		Change %		Change %	
Net sales	45,766	8.3	42,245	2.5	87,937
Operating income	4,171	222.7	1,292	(73.6)	5,428
Ordinary income	4,449	198.6	1,490	(71.1)	5,490
Net income	2,332	1,466.4	148	(93.3)	1,709
Earnings per share (¥)	109.52		7.00		80.29
Earnings per share (diluted) (¥)	108.64		--		80.23

Notes:
1. Average number of shares outstanding (consolidated) during the period:
   - Interim period ended September 30, 2005: 21,298,831 shares.
   - Interim period ended September 30, 2004: 21,283,911 shares
   - Fiscal year ended March 31, 2005: 21,282,467 shares
2. There has been no change in accounting methods used
3. Year-on-year change for net sales, operating income, ordinary income and net income reflects a comparison with the same period in the previous fiscal year.

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2005	As of September 30, 2005	As of March 31, 2005
Total assets	81,266	76,796	79,416
Shareholders' equity	68,384	65,185	66,203
Shareholders' equity/total assets (%)	84.1	84.9	83.4
Shareholders' equity per share (¥)	3,201.56	3,062.80	3,111.15

Note: Number of shares outstanding (consolidated) at end of periods:
- September 30, 2005: 21,359,728 shares.
- September 30, 2004: 21,282,826 shares
- Fiscal year ended March 31, 2005: 21,279,074 shares

(3) Cash Flows

Millions of yen, rounded down

	Interim period ended September 30, 2005	Interim period ended September 30, 2004	Year ended March 31, 2005
Net cash provided by (used in) operating activities	4,673	285	4,637
Net cash used in investing activities	(2,189)	(810)	(4,807)
Net cash used in financing activities	(168)	(542)	(1,090)
Cash and cash equivalents at end of period	24,621	22,498	22,307

(4) Scope of consolidation and application of the equity method:

Consolidated subsidiaries: 6	Non-consolidated companies accounted for by the equity method: None	Equity method affiliates: None

(5) Changes in cope of consolidation and application of the equity method: No changes.

2) Consolidated forecasts for the fiscal year ending March 31, 2006 (April 1, 2005 to March 31, 2006)

Millions of yen

	FY ending March 31, 2006
Net sales	95,000
Ordinary income	9,000
Net income	4,700

Note: Consolidated net income per share forecast for the fiscal year ending March 31, 2006: ¥220.04

This forecast contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Please refer to page 13 for further information.

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.

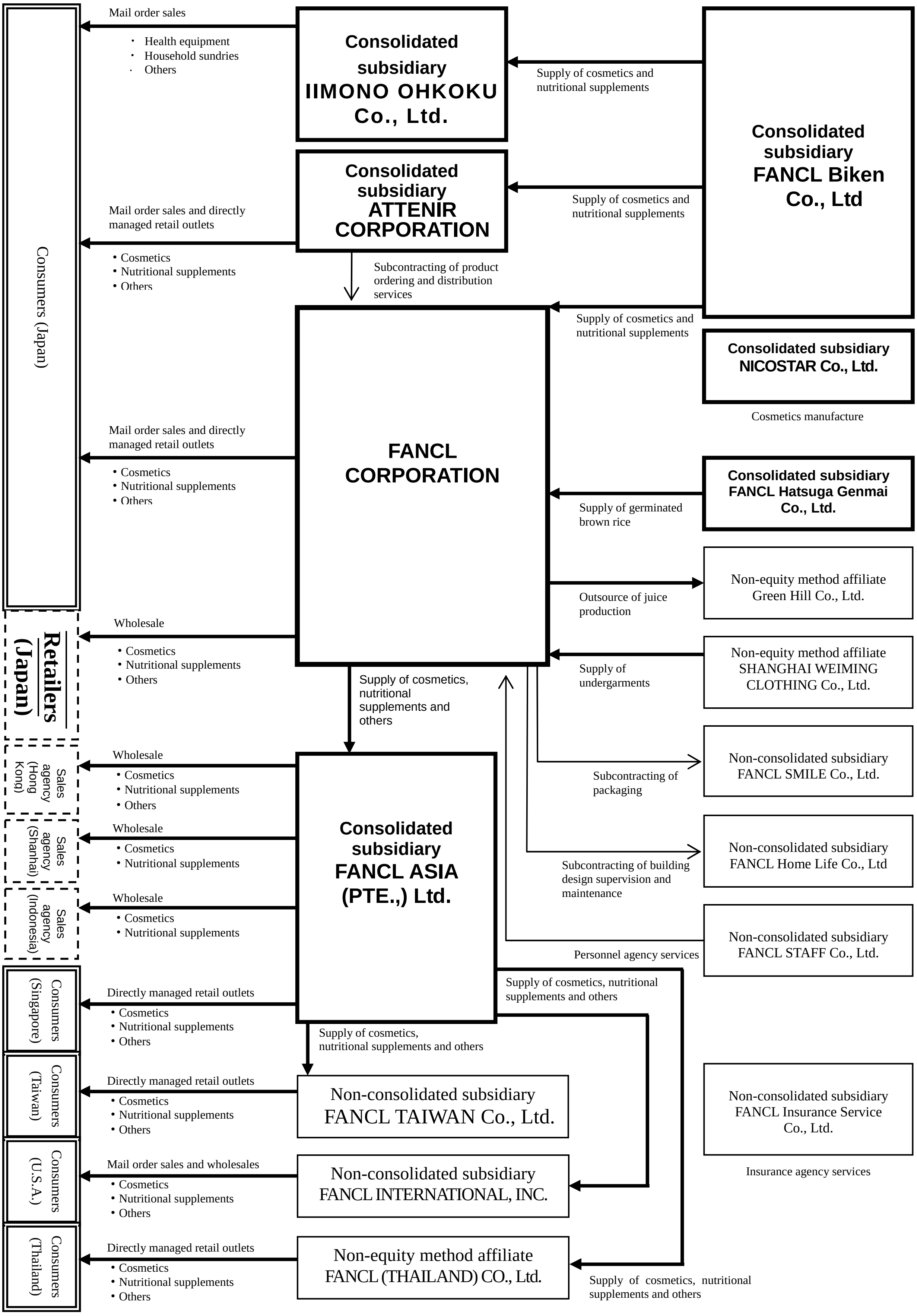
The Group's operations and the business segments in which they operate are as follows:

