FANCL Corporation

Financial Statements for the Interim Period of the Fiscal Year Ending March 31, 2008

SUMMARY OF FINANCIAL STATEMENTS (consolidated)

Interim results for the Fiscal Year Ending March 31, 2008

FANCL CORPORATION **November 1, 2007**

Stock exchange listings: Tokyo 1st section, code number 4921

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Scheduled date for submission of the interim financial report: December 20, 2007
Scheduled date for distribution of dividends: December 3, 2007

1) Consolidated results for the interim period of Fiscal 2008 (April 1, 2007 to September 30, 2007)

Percentage figures represent changes compared to the previous fiscal year

(1) Sales and Income

Millions of yen, rounded down

	Interim period ended September 30, 2007		Interim period ended September 30, 2006		Year ended March 31, 2007
		Change %		Change %	
Net sales	48,410	0.9	47,980	4.8	101,065
Operating income	3,360	25.5	2,676	(35.8)	8,370
Ordinary income	3,508	24.1	2,826	(36.5)	8,388
Net income	1,439	(9.0)	1,581	(32.2)	2,547
Net income per share (¥)	¥22.45		¥24.47		¥39.59
Net income per share (diluted) (¥)	¥22.31		¥24.14		¥39.13

Notes: Gains and losses by the equity method:
Interim period ended September 30, 2007: -- million
Interim period ended September 30, 2006: -- million
Fiscal year ended March 31, 2007: -- million

(2) Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
Total assets	87,521	84,535	86,931
Net assets	72,530	72,517	71,560
Net assets /total assets (%)	82.7	85.8	82.2
Net assets equity per share (¥)	1,127.49	1,120.28	1,116.59

Note: Shareholders' equity:
Interim period ended September 30, 2007: ¥72,383 million
Interim period ended September 30, 2006: ¥72,510 million
Fiscal year ended March 31, 2007: ¥71,449 million

(3) Cash Flows

Millions of yen, rounded down

	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Year ended March 31, 2007
Net cash provided by operating activities	3,260	110	6,472
Net cash used in investing activities	2,512	(2,322)	(1,733)
Net cash used in financing activities	(517)	(465)	(2,495)
Cash and cash equivalents at end of period	28,667	18,490	23,411

2) Dividends

	FY Ended March 31, 2007	FY Ending March 31, 2008	FY Ending March 31, 2008 (forecast)
Dividend per share:			
Interim	¥12.00	¥12.00	--
Year-end	¥12.00	--	¥12.00
Annual	¥24.00	--	¥24.00

3) Consolidated forecasts for the fiscal year ending March 31, 2008 (April 1, 2007 to March 31, 2008)

Millions of yen

	FY ending March 31, 2008	
		Change (%)
Net sales	100,500	(0.6)
Operating income	8,650	3.3
Ordinary income	8,800	4.9
Net income	4,000	57.0
Net income per share	¥62.39	

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.

4) Other

1) **Transfer of important subsidiaries during the period** (Transfers of subsidiaries resulting in changes in the scope of consolidation: None

2) **Changes in accounting principles, procedures and presentation in the preparation of these financial statements**

(1) Changes in accordance with revision to accounting standards: Yes

(2) Other changes: None

Note: For details, see page 21-23 of 'Changes in Accounting Treatment'

3) **Number of shares outstanding (ordinary shares)**

(1) Number of shares outstanding at end of period (including treasury shares):

As of September 30, 2007: 70,176,600 shares; As of September 30, 2006: 70,176,600 shares;

As of March 31, 2007: 70,176,600 shares

(2) Number of treasury shares at end of period:

As of September 30, 2007: 5,977,666 shares; As of September 30, 2006: 5,451,410 shares;

As of March 31, 2007: 6,188,080 shares

Note: For Net income per share calculations, see Net income per share information on page 35

Reference: Outline of Non-Consolidated Interim Financial Results

Non-consolidated financial results for the interim period of the fiscal year ending March 31, 2008

Percentage figures represent changes compared to the previous fiscal year

1) Non-Consolidated Operating Results

Millions of yen, rounded down

	Interim period ended September 30, 2007		Interim period ended September 2006		Fiscal year ended March 31, 2007	
		(% change)		(% change)		
Net Sales	37,002	1.3	36,512	0.6	76,574	--
Operating income	2,116	37.3	1,541	(36.3)	5,177	--
Ordinary income	2,523	19.3	2,115	(29.6)	5,914	--
Net income	1,255	12.2	1,118	(27.1)	1,144	--
Net income per share (¥)	¥19.58		¥17.31		¥17.79	

2) Non-Consolidated Financial Position

Millions of yen, rounded down

	As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
Total assets	69,339	68,360	69,599
Net assets	59,002	60,113	58,217
Net assets /total assets (%)	84.9	87.9	83.5
Net assets equity per share (¥)	916.78	928.64	908.06

Note: Non-Consolidated shareholders' equity:

Interim period ended September 30, 2007:	¥58,856 million
Interim period ended September 30, 2006:	¥60,106 million
Fiscal year ended March 31, 2007:	¥58,105 million

1. Consolidated operating results and financial position

I. Operating results (consolidated)[1]

1) Consolidated interim period

Note: Since December 31, 2006 the accounting method used to record points[1] has been changed so that points are recorded as an expense at time of issue. Previously, points were recognized as a cost at time of use. For reference in the following section (including the charts), like-for-like comparative figures are provided in brackets and marked with an asterisk to show the year-on-year changes in net sales and ordinary income if the figures for the year under review are calculated using the previous accounting standard.

In the domestic economy, business continued to improve steadily during the period under review, but the direction of consumer trends is increasingly uncertain and food prices are continuing to rise due to the high prices of crude oil and raw materials.

In the cosmetics industry, skin care products offering anti-ageing benefits continued to perform strongly regardless of business category, but overall sales remained relatively unchanged.

In the health foods industry, the market continued its period of adjustment, while governmental monitoring of product labeling and safety regulations became stricter, and differences began to emerge among competing companies.

Consolidated net sales during the interim period under review increased 0.9% (*decreased 3.3%) to ¥48,410 million. This was largely the result of strong sales in our cosmetics business, which was offset by a sluggish performance in nutritional supplements businesses and other businesses.

Supported by steady performance in the highly profitable cosmetics business, as well as enhanced cost efficiency in advertising and sales promotion, consolidated operating income increased 25.5% (*increased 29.5%) to ¥3,360 million; the operating profit margin increased 1.3 percentage points (*increased 1.7 percentage points) to 6.9%; ordinary income increased 24.1% (*increased 27.8%) to ¥3,508 million; and the ordinary income margin increased 1.3 percentage points (*increased 1.7 percentage points) to 7.2%.

Consolidated net income for the interim period under review decreased 9.0% to ¥1,439 million. The net income margin decreased 0.3 percentage points to 3.0%.

2) Segmental review

Cosmetics Business

Sales increased 9.5% (*increased 4.5%) compared to the previous interim period, to ¥23,711 million.

	Interim period ended September 30, 2007		Interim period ended September 30, 2006		Increase (decrease) in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
FANCL Cosmetics	18,480	77.9	16,582 [*17,619]	76.6 [*77.7]	11.4 [*4.9]
ATTENIR Cosmetics	5,006	21.1	4,861	22.4 [*21.4]	3.0
Others	225	1.0	211	1.0 [*0.9]	6.2
Totals	23,711	100.0	21,656 [*22,692]	100.0	9.5 [*4.5]

	Interim period ended September 30, 2007		Interim period ended September 30, 2006		Increase (decrease) in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	12,352	52.1	11,986 [*12,525]	55.3 [*55.2]	3.1 [* minus 1.4]
Retail store sales	8,722	36.8	7,552 [*8,050]	34.9 [*35.5]	15.5 [*8.3]
Others	2,636	11.1	2,116	9.8 [*9.3]	24.6
Totals	23,711	100.0	21,656 [*22,692]	100.0	9.5 [*4.5]

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[1] Note: Figures in brackets in the 'Amounts' and 'Percent of total' columns are calculated by accounting standards used in the interim period under review. Figures in brackets in the 'Increase (decrease) in percent' column are calculated by comparison of net sales in the interim period under review with net sales of the previous interim period, using the accounting standards of the interim period under review.

Sales of FANCL Cosmetics increased 11.4% (*increased 4.9%) to ¥18,480 million due to the steady performance of staple products such as *Mild Cleansing Oil* as well as healthy sales of renewed whitening related and make-up products. The main skin care products, which were renewed in September, also performed well.

Sales of ATTENIR cosmetics increased 3.0% to ¥5,006 million due to the renewal of skin care products in September of last year.

In sales by sales channels, mail-order sales increased 3.1% (*decreased 1.4%) to ¥12,352 million, affected by restrained buying prior to the renewal of skin care products. Retail store sales increased 15.5% (*increased 8.3%) to ¥8,722 million due to strong performance at existing stores. Wholesale sales increased 24.6% to ¥2,636 million with strong overseas sales.

Operating income

Operating income increased 35.7% (*increased 38.0%) to ¥3,371 million, due to increased sales as well as enhanced cost efficiency in advertising and marketing costs. The operating income margin increased 2.7 percentage points (*increased 3.4 percentage points) to 14.2%.

2) Nutritional Supplements Business

Sales

Nutritional supplement sales decreased 1.3% (*decreased 5.8%) to ¥14,929 million.

	Interim period ended September 30, 2007		Interim period ended September 30, 2006		Increase (decrease) in percent
	Amount in ¥ million	Percent of total	Amount in ¥ million	Percent of total	
Mail order sales	6,664	44.6	7,026 [*7,478]	46.4 [*47.2]	minus 5.2 [*minus 10.9]
Retail store sales	4,338	29.1	4,013 [*4,282]	26.5 [*27.0]	8.1 [*1.3]
Others	3,926	26.3	4,090	27.1 [*25.8]	minus 4.0
Totals	14,929	100.0	15,129 [*15,852]	100.0	minus 1.3 [*minus 5.8]

In manufacturing, sales of *Beauty supplements* such as *HTC Collagen* were strong, but sales of Coenzyme Q_{10} continued to decline, while sales of herbal products and support series products, which were renamed in accordance with government guidelines, were also sluggish.

In sales by sales channels, store sales increased 8.1% (*increased 1.3%) to ¥4,338 million due to strong performance at existing stores; however, mail-order sales decreased 5.2% (*decreased10.9%) to ¥6,664 million and wholesale sales decreased 4.0% to ¥3,926 million.

Operating income

Operating income decreased 9.9% (*decreased 8.6%) to ¥1,814 million and the operating income margin declined 1.1 percentage points (* declined 0.3 percentage points) to 12.2% as the decline in price of certain raw materials, which lowered the cost ratio, was not enough to cover the decrease in revenues.

3) Other Businesses

Sales in Other businesses decreased 12.7% (*decreased 15.2%) to ¥9,768 million.

