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First Section)

Three-Year Medium-Term Management Plan

FANCL CORPORATION hereby notifies that the following resolutions were made at the Board of Directors meeting held on November 4, 2003, concerning the three-year medium-term management plan, FANCL Change & Challenge Plan, which begins in the fiscal year ending March 31, 2005.

Based on the management philosophy of taking on the impossible, the FANCL Group has sought to identify and solve negative consumer issues, and worked tirelessly since its foundation to challenge conventional industry wisdom in its main businesses of preservative-free cosmetics, nutritional supplements, germinated brown rice, and kale juice. However, changes in the operating environment are slowing the Company's strong growth in revenues and earnings. Accordingly, FANCL believes it is necessary to recreate itself to ensure new growth while extending current operations and swiftly responding to market change.

On renewing its management structure in the current fiscal year, the Company has formulated the FANCL Change & Challenge Plan, a new three-year medium-term management plan, to pursue further growth.

1. FANCL Change & Challenge Plan—A Plan to Restore Growth

The first part of the plan is change, and FANCL will change. In the first 18 months of the plan, the Company aims to fine-tune the organization, cultivate human resources, and revolutionize the corporate culture, transforming itself into a group that acts on behalf of its customers more than ever before. In the second 18 months of the plan, FANCL will take on new challenges through measures that aim for sustained growth.

The FANCL Change & Challenge Plan also incorporates our goals to be Close to our Customers, Come to Communicate, and Cut our Costs.

2. Consolidated Quantitative Targets

Fiscal year ending	Net sales	Ordinary income	Ordinary income margin	Return on total assets
March 31, 2007	¥120.0 billion	¥16.0 billion	13%	16%

In the first year of the plan (fiscal year ending March 31, 2005), FANCL estimates an increase in consolidated net sales of 9.2% year-on-year to ¥93.0 billion, a decline in ordinary income of 32.5% to ¥5.2 billion and a decrease in net income of 18.9% to ¥3.0 billion.

3. Scenario for FANCL Change & Challenge Plan

Fiscal year ending March 31, 2005: Year of Change & Structure

Fiscal year ending March 31, 2006: Year of Structure & Progress

Fiscal year ending March 31, 2007: Year of Progress

4. Specifics of FANCL Change & Challenge Plan

To restore growth potential and earnings power, FANCL aims to clarify the position and direction of each business and optimize products and sales channels.

[Positioning of Each Business]

Cosmetics and nutritional supplement-related businesses: Core businesses (aim to enhance profitability)

Germinated brown rice and kale juice businesses: Growth businesses (aim to increase growth potential)

[Direction of Each Business]

In the cosmetic-related business, FANCL will clarify FANCL brand cosmetics as the core product and emphasize functionality in product development. In sales channels, FANCL will focus on mail-order sales, and in store sales, FANCL aims to expand sales through aggressive new store openings.

In the nutritional supplement-related business, FANCL plans to release high-value-added products based on proprietary materials and innovative research and development, while clarifying mainstay products and diversifying the product lineup. In sales channels, FANCL will center on mail-order sales, and in store sales, FANCL aims to strengthen wholesaler sales.

In the germinated brown rice and kale juice businesses, FANCL will strive to secure a profit by establishing superior quality and to improve profitability by expanding sales and enhancing distribution efficiency. In sales channels, FANCL will concentrate on wholesaler sales and aim to strengthen mail-order sales.

Acknowledging the necessity to strengthen store sales channels, FANCL plans to open 150 stores over the

next three years to achieve the aforementioned targets.

Forward Looking Statements: Forecasts regarding future performance in these materials are based on estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors.