June 13, 2013

FANCL Corporation
TSE 1st Section: 4921

Notice regarding transfer of consolidated subsidiary and related loan waiver (planned)

Yokohama, June 13, 2013—At a board meeting held June 12, 2013, the directors of FANCL Corporation concluded a basic agreement on the transfer of shares of consolidated subsidiary NEUES Co., Ltd. along with a waiver of loans for the same subsidiary upon transfer of shares based on the same agreement. Details follow:

1. Outline of consolidated subsidiary subject to share transfer

(1)	Name	NEUES Co., Ltd.
(2)	Head office	3-17-2 Shibuya, Shibuya-ku, Tokyo
(3)	Representative Director	Masayuki Miyabe, Representative Director and President
(4)	Main business	Management of beauty salons
(5)	Capital	60 million yen
(6)	Date of establishment	October 14, 1982
(7)	Major shareholder and percentage of shares held	Fancl 100%
(8)	Net assets	-596 million yen
(9)	Total assets	814 million yen

2. Outline of basic agreement of shares

I. Outline of counterparty

Counterparty to remain anonymous.

II. Shareholdings of shares to be transferred

(1)	Number of shares held prior to transfer	4,803 shares	Ratio of shares held: 100%
(2)	Number of shares to be transferred	4,803 shares	Compared to number of shares held: 100%
(3)	Number of shares held after transfer	0 shares	Ratio of shares held: 0%

A basic agreement for an objective transfer amount has been established in consultation with the counterparty. Counterparty to remain anonymous.

III. Schedule

Board of Directors meeting: June 12, 2013
Conclusion of basic agreement: June 12, 2013
Conclusion of share transfer contract: Undecided
Share transfer date: Undecided

Conclusion of share transfer contract to be finalized promptly after completion of due diligence by counterparty

3. Loan waiver

(1) Purpose of loan waiver

To date, FANCL has focused on improving the business of the consolidated subsidiary concerned. However, it has been unable to break away from the severe operating environment, and in order to develop the business of the subsidiary concerned, it was deemed necessary to integrate the subsidiary with a more suitable business and transfer all outstanding shares as established in the basic agreement described above. As outlined in the basic agreement, loans to the subsidiary will be waived upon implementation of the share transfer.

In light of both the property and revenue of the subsidiary concerned, FANCL could continue to support the consolidated subsidiary, however since the estimated loss after waiving the loans will be smaller than a loss for liquidating the company, despite FANCL incurring a loss, it was deemed necessary for FANCL to waive the loan in order to avoid incurring a larger loss.

(2) Components of debt waiver

Type of debt: loan

Amount of debt to be waived：912 million yen (planned)

Amount of reserves：619 million yen

Debt waiver provided prior to transfer of shares and dependent upon determination of share transfer contract based on the current basic understanding.

4. Forecasts

Due to the fact that 619 million yen of the debt waiver has already been recorded in allowance for bad debts in the fiscal period ending March 31, 2013, the amount of loss newly recorded in the event of a debt waiver will be the difference with the amount of allowance in reserve. Although FANCL has not announced any results forecast for the current fiscal year, based on the results of the previous fiscal year, the effect on results for the current fiscal year is forecast to be negligible.

The effect of the share transfer of results for the current fiscal period is forecast to be immaterial.

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