(Millions of yen)

	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Increase (decrease) in percent
Hatsuga Genmai Business	1,813	2,572 [*2,684]	minus 29.5 [*minus 32.4]
Kale juice business	1,959	1,950 [*2,047]	0.4 [*minus 4.3]
IIMONO OHKOKU mail order business	4,141	4,624	minus 10.5
Other	1,854	2,047 [*2,161]	minus 9.4 [*minus 14.2]
Totals	9,768	11,194 [*11,517]	minus 12.7 [*minus 15.2]

In the **Hatsuga Genmai business** (germinated brown rice)**,** sales decreased through all sales channels as a 20% price reduction in April failed to yield an increase in sales volume. This was due to such factors as positive coverage on a television health program last year which inflated sales in the previous fiscal period. Sales decreased 29.5% (*decreased 32.4%) to ¥1,813 million.

In the **Kale juice business**, mail-order sales were on track to recovery due to an increase in customers; however this was offset by wholesale sales, which failed to grow, resulting in a 0.4% increase (*4.3% decrease) to ¥1,959 million.

Sales through the **IIMONO OHKOKU** (Kingdom of Wonderful Things) **mail order business** decreased 10.5% to ¥4,141 million due a fall in sales of walking shoes, health appliances, golfing products and other products, all of which had been strong in the previous interim period.

Other sales decreased 9.4% (*decreased 14.2%) to ¥1,854 million due to sluggish sales of comfort undergarments and household sundries.

Operating income

An operating loss of ¥863 million was recorded, an improvement of ¥72 million (*up ¥84 million) on the operating loss recorded in the previous interim period. Although sales through IIMONO OHKOKU declined, this was offset by a reduction in marketing expenses, which improved the profitability of the kale juice business.

For reference: Sales network

	Number of stores as of September 30, 2007	Change compared to March 31, 2007
FANCL Ginza Square	1	--
FANCL House	105	(2)
FANCL House J	87	(1)
Genki Station	8	--
ATTENIR Shop	10	--
Other	4	--
Total	215	(3)

(3) Outlook for the full year

Looking forward, we expect that the economic recovery will remain on track, however we cannot be optimistic about continued consumer spending.

In the Cosmetics business, revenues from FANCL cosmetics are expected to increase, supported by product renewals for skin care products. Revenues from ATTENIR products are expected to increase supported by the sales of new products.

In the Nutritional Supplements business, we are expecting a decrease in revenues despite enhancing our lineup of products targeting the middle-aged and senior market, and strengthening our marketing of beauty related products targeting young women, as we forecast a delay in the recovery of market conditions.

As regards Other businesses, in the *Hatsuga Genmai* business and mail-order sales through IIMONO OHKOKU, revenue is expected to decrease and a rapid recovery is not expected.

Based on the above, the forecasts published on May 1, 2007 are revised as follows.

Millions of yen

	Net sales	Operating income	Ordinary income	Net income
Forecast as of May 1, 2007 (A)	103,500	9,000	8,800	5,000
Revisions (B)	100,500	8,650	8,800	4,000
Change (B – A)	(3,000)	(350)	--	(1,000)
Percent change	(2.9)	(3.9)	--	(20.0)
Results of fiscal year ended March 31, 2007	101,065	8,370	8,388	2,547

2. Consolidated financial position

Cash and cash equivalents as of September 30, 2007 were ¥28,667 million, ¥5,256 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 ¥3,260 million. Factors contributing to an increase in operating cash flow included net income before income tax of ¥3,197 million, depreciation and amortization of ¥1,444 million and a decrease of ¥522 million in notes and accounts receivable. Factors contributing to a reduction of operating cash flow included an increase in accounts payable of ¥499 million and corporate tax payments of ¥1,883 million.

Cash flows from investing activities

Cash flow from investing activities during the six-month period under review was ¥2,512 million. This was largely the result of ¥12,487 million in proceeds from maturity of investment securities, and outflows of ¥8,483 million for acquisition of investment securities, ¥565 million for acquisition of tangible fixed assets, and ¥590 million for acquisition of intangible fixed assets.

Cash flows from financing activities

Cash flow from financing activities during the six-month period under review was ¥517 million. A primary factor was ¥766 million paid out in dividends.

Trends in Cash Flow-related Indices

	Interim period ended September 30, 2005	FY ended March 31, 2006	Interim period ended September 30, 2006	FY ended March 31, 2007	Interim period ended September 30, 2007
Equity ratio (%)	84.1	83.9	85.8	82.2	82.7
Equity ratio based on market price (%)	147.7	183.9	131.9	120.3	109.7
Debt service coverage	—	—	—	—	—
Interest coverage ratio (times)	—	—	—	—	—

Notes:

Equity ratio: Equity/ Total assets

Equity ratio based on market price: Market capitalization/Total assets

Debt service coverage: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/interest paid

1. All indices are calculated from consolidated financial results figures.
2. Market capitalization = market price on last trading day of period x total shares outstanding at end of period
2. Operating cash flow is the Net Cash From Operating Activities figure in the consolidated statements of cash flows. Interest-bearing debt includes all debt on which interest is paid recorded in the liabilities section of the consolidated balance sheet. Interest paid is the Interest Paid figure in the consolidated statements of cash flows.

(3) Policy Regarding Allocation of Earnings and Proposed Dividends

FANCL recognizes that ensuring shareholders obtain a fair return on their investment is a key management responsibility. Accordingly, Company 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, 2008, an annual dividend of ¥24.00 (Interim: ¥12 and Year-end: ¥12) per share is forecast.

(2) Group structure

There has been no material change to Group structure, main business activities or affiliated companies since the release of FANCL's *Yukahokokushoken* business report on June 18, 2006. As such, this section has been ommitted.

(3) Management Policy

There has been no material change to the following items, as previously described in the consolidated financial statements for the fiscal year ended March 31, 2007, announced on November 1, 2006:

1) Management policy
2) Management target indices, medium-term business strategy, and key management tasks.

This information may be accessed at the following website:

http://www.fancl.co.jp/corporate/ir/library/tanshindata/t_0611_te.pdf

4. Consolidated Financial Statements

Consolidated Balance Sheet

Millions of yen, rounded down

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
ASSETS		%		%		%
I. Current assets:						
Cash and cash equivalents	13,875		15,689		14,303	
Notes and accounts receivable	9,461		10,010		9,983	
Marketable securities	17,797		9,910		16,294	
Inventories	6,728		6,414		6,746	
Deferred tax assets	1,119		474		1,223	
Other current assets	1,313		1,439		1,168	
Allowance for doubtful accounts	(143)		(145		(148)	
Total current assets	50,153	57.3	43,793	51.8	49,570	57.0
II. Fixed assets:						
Tangible fixed assets						
Buildings and structures[1,3,4]	11,176		12,165		11,582	
Machinery and transport equipment[1]	1,554		1,588		1,513	
Furniture, tools and fixtures[1]	1,186		1,280		1,178	
Land	10,627		10,636		10,627	
Construction in progress	21		186		61	
Total tangible fixed assets	24,567	28.1	25,857	30.6	24,963	28.7
Intangible fixed assets						
Goodwill	6		20		13	
Software	2,654		1,337		1,406	
Other intangible fixed assets	261		617		1,341	
Total intangible fixed assets	2,922	3.3	1,974	2.3	2,761	3.2
Investments and other assets						
Investments securities	1,309		2,018		830	
Long-term loans receivable	661		694		655	
Guarantee money	2,687		2,669		2,684	
Deferred tax assets	193		192		253	
Other investments and other assets	5,434		7,744		5,621	
Allowance for doubtful accounts	(409)		(409)		(410)	
Total investments and other assets	9,878	11.3	12,909	15.3	9,635	11.1
Total fixed assets	37,367	42.7	40,742	48.2	37,360	43.0
Total Assets	**87,521**	**100.00**	**84,535**	**100.0**	**86,931**	**100.0**

Consolidated Interim Balance Sheets

Millions of yen, rounded down

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
LIABILITIES		%		%		%
I. Current liabilities:						
Notes and accounts payable	3,292		3,548		3,741	
Accrued liabilities	3,970		3,588		3,313	
Accrued expenses	726		666		641	
Accrued income taxes	1,669		1,062		2,027	
Allowance for bonuses	1,031		1,016		952	
Allowance for points	1,565		--		1,849	
Others[5]	309		275		344	
Total current liabilities	12,565	14.3	10,157	12.0	12,869	14.8
II. Long-term liabilities:						
Allowance for retirement bonuses	1,481		1,350		1,388	
Allowance for directors' retirement bonuses	36		216		223	
Others	907		292		889	
Total long-term liabilities	2,425	2.8	1,860	2.2	2,500	2.9
Total liabilities	14,991	17.1	12,018	14.2	15,370	17.7
NET ASSETS						
I. Shareholders' equity:						
1. Common stock	10,795	12.3	10,795	12.8	10,795	12.5
2. Capital reserve	11,867	13.6	11,855	14.0	11,852	13.6
3. Retained earnings	57,123	65.3	56,262	66.5	56,451	64.9
4. Treasury stock	(7,438)	(8.5)	(6,455)	(7.6)	(7,699)	(8.9)
Total shareholders' equity	72,346	82.7	72,458	85.7	71,399	82.1
II. Valuation and translation gain						
1. Net unrealized holding gain on other securities	42	0.0	57	0.1	54	0.1
2. Foreign currency translation adjustment	(4)	(0.0)	(4)	(0.0)	(4)	(0.0)
Total valuation and translation gain	37	0.0	52	0.1	50	0.1
III. Share warrants	146	0.2	6	0.0	111	0.1
Total net assets	72,530	82.9	72,517	85.8	71,560	82.3
Total Liabilities and Net Assets	87,521	100.0	84,535	100.0	86,931	100.0

2 Consolidated Interim Statements of Income

Millions of yen, rounded down

	April 1 to September 30, 2007		April 1 to September 30, 2006		Fiscal year ended March 31, 2007	
Net sales	48,410	100.0	47,980	100.0	101,065	100.0
Cost of sales	15,766	32.6	16,965	35.4	33,895	33.5
Gross profit	32,643	67.4	31,015	64.6	67,170	66.5
Selling, general and administrative expenses	29,282	60.5	28,338	59.0	58,800	58.2
Operating income	3,360	6.9	2,676	5.6	8,370	8.3
Non-operating income						
Interest income and dividends	82		54		118	
Insurance premiums returned	92		118		134	
Investment return from anonymous associations	9		87		161	
Compensation payments received	102		--		54	
Other non-operating income	107		81		153	
Total net operating income	394	0.8	342	0.7	621	0.6
Non-operating expenses						
Loss on disposal of obsolete inventories	194		155		429	
Other non-operating expenses	51		37		174	
Total Net operating expenses	246	0.5	192	0.4	603	0.6
Ordinary income	3,508	7.2	2,826	5.9	8,388	8.3
Extraordinary income						
Gain from sale of fixed assets[2]	--		0		1	
Funds distributed from liquidation of anonymous associations	--		--		633	
Other extraordinary income	--	--	--		7	
Total extraordinary income	--	--	0	0.0	641	0.6
Extraordinary expenses						
Loss on disposal of fixed assets[3]	23		22		163	
Impairment loss[4]	--		--		981	
Allowance for directors retirement bonuses in the previous fiscal year brought forward	--		24		24	
Loss on disposal of merchandize	--		--		111	
Loss on revaluation of inventories	--		136		--	
Loss on revaluation of marketable securities	--		--		453	
Loss on revision of purchase amounts at affiliated companies in the previous fiscal year	--		33		33	
Allowance for points for the previous fiscal year	--		--		2,132	
Compensation for overtime in the previous fiscal year	--		48		60	
Loss from voluntary product recalls	286		--		--	
Other extraordinary expenses	0		--		23	
Total extraordinary expenses	310	0.6	264	0.6	3,983	3.9
Income before income taxes	**3,197**	**6.6**	**2,562**	**5.3**	**5,045**	**5.0**
Income taxes	1,586		966		3,292	
Adjustment for income taxes	172		14		(793)	
Total income before income taxes	1,758	3.6	980	2.0	2,498	2.5
Net income	**1,439**	**3.0**	**1,581**	**3.3**	**2,547**	**2.5**

