

May 14, 2013

FANCL Corporation
TSE 1st Section: 4921

Notice concerning Fancl's transition to a holding company structure following the splitting of the Company (simple incorporation-type company split), and changes to the Articles of Incorporation

FANCL Corporation announced that it was considering a shift to a holding company structure on March 12, 2013, and at a meeting of the Board of Directors held today, it was resolved that the Company would make the transition to a holding company system by means of a company split (a simple incorporation-type company split) effective on April 1, 2014. In addition, the Company recommended changes to the Articles of Incorporation accompanying the transition to a holding company system (changes to the business objectives).

These changes to the Articles of Incorporation are subject to approval by a general meeting of shareholders to be held on June 15, 2013. As the corporate split is an incorporation-type corporate split solely implemented by the Company, certain matters for disclosure have been omitted from this announcement.

I. Transition to a holding company structure following the splitting of the Company

1. Objectives of the transition to a holding company system

(1) Strengthening operations and business implementation structures

As of March 1, 2013, FANCL switched to a company system in order to promote rapid decision making and business execution. To endorse this change, FANCL has clarified responsibilities for each business and sought to better understand the customers' perspective and operate under our own founding principles. In future, through the holding company structure, FANCL will be able to raise the level of specialization and autonomy of each of its businesses, and strengthen corporate governance through the appropriate checks and balances.

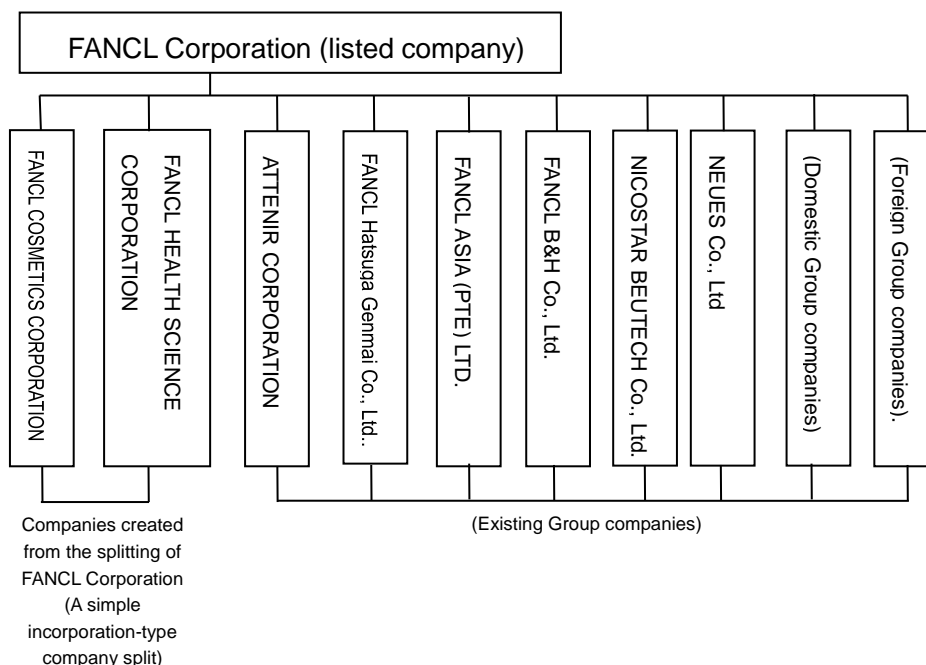
(2) Strengthening the global nature of the Group

We are currently rebranding the Cosmetics business and endeavoring to raise our corporate brand value. Looking ahead, however, we are aware that these initiatives must address the global market place, and in implementing these initiatives, we believe that a holding structure is the most appropriate for FANCL to implement rapid decision making and present policies that are optimal for the entire group.

2. Overview of holding company structure

FANCL Corporation's cosmetics division and health foods division will be split from the Company (a simple incorporation-type company split) and incorporated as new companies "FANCL COSMETICS CORPORATION" and "FANCL HEALTH SCIENCE CORPORATION" respectively. In addition, FANCL Corporation shall bear responsibility for the manufacturing and sale of "FANCL" brand products, as a company licensed under the Pharmaceutical Affairs Act, and shall also be responsible, as a listed company, for supervising the business of the FANCL Group. Furthermore, as overseas business is an important management issue, FANCL Corporation will retain the management of these operations within the holding company for the time being.

(Organizational structure following split)



3. Summary of company split

(1) Schedule of split

Board of Directors meeting to approve the incorporation-type corporate split plan	May 14, 2013	
Date of split	April 1, 2014	(planned)
Registration of the split	April 1, 2014	(planned)

(Note) Based on the provisions of Article 805 of the Companies Act of Japan (simplified incorporation-type company split), a general meeting of shareholders to approve the split will not be held.