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). NICOSTAR Co., Ltd. (a consolidated subsidiary) supplies cosmetics on an OEM basis.
Nutritional Supplements Business:	Nutritional supplements are manufactured by FANCL Biken, and sold by FANCL and ATTENIR.
Other Businesses:	IIMONO OHKOKU Co., Ltd. (a consolidated subsidiary) is engaged in mail-order sales of health equipment and household sundries. *Kaiteki Hadagi* (comfort undergarments) products are manufactured primarily by SHANGHAI WEIMING CLOTHING Co., Ltd. (an affiliate not accounted for by the equity method) and sold by FANCL. General merchandise and accessories for women are sourced from external manufacturers and sold by FANCL and ATTENIR. *Hatsuga Genmai* (germinated brown rice) is manufactured by FANCL Hatsuga Genmai Co., Ltd. (a consolidated subsidiary) and sold by FANCL. Kale Juice is manufactured on consignment by Green Hill Co., Ltd. (an affiliate not accounted for by the equity method) and external manufacturers, and sold by FANCL.

FANCL ASIA (PTE) LTD. (a consolidated subsidiary) markets FANCL products in Singapore, as well as in the United States through FANCL INTERNATIONAL, INC. (a non-consolidated subsidiary), in Taiwan through FANCL TAIWAN Co., Ltd. (a non-consolidated 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 non-consolidated subsidiary) is a personnel agency and introduction business serving mainly Group companies. FANCL SMILE Co., Ltd. (a non-consolidated 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 non-consolidated subsidiary) primarily carries out design supervision and maintenance of buildings for the FANCL group of companies. FANCL INSURANCE SERVICE (a non-consolidated subsidiary) is an insurance agency.

FANCL Group Operating Structure



Affiliates

Company	Location	Paid-In Capital (million yen)	Principal Business	Percentage of Voting/ Nonvoting Stock Held		Relationship with FANCL	Relevant Notes
				Voting (%)	Nonvoting (%)		
ATTENIR CORPORATION	Sakae-ku, Yokohama, Japan	¥150	Cosmetics and nutritional supplements business	100.0	—	Subcontracts product ordering and distribution services Seconded officers: 2	(See Note 4)
NICOSTAR Co., Ltd.	Sakae-ku, Yokohama, Japan	¥10	Cosmetics business	100.0	—	— Seconded officers: 2	—
IIMONO OHKOKU Co., Ltd.	Shibuya-ku, Tokyo, Japan	¥196	Other businesses	81.6	—	— Seconded officers: 1	—
FANCL Hatsuga Genmai Co., Ltd.	Tomi City, Nagano, Japan	¥95	Other businesses	84.6	—	Manufactures germinated brown rice Seconded officers: 3	(See Note 7)
FANCL ASIA (PTE.,) LTD .	Singapore	¥875	Cosmetics, nutritional supplements business and other businesses	100.0	—	Sells cosmetics, nutritional supplements and others Seconded officers: 2	(See Note 6)
FANCL Biken Co., Ltd.	Sakae-ku, Yokohama, Japan	¥100	Cosmetics and nutritional supplements businesses	100.0	—	Manufactures cosmetics and nutritional supplements Seconded directors: 3	(See notes 2, 6)

Notes:
1. Business segment names are shown in the spaces for principal businesses.
2. FANCL Biken Co., Ltd. is a specified subsidiary.
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 profit/loss information for the period under review was as follows:

(Millions of yen)

Principal Operating Results of ATTENIR CORPORATION				
Net Sales	Ordinary Income	Net Income	Net Assets	Total Assets
5,697	939	558	6,246	7,565

5. None of FANCL's affiliates currently carries material excessive debt.
6. In April 2005 capital of FANCL Biken Co., Ltd. was increased ¥25 million through a company separation
7. In May 2005 the capital of IIMONO OHKOKU Co., Ltd. was increased by ¥36 million.

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 Target Indices

The FANCL Group seeks to increase corporate value by focusing on profitability and asset efficiency. Targets for key indices used by management include:
Ordinary income margin: 15%
Ratio of ordinary income to total assets: 16%

(3) Allocation of profits

FANCL recognizes that ensuring shareholders obtain a fair return on their investment is a key management responsibility. Accordingly, our dividend policy is to maintain stable returns, taking into account funding requirements for business development, increasing dividends or undertaking share splits as appropriate to any improvement in business performance. 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 may also be used to acquire treasury shares.

For the fiscal year ending March 31, 2006 we plan to declare a dividend of ¥50.00 per share, including an interim dividend payment of ¥25.00.

(4) Share trading unit

FANCL lowered its share trading unit from 1,000 shares to 100 shares in August 1999. Share splits were also implemented in May 1999 (1 : 1.3), May 2000 (1 : 1.3) and May 2002 (1 : 1.2). Any further share splits will be considered as appropriate with regard to the market price of FANCL shares.

(5) Medium-term business strategy and key management tasks

Through the FANCL Change & Challenge plan, a medium-term management plan announced on November 4, 2003 for the three-year period commencing April 1, 2004, FANCL aims to restore growth and profitability. Progress is generally proceeding according to plan in the core business areas of cosmetics and nutritional supplements, and we hope to achieve record levels of sales and profit in the fiscal year ending March 2007.

<u>Quantitative consolidated targets</u>
for the fiscal year ending March 31, 2007 (as revised on April 27, 2005)

Net sales	Ordinary income	Ordinary income margin	Ordinary income / total assets
¥105.0 billion	¥12.0 billion	11.4%	13.5%

<u>Strategy by business segment</u>

1. Core businesses

In core businesses our aim is to strengthen our earnings base and increase sales.

In our cosmetics business we are continuing to develop products that emphasize functionality. Building on our core mail order sales channel, we are endeavoring to increase sales by expanding retail sales through our store network.

In our nutritional supplements business we will continue to introduce high added value products that feature proprietary materials and ingredients. The main sales channels for these products is mail order, and we are strengthening our retail and wholesale sales activities.

2. Other businesses

In other business operations our aim is to restore profitability.

In the *Hatsuga Genmai* business we seek to boost sales and create operating profitability by enhancing the product lineup. In kale juice our strategy is to improve profitability by shifting to high-margin high added value products. In mail order sales through IIMONO OHKOKU, our strategy is to strengthen the produce lineup and reduce expenses, creating a business structure that can deliver stable profits.

(6) Basic approach to corporate governance and related initiatives

1. Basic approach to corporate governance

With a view to becoming a corporation trusted by stockholders and all other stakeholders, management has positioned corporate governance as a key issue, seeking to deepen corporate ethics and observance of the law, prepare internal regulatory and risk management systems and assure management transparency as its basic policy.

2. Initiatives

1) <u>Management control and other corporate governance systems related to decision making, execution of business activities and audit</u>

FANCL has adopted the corporate auditor system. A managing officer system was introduced in June 1999 in order to separate the functions of business execution and business supervision, and in June 2004 the titles of president, senior managing director, managing director and others were abolished, being substituted with managing officer titles. In June 2005, the term of appointment for directors was reduced from two years to one year, with the aim of helping ensure the maintenance of a management structure that can respond appropriately to changes in the business environment.

The Board of Directors comprises eight directors, one from outside the Company. They deliberate on the execution of important operations and other legal matters, receive reports on operations of the Company and subsidiaries and oversee operations.

The Management Conference comprises directors and managing officers. They review in advance matters for resolution by the Board, as well as important management matters within their competence referred by the Board.

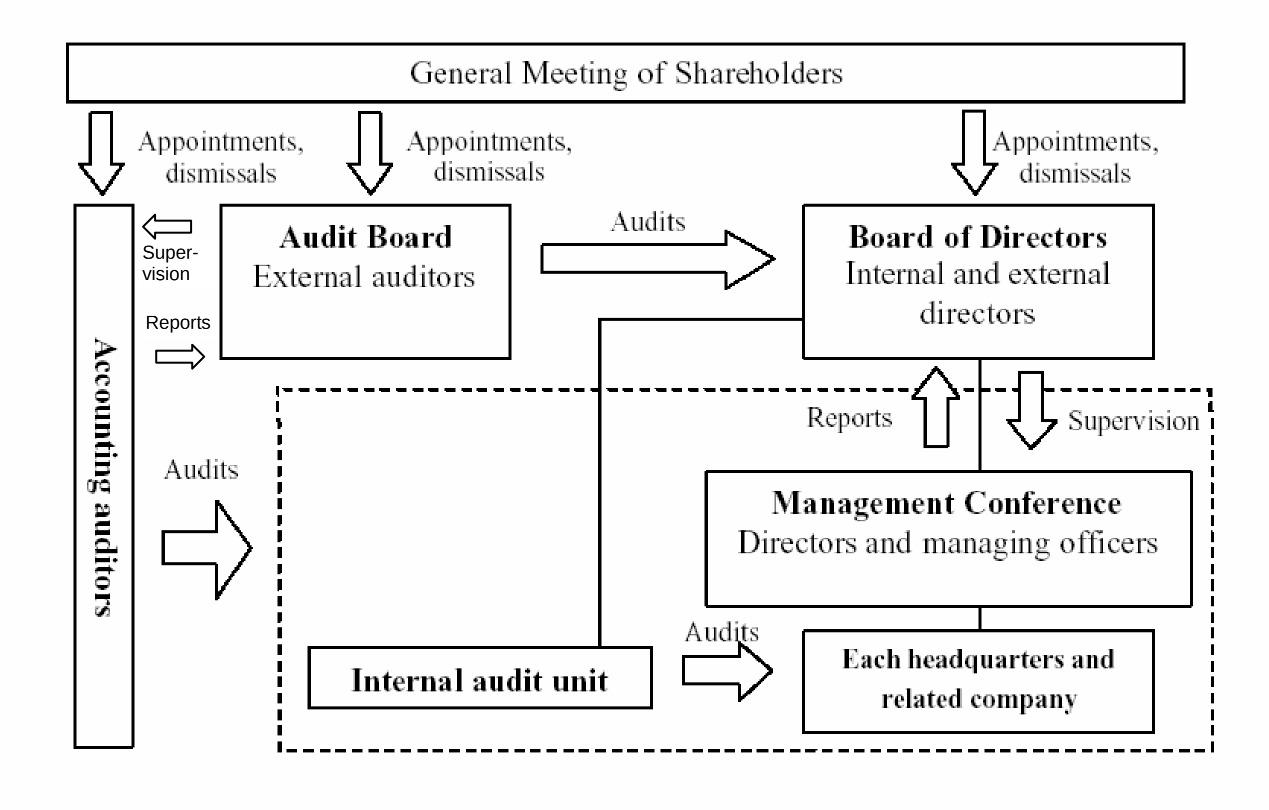
The four corporate auditors are all from outside the Company. They attend all meetings of the Board of Directors, as well as at those of the Management Conference and other important meetings. They periodically exchange views with top management, and operate a system of fair management oversight.

Corporate auditing is carried out by Ernst & Young Shinnihon, which examines FANCL's accounts from an independent viewpoint and expresses opinions as appropriate.

FANCL is continuing to consider carefully the merits or otherwise of shifting to a committee system of company management, but at this stage intends to carry on with measures to strengthen corporate governance under the existing corporate auditor system.

2) Internal control and risk management systems

An internal audit unit assesses the business execution of each operating division, while the general affairs division and the compliance & legal division implement measures to set company rules and ensure their thorough understanding and application throughout the company.



3) Personal, capital, business and other relations between the Company and its external directors and auditors

No such relationships of a material nature exist.

4) Initiatives undertaken to enhance corporate governance

A CSR Promotion Committee has operated since April 2005, comprising personnel from six offices: risk management, corporate ethics, information security, disclosure, the environment, and social contribution. This committee is engaged in strengthening internal control systems, including risk management. The committee is chaired by the president, and includes directors, managing officers, and managers from affiliated companies. In order to maximize the effectiveness of measures that are implemented, subcommittees are comprised of personnel selected from throughout Fancl Group.

In September 2005, the position of head of compliance in the Compliance Office was assigned to the Legal & Compliance Division with additional personnel, with the aim of ensuring rigorous adherence to laws and regulations.