Changes in shareholders’ equity during the interim period

April 1, 2007 to September 30, 2007

(Millions of yen)

	Shareholders’ equity				
	Capital	Capital surplus	Retained profit	Treasury stock	Total shareholders’ equity
Balance as of March 31, 2007	10,795	11,852	56,451	(7,699)	71,399
Change during the period					
Surplus dividend	--	--	(767)	--	(767)
Net income	--	--	1,439	--	1,439
Acquisition of treasury stock	--	--	--	(2)	(2)
Disposal of treasury stock	--	14	--	263	278
Changes to items other than shareholders’ equity during the period	--	--	--	--	--
Total change during the period	--	14	671	261	947
Balance as of September 30, 2007	10,795	11,867	57,123	(7,438)	72,346

	Valuation and differences due to foreign exchange			Warrants	Total net assets
	Valuation differences on other marketable securities	Translation adjustment account	Total valuation and translation differences		
Balance as of March 31, 2007	54	(4)	50	111	71,560
Change during the period					
Surplus dividend	--	--	--	--	(767)
Net income	--	--	--	--	1,439
Acquisition of treasury stock	--	--	--	--	(2)
Disposal of treasury stock	--	--	--	--	278
Changes to items other than shareholders’ equity during the period	(12)	--	(12)	34	21
Total change during the period	(12)	--	(12)	34	969
Balance as of September 30, 2007	42	(4)	37	146	72,530

Changes in shareholders' equity during the interim period

April 1, 2006 to September 30, 2006

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained profit	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	10,795	11,846	55,326	(6,624)	71,343
Change during the period					
Surplus dividend (note)	--	--	(645)	--	(645)
Net income	--	--	1,581	--	1,581
Acquisition of treasury stock	--	--	--	(1)	(1)
Disposal of treasury stock	--	8	--	171	180
Changes to items other than shareholders' equity during the period	--	--	--	--	--
Total change during the period	--	8	935	169	1,114
Balance as of September 30, 2006	10,795	11,855	56,262	(6,455)	72,458

	Valuation and differences due to foreign exchange			Warrants	Total net assets
	Valuation differences on other marketable securities	Translation adjustment account	Total valuation and translation differences		
Balance as of March 31, 2006	66	(4)	61		71,405
Change during the period					
Surplus dividend (note)	--	--	--	--	(645)
Net income	--	--	--	--	1,581
Acquisition of treasury stock	--	--	--	--	(1)
Disposal of treasury stock	--	--	--	--	180
Changes to items other than shareholders' equity during the period	(9)	--	(9)	6	(3)
Total change during the period	(9)	--	(9)	6	1,111
Balance as of September 30, 2006	57	(4)	52	6	72,517

Changes in shareholders' equity during the interim period

April 1, 2006 to March 31, 2007

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained profit	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	10,795	11,846	55,326	(6,624)	71,343
Change during the period					
Surplus dividend (note)	--	--	(645)	--	(645)
Surplus dividend	--	--	(766)	--	(776)
Net income	--	--	2,547	--	2,547
Acquisition of treasury stock	--	--	--	(1,715)	(1,715)
Disposal of treasury stock	--	5	--	640	646
Changes to items other than shareholders' equity during the period	--	--	--	--	--
Total change during the period	--	5	1,124	(1,075)	55
Balance as of March 31, 2007	10,795	11,852	56,451	(7,699)	71,399

	Valuation and differences due to foreign exchange			Warrants	Total net assets
	Valuation differences on other marketable securities	Translation adjustment account	Total valuation and translation differences		
Balance as of March 31, 2006	66	(4)	61	--	71,405
Change during the period					
Surplus dividend (note)	--	--	--	--	(645)
Surplus dividend	--	--	--	--	(776)
Net income	--	--	--	--	2,547
Acquisition of treasury stock	--	--	--	--	(1,715)
Disposal of treasury stock	--	--	--	--	646
Changes to items other than shareholders' equity during the period	(11)	--	(11)	111	99
Total change during the period	(11)	--	(11)	111	154
Balance as of March 31, 2007	54	(4)	50	111	71,560

Consolidated Statements of Cash Flows

Millions of yen

	April 1 to September 30, 2007	April 1 to September 30, 2006	FY ended March 31, 2007
I. Cash flows from operating activities			
Income before income taxes	3,197	2,562	5,045
Depreciation and amortization	1,444	1,260	2,669
Stock compensation plan expense	62	6	118
Impairment loss	--	--	981
Goodwill	6	6	13
Increase (decrease) in allowance for bonuses	79	110	46
Increase (decrease) in allowance for points	(284)	--	1,849
Increase (decrease) in allowance for doubtful accounts	(6)	5	23
Increase (decrease) in allowance for directors retirement bonuses	(186)	28	34
Increase (decrease) in allowance for retirement benefits	92	69	107
Interest and dividend income	(82)	(54)	(118)
Increase (decrease) from foreign exchange	(4)	(1)	(9)
Loss from revaluation from investment in securities	--	--	453
Investment gain on anonymous association	(9)	(87)	(161)
Funds distributed from liquidation of anonymous associations	--	--	(633)
Net refund of insurance premiums	(92)	(118)	(134)
Gain on sale of tangible fixed assets	--	(0)	(1)
Loss on sale of tangible fixed assets	--	3	15
Loss on disposal of tangible fixed assets	21	14	134
Loss from disposal of other investments	2	3	13
Decrease (increase) in trade receivables	522	(1,033)	(1,006)
Decrease (increase) in inventories	17	265	(66)
Decrease (increase) in other current assets	(91)	(373)	(47)
Decrease (increase) in accounts payable	(449)	(458)	(265)
Increase (decrease) in other current liabilities	588	(154)	(118)
Increase (decrease) in other fixed liabilities	18	(49)	(56)
Others	--	(1)	2
Sub-total	4,846	2,005	8,891
Interest and dividends received	96	50	105
Dividends received from anonymous associations	10	--	704
Refund received on insurance premiums	189	8	151
Income taxes paid	(1,883)	(1,954)	(3,381)
Net cash provided by (used in) operating activities	**3,260**	**110**	**6,472**
II. Cash flows from investing activities			
Repayment of fixed-term deposits	--	(120)	(190)
Proceeds from liquidation of fixed-term deposits	180	--	--
Acquisition of investment marketable securities	(8,483)	(8,987)	(12,988)
Proceeds from redemption of marketable securities	12,487	8,702	12,695
Payment for purchase of tangible fixed assets	(565)	(1,298)	(2,145)
Proceeds from sales of tangible fixed assets	--	4	17
Payment for purchase of intangible fixed assets	(590)	(632)	(1,829)
Payment for purchase of investment securities	(500)	--	(21)
Proceeds from sale and redemption investment securities	--	--	800
Payments for purchase of investments in affiliates	--	(9)	(56)
Proceeds from collection of loans	14	20	38
Payment for investment in anonymous associations	--	--	(620)
Proceeds from investment in anonymous associations	--	--	2,701
Payment for purchase of other investments	(44)	(129)	(305)
Proceeds from sales of other investments	14	126	167
Others	--	--	2
Net cash used in investing activities	**2,512**	**(2,322)**	**(1,733)**

Consolidated Statements of Cash Flows continued

Millions of yen

	April 1 to September 30, 2007	April 1 to September 30, 2006	FY ended March 31, 2007
III. Cash flows from financing activities			
Net proceeds (payment) for purchase of treasury stock	248	178	(1,076)
Cash dividends paid	(766)	(644)	(1,418)
Net cash used in financing activities	**(517)**	**(465)**	**(2,495)**
IV. Effect of exchange rate changes on cash and cash equivalents	**--**	**--**	**---**
V. Net increase in cash and cash equivalents	**5,256**	**(2,677)**	**2,243**
VI. Cash and cash equivalents at the beginning of the period	**23,411**	**21,167**	**21,167**
VII. Cash and cash equivalents at end of period	**28,667**	**18,490**	**23,411**

Significant items for the Preparation of Consolidated Financial Statements

Item	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
1.Scope of Consolidation	1) Number of consolidated subsidiaries: 6 Name of consolidated subsidiaries: Same as right 2) Main Non-Consolidated companies: Same as right	1) Number of consolidated subsidiaries: 6 Name of consolidated subsidiaries: ATTENIR CORPORATION NICOSTAR Co., Ltd. IIMONO OHKOKU Co., Ltd FANCL Hatsuga Genmai Co., Ltd. FANCL ASIA (PTE.,) LTD. FANCL B＆H Co., Ltd. 2) Main Non-Consolidated companies FANCL STAFF Co., Ltd. FANCL Home Life Co., Ltd. Reasons for not being included in the scope of consolidation: Non-consolidated subsidiaries are not included in the scope of consolidation because they are small-sized companies and their respective total assets, (in proportion to equity) and retained earnings (in proportion to equity) would not have a significant effect on the interim consolidated financial statements.	1) Number of consolidated subsidiaries: 6 Name of consolidated subsidiaries: Same as left 2) Main Non-Consolidated companies: Same as left Reasons for not being included in the scope of consolidation: Non-consolidated subsidiaries are not included in the scope of consolidation because they are small-sized companies and their respective total assets, (in proportion to equity) and retained earnings (in proportion to equity) would not have a significant effect on the consolidated financial statements.
2. Application of the Equity Method	1) Non-consolidated companies accounted for by the equity method: Same as right 2) Affiliate companies accounted for by the equity method: Same as right 3) Name of main Non-consolidated and affiliate companies accounted for by the Equity Method: Same as right	1) Non-consolidated companies accounted for by the equity method: Not applicable 2) Affiliate companies accounted for by the equity method: Not applicable 3) Name of main Non-consolidated and affiliate companies accounted for by the Equity Method: Non-consolidated: FANCL STAFF Co., Ltd. FANCL Home Life Co., Ltd. Affiliate companies: SHANGHAI WEMMING CLOTHING CO., Ltd. Reasons for not being accounted for by the equity method: Companies not accounted for by the equity method do not have a material effect on items such as net income and retained earnings in the interim consolidated financial statements and are therefore excluded from application of the equity method.	1) Non-consolidated companies accounted for by the equity method: Same as left 2) Affiliate companies accounted for by the equity method: Same as left 3) Name of main Non-consolidated and affiliate companies accounted for by the Equity Method: Same as left
3. Fiscal Year-End of Consolidated Subsidiaries	Same as right	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.	Among consolidated subsidiaries, the fiscal year closing date of FANCL ASIA (PTE.,) LTD. is December 31. The financial statements as of the closing date are used in preparing the consolidated financial statements. Consolidation adjustments are made as necessary for significant transactions occurring until the consolidated closing date.

Item	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
4. Accounting Standards (1) Basis and method for valuation of major assets	1) Other marketable securities: Stocks with no market value: Same as right 2) Derivatives: Same as right 3) Inventories Same as right	1) 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 Regarding investments in anonymous associations, the net assets held by the company are calculated based on the most recent reporting period. 2) Derivatives: Market value method 3) 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	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 net capital costing method; cost of disposal is calculated by the moving average method.) 2) Derivatives: Same as left 3) Inventories Same as left
(2) Depreciation of Fixed Assets	1) Tangible fixed assets Buildings (not including attached facilities) ・ The former declining balance method is used for buildings acquired prior to March 31, 1998 ・ The former straight-line method is used for buildings acquired between April 1, 1998 and March 31, 2007 ・ The straight-line method is used for buildings acquired since April 1, 2007 Items other than buildings: ・ The declining balance method is used for items acquired prior to March 31, 2007 ・ The declining-balance method is used for buildings acquired since April 1, 2007 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 <u>Additional information</u> As of the interim period ended September 30, 2007, for tangible fixed assets acquired since March 31, 2007 that have fully depreciated to their allowable limit of depreciation, the remaining balance will be amortized over 5 years by the straight line method starting from the following year. The effect of this change on operating income, ordinary income and net income before taxes is immaterial.	1) Tangible fixed assets: The fixed-amount method is applied to buildings acquired since April 1, 1998 (not including attached structures) 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	1) Tangible fixed assets: The fixed-amount method is applied to buildings acquired since April 1, 1998 (not including attached structures) The estimated useful lives for such assets are as follows: Same as left

Item	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
2) Intangible fixed assets:	2) Intangible fixed assets: Same as right 3) Long-term prepaid expenses: Same as right	2) 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) 3) Long-term prepaid expenses: Straight-line method	2) Intangible fixed assets: Same as left 3) Long-term prepaid expenses: Same as left
(3) Allowances	1) Allowance for doubtful accounts: Same as right	1) 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.	1) Allowance for doubtful accounts: Same as left
	2) Allowance for bonuses: Same as right	2) Allowance for bonuses: To prepare for future bonus payments to employees, the Company makes provisions in the amount accrued based on the estimated payment.	2) Allowance for bonuses: Same as left
	3) Allowance for points The Company bases reserve calculations for the future use of points by comparing the balance of unused points with the historical use of points by customers to forecast likely usage. Additional information Previously, points were deducted from net sales at time of usage as a sales expense in accordance with point service usage. However, in the previous consolidated fiscal year, the method was changed to record points as they were issued under selling, general and administrative expenses. In comparison to the method used in the previous interim period, net sales decreased ¥2,082 million and selling, general and administrative expenses decreased ¥2,163 million, while ordinary income increased ¥81 million and net income before taxes increased ¥2,213 million.	3) Allowance for points -------------------	3) Allowance for points The Company bases reserve calculations for the future use of points by comparing the balance of unused points with the historical use of points by customers to forecast likely usage.

	4) Allowance for retirement bonuses: Same as right	4) 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.	4) Allowance for retirement bonuses: To prepare for future retirement benefit payments to employees, the Company makes provisions in the amount 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.

Item	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
	5) Allowance for directors' retirement bonuses: For the parent company to prepare for future retirement bonus payments to directors, the necessary provisions at the interim period are made based on internal regulations.	5) Allowance for directors' retirement bonuses: For the parent company and domestic affiliate companies to prepare for future retirement bonus payments to directors, the necessary provisions at the interim period based on internal regulations are made. (Additional Information) Following the passage of a motion at the 26th. Ordinary General Meeting of Shareholders, held June 17, 2006, to abolish the system of retirement allowances for directors, and to pay, instead, a retirement allowance to each resigning board member and corporate auditor corresponding to their term in office, the parent company has reported no reserves for retirement benefits for directors and corporate auditors in the period since. With regard to domestic consolidated subsidiaries, reserves for retirement benefits for directors and corporate auditors necessary for the period have been recorded in line with internal policies.	5) Allowance for directors' retirement bonuses: For the parent company and domestic affiliate companies to prepare for future retirement bonus payments to directors, the necessary provisions at the end of the fiscal year are made based on internal regulations. (Additional Information) Following the passage of a motion at the 26th. Ordinary General Meeting of Shareholders, held June 17, 2006, to abolish the system of retirement allowances for directors, and to pay, instead, a retirement allowance to each resigning board member and corporate auditor corresponding to their term in office, the parent company has reported no reserves for retirement benefits for directors and corporate auditors in the period since. With regard to domestic consolidated subsidiaries, reserves for retirement benefits for directors and corporate auditors necessary for the period have been recorded in line with internal policies.
(4) Lease Accounting	Same as right	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.	Same as left
(5) Hedge Accounting	Same as right	1) 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. 2) Hedging instruments/targets: Forward exchange contracts/payables or forecast transactions denominated in foreign currencies. 3) 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. 4) Method of assessing hedge effectiveness: As a rule, the Company uses individual forward exchange contracts and thus does not assess hedge effectiveness. 5) 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.	------------------

(6) Others	Same as right	All transactions are posted in amounts prior to deduction of consumption and other taxes.	Same as left
5) Scope of Cash and Cash Equivalents	Same as right	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.	Same as left

Changes in accounting treatment

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
----------------	------------	Allowance for Points Previously points were recognized as a cost at the time of use. However, as the introduction of a new points system has allowed the rational estimation of the usage rate of points and in order to achieve the timely recognition of profits and losses and sounder finances, from the fiscal year under review, the amount of the Allowance for Points is calculated and accounted for as the difference between actual past usage rates and estimated future usage rates applied to the balance of unused points. As the new system is considered as sales promotion, the Allowance for Points is now accounted for as a cost of sales or as an SG&A expense, compared to its previous treatment as an extraordinary loss. As a result of this change, compared to the previous method, sales are ¥4 billion higher and cost of sales and SG&A expenses are ¥3.717 billion higher, ordinary income is higher by ¥283 million and income before income and other taxes is lower by ¥1.849 billion. As the actual usage rate could be rationally estimated only from the second half of the fiscal year, at the interim period the former method was employed. If the new method had been used for the interim period of the current fiscal year sales would have been ¥2.082 billion higher and cost of sales and SG&A expenses ¥2.163 billion higher, while ordinary income would have been ¥81 million lower and income before income and other taxes would have been ¥2.213 billion lower. For the effects of this change on segmental results please see the Segmental Results section.

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
----------------	Accounting standards relating to the presentation of net assets on the balance sheet From the fiscal year ending March 31, 2007, the 'Statement Regarding the Presentation of Net Assets on the Balance Sheet' (Business Accounting Council, December 9, 2005, Article No. 5) and ''Guidelines for the Application of Accounting Policies for the Presentation of Net Assets on the Balance Sheet' (Guidelines for the Application of Business Accounting Polices, Article 8; Business Accounting Council, December 9, 2005) have been applied. The equivalent amount previously recorded as 'Capital' is ¥72,510 million. Following changes to the regulations on financial statements, net assets on the balance sheet have been recorded in accordance with the revised regulations.	Accounting standards relating to the presentation of net assets on the balance sheet From the fiscal year ending March 31, 2007, the 'Statement Regarding the Presentation of Net Assets on the Balance Sheet' (Business Accounting Council, December 9, 2005, Article No. 5) and ''Guidelines for the Application of Accounting Policies for the Presentation of Net Assets on the Balance Sheet' (Guidelines for the Application of Business Accounting Polices, Article 8; Business Accounting Council, December 9, 2005) have been applied. The equivalent amount previously recorded as 'Capital' is ¥71,449 million. Following changes to the regulations on financial statements, net assets on the balance sheet have been recorded in accordance with the revised regulations.
----------------	Accounting Standards relating to stock options, etc. From the fiscal year ending March 31, 2007 the 'Accounting Standard for Share-based Payment" (ASBJ Statement No.8, issued on December 27, 2005) and 'Guidance on Accounting Standard for Share-based Payment" (ASBJ Guidance No.11, issued on May 31, 2006) have been applied. As a result, operating income, ordinary income and income before income and other taxes were each lower by ¥6 million.	Accounting Standards relating to stock options, etc. From the fiscal year ending March 31, 2007 the 'Accounting Standard for Share-based Payment" (ASBJ Statement No.8, issued on December 27, 2005) and 'Guidance on Accounting Standard for Share-based Payment" (ASBJ Guidance No.11, issued on May 31, 2006) have been applied. As a result, operating income, ordinary income and income before income and other taxes were each lower by ¥118 million.
Changes to accounting treatment of the depreciation method of tangible fixed assets As of the interim period ended September 30, 2007, accounting methods based on the revised Corporate Tax Law will apply to items acquired since April 1, 2007. This follows revisions made to the Corporate Tax Law ((Certain revisions made to the Income Tax Act by government decree, March 30, 2007 Law Number 6) and (Certain revisions made to the enforcement order of the Corporate Tax Code by government ordinance, March 30, 2007, Cabinet ordinance No. 83). The effect of this change on operating income, ordinary income and net income before taxes is immaterial.	----------------	----------------

Reserve for retirement benefits for directors and corporate auditors As of the interim period ended September 30, 2007 and in accordance with the announcement by the Japanese Institute of Certified Public Accountants, in Audit Document No. 1, Commission report No. 42, April 13, 2007, under the audit of reserve for retirement benefits for directors and corporate auditors and for the Special Taxation Measures Law regarding the allowance and reserve of the Special Act, the amount of reserve for retirement benefits for directors and corporate auditors will be transferred to long-term accounts payable and included in 'Other fixed liabilities'. As regards the bonus system for retiring directors and corporate auditors, at the 26th General Shareholders' Meeting held June 17, 2006, it was decided that retirement bonus for directors and corporate auditors would be abolished and that retirement bonus earned up until June 17, 2006 will not be recorded and will be paid upon retirement.	----------------	----------------

Change in the method of disclosure

Interim period ended September 30, 2007	Interim period ended September 30, 2006
――――――――――――――――	(Interim Consolidated Balance Sheet) Items displayed as the "Consolidated Adjustment Account" during the previous interim consolidated accounting period, will be displayed as "Goodwill" from the present interim consolidated accounting period.
(Interim Consolidated Income Statement) In the interim period ended September 30, 2006, compensation payments received was included under Other non-operating income (¥27 million for interim period ended September 30, 2006), however it has been included as a separate item in the current interim period due to the increased significance of the amount.	----------------
――――――――――――――――	(Interim Consolidated Cash Flow Account) Items displayed as "Consolidated Adjustment Account Write Offs," during the previous interim consolidated accounting period, will displayed as "Goodwill Write Offs" from the present interim consolidated accounting period.

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
*1 Tangible Fixed Asset Accumulated Depreciation: ¥17,574 million Includes a ¥378 million Impairment loss. *2 Contingent Liabilities The company is a co-guarantor of ¥1,987 million in borrowings by the Nagareyama Industrial Park from the Chiba Prefectural SHOKOCHUKIN Bank along with the other 15 co-partners in the industrial park. *3 Assets pledged as collateral Land located in Nagareyama city, Chiba prefecture associated with the Chiba factory and Chiba logistics center (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,648 million) have been pledged as collateral against borrowings from the Chiba Prefectural SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative. *4 Same as right *5 Consumption taxes Same as right	*1 Tangible Fixed Asset Accumulated Depreciation: ¥15,458 million * 2 Contingent Liabilities The company is a co-guarantor of ¥2,141 million in borrowings by the Nagareyama Industrial Park from the Chiba Prefectural SHOKOCHUKIN Bank along with the other 17 co-partners in the industrial park. The company also guarantees bank borrowings of ¥17 million (US$150,000) to our non-consolidated subsidiary FANCL International, Inc.) *3 Assets pledged as collateral Land located in Nagareyama city, Chiba prefecture associated with the Chiba factory and Chiba logistics center (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,710million) have been pledged as collateral against borrowings from the Chiba Prefectural SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative. *4 The accounts contain advanced depreciation allowances of ¥23 million for buildings and ¥173 million for land as a result of the company receiving state subsidies, and amounts reported in the balance sheet have been deducted to account for this advanced depreciation allowance. *5 Amounts adjusted for canceling the balance of consumption taxes on suspense payments with those on receipts included in balances at the end of the interim period are contained under "Other" current liabilities.	*1 Tangible Fixed Asset Accumulated Depreciation: ¥16,676 million Includes a ¥378 million Impairment loss. *2 Contingent Liabilities The company is a co-guarantor of ¥2,064 million in borrowings by the Nagareyama Industrial Park from the Chiba Prefectural SHOKOCHUKIN Bank along with the other 15 co-partners in the industrial park. The company also guarantees bank borrowings of ¥11 million (US$100,000) to our non-consolidated subsidiary FANCL International, Inc.) *3 Assets pledged as collateral Land located in Nagareyama city, Chiba prefecture associated with the Chiba factory and Chiba logistics center (with a book value at the end of the period of ¥591 million,) and buildings (with a book value at the end of the period of ¥1,679 million) have been pledged as collateral against borrowings from the Chiba Prefectural SHOKOCHUKIN Bank as part of the collectivized factory business operations, implemented by the Nagareyama Industrial Park Cooperative. *4 The accounts contain advanced depreciation allowances of ¥23 million for buildings and ¥173 million for land as a result of the company receiving state subsidies, and amounts reported in the balance sheet have been deducted to account for this advanced depreciation allowance. -----------------------

Notes to Consolidated Interim Statements of Income

(Millions of yen)

<table>
<tr><th>Interim period ended
September 30, 2007</th><th>Interim period ended
September 30, 2006</th><th>Fiscal year ended
March 31, 2007</th></tr>
<tr>
<td>1 Principal components of selling, general and administrative expenses
Advertising 4,813
Sales promotions 5,908
Transport 1,977
Communications 1,033
Fees 2,844
Salaries 4,777
Depreciation 910
Transfer of reserve for doubtful accounts 45</td>
<td>1 Principal components of selling, general and administrative expenses
Advertising 5,144
Sales promotions 5,079
Transport 2,050
Communications 1,163
Fees 2,757
Salaries 4,816
Depreciation 747
Transfer of reserve for doubtful accounts 54</td>
<td>1 Principal components of selling, general and administrative expenses
Advertising 9,393
Sales promotions 13,502
Transport 4,008
Communications 2,208
Fees 5,566
Salaries 10,293
Depreciation 1,562
Transfer of reserve for doubtful accounts 108</td>
</tr>
<tr>
<td>2 ―――――</td>
<td>2 Income from the disposal of fixed assets was from the sale of machinery.</td>
<td>2 Income from the disposal of fixed assets was primarily due to the sale of land and buildings in Kamakura.</td>
</tr>
<tr>
<td>3 Disposal losses from fixed assets was primarily due to disposals associated with store closure renovations.</td>
<td>3 Disposal losses from fixed assets was primarily due to disposals associated with store renovations.</td>
<td>3 Disposal losses from fixed assets was primarily due to disposals associated with store renovations and eliminations from replacing factory ventilation equipment, etc.</td>
</tr>
<tr>
<td>―――――</td>
<td>―――――</td>
<td>4 Impairment losses
Hatsuga Genmai facilities (millions of yen)
<table>
<tr><th>Type</th><th>Amount</th><th>Location</th></tr>
<tr><td>Buildings &. Structures</td><td>346</td><td>Tomi City, Nagano Prefecture & Mitoyo City Kagawa Precture</td></tr>
<tr><td>Machinery and Automotive equipment</td><td>28</td><td></td></tr>
<tr><td>Equipment and fixtures</td><td>3</td><td></td></tr>
<tr><td>Intangible fixed assets</td><td>0</td><td></td></tr>
<tr><td>Lease assets</td><td>602</td><td></td></tr>
</table>
The FANCL Group mainly conducts asset grouping on a business category basis. Idle assets are grouped on a facility unit basis.
The company has processed ¥981 million of impairment accounting where the recoverable value of idle assets at Hatsuga Genmai facilities undercuts the book value.
The company has calculated the recoverable value of idle assets based on useful value with future cash flows discounted at 4.9%.</td>
</tr>
</table>

Changes to shareholders' equity during the interim period April 1, 2007 to September 30, 2007

1. Number and type of treasury stock and common shares issued

	Number of shares as of March 31, 2007	Increase of shares during interim period April 1, 2007 to September 30, 2007	Decrease of shares during interim period April 1, 2007 to September 30, 2007	Number of shares as of September 30, 2007
Shares issued				
Common shares	70,176,600	--	--	70,176,600
Total	70,176,600	--	--	70,176,600
Treasury stock				
Common shares (note 1,2)	6,188,080	1,478	211,892	5,977,666
Total	6,188,080	1,478	211,892	5,977,666

Note: 1. Increases in treasury stock of common stock are from the acquisition of odd lot shares
2. Reductions of 211,892 in common stock for treasury purposes were due to a reduction of 211,800 stocks via the exercise of share warrants, and 92 stocks as a result of sales of odd lot shares.

2. Share warrants and Treasury share warrants

Type	Breakdown of share warrants	Type shares for share warrants	Target number of shares for share warrants (Thousands of shares)				Balance at end of current interim period
			FY ending March 31, 2007	Increase during current interim period	Decrease during current interim period	Number of shares at current interim period	
Holding company	Stock option share warrants	—	—	—	—	—	146

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
May 16, 2007 Board of directors' meeting	Common shares	¥767 million	¥12	March 31, 2007	June 18, 2007

(2) Dividends

Date confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
November 1, 2007 Board of directors' meeting	Common shares	¥770 million	Accumulated income	¥12	September 30, 2007	December 3, 2007

Changes to shareholders' equity during the interim period April 1,2006 to September 30, 2006

1. Number and type of treasury stock and common shares issued

	Number of shares as of March 31, 2006	Increase of shares during interim period April 1 to September 30, 2006	Decrease of shares during interim period April 1 to September 30, 2006	Number of shares as of September 30, 2006
Shares issued				
Common shares (note 1)	23,392,200	46,784,400	—	70,176,600
Total	23,392,200	46,784,400	—	70,176,600
Treasury stock				
Common shares (note 2,3)	1,865,094	3,730,984	144,668	5,451,400
Total	1,865,094	3,730,984	144,668	5,451,400

Note: 1. Increases of 46,784,400 in total outstanding common shares were due to a stock split of 3:1 ordinary shares executed on April 1, 2006.

2. Increases of 3,730,984 in common stock for treasury purposes are based on increases of 3,730,188 stocks through a stock split of 3:1 common shares executed on April 1, 2006, and 796 stocks as a result of purchases of odd lot shares.

3. Reductions of 144,668 in common stock for treasury purposes were due to a reduction of 144,300 stocks via the exercise of share warrants, and 368 stocks as a result of sales of odd lot shares.

2. Share warrants and Treasury share warrants

Type	Breakdown of share warrants	Type shares for share warrants	Target number of shares for share warrants (Thousands of shares)				Balance at end of current interim period
			FY ending March 31, 2006	Increase during current interim period	Decrease during current interim period	Number of shares at current interim period	
Holding company	Stock option share warrants	—	—	—	—	—	6

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
June 17, 2006 Shareholders' meeting	Common shares	¥645 million	¥30	March 31, 2006	June 17, 2006

(2) Dividends

Date confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
November 1, 2006 Board of directors' meeting	Common shares	¥776 million	Accumulated income	¥12	September 30, 2006	December 4, 2006

Changes to shareholders’ equity during the period April 1, 2006 to March 31, 2007

1. Number and type of common shares issued and treasury stock

	Number of shares as of March 31, 2006	Increase of shares during fiscal year to March 31, 2007	Decrease of shares during fiscal year to March 31, 2007	Number of shares as of March 31, 2007
Shares issued				
Common shares (note 1)	23,392,200	46,784,400	—	70,176,600
Total	23,392,200	46,784,400	—	70,176,600
Treasury stock				
Common shares (note 2,3)	1,865,094	4,838,034	515,048	6,188,080
Total	1,865,094	4,838,034	515,048	6,188,080

Note: 1. The increase of 46,784,400 in total outstanding common shares was due to a stock split of 3:1 ordinary shares executed on April 1, 2006.

2. The increase of 4,838,034 in treasury stock was due to an increase of 3,730,188 shares through a stock split of 3:1 common shares executed on April 1, 2006; an increase of 2,246 shares as a result of purchases of odd lot shares and an increase of 1,105,600 shares from the purchase of our own shares

3. The decrease of 515,048 in treasury stock was due to a reduction of 514,600 shares through the exercise of share warrants, and 448 shares as a result of applications to purchase odd lot shares.