(2) Method of split

This is a simple incorporation-type company split in which FANCL Corporation will be the splitting company. Its cosmetics division will continue as "FANCL COSMETICS CORPORATION" and its health foods division will continue as "FANCL HEALTH SCIENCE CORPORATION"

(3) Allocated number of shares

The newly incorporated "FANCL COSMETICS CORPORATION" and "FANCL HEALTH SCIENCE CORPORATION" will each issue 10,000 ordinary shares, and these will all be allocated to FANCL Corporation.

(4) Payment of cash accompanying the split

There will be no cash payment accompanying the split.

(5) Decrease in capital, etc., due to the split

There will be no decrease in capital, etc. of the Company due to the split.

(6) The splitting company's handling of stock acquisition rights

There will be no change to the Company's handling of stock acquisition rights as a result of the split.

(7) Rights and obligations to be succeeded by the succeeding companies

The new companies shall succeed to the assets, liabilities and rights and obligations related to the businesses that the Company will split off, on the day that the split becomes effective, to the extent specified by the "Corporate Split Plan" dated May 14, 2013. In addition, the Company shall concomitantly assume the liabilities that the new companies shall succeed from the Company.

(8) Prospect for fulfillment of obligations

The Company concludes that the Company and the new companies possess the assets to ensure the fulfillment of the obligations after the date of the split and that there will be no problems regarding the certainty of fulfilling the obligations to be borne by [the Company and] the new companies after the split.

4. Summary of the splitting company (as of March 31, 2013)

(1) Company name	FANCL	
(2) Business	Sale of cosmetics, health foods, etc.	
(3) Date of incorporation	August 1981	
(4) Head office	89-1 Yamashita-cho, Naka-ku, Yokohama, Japan	
(5) Title/name of representative	Yoshifumi Narimatsu, C.E.O and Representative Director	
(6) Capital	¥10,795 million	
(7) Total number of issued shares	65,176,600 shares	
(8) Net assets	¥55,537 million	
(9) Total assets	¥65,280 million	
(10) Fiscal term	March 31	
(11) Number of employees	705	
(12) Main customers	Ordinary consumers	
(13) Principal shareholders and their ratios	KI Co., Ltd. 13.05% Kenji Ikemori 8.74% HSBC Private Bank (Suisse) SA Hong Kong Branch A/C CMC Holdings Limited 7.04% PILLOWS Co., Ltd. 3.72% Masaharu Ikemori 2.95%	
(14) Main banks	Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank, Ltd.	

(Splitting company's previous 3-year business performance) (Millions of yen)

	Period to March 31, 2011	Period to March 31, 2012	Period to March 31, 2013
Sales	71,127	68,527	69,098
Operating income	4,909	2,164	2,255
Ordinary income	5,082	2,939	3,170
Net income or (net loss)	2,358	1,834	(3,760)
Net income or (net loss) per share (yen)	36.32	28.27	(57.96)
Dividend per share (yen)	34.0	34.0	34.0
Total assets per share (yen)	946.36	940.36	848.54

5. Summary of the divisions to be split

(1) Divisions to be split

The cosmetics business and the health food business of the splitting company will each be transferred to the respective new companies.

(2) Operating results of the divisions to be split (period to March 31, 2103)

(Millions of yen)

	Cosmetics business	Health food business
Sales	32,988	27,813
Gross profit	25,192	18,363
Operating income	1,282	1,739

(3) Items and values of assets and liabilities to be split

The assets and liabilities of the splitting company's cosmetics business and health food business will each be transferred to newly established companies, respectively. The values of these have not been determined. Notification will be given as these values are determined in the future.

6. Summary of the new companies

(1) Company name	FANCL COSMETICS CORPORATION (Cosmetics business company)	FANCL HEALTH SCIENCE CORPORATION (Health food business company)
(2) Business	Sale of cosmetics, etc.	Sale of health foods, etc.
(3) Date of incorporation	April 1, 2014	April 1, 2014
(4) Head office	89-1 Yamashita-cho, Naka-ku, Yokohama, Japan	89-1 Yamashita-cho, Naka-ku, Yokohama, Japan
(5) Title/name of representative	Representative President Minako Yamaoka	Representative President Haruki Murakami
(6) Capital	¥500,000 thousand	¥500,000 thousand
(7) Total number of issued shares	10,000 shares	10,000 shares
(8) Net assets	¥2,500,000 thousand	¥2,500,000 thousand
(9) Total assets	Undetermined	Undetermined
(10) Fiscal term	March 31	March 31
(11) Number of employees	99 (planned)	86 (planned)
(12) Main customers	General consumers	General consumers
(13) Principal shareholders and their shareholding ratios	FANCL Corporation 100%	FANCL Corporation 100%