(7) Matters relating to parent company

FANCL is not a subsidiary of any parent company.

3. Consolidated operating results and financial position

1. Operating results (consolidated)[1]

The domestic economy showed a mildly improving trend during the interim period under review, supported by factors such as improving corporate profitability and strong capital investment. However, this recovery did not extend to a fully-fledged recovery in consumer spending.

The cosmetics industry grew steadily, with strong sales of skin care products, particularly facial cleansers and fluid-based cosmetic treatments.

The nutritional supplements industry was characterized by an expanding market and intensifying competition, resulting from a boom in the popularity of *Coenzyme* Q_{10}, *Alpha Lipoic Acid* and other products.

Consolidated net sales during the interim period under review increased 8.3% to ¥45,766 million. This was largely the result of strong retail store sales in our core businesses of cosmetics and nutritional supplements.

Consolidated operating income increased 222.7% to ¥4,171 million, and operating income margin improved 6.0 percentage points to 9.1%.

Consolidated ordinary income increased 198.6% to ¥4,449 million, and the ordinary income margin increased 6.2 percentage points to 9.7%. This growth is primarily attributable to a larger proportion of sales in the high-margin cosmetics businesses, and a more efficient approach to sales and marketing spending.

Consolidated net income for the interim period under review grew 1,466.4% to ¥2,332 million, with the net income margin increasing 4.7 percentage points to 5.1%.

1) Cosmetics Business

FANCL cosmetics are developed with an emphasis on increasing their functionality as skincare products, and initiatives in the period under review included a renewal in August 2005 of FANCL's *Facial Washing Powder*. Marketing efforts with regard to ATTENIR cosmetics included promoting seasonal products, centered on skin care products.

Sales

Cosmetics sales increased 10.6% compared to the previous interim period, reaching ¥19,736 million.

	Interim period ended September 30, 2004		Interim period ended September 30, 2005		Increase in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	13,148	73.7	14,791	74.9	12.5
ATTENIR Cosmetics	4,571	25.6	4,726	24.0	3.4
Others	132	0.7	218	1.1	65.0
Totals	17,852	100.0	19,736	100.0	10.6

	Interim period ended September 30, 2004		Interim period ended September 30, 2005		Increase in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	11,059	61.9	11,595	58.8	4.8
Retail store sales	5,438	30.5	6,458	32.7	18.7
Others	1,353	7.6	1,683	8.5	24.4
Totals	17,852	100.0	19,736	100.0	10.6

Mail order sales increased 4.8% compared to the previous interim period, reaching ¥11,595 million.

Sales of FANCL cosmetics increased 6.5% to ¥7,250 million, with limited-offer bottle designs contributing to strong sales of *Mild Cleansing Oil*, and steady sales of *Facial Washing Powder* and *Fenatty*.

Sales of ATTENIR cosmetics increased 2.1% to ¥4,341 million, supported by good sales of skin care foundation products.

Retail store sales increased 18.7% to ¥6,458 million, with good performance at existing stores and contribution from new outlets.

[1] Note: All comparisons are with the interim period of the previous fiscal year, unless otherwise stated.

Sales through **other sales channels** increased 24.4% to ¥1,683 million, with good results from overseas sales and sales through convenience stores.

Operating income

Operating income increased 14.9% to ¥2,361 million, with higher revenues absorbing increases in advertising and marketing expenses. The operating income margin increased 0.5 percentage points to 12.0%.

2) Nutritional Supplements Business

Key initiatives in the nutritional supplements business included efforts to strengthen sales of beauty supplements with the launch in April 2005 of *HTC Collagen*, and the launch in June of *Alpha Lipoic Acid.*

Sales

Nutritional supplement sales increased 11.3% compared to the previous interim period, reaching ¥16,524 million.

	Interim period ended September 30, 2004		Interim period ended September 30, 2005		Increase in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	7,889	53.1	8,453	51.2	7.2
Retail store sales	3,403	22.9	4,154	25.1	22.1
Others	3,557	24.0	3,916	23.7	10.1
Totals	14,850	100.0	16,524	100.0	11.3

Mail order sales increased 7.2% compared to the previous interim period, reaching ¥8,453 million. Key factors supporting this increase were the introduction of new products, including *Alpha Lipoic Acid* and *HTC Collagen,* and sales of *Coenzyme* Q_{10}.

Retail store sales increased 22.1% to ¥4,154 million, supported by an increase in the number of FANCL House J stores, at which nutritional supplements make up a high proportion of sales, and good performance at existing stores.

Sales through **other sales channels** increased 10.1% to ¥3,916 million, supported by an increase in the number of trading partners.

Operating income

Operating income increased 60.8% to ¥2,780 million. Although an increase in the cost of certain raw materials had a negative impact on the gross profit margin, effective measures were taken to increased efficiency with regard to advertising and marketing expenses. The operating income margin increased 5.2 percentage points to 16.8%.

3) Other Businesses

Sales in Other businesses decreased 0.4% to ¥9,505 million.

(Millions of yen)

	Interim period ended September 30, 2004	Interim period ended September 30, 2005	Increase (decrease) in percent
Hatsuga Genmai Business	2,626	2,169	(17.4)
Kale juice business	1,651	2,028	22.9
IIMONO OHKOKU mail order business	3,355	3,564	6.2
Other	1,910	1,742	(8.8)
Totals	9,543	9,505	(0.4)

In the **Hatsuga Genmai business,** sales were lower than in the previous comparable interim period. Mail order sales decreased in line with a decline in customer numbers, and wholesale remained weak.

In the **Kale juice business**, sales increased, supported by strong sales of powder-type kale juice with Twintose. *Super Kale Juice Twintose Formula,* a high value-added frozen product, was launched in July.

Sales through the **IIMONO OHKOKU mail order business** were higher than in the previous interim period, supported by strong catalogue sales.

Other sales declined, with weakness in sales of comfort undergarments and household sundries.

Operating income

An operating loss of ¥138 million was recorded, a reduction of ¥1,326 from the loss recorded in the previous interim period. Factors contributing to the reduced operating loss included a return to operating profitability in the kale juice business and in the IIMONO OHKOKU mail order business.

For reference: Sales network

	Number of stores as of September 30, 2005	Change compared to March 31, 2005
FANCL House	109	(1)
FANCL House J	53	+16
Genki Station	9	—
ATTENIR Shop	10	+1
Other	3	—
Total	184	+16

2. Consolidated financial position

Cash and cash equivalents as of September 30, 2005 were ¥24,621 million, ¥2,314 million higher than at the end of the previous fiscal year. The main contributing factors are detailed below.

Cash flows from operating activities
Cash flow from operating activities during the six-month period under review was ¥4,673 million. Factors that increased operating cash flow included pre-tax net income of ¥4,001 million, an increase of ¥1,213 million in depreciation and amortization, and an increase in trade payables of ¥588 million. Factors reducing operating cash flow included corporate tax payments of ¥1,735 million and a ¥955 million reduction of the allowance for retirement benefits.

Cash flows from investing activities
Cash used in investing activities during the period under review was ¥2,189 million. This was largely the result of ¥724 million used to acquire fixed assets for new stores, and ¥999 million used in the acquisition of investment securities.

Cash flows from financing activities
Cash flow from financing activities during the period under review was negative ¥168 million. This was influenced primarily by ¥531 million paid out in dividends and ¥327 million received through such activities as the sale of treasury shares.

Trends in Cash Flow-related Indices

	Interim period ended September 2003	FY ended March 31, 2004	Interim period ended September 2004	FY ended March 31, 2005	Interim period ended September 2005
Equity ratio (%)	84.1	83.6	84.9	83.4	84.1
Equity ratio based on market price (%)	93.9	95.7	110.6	110.9	147.7
Debt service coverage (years)	0.05	—	—	—	—
Interest coverage ratio (times)	1,078.3	2,930.5	—	—	—

Notes:
1. All indices are calculated from consolidated financial results figures.
2. Equity ratio = Total shareholders' equity/total assets
3. Equity ratio based on market price = Market capitalization/total assets
   [Market capitalization = market price on last trading day of period x total shares outstanding at end of period]
4. Debt service coverage = Interest-bearing debt/operating cash flow
5. Interest coverage ratio = Operating cash flow/interest paid
   [Operating cash flow is the Net Cash Provided From Operating Activities figure in the consolidated statements of cash flows]
   [Interest paid is the Interest Paid figure in the consolidated statements of cash flows

(3) Business risks

1. Product development and competitive environment

In the FANCL Group's product development, the product planning and development division is responsible for formulating and proposing product plans based on customer needs and market research. In collaboration with related departments such as the Central Research Center, it makes final decisions on commercialization. At present, the Group develops cosmetics and nutritional supplements using its own technology, but there is no guarantee that this will result in successful development and new products. Further, in light of the increasing numbers of women with sensitive skin and greater health consciousness, there are more new entrants into the markets of cosmetics for sensitive skin and nutritional supplements and the appearance of similar products could operate to reduce the relative competitiveness of the FANCL lineup and hurt our growth potential and earning capabilities.

2. Product manufacturing and quality assurance

The FANCL Group's cosmetics, nutritional supplements and germinated brown rice are manufactured at five directly managed domestic factories, while kale juice and undergarments production is outsourced to subsidiaries. Departments in charge of procurement manage all aspects of raw materials purchases and, working in cooperation with marketing departments, disperse purchases among multiple suppliers and coordinate purchases with suppliers. Nevertheless, unanticipated conditions due to external factors may make it impossible to procure planned quantities. A quality assurance department has been established to improve product quality. At quality conferences it verifies the quality control situation with respective departments, and strives to maintain quality by conducting on-site plant inspections and other means. If a quality problem arises, it could impact negatively on the Group's operating results.

3. Disasters and bad weather

To minimize the effects of fire and natural disasters on its production system, the FANCL Group conducts periodic inspections and checking on all its facilities. Geographic dispersion of plants is intended to reduce risks. Nevertheless, there are no guarantees that the impact of fire or natural disaster can be fully prevented. The harvest volumes of rice and kale, the raw materials for germinated brown rice and kale juice, are subject to the vagaries of the weather. We therefore strive for dispersion of producing areas and raw material stockpiling, but weather factors can cause shortages and higher prices that impact adversely on Group operating results.

4. Limits of intellectual property protection

The Group is moving forward with securing patents and other rights to its accumulated technology and other intellectual property, but this is an area in which the legal basis is not fully prepared and cannot cover all business development domains. And because it takes at least a year and a half from patent application to publication, there is the possibility that there may be development investment in technology for which other companies have already sought patents. In future, after commercialization other companies' patents could be published and involve the Company in patent infringement cases.

5. Legal restrictions

The Cosmetic Businesses is governed by the Pharmaceutical Affairs Law to assure the quality, effectiveness and safety of pharmaceuticals, over-the-counter drugs, cosmetics and medical equipment. It is under this legislation that the FANCL Group manufactures and sells cosmetics and related products. The Nutritional Supplement Business is subject to the Food Sanitation Law, which prescribes food standards, additives, sanitation surveillance and business permissions. For foods for sale, the Nutrition Improvement Law prescribes standards for display of nutritional elements and caloric values. Those of the Company's supplements that meet certain requirements are also subject to the regulations of the functional foods health system, which enables selection with assurance of foods corresponding to consumers' eating habits.

The Group is also governed by the Specified Commercial Transactions Law, whose objectives are fair conduct of mail-order businesses for protection of consumers, and by the Law for Prevention of Unfair Premiums and Unfair Labeling, intended to prevent customer inducement by those means.

The Group has established a Compliance & Legal Division, responsible for compliance and ensuring more thoroughgoing observance of laws and regulations. Notwithstanding this, any violations that occur may adversely affect the Group's operating results.

6. Personal information

The Group's use of mail order and the internet as its main sales channels has resulted in possession of personal information about many individuals. The Group strictly observes the “Guidelines for Personal Data Protection” prescribed by the Japan Direct Marketing Association, and has established an all-Company committee to reinforce the information control system. Continuous efforts are also made with regard to employee education in this area. Nevertheless, should there occur leakage of such information outside the Company, a loss of customer trust could reduce sales and subject the Company to losses from payment of liability damages to customers.

(4) Outlook for the full year

Certain elements of the economic environment are beginning to show positive signs, despite the continuation of a long period of stagnation.