2. Share warrants and treasury share warrants

Type	Breakdown of share warrants	Type of shares for share warrants	Number of shares resulting from share warrants (Thousands of shares)				Balance as of March 31, 2007 (¥ million)
			FY ending March 31, 2006	Increase of shares during fiscal year to March 31, 2007	Decrease of shares during fiscal year to March 31, 2007	Number of shares at end fiscal year March 31, 2007	
Parent company	Stock option share warrants	—	—	—	—	—	111

3. Dividends

(1) Amounts paid

Date confirmed	Type of stock	Total dividends paid	Dividends per share	Dividend record date	Effective date
June 17, 2006 Shareholders’ meeting	Common shares	¥645 million	¥30	March 31, 2006	June 17, 2006
November 1, 2006 Board of directors’ meeting	Common shares	¥776 million	¥12	September 30, 2006	December 4, 2006

(2) Dividends for which the effective date is in the following fiscal year

Date confirmed	Type of stock	Total Dividends paid	Source of dividends	Dividends per share	Dividend record date	Effective date
May 16, 2007 Board of directors’ meeting	Common shares	¥767 million	Accumulated income	¥12	March 31, 2007	June 18, 2007

Notes to Consolidated Interim Statements of Cash Flows

(Millions of yen)

As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets		Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets		Relationship between the ending balance of cash and cash equivalents and the category names used in the consolidated balance sheets	
Cash and deposits account	13,875	Cash and deposits account	15,689	Cash and deposits account	14,303
Securities account	17,797	Securities account	9,910	Securities account	16,294
Total	31,673	Total	25,600	Total	30,598
Deposits with maturities of more than three months	(10)	Deposits with maturities of more than three months	(120)	Deposits with maturities of more than three months	(190)
Deposits with maturities of more than three months	(2,996)	Deposits with maturities of more than three months	(6,989)	Deposits with maturities of more than three months	(6,997)
Cash and cash equivalents	28,667	Cash and cash equivalents	18,490	Cash and cash equivalents	23,411

Leases

(Millions of yen)

<table>
<tr><th>As of September 30, 2007</th><th>As of September 30, 2006</th><th>As of March 31, 2007</th></tr>
<tr><td>1. Finance leases in which the right of ownership is not transferred to the lessee</td><td>1 Finance leases in which the right of ownership is not transferred to the lessee</td><td>1 Finance leases in which the right of ownership is not transferred to the lessee</td></tr>
<tr><td>1. Purchase cost, accumulated depreciation and balance at end of period</td><td>1. Purchase cost, accumulated depreciation and balance at end of period</td><td>1. Purchase cost, accumulated depreciation and balance at end of period</td></tr>
<tr><td>
<table>
<tr><th></th><th>Purchase cost</th><th>Accumulated depreciation</th><th>Impairment losses</th><th>Balance at end of period</th></tr>
<tr><td>Machinery and transport equipment</td><td>4,879</td><td>2,576</td><td>602</td><td>1,700</td></tr>
<tr><td>Furniture, tools and fixtures</td><td>1,088</td><td>565</td><td>--</td><td>523</td></tr>
<tr><td>Total</td><td>5,967</td><td>3,141</td><td>602</td><td>2,223</td></tr>
</table>
</td><td>
<table>
<tr><th></th><th>Purchase cost</th><th>Accumulated depreciation</th><th>Balance at end of period</th></tr>
<tr><td>Machinery and transport equipment</td><td>5,466</td><td>2,592</td><td>2,874</td></tr>
<tr><td>Furniture, tools and fixtures</td><td>1,060</td><td>353</td><td>706</td></tr>
<tr><td>Total</td><td>6,526</td><td>2,945</td><td>3,580</td></tr>
</table>
</td><td>
<table>
<tr><th></th><th>Purchase cost</th><th>Accumulated depreciation</th><th>Impairment losses</th><th>Balance at end of period</th></tr>
<tr><td>Machinery and transport equipment</td><td>5,268</td><td>2,735</td><td>602</td><td>1,930</td></tr>
<tr><td>Furniture, tools and fixtures</td><td>1,095</td><td>469</td><td>0</td><td>626</td></tr>
<tr><td>Total</td><td>6,363</td><td>3,204</td><td>602</td><td>2,556</td></tr>
</table>
</td></tr>
<tr><td>2. Future lease payments
Within one year 833
More than one year 1,973
Total 2,807
Balance of lease asset impairment account 527</td><td>2. Future lease payments
Within one year 823
More than one year 2,762
Total 3,585</td><td>2. Future lease payments
Within one year 831
More than one year 2,416
Total 3,248
Balance of lease asset impairment account 602</td></tr>
<tr><td>3. Outstanding lease payments and depreciation, lease asset impairment losses
Lease payments 417
Impairment loss account write-off 75
Depreciation expenses 346
Interest expense 40</td><td>3. Outstanding lease payments and depreciation
Outstanding lease payments 554
Depreciation expenses 458
Interest expense 52</td><td>3. Outstanding lease payments and depreciation, lease asset impairment losses
Lease payments 967
Impairment loss account write-off --
Depreciation expenses 920
Interest expense 88
Impairment loss 602</td></tr>
<tr><td>4. Method of calculating depreciation and interest expenses
Same as right</td><td>4. Method of calculating depreciation and interest expenses
Method of calculating depreciation expense
Depreciation expense is calculated by the straight -line method over the lease term of the lease asset assuming no residual value.</td><td>4. Method of calculating depreciation and interest expenses
Same as left</td></tr>
<tr><td>Method of calculating interest expense
Same as right</td><td>Method of calculating interest expense
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.</td><td>Method of calculating interest expense
Same as left</td></tr>
<tr><td>2. Operating leases (Millions of yen)
Within one year 1
More than one year 4
Total 5</td><td>2. Operating leases (Millions of yen)
Within one year 1
More than one year 1
Total 2</td><td>2. Operating leases (Millions of yen)
Within one year 1
More than one year 0
Total 2</td></tr>
</table>

2. Securities

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

Type	As of September 30, 2007			As of September 30, 2006			As of March 31, 2007		
Other marketable securities	Acquisition Cost	Book Value	Unrealized Gain	Acquisition Cost	Book Value	Unrealized Gain	Acquisition Cost	Book Value	Unrealized Gain
1. Stocks	66	136	70	66	162	95	66	158	92
2. Bonds	--	--	--	--	--	--	--	--	--
3. Others	--	--	--	--	--	--	--	--	--
Total	66	136	70	66	162	95	66	158	92

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

Type	As of September 30, 2007	As of September 30, 2006	As of March 31, 2007
Other marketable securities	Book Value	Book Value	Book Value
(Current assets)			
Money management funds (MMF)	--	922	--
Commercial paper (CP)	10,985	5,988	9,983
Bonds	--	--	1,003
Foreign bonds	1,501	3,000	4,507
Other	5,310	--	800
(Fixed assets)			
Unlisted stocks	126	105	126
Unlisted bonds	500	--	--
Unlisted foreign bonds	--	800	--
Total	18,423	10,815	16,421

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

As of September 30, 2007

No derivative transactions were undertaken during the interim period ended September 30, 2007.

As of September 30, 2006

No derivative transactions were undertaken during the interim period ended September 30, 2006.

As of March 31, 2007

No derivative transactions were undertaken during the fiscal year ended March 31, 2007.

5. Segment Information

a. Business Segments

Interim period April 1, 2007 to September 30, 2007 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	23,711	14,929	9,768	48,410	--	48,410
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	23,711	14,929	9,768	48,410	--	48,410
Operating expenses	20,340	13,114	10,632	44,088	961	45,049
Operating income (loss)	3,371	1,814	(863)	4,322	(961)	3,360

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 mai* (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.

5. Segment Information

a. Business Segments

Interim period April 1, 2006 to September 30, 2006

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	21,656	15,129	11,194	47,980	--	47,980
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	21,656	15,129	11,194	47,980	--	47,980
Operating expenses	19,172	13,115	12,130	44,419	884	45,303
Operating income (loss)	2,483	2,014	(936)	3,561	(884)	2,676

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 mai* (germinated brown rice) and Kale Juice, etc.

3. Unallocatable operating expenses included in “Eliminations or Corporate” consist of operating expenses incurred by the Administration Department of the Company.
4. Allowances for Points

    As outlined in “Significant items for the preparation of consolidated interim financial statements”, from the period under review a Points Allowance is being recorded. The impact of this change on each business segment is as follows:

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses
Sales and operating income:	+1,036	+722	+323
Operating expenses	+1,077	+750	+336
Operating income (loss)	(40)	(28)	(12)

For the fiscal year April 1, 2006 to March 31, 2007 (Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses	Total	Eliminations or Corporate	Consolidated
1. Sales and operating income: (1) Sales to external customers	46,376	31,665	23,023	101,065	--	101,065
(2) Inter-segment sales or transfers	--	--	--	--	--	--
Total sales	46,376	31,665	23,023	101,065	--	101,065
Operating expenses	39,242	27,763	23,921	90,926	1,768	92,695
Operating income (loss)	7,133	3,902	(897)	10,138	(1,768)	8,370

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 mai* (germinated brown rice) and Kale Juice, etc.
3. Unallocatable operating expenses included in “Eliminations or Corporate” consist of operating expenses incurred by the Administration Department of the Company.
4. Total company assets are the amounts for items mentioned in Eliminations and Corporate and are composed of the Cash and cash equivalents, Marketable securities, Land, Investment securities and Insurance premiums of the parent company.
5. As outlined in “Significant items for the preparation of consolidated financial statements”, from this period Standards for Impairment Accounting of Fixed Assets have been adopted.

Change in Accounting Treatment

Allowances for Points

As outlined in “Significant items for the preparation of consolidated interim financial statements”, from the period under review a Points Allowance is being recorded. The impact of this change on each business segment is as follows:

(Millions of yen)

	Cosmetics Business	Nutritional Supplements Business	Other Businesses
Sales and operating income:	+2,009	+1,394	+596
Operating expenses	+1,867	+1,296	+554
Operating income (loss)	+142	+98	+42

Stock Options

As outlined in “Significant items for the preparation of consolidated interim financial statements”, from the fiscal year ending March 31, 2007, the ‘Accounting Standard for Share-based Payment” (ASBJ Statement No.8, issued on December 27, 2005) and ‘Guidance on Accounting Standard for Share-based Payment” (ASBJ Guidance No.11, issued on May 31, 2006) have been applied. As a result, operating expenses under Eliminations or Corporate increased by ¥118 million, and operating income decreased by the same amount.

b. Geographic Area

Domestic sales for the interim period ending September 30, 2006, the interim period ending September 30, 2007 and fiscal year ended March 31, 2007 accounted for more than 90 percent of total net sales. Therefore, segment information by geographic area is not provided.

c. Overseas Sales

Sales in overseas markets accounted for less than 10 percent of consolidated net for the interim period ending September 30, 2006, the interim period ending September 30, 2007 and and fiscal year ended March 31, 2007. Accordingly, overseas sales information is not provided.

Omissions: Stock options, and other notes related to business combinations have been ommitted due to their perceived lack of significance at the time of reporting.

Per Share Information

<table>
<tr><th></th><th>April 1 to September 30, 2007</th><th>April 1 to September 30, 2006</th><th>FY ended March 31, 2007</th></tr>
<tr><td>Net assets per share</td><td>1,127.49</td><td>1,120.28</td><td>1,116.59</td></tr>
<tr><td>Net income per share</td><td>22.45</td><td>24.47</td><td>39.59</td></tr>
<tr><td>Net income per share (diluted)</td><td>22.31</td><td>24.14</td><td>39.13</td></tr>
<tr><td></td><td></td><td>On April 1, 2006 FANCL conducted a 3:1 share split. Assuming the share split occurred at the begging of the previous fiscal year, per share information would be as follows:
<table>
<tr><td>Interim period for FY ending 03/2006</td><td>FY ending 03/2006</td></tr>
<tr><td>Net assets per share: ¥1,067.19</td><td>Net assets per share ¥1,105.67</td></tr>
<tr><td>Net income per share ¥36.51</td><td>Net income per share ¥80.85</td></tr>
<tr><td>Earnings per share (diluted) ¥36.21</td><td>Earnings per share (diluted) ¥80.26</td></tr>
</table></td><td>On April 1, 2006 FANCL conducted a 3:1 share split. Assuming the share split occurred at the beginning of the previous fiscal year, per share information would be as follows:
Net assets per share: ¥1,105.67
Net income per share: ¥80.85
Net income per share: ¥80.26
(diluted)</td></tr>
</table>

Note: The basis for the calculation of net income (loss) per share and the net income per share after adjustment for residual securities is as follows:

	April 1, 2007 to September 30, 2007	April 1, 2006 to September 30, 2006	FY ended March 31, 2007
Net income (loss) (¥ million)	1,439	1,581	2,547
Amount not attributable to common shareholders (¥ million)	--	--	--
Net income (loss) attributable to common shares	1,439	1,581	2,547
Average number of outstanding common shares during the year (shares)	64,109,811	64,639,172	64,337,850
Breakdown of the number of common shares used in the calculation for net income per share (diluted)			
Warrants (shares)	397,159	871,768	759,760
Increase in the number of ordinary shares (shares)	397,159	871,768	759,760
Residual securities not included in the calculation of the net income after adjustment for residual securities due to the fact that these securities had no dilutive effect.	1 type of subscription rights: Number of residual securities: 468,000	1 type of subscription rights: Number of residual securities: 468,000	1 type of subscription rights: Number of residual securities: 468,000

Non-consolidated Interim Balance Sheets

Millions of yen

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
ASSETS		%		%		
I. Current assets:						
Cash and cash equivalents	6,825		7,675		7,594	
Notes receivable	4		5		4	
Accounts receivable	7,807		7,912		7,601	
Marketable securities	12,792		7,912		12,293	
Inventory assets	2,890		2,353		2,808	
Deferred tax assets	983		391		1,129	
Short-term loans to affiliate companies	682		1,054		657	
Others	913		1,128		746	
Allowance for doubtful accounts	(24)		(35)		(31)	
Total current assets	32,875	47.4	28,399	41.5	32,804	47.1
II. Fixed assets:						
Tangible fixed assets						
Buildings	5,781		6,168		6,017	
Machinery and fittings	83		129		96	
Land	7,167		7,176		7,167	
Construction in progress	21		71		60	
Others	923		1,059		956	
Total tangible fixed assets	13,978	20.1	14,605	21.4	14,298	20.5
Intangible fixed assets						
Total intangible fixed assets	2,816	4.1	1,812	2.7	2,622	3.8
Investments and other assets						
Shares in affiliates	6,992		6,944		6,992	
Long-term loans to affiliated companies	5,751		5,679		6,091	
Deferred tax assets	421		750		503	
Long-term deposits	4,000		4,000		4,000	
Guarantee money	2,440		2,422		2,438	
Insurance reserve	213		266		299	
Other investments and assets	1,782		4,237		1,342	
Allowance for doubtful accounts	(1,932)		(758)		(1,793)	
Total investments and other assets	19,668	28.4	23,542	34.4	19,873	28.6
Total fixed assets	36,463	52.6	39,961	58.5	36,794	52.9
Total Assets	**69,339**	**100.0**	**68,360**	**100.0**	**69,599**	**100.0**

Non-consolidated Interim Balance Sheets (continued)

Millions of yen

	As of September 30, 2007		As of September 30, 2006		As of March 31, 2007	
LIABILITIES		%		%		
I. Current liabilities:						
Accounts payable	2,069		2,116		2,672	
Accrued liabilities	2,956		2,594		2,369	
Accrued income taxes	1,060		918		1,776	
Allowance for bonuses	788		782		732	
Allowance for points	1,565		--		1,849	
Others	673		683		780	
Total current liabilities	9,112	13.1	7,095	10.4	10,180	14.7
II. Long-term liabilities:						
Allowance for retirement bonuses	974		899		906	
Allowance for directors' retirement bonuses	--		189		189	
Others	248		61		105	
Total long-term liabilities	1,223	1.8	1,151	1.7	1,201	1.7
Total liabilities	10,336	14.9	8,247	12.1	11,381	16.4
Net Assets						
Shareholders' Equity						
I. Capital	10,795	15.6	10,795	15.8	10,795	15.5
II. Capital surplus						
Capital reserve	11,706		11,706		11,706	
Other capital surplus	160		149		145	
Total capital surplus	11,867	17.1	11,855	17.3	11,852	17.0
III. Retained earnings						
Revenue reserve	267		267		267	
Other retained earnings						
Special reserve	40,900		40,900		40,900	
Surplus brought forward	2,423		2,686		1,935	
Total retained earnings	43,590	62.8	43,853	64.1	43,103	61.9
IV. Treasury stock	(7,438)	(10.7)	(6,455)	(9.4)	(7,699)	(11.1)
Shareholders' equity total	58,814	84.8	60,049	87.8	58,050	83.3
Valuation, translation adjustments, etc.						
I. Unrealized holding gain on securities	42	0.1	56	0.1	54	0.1
Total valuation, translation adjustments	42	0.1	56	0.1	54	0.1
Warrants	146	0.2	6	0.0	111	0.2
Total net assets	**59,002**	**85.1**	**60,113**	**87.9**	**58,217**	**83.6**
Total liabilities and net assets	**69,339**	**100.0**	**68,360**	**100.0**	**69,599**	**100.0**

Non-consolidated Interim Statements of Income

Millions of yen

	April 1 to September 30, 2007		April 1 to September 30, 2006		FY ended March 31, 2007	
		%		%		
Net sales	37,002	100.0	36,512	100.0	76,574	100.0
Cost of sales	12,450	33.6	13,393	36.7	26,042	34.0
Gross profit	24,552	66.4	23,118	63.3	50,532	66.0
Selling, general and administrative expenses	22,436	60.7	21,577	59.1	**45,355**	59.2
Operating income	**2,116**	**5.7**	**1,541**	**4.2**	**5,177**	**6.8**
Non operating income	733	2.0	717	2.0	1,253	1.6
Non operating expenses	326	0.9	143	0.4	**517**	0.7
Ordinary income	**2,523**	**6.8**	**2,115**	**5.8**	**5,914**	7.7
Extraordinary income	--	--	--	--	636	0.8
Extraordinary loss	14	0.0	229	0.6	3,453	**4.5**
Income before income taxes	2,509	6.8	1,885	5.2	3,097	4.0
Income taxes	1,017		841		2,517	
Adjustment for income taxes	236		(75)		(564)	
Corporate and other tax adjustments; Tax adjustments	1,253	3.4	766	2.1	1,952	2.5
Net income	**1,255**	**3.4**	**1,118**	**3.1**	**1,144**	**1.5**

Changes to Non-consolidated shareholders’ equity during the interim period
April 1, 2007 to September 30, 2007

(Millions of yen)

	Shareholders’ equity									
	Capital	Capital surplus			Profit reserve				Treasury stock	Total Shareholders’ equity
		Capital reserve	Other capital surplus	Total capital surplus	Profit reserve	Other profit reserve		Total profit reserve		
						Contingent reserve	Earned surplus carried forward			
Shareholders’ funds as of March 31, 2007	10,795	11,706	145	11,852	267	40,900	1,935	43,103	(7,699)	58,050
Changes during the interim period										
Dividends	—	—	—	—	—	—	(767)	(767)		(767)
Interim net income	—	—	—	—	—	—	1,255	1,255	—	1,255
Acquisition of treasury stock	—	—	—	—	—	—	—	—	(2)	(2)
Sale of treasury stock	—	—	14	14	—	—	—	—	263	278
Net changes in items other than shareholders’ equity	—	—	—	—	—	—	—	—	—	—
Total change during the interim period	—	—	14	14	—	—	487	487	261	763
Shareholders’ funds as of September 30, 2007	10,795	11,706	160	11,867	267	40,900	2,423	43,590	(7,438)	58,814

(Millions of yen)

	Valuation and translation differences		Warrants	Total net assets
	Valuation differences and other marketable securities	Total valuation and translation differences		
Shareholders’ funds as of March 31, 2007	54	54	111	58,217
Changes during the interim period				
Dividends	—	—	—	(767)
Interim net income	—	—	—	1,255
Acquisition of treasury stock	—	—	—	(2)
Sale of treasury stock	—	—	—	278
Net changes in items other than shareholders’ equity	(12)	(12)	34	21
Total change during the interim period	(12)	(12)	34	785
Shareholders’ funds as of September 30, 2007	42	42	146	59,002

Changes to Non-consolidated shareholders’ equity during the interim period
April 1, 2006 to September 30, 2006

(Millions of yen)

	Shareholders’ equity									
	Capital	Capital surplus			Profit reserve				Treasury stock	Total Shareholders’ equity
		Capital reserve	Other capital surplus	Total capital surplus	Profit reserve	Other profit reserve		Total profit reserve		
						Contingent reserve	Earned surplus carried forward			
Shareholders’ funds as of March 31, 2006	10,795	11,706	140	11,846	267	39,400	3,713	43,380	(6,624)	59,397
Changes during the interim period										
Dividends*	—	—	—	—	—	—	(645)	(645)	—	(645)
Accumulation of contingent reserve*	—	—	—	—	—	1,500	(1,500)	—	—	—
Net income	—	—	—	—	—	—	1,118	1,118	—	1,118
Acquisition of treasury stock	—	—	—	—	—	—	—	—	(1)	(1)
Sale of treasury stock	—	—	8	8	—	—	—	—	171	180
Net changes in items other than shareholders’ equity	—	—	—	—	—	—	—	—	—	—
Total change during the interim period	—	—	8	8	—	1,500	(1,026)	473	169	651
Shareholders’ funds as of September 30, 2006	10,795	11,706	149	11,855	267	40,900	2,686	43,853	(6,455)	60,049

(Millions of yen)

	Valuation and translation differences		Warrants	Total net assets
	Valuation differences and other marketable securities	Total valuation and translation differences		
Shareholders’ funds as of March 31, 2006	66	66	—	59,464
Changes during the interim period				
Dividends*	—	—	—	(645)
Accumulation of contingent reserve*	—		—	—
Interim net income	—	—	—	1,118
Acquisition of treasury stock	—	—	—	(1)
Sale of treasury stock	—	—	—	180
Net changes in items other than shareholders’ equity	(9)	(9)	6	(3)
Total change during the interim period	(9)	(9)	6	648
Shareholders’ funds as of September 30, 20076	56	56	6	60,113

*Note: Items are appropriation of earnings item from the general shareholders’ meeting held in June 2006

Changes to Non-consolidated shareholders’ equity during the fiscal year ended March 31, 2007

(Millions of yen)

