

Revision of Second Medium-term Business Plan

Yokohama, October 25, 2006—At a board meeting held today, the directors of FANCL CORPORATION (“FANCL”) decided to revise the *FANCL Change & Challenge Plan Phase 2 (“CC Phase 2”)*, the Company’s three-year medium-term business plan for the three year period beginning fiscal year ending March 31, 2007, that was announced on May 1, 2006

Target values after revisions: Consolidated fiscal year ending March 31, 2009 (billion yen)

| | Net sales | Ordinary income | Ordinary income ratio | ROA | ROE |
|------------------|-----------|-----------------|-----------------------|-----|-----|
| Revised targets | 110.0 | 12.0 | 11% | 13% | 8% |
| Previous targets | 115.0 | 15.0 | 13% | 15% | 10% |

- Based on our second Medium-term Business Plan and starting from the current fiscal year, we are aiming for a steady increase in sales and improvements in profitability with the target of achieving record net sales and income in the fiscal year ending March 2009.
- Despite the results of our core Cosmetics business being broadly in line with expectations, forecast net sales and income for the current fiscal year have been significantly revised downwards due to factors such as the delay in responding to market changes and the increasingly competitive environment of the Nutritional Supplements businesses.
Looking forward we will endeavor to develop high value-added products and to cultivate middle-aged and senior customer markets, however, a full-fledged recovery will require some time and as we have revised our numerical targets.
- Strategy by business segment and by sales channel will proceed largely as planned.

Strategy by business segment

- In **cosmetics**, FANCL will continue developing competitive products with an emphasis on unique functionality. FANCL’s skin care cosmetic brands will be revitalized and the Company will aim to increase its share of the market for sensitive skin products.
- In **nutritional supplements**, FANCL will seek to produce products with high added value. The Company will strengthen its operations in supplements that support beauty while also developing products for middle-aged and senior customer groups.
- In **other businesses**, FANCL will seek to restore profitability. In germinated brown rice and kale juice the Company will seek to grow sales and return to profit by enhancing the product lineup. In mail-order sales at IIMON OHKOKU the Company will pursue higher earnings margins by improving the product mix and reducing expenses.

Strategy by sales channel

- FANCL will seek to make maximum use of the strengths of each channel and derive clear synergy benefits.
- The Company will strengthen its highly profitable internet sales channel, along with its retail network and overseas development.
- In internet sales, the processing capability will be improved and higher sales targeted through the introduction of new services.
- In the retail store network, while emphasizing profitability, initiatives to revitalize existing stores will continue along with control over cost management. The company will proceed cautiously with store expansion while focusing on staff training.
- Overseas development will focus on establishing a presence in China.

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For further information in English please contact:

Chisa Hayakawa
Investor Relations Group
Tel. +81 45 226-1470
Email: official@fancl.co.jp