In the Cosmetics business, revenues from FANCL cosmetics are expected to increase, supported by product renewals and new product development in core skin care products, along with new store openings. Sales of ATTENIR cosmetics are also expected to increase, supported by factors such as the introduction of new products.

In the Nutritional Supplements business, revenues are expected to increase, supported by the introduction of high added value products featuring proprietary materials and ingredients, along with store development as outlined above.

In the *Hatsuga Genmai* business, revenue is expected to be largely in line with the previous year, supported by enhancement of the product line up in the second half of the year.

In the kale juice business, revenues are expected to increase, supported by sales growth in powder-type kale juice.

Based on the above, consolidated net sales for the fiscal year ending March 31, 2006 are expected to increase 8.0% year on year to ¥95,000 million. Ordinary income is forecast to increase 63.9% to ¥9,000 million, with positive results from efforts to make more efficient use of advertising expenses and to reduce costs in other areas, despite higher personnel and other costs arising from the expansion of the store network. Consolidated net income for the year is forecast to increase 174.9% year on year to ¥4,700 million.

For the fiscal year ending March 31, 2006 the planned dividend is ¥50.00 per share, including an interim dividend payment of ¥25.00.

4. Consolidated Interim Financial Statements

Consolidated Interim Balance Sheets

Millions of yen, rounded down

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2004	
ASSETS		%		%		%
I. Current assets:						
Cash and cash equivalents	18,695		17,380		14,765	
Notes and accounts receivable	9,162		8,713		8,262	
Marketable securities	6,926		4,926		7,733	
Inventories	5,764		5,663		5,990	
Deferred tax assets	545		484		438	
Others	1,204		2,060		1,397	
Allowance for doubtful accounts	(139)		(150)		(137)	
Total current assets	42,158	51.9	39,079	49.2	38,449	50.0
II. Fixed assets:						
Tangible fixed assets						
Buildings and structures	12,554		12,781		12,454	
Machinery and transport equipment	1,572		1,667		1,913	
Furniture, tools and fixtures	1,114		1,162		1,119	
Land	10,720		10,916		10,847	
Construction in progress	9		4		7	
Total tangible fixed assets	25,971	32.0	26,533	33.4	26,342	34.3
Intangible fixed assets						
Software	887		775		813	
Goodwill	162		299		435	
Others	113		148		134	
Total intangible fixed assets	1,163	1.4	1,222	1.5	1,383	1.8
Investments and other assets						
Investments securities	1,977		1,954		1,107	
Long-term loans receivable	696		659		1,007	
Guarantee money	2,607		2,526		2,480	
Deferred tax assets	202		593		561	
Others	6,930		7,296		5,751	
Allowance for doubtful accounts	(440)		(451)		(286)	
Total investments and other assets	11,973	14.7	12,579	15.9	10,621	13.9
Total fixed assets	39,108	48.1	40,336	50.8	38,347	50.0
Total Assets	**81,266**	**100.0**	**79,416**	**100.0**	**76,796**	**100.0**

Consolidated Interim Balance Sheets

Millions of yen, rounded down

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2004	
LIABILITIES		%		%		%
I. Current liabilities:						
Notes and accounts payable	3,638		3,049		2,904	
Accrued liabilities	4,210		3,985		3,805	
Accrued expenses	298		494		387	
Accrued income taxes	1,529		1,914		733	
Allowance for bonuses	1,046		781		759	
Others	355		233		199	
Total current liabilities	11,078	13.7	10,457	13.2	8,789	11.4
II. Long-term liabilities:						
Allowance for retirement bonuses	1,249		1,194		1,230	
Allowance for directors' retirement bonuses	162		1,117		1,081	
Others	392		442		509	
Total long-term liabilities	1,803	2.2	2,754	3.4	2,821	3.7
Total liabilities	12,882	15.9	13,212	16.6	11,611	15.1
SHAREHOLDERS' EQUITY						
I. Common stock	10,795	13.3	10,795	13.6	10,795	14.1
II. Capital reserve	11,752	14.5	11,706	14.8	11,706	15.2
III. Retained earnings	53,009	65.2	51,172	64.4	50,144	65.3
IV. Net Unrealized holding gain on other securities	43	0.0	26	0.0	22	0.0
V. Foreign currency translation adjustment	(4)	(0.0)	(4)	(0.0)	(4)	(0.0)
VI. Treasury stock	(7,211)	(8.9)	(7,492)	(9.4)	(7,477)	(9.7)
Total shareholders' equity	68,384	84.1	66,203	83.4	65,185	84.9
Total Liabilities and Shareholders' Equity	**81,266**	**100.0**	**79,416**	**100.0**	**76,796**	**100.0**

Consolidated Interim Statements of Income

Millions of yen, rounded down

	April 1 to September 30, 2005		April 1 to September 30, 2004		FY ended March 31, 2005	
Net sales	45,766	100.0	42,245	100.0	87,937	100.0
Cost of sales	15,789	34.5	14,481	34.3	30,031	34.2
Gross profit	29,977	65.5	27,764	65.7	57,905	65.8
Selling, general and administrative expenses	25,806	56.4	26,471	62.6	52,476	59.7
Operating income	4,171	9.1	1,292	3.1	5,428	6.2
Net operating income	**429**	**0.9**	**414**	**1.0**	**770**	**0.9**
Interest and dividend income	38		21		56	
Other non-operating income	391		392		713	
Net operating expenses	**151**	**0.3**	**217**	**0.5**	**709**	**0.8**
Loss on disposal of obsolete inventories	114		185		681	
Other non-operating expenses	36		31		27	
Ordinary income	4,449	9.7	1,490	3.5	5,490	6.2
Extraordinary income	**--**	**--**	**57**	**0.1**	**57**	**0.1**
Gain on sale of investment securities	--		57		57	
Extraordinary expenses	**447**	**1.0**	**281**	**0.6**	**1,181**	**1.3**
Loss on disposal of fixed assets	77		119		335	
Impairment loss	237		--		--	
Directors' retirement benefit expenses	71		18		39	
Transfer of reserve for allowances for doubtful accounts	--		--		129	
Valuation loss on inventories	--		--		103	
Loss on cancellation of leases	55		143		434	
Special retirement benefit	--		--		139	
Other extraordinary expenses	5		--		--	
Income before income taxes	**4,001**	**8.7**	**1,266**	**3.0**	**4,366**	**5.0**
Income taxes	1,350	2.9	650	1.5	2,532	2.9
Adjustment for income taxes	318	0.7	466	1.1	124	0.1
Net income	**2,332**	**5.1**	**148**	**0.4**	**1,709**	**1.9**