(14) Main banks	Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd.	Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank, Ltd.
(15) Current relations between the companies	Capital ties	The splitting company will own 100% of the shares of both new companies.
	Personnel ties	Of the splitting company's 14 directors, 7 will also serve as directors of FANCL COSMETICS CORPORATION and 6 will also serve as directors of FANCL HEALTH SCIENCE CORPORATION*
	Trading ties	The splitting company will collect management guidance fees, business commissions, real estate rent, dividends, etc., from both new companies.
	Relationship between the parties	Both new companies will be consolidated subsidiaries of the splitting company.

*Planned for April 1, 2014

7. Future prospects

Since the new companies that will succeed the businesses following the split will be wholly owned subsidiaries of the Company, there will be no direct effect on consolidated operating results. Since the Company will be a holding company after the split, it is planned that the profit structure in the Company's non-consolidated operating results will be mostly made up of income from management guidance fees, management contracts, and dividends, etc., from its subsidiaries.

II. Changes to the Articles of Incorporation

1. Reasons for the changes to the Articles of Incorporation

As described in I. above, the Company plans to split (a simple incorporation-type company split) on April 1, 2014, and adopt a holding company structure. Accompanying this transition, the objectives of Article 2 of the Company's Articles of Incorporation are to be changed.

2. Details of the changes to the Articles of Incorporation

The changes to the Articles of Incorporation are as follows.

Current Articles of Incorporation	Proposed changes to the Articles of Incorporation
<p>(Objectives) Article 2. The Company aims to engage in the following businesses.</p> <p>1. { (Text omitted)</p> <p>45. (New) (New) (New)</p> <p>46. Any and all business incidental to the preceding items</p>	<p>(Objectives) Article 2. The Company aims to engage in the following businesses <u>and control and manage companies engaged in the following businesses and foreign companies engaged in the equivalent businesses by owning shares or equity in those companies.</u></p> <p>1. { (As in the current Articles of Incorporation)</p> <p>45. <u>46. Rental and management of information assets</u> <u>47. Administrative agency business, such as management, labor and accounting</u> <u>48. Money lending, its agency, mediation and guaranteeing of money loans</u> <u>49. Any and all business incidental or related to the preceding items</u></p>

3. Dates

Holding of general meeting of shareholders to approve the changes to the Articles of Incorporation	June 15, 2013
Date of effect of changes to the Articles of Incorporation	April 1, 2014

End

(Reference materials)

Backgrounds of the new Presidents and Representative Directors of the new companies to be split off and established

1. FANCL COSMETICS CORPORATION

Name:	Minako Yamaoka	
Date of birth:	April 7, 1959	
Place of birth:	Nagano Prefecture, Japan	
Career summary:	April 1995	Joined FANCL Corporation
	February 2000	General Manager of Sales Planning Office, Sales Division
	April 2001	Deputy General Manager of Cosmetics Business Department and General Manager of Sales Planning Department
	April 2001	General Manager of Sales Strategy Office, Sales Division #2
	May 2004	General Manager of Mail Order Department, Sales Division # 1
	June 2006	Deputy General Manager of Purchasing Division
	April 2007	Executive Officer, and General Manager of Sales Planning Division
	December 2007	Executive Officer, and President of Cosmetics Company
	June 2008	Executive Officer and Director, and President of Cosmetics Company
	May 2010	Executive Officer and Director, and General Manager of Business Development Promotion Division and General Manager of New Business Development Department
	April 2011	Executive Officer and Director, and General Manager of Business Development Promotion Division
	March 2013	Senior Managing Director, and President of Beauty Company (Current)

2. FANCL HEALTH SCIENCE CORPORATION

Name: Haruki Murakami
Date of birth: April 8, 1953
Place of birth: Ehime Prefecture, Japan
Career summary:
October 2004 Joined FANCL Corporation
Executive Officer, and General Manager of Marketing Division and
General Manager of Marketing Department
January 2007 Executive Officer, and General Manager of Distribution Sales Division
December 2007 Executive Officer, and Vice President of Health Food Company
May 2008 Executive Officer and Director, and President of Health Food Company
February 2010 Executive Officer and Director, and President of Health Food Company
and General Manager of Product Planning Department
May 2010 Executive Officer and Director, and General Manager of Corporate Communication Division
June 2011 Executive Managing Director, and General Manager of Corporate Communication Division
March 2013 Executive Managing Director, and President of Health Company (Current)