	Shareholders’ equity									
	Capital	Capital surplus			Profit reserve				Treasury stock	Total Shareholders’ equity
		Capital reserve	Other capital surplus	Total capital surplus	Profit reserve	Other profit reserve		Total profit reserve		
						Contingent reserve	Earned surplus carried forward			
Shareholders’ funds as of March 31, 2006	10,795	11,706	140	11,846	267	39,400	3,713	43,380	(6,624)	59,397
Changes during the fiscal year										
Dividends*	—	—	—	—	—	—	(645)	(645)	—	(645)
Dividends	—	—	—	—	—	—	(776)	(776)	—	(776)
Accumulation of contingent reserve*	—	—	—	—	—	1,500	(1,500)	—	—	—
Net income	—	—	—	—	—	—	1,144	1,144	—	1,144
Acquisition of treasury stock	—	—	—	—	—	—	—	—	(1,715)	(1,715)
Sale of treasury stock	—	—	5	5	—	—	—	—	640	646
Net changes in items other than shareholders’ equity	—	—	—	—	—	—	—	—	—	—
Total change during the fiscal year	—	—	5	5	—	1,500	(1,777)	(277)	(1,075)	(1,347)
Shareholders’ funds as of March 31, 2007	10,795	11,706	145	11,852	267	40,900	1,935	43,103	(7,699)	58,050

(Millions of yen)

	Valuation and translation differences		Warrants	Total net assets
	Valuation differences and other marketable securities	Total valuation and translation differences		
Shareholders’ funds as of March 31, 2006	66	66	—	59,464
Changes during the interim period				
Dividends*	—	—	—	(645)
Dividends			—	(776)
Accumulation of contingent reserve*	—	—	—	—
Interim net income	—	—	—	1,144
Acquisition of treasury stock	—	—	—	(1,715)
Sale of treasury stock	—	—	—	646
Net changes in items other than shareholders’ equity	(11)	(11)	111	100
Total change during the interim period	(11)	(11)	111	(1,247)
Shareholders’ funds as of March 31, 2007	54	54	111	58,217

*Note: Items are appropriation of earnings item from the general shareholders’ meeting held in June 2006

Significant items for the Preparation of Non-consolidated Financial Statements

Item	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
(1) Basis and method for valuation of assets	1) Marketable securities Same as right Other marketable securities: Same as right Stocks with no market value: Same as right 2) Derivatives: Same as right 3) Inventories: Same as right	1) Marketable securities Shares of subsidiaries and affiliates: At cost by the average method 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 market price 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.) 2) Derivatives: Market value method 3) Inventories (1) Finished goods: At cost by the monthly average method (2) Supplies: At cost by the last purchase price method	1) Marketable securities Same as left 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: Same as left 2) Derivatives: Same as left 3) Inventories: Same as left
(2) Depreciation of Fixed Assets	1) Tangible fixed assets Buildings (not including attached facilities) The former declining balance method is used for buildings acquired prior to March 31, 1998. The former straight-line method is used for buildings acquired between April 1, 1998 and March 31, 2007. The straight-line method is used for buildings acquired since April 1, 2007 Items other than buildings: The declining balance method is used for items acquired prior to March 31, 2007. The declining-balance method is used for buildings acquired since April 1, 2007. The estimated useful lives for such assets are as follows: Buildings and structures: 3–50 years Furniture, tools and fixtures: 2–20 years Additional information As of the interim period ended September 30, 2007, for tangible fixed assets acquired since March 31, 2007 that have fully depreciated to their allowable limit of depreciation, the remaining balance will be amortized over 5 years by the straight-line method starting from the following year. The effect of this change on operating income, ordinary income and net income before taxes is immaterial.	(1) 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 Furniture, tools and fixtures: 2–22 years	(1) 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 Furniture, tools and fixtures: 2–22 years

	(2) Intangible fixed assets: Same as right (3) Long-term prepaid expenses: Same as right	(2) 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) (3) Long-term prepaid expenses: Straight-line method	(2) Intangible fixed assets: Same as left (3) Long-term prepaid expenses: Same as left
(3) Allowances	1) Allowance for doubtful accounts: Same as right 2) Allowance for bonuses: Same as right 3) Allowance for points The Company bases reserve calculations for the future use of points by comparing the balance of unused points with the historical use of points by customers to forecast likely usage. Additional information: Previously, points were deducted from net sales at time of usage as a sales expense in accordance with point service usage. However, in the previous consolidated fiscal year, the method was changed to record points as they were issued under selling, general and administrative expenses. In comparison to the method used in the previous interim period, net sales decreased ¥2,082 million and selling, general and administrative expenses decreased ¥2,163 million, while ordinary income increased ¥81 million and net income before taxes increased ¥2,213 million.	1) 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. 2) Allowance for bonuses: To prepare for future bonus payments to employees, the Company makes provisions in the amount accrued based on the estimated payment. 3) Allowance for points ----------------	1) Allowance for doubtful accounts: Same as left 2) Allowance for bonuses: Same as left 3) Allowance for points The Company bases reserve calculations for the future use of points by comparing the balance of unused points with the historical use of points by customers to forecast likely usage.

Item	Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
	4) Allowance for retirement bonuses: Same as right 5) Allowance for directors' retirement bonuses: ---------------	4) 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 interim period 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. 5) 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. <u>Additional information:</u> The 26th Ordinary General Meeting of Shareholders held on June 17, 2006, resolved to abolish the retirement allowance system for board members, and to pay instead a retirement allowance to each resigning and corporate auditor corresponding to their term in office, and as a result, no reserve for retirement benefits for directors and corporate auditors has been accounted for since that date.	4) 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. 5) 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. <u>Additional information:</u> The 26th Ordinary General Meeting of Shareholders held on June 17, 2006, resolved to abolish the retirement allowance system for board members, and to pay instead a retirement allowance to each resigning and corporate auditor corresponding to their term in office, and as a result, no reserve for retirement benefits for directors and corporate auditors has been accounted for since that date.
(4) Lease Accounting	Same as right	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.	Same as left

(5) Hedge accounting	Same as right	1) 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. 2) Hedging instruments/targets: Forward exchange contracts/payables or forecast transactions denominated in foreign currencies. 3) 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. 4) Method of assessing hedge effectiveness: As a rule, the Company uses individual forward exchange contracts and thus does not assess hedge effectiveness. 5) 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.	------------------
(6) Others	Same as right	All transactions are posted in amounts prior to deduction of consumption and other taxes.	------------------

Change in accounting treatment

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
------------------	------------------	Allowance for Points Previously points were recognized as a cost at the time of use. However, as the introduction of a new points system has allowed the rational estimation of the usage rate of points and in order to achieve the timely recognition of profits and losses and sounder finances, from the fiscal year under review, the amount of the Allowance for Points is calculated and accounted for as the difference between actual past usage rates and estimated future usage rates applied to the balance of unused points. As the new system is considered as sales promotion, the Allowance for Points is now accounted for as a cost of sales or as an SG&A expense, compared to its previous treatment as an extraordinary loss. As a result of this change, compared to the previous method, sales are ¥4 billion higher and cost of sales and SG&A expenses are ¥3.717 billion higher and ordinary income increased by ¥283 million while income before income and other taxes are lower by ¥1.849 billion respectively. As the actual usage rate could be rationally estimated only from the second half of the fiscal year, at the interim period the former method was employed. If the new method had been used for the interim period of the current fiscal year sales would have been ¥2.082 billion lower and cost of sales and SG&A expenses ¥2.163 billion lower, while ordinary income and income before income and other taxes would have been higher by ¥ 81 million and ¥2.213 billion respectively.

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
.--------------	(Accounting standards for presentation of net assets in balance sheet) From this interim consolidated accounting period the company has applied "Accounting standards for Presentation of net Assets in Balance Sheet," Accounting Standards Board of Japan (ASBJ) Statement No. 5 of December 27, 2005 and "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet," ASBJ Implementation Guidance No. 8 of December 9, 2005. The amount corresponding to total assets to date is ¥60,106 million. Net assets in the interim consolidated balance sheet during this interim consolidated accounting period, have been prepared in line with revised provisions covering balance sheets, following amendments to the provisions on balance sheets	(Accounting standards relating to the presentation of net assets on the balance sheet) From the fiscal year ending March 31, 2007, the 'Statement Regarding the Presentation of Net Assets on the Balance Sheet' (Business Accounting Council, December 9, 2005, Article No. 5) and ''Guidelines for the Application of Accounting Policies for the Presentation of Net Assets on the Balance Sheet" (Guidelines for the Application of Business Accounting Polices, Article 8; Business Accounting Council, December 9, 2005) have been applied. The equivalent amount previously recorded as 'Capital' is ¥58,105 million. Following changes to the regulations on financial statements, net assets on the balance sheet have been recorded in accordance with the revised regulations.
.--------------	(Accounting standards covering stock options) From this interim consolidated accounting period the company has applied "Accounting Standards for Stock Options," Accounting Standards Board of Japan (ASBJ) Statement No. 8 December 27, 2005, and "Guidance on Accounting Standards for Stock Options," ASBJ Implementation Guidance No. 11 of May 31, 2006. As a result, operating profit, current profit, and interim net income before taxes and other adjustments each declined ¥6 million.	(Accounting standards covering stock options) From this interim consolidated accounting period the company has applied "Accounting Standards for Stock Options," Accounting Standards Board of Japan (ASBJ) Statement No. 8 December 27, 2005, and "Guidance on Accounting Standards for Stock Options," ASBJ Implementation Guidance No. 11 of May 31, 2006. As a result, operating profit, current profit, and interim net income before taxes and other adjustments each declined ¥118 million.
Changes to accounting treatment of the depreciation method of tangible fixed assets As of the interim period ended September 30, 2007, accounting methods based on the revised Corporate Tax law will apply to items acquired since April 1, 2007. This follows revisions made to the Corporate tax law ((Certain revisions made to the Income Tax Act by government decree, March 30, 2007 Law Number 6) and (Certain revisions made to the enforcement order of the Corporate tax code by government ordinance, March 30, 2007, Cabinet ordinance No. 83)). The effect of this change on operating income, ordinary income and net income before taxes is immaterial.		

Interim period ended September 30, 2007	Interim period ended September 30, 2006	Fiscal year ended March 31, 2007
Reserve for retirement benefits for directors and corporate auditors As of the interim period ended September 30, 2007 and in accordance with the announcement by the Japanese Institute of Certified Public Accountants, in Audit Document No. 1, Commission report No. 42, April 13, 2007, under the audit of reserve for the Special Taxation Measures Law regarding the allowance and reserve of the Special Act, the amount of reserve for retirement benefits for directors and corporate auditors will be transferred to long-term accounts payable and included in 'Other fixed liabilities'. As regards the bonus system for retiring directors and corporate auditors, at the 26th General Shareholders' Meeting held June 17, 2006, it was decided that retirement bonus for directors and corporate auditors would be abolished and that retirement bonus earned up until June 17, 2006 will not be recorded and will be paid upon retirement.	--------------	----------------

Changes to the method of presentation

Interim period ended September 30, 2007	Interim period ended September 30, 2006
–––––––––––––––	Interim balance sheet Until the interim period ended September 30, 2005, Long-term deposits were recorded in Others' under Investments and other assets. As of the end of the current interim period, only items in excess of 5% of the total asset value will be recorded. At the end of the interim period ending September 30, 2005, long-term deposits were ¥3.0 billion.