Consolidated Statements of Retained Earnings

Millions of Yen, rounded down

	April 1 to September 30, 2005		April 1 to September 30, 2004		FY ended March 31, 2005	
Capital Reserve						
Balance at beginning of the period		11,706		11,706		11,706
Increase in capital surplus from:						
Gain on disposal of treasury stock.........		46		--	0	0
Balance at end of the period		11,752		11,706		11,706
Retained earnings						
Balance at beginning of the period		51,172		50,528		50,528
Increase in retained earnings from:						
Interim net income	2,332		148		1,709	
Increase in capital from minority shareholders......................................	36	2,368	--	148	--	1,709
Decrease in retained earnings from:						
Dividends	531		532		1,064	
Bonuses to directors	--	531	1	533	1	1,065
Retained earnings at end of period		53,009		50,144		51,172

Consolidated Statements of Cash Flows

Millions of yen

	April 1 to September 30, 2005	April 1 to September 30, 2004	FY ended March 31, 2005
I. Cash flows from operating activities			
Income before income taxes	4,001	1,266	4,366
Depreciation and amortization	1,213	1,181	2,464
Impairment loss	237	--	--
Amortization in excess of investment cost over equity in net assets of consolidated subsidiaries	136	136	272
Increase (decrease) in allowance for bonuses	265	(3)	17
Increase (decrease) in allowance for doubtful accounts	(21)	(45)	131
Increase (decrease) in allowances for directors' retirement bonuses	(955)	(128)	(92)
Increase (decrease) in allowance for retirement benefits	54	34	(1)
Interest and dividend income	(38)	(21)	(56)
Gain on sale of investment securities	--	(57)	(57)
Investment gain on anonymous association	(82)	(69)	(159)
Net refund of insurance premiums	(177)	(187)	(266)
Loss on sale of tangible fixed assets	4	--	92
Loss on disposal of tangible fixed assets	31	115	520
Decrease (increase) in trade receivables	(448)	(448)	(899)
Decrease (increase) in inventories	(100)	(517)	(191)
Decrease (increase) in other current assets	869	364	(338)
Increase (decrease) in trade payables	588	(268)	(122)
Increase (decrease) in other current liabilities	185	(687)	(342)
Increase (decrease) in other fixed liabilities	(50)	92	24
Others	42	14	22
Sub-total	5,756	768	5,384
Interest and dividends received	25	27	57
Refund on insurance premiums	626	558	705
Income taxes paid	(1,735)	(1,069)	(1,510)
Net cash provided by (used in) operating activities	**4,673**	**285**	**4,637**
II. Cash flows from investing activities			
Repayment of fixed-term deposits	--	--	(1,500)
Acquisition of investment securities	(999)	--	--
Payment for purchase of tangible fixed assets	(724)	(652)	(1,703)
Proceeds from sales of tangible fixed assets	3	--	10
Payment for purchase of intangible fixed assets	(270)	(53)	(238)
Proceeds from sales of intangible fixed assets	--	--	0
Payment for purchase of investment securities	--	--	(840)
Proceeds from sales of investment securities	--	115	115
Payments for purchase of investments in affiliates	--	--	(226)
Lending of loans	(55)	(13)	(219)
Proceeds from collection of loans	23	15	34
Payment for purchase of other investments	(188)	(389)	(441)
Proceeds from sales of other investments	22	76	111
Proceeds from capital decrease of affiliated companies	--	90	90
Net cash used in investing activities	(2,189)	(810)	(4,807)

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III. Cash flows from financing activities			
Proceeds from capital increase by minority shareholders	36	--	--
Payment for purchase of treasury stock	327	(12)	(26)
Cash dividends paid	(531)	(531)	(1,063)
Net cash used in financing activities	(168)	(542)	(1,090)
IV. Effect of exchange rate changes on cash and cash equivalents	**--**	5	5
V. Net increase in cash and cash equivalents	2,314	(1,062)	(1,253)
VI. Cash and cash equivalents at the beginning of the period	22,307	23,561	23,561
VII. Cash and cash equivalents at end of period	24,621	22,498	22,307

Significant items for the Preparation of Consolidated Interim Financial Statements

1. Scope of Consolidation

Principal affiliated companies are described in “1. FANCL Group”.
Number of consolidated subsidiaries 6
Number of non-consolidated subsidiaries 6

Non-consolidated subsidiaries are not included in the scope of consolidation 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 non-consolidated subsidiaries mentioned above and three affiliated companies did not significantly influence the net income 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 period closing date of FANCL ASIA (PTE.,) LTD. is June 30. The financial statements as of the closing date are used in preparing the consolidated financial statements. Consolidation adjustments are made as necessary for significant transactions occurring until the consolidated closing date.

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 fiscal year based on the estimated retirement benefit obligation and pension assets at the end of the consolidated 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.

<u>Change in accounting treatment</u>

- Accounting standards for impairment of fixed assets

Starting from the interim period under review, accounts have been prepared in accordance with Accounting Standards for Impairment of Fixed Assets (issued by the Accounting Standards Board of Japan on August 9, 2002) and the Financial Accounting Standards Implementation Guidance No. 6, "Implementation Guidance for Accounting Standards for Impairment of Fixed Assets" (issued by the Accounting Standards Board of Japan on October 31, 2003). In accordance with the adoption of these standards and implementation guidance, impairment losses of ¥237 million on land and buildings have been recorded as an extraordinary loss. Compared to the former accounting standard, this resulted in a decrease in net income before taxes and other adjustments for the interim period of ¥237 million.

Impairment amounts on fixed assets are deducted directly from asset values as recorded on adjusted consolidated balance sheets.

