

January 8, 2003

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Notice Regarding Purchase of Fixed Assets

At a meeting of the Board of Directors today, FANCL Corporation and its wholly owned subsidiaries NICOSTAR Co., Ltd. and FANCL Biken Co., Ltd. approved a resolution for the purchase of fixed assets by FANCL Biken. Details are outlined below.

FANCL Biken Co., Ltd. was established with the purpose of integrating the FANCL Group production divisions, and plans to consolidate them with its own operations.

1. Reasons for the Purchase

(1) Hedging Against the Risk of Disaster

At present, FANCL cosmetics are manufactured at the Chiba Factory. Given the characteristics of preservative-free cosmetics, the date of manufacture is labeled on the product and a production system that minimizes inventories is used. In the event of an earthquake or other disaster, our customers would be greatly inconvenienced, which would have a major impact on the Company's operations. Because of this, a factory will be established in Shiga Prefecture, where the ground is more stable, and production will be divided between the Chiba and Shiga factories.

With the establishment of the new factory, production of ATTENIR cosmetics, currently performed at the Yokohama Factory, will be transferred to the Shiga Factory.

(2) Strengthening Production for the Nutritional Supplements Business

The operating environment in the nutritional supplements business has become more challenging due to the entry of new market players and increasing price competition. In this environment, the FANCL Group believes it is necessary to differentiate our products on the basis of quality. To strengthen the production system for the nutritional supplements business at the Yokohama Factory, the cosmetics section will be retooled to produce nutritional supplements, furthering our shift toward in-house production.

(3) To Meet Future Sales Growth

2. Description of Assets to be Purchased

Description and Location of Assets	Acquisition Cost (Millions of yen)
Name: Shiga Factory Address: 341 Otani-higashiyama Hino-machi Gamou-gun, Shiga	
Land 92,678.76 sq. meters	564
Building: 16,920.12 sq. m (Floor area 28,827.06 sq. m)	801
Total cost	1,365

3. Profile of Seller

Company name	Nippon Boehringer Ingelheim Co., Ltd.
Representative	Akio Osawa, President and Representative Director
Address	10-1, Yatou 3-chome, Kawanishi, Hyogo
Capital	¥7.2 billion
Major shareholder	Boehringer Ingelheim Auslandsbeteiligungs GmbH
Business	Manufacture of pharmaceutical products
Relationship with FANCL	None

4. Acquisition Schedule

Jan. 8, 2003	Approval by Board of Directors
Jan. 14, 2003	Contract signing
Feb. 17, 2003	Transfer of property
Sept. 2003	Planned start of operations

5. Investment Amount

(1) Shiga Factory

After acquiring the land and buildings, we plan to convert the facility and purchase machinery and equipment. The total investment, including the cost of remodeling the portion purchased from Nippon Boehringer Ingelheim and the cost of machinery and equipment, is as follows.

	Purchase from Nippon Boehringer Ingelheim	Remodeling costs, etc.	Total (Millions of yen)
Buildings	801	1,443	2,244
Machinery & equipment	--	490	490
Other	--	390	390
Land	564	--	564
Total	1,365	2,323	3,688

(2) Yokohama Factory

Machinery and equipment purchases and remodeling will be carried out to produce some nutritional supplement products in-house.

	Investment Amount (Millions of yen)
Machinery & equipment	546
Other	150
Total	696

6. Future Outlook

Because this factory is slated to begin operation in September 2003, it will have a negligible effect on consolidated results for the current fiscal year. Beginning from the next fiscal year (ending in March 2004), depreciation expenses, leasing fees and other expenses will arise, so cost of sales is projected to increase to ¥396 million, and selling, general and administrative expenses are projected to increase to ¥299 million (including ¥136 million in one-time costs such as registration and license taxes) on a yearly basis. Projected results for the next fiscal year will be disclosed with the announcement of results for the current fiscal year.

For reference:

1. Production network after startup of the Shiga Factory

Chiba Factory: Manufacture of FANCL cosmetics

Yokohama Factory: Manufacture of nutritional supplements

Shiga Factory: Manufacture of FANCL cosmetics and ATTENIR cosmetics

2. Profile of FANCL Biken Co., Ltd.

Date of establishment	October 8, 2002
Representative	Ryozo Kubo, President and Representative Director
Address	53 Iijima-cho, Sakae-ku, Yokohama
Capital	¥50,000 thousand (100% from FANCL Corporation)
Purpose of establishment	To conduct integrated management and administration of the production divisions in the FANCL Group