Notes to Consolidated Interim Balance Sheets

(Millions of yen)

		As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
1.	Accumulated depreciation of tangible fixed assets	13,720	13,069	13,338
2.	Contingent liabilities	2,295	2,667	2,481

Note: Depreciation totals do not include impairment losses.

Notes to Consolidated Interim Statements of Income

(Millions of yen)

		Interim period ended September 30, 2005	Interim period ended September 30, 2004	Full year ended March 31, 2005
1.	Principal components of selling, general and administrative expenses			
	Advertising	4,700	6,031	11,105
	Sales promotions	4,315	4,789	9,475
	Transport	2,026	2,057	4,240
	Communications	1,007	1,119	2,199
	Fees	2,698	2,293	4,780
	Salaries	4,011	3,575	7,444
	Depreciation	678	696	1,450
	Transfer of reserve for doubtful accounts	3	13	41
2.	R&D expenses included in general and administrative and manufacturing expenses	999	1,055	1,958
3.	Impairment losses			
	Idle land and buildings (Yokohama City, Kanagawa Prefecture)	237	--	--

Notes to Consolidated Interim 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)

	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
Cash and deposits account	18,695	14,765	17,380
Securities account	6,926	7,733	4,926
Total	25,621	22,498	22,307
Deposits with maturities of more than three months	(999)	--	--
Cash and cash equivalents	24,621	22,498	22,307

Leases

1. Finance leases in which the right of ownership is not transferred to the lessee

(Millions of yen)

1. Purchase cost, accumulated depreciation and balance at end of period

	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
Machinery and transport equipment:			
Purchase cost	5,512	5,320	4,515
Accumulated depreciation	1,939	1,798	1,589
Balance at end of period	3,572	3,521	2,926
Furniture, tools and fixtures:			
Purchase cost	894	636	1,027
Accumulated depreciation	244	393	448
Balance at end of period	649	243	579
Total:			
Purchase cost	6,406	5,957	5,550
Accumulated depreciation	2,183	2,192	2,043
Balance at end of period	4,222	3,765	3,507

(Millions of yen)

2. Future lease payments

	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
Within one year	864	740	745
More than one year	3,343	2,971	2,790
Total	4,208	3,711	3,535

(Millions of yen)

3. Outstanding lease payments and depreciation

	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
Outstanding lease payments	543	525	910
Depreciation expenses	439	405	840
Interest expense	53	46	89

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.

(Millions of yen)

5. Operating leases

Future lease payments

	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
Within one year	1	2	1
More than one year	2	4	3
Total	4	6	5

5. Segment Information

1. Business Segments

April 1 to September 30, 2005 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	19,736	16,524	9,505	45,766	--	45,766
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	19,736	16,524	9,505	45,766	--	45,766
Operating expenses	17,375	13,743	9,643	40,763	831	41,595
Operating income (loss)	2,361	2,780	(138)	5,003	(831)	4,171

April 1 to 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) Inter-segmental 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

Fiscal year ended March 31, 2005 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
Sales:						
(1) Sales to external customers	37,098	31,131	19,706	87,937	--	87,937
(2) Inter-segmental sales or transfers	--	--	--	--	--	--
Total sales	37,098	31,131	19,706	87,937	--	87,937
Operating expenses	32,352	26,493	21,674	80,520	1,988	82,508
Operating income (loss)	4,745	4,638	(1,967)	7,417	(1,988)	5,428

Notes:

1. Segmentation has been adopted for internal management purposes.
2. Segment operations are as follows:

   Cosmetic 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 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 current interim period from April 1 to September 30, 2005, the previous interim period from April 1 to September 30, 2004, and the fiscal year ended March 31, 2005 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 percent of consolidated net sales in the interim period from April 1 to September 30, 2005, the interim period from April 1 to September 30, 2004, and the fiscal year ended March 31, 2005. Accordingly, overseas sales information is not provided.

6. Production, Orders and Sales

1. Production
   Actual Production

(Millions of yen)

Item \ Term	April 1 to September 30, 2005	April 1 to September 30, 2004	FY ended March 31, 2005
Cosmetics	18,257	19,538	36,994
Nutritional supplements	16,562	15,120	31,111
Others	4,518	4,945	8,953
Total	39,338	39,603	77,059

Notes:
1. Others refers to actual production of Hatsuga Genmai (germinated brown rice) and kale juice.
2. Amounts represent sales prices.
3. Amounts are prior to the deduction of national and regional consumption taxes.
4. Production for the previous interim period includes items produced for promotion purposes.

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	April 1 to September 30, 2005	April 1 to September 30, 2004	FY ended March 31
Cosmetics	19,736	17,852	37,098
Nutritional supplements	16,524	14,850	31,131
Others	9,505	9,543	19,706
Total	45,766	42,245	87,937

Notes:
1. Others 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

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

Type	April 1 to September 30, 2005			April 1 to September 30, 2004			FY ended March 31, 2005		
	Acquisition Cost	Book Value	Unrealized Gain	Acquisition Cost	Book Value	Unrealized Gain	Acquisition Cost	Book Value	Unrealized Gain
1. Stocks	66	140	73	66	103	37	66	111	45
2. Bonds	--	--	--	--	--	--	--	--	--
3. Others	--	--	--	--	--	--	--	--	--
Total	66	140	73	66	103	37	66	111	45

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

Type	April 1 to September 30, 2005	April 1 to September 30, 2004	FY ended March 31, 2005
	Book Value	Book Value	Book Value
Other marketable securities			
(Current assets)			
Money management funds (MMF)	2,927	4,726	3,926
Free financial funds (FFF)	--	3,006	--
Commercial paper (CP)	2,999	--	999
Bonds	999	--	---
(Fixed assets)			
Unlisted stocks (excluding over-the-counter stocks)	124	90	130
Unlisted foreign bonds	800	--	800
Total	7,850	7,823	5,857

Note: No market value has been calculated for discount bonds acquired with four-month maturities

8. Value of Derivative Contracts, Market Value and valuation Gain and Losses

As of September 30, 2005

No pertinent derivative transactions were undertaken during the interim period ended September 30, 2005. 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, 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 March 31, 2005

No pertinent derivative transactions were undertaken during the fiscal year ended March 31, 2005.
The Company did undertake forward exchange contracts during the period, but these are accounted for using hedge accounting and are therefore not indicated herein.