FANCL CORPORATION
TSE 1st Section: Code No. 4921

Notice concerning company separation (divisive reorganization), company name change and transfer of shares of newly established company, special liquidation of subsidiary and uncollectable claims

YOKOHAMA, December 5, 2011 – At a board meeting held today, the directors of FANCL Corporation resolved to implement a company separation of subsidiary company and household sundries sales business IIMONO OHKOKU Co., Ltd. (hereafter IIMONO OHKOKU) and to transfer its continuing business to a newly established company. The directors also agreed to subsequently transfer all shares of the newly established company to Kenji Ikemori for ¥150 million and to implement a special liquidation of IIMONO OHKOKU. A share transfer agreement was also concluded between Kenji Ikemori and IIMONO OHKOKU.

The separating company will be a subsidiary company and will change its name to IIMONO FUDOSAN Co., Ltd. After the separation, the newly established company will be indirectly owned by Fancl and will be called IIMONO OHKOKU Co., Ltd. The effective date of the company separation and the share transfer date will be February 1, 2012. Details are as follows:

1. Objectives

(1) Company separation

In order to completely transfer the household sundries sales business managed by consolidated subsidiary IIMONO OHKOKU, all rights and obligations except for those essential to the household sundries sales business will be succeeded to the newly established company through the divisive reorganization method. Specifically, those items not to be transferred to the newly established company are the newly established company's loans to Fancl and real estate mortgage used as loan collateral.

(2) Reason for change of name

The company name of the subsidiary has been changed to IIMONO FUDOUSAN Co., Ltd. in order to retain the name of the company after it is dissolved and for the continuation of relations with customers and business partners.

(3) Reason for share transfer

Fancl invested in IIMONO OHKOKU in August 2000 and has since grown household sundries sales as part of the Group.

However, management has decided upon a company separation and share transfer having judged that the business transfer will provide a foothold for further growth for both Fancl and the newly established company as the Company focuses on selecting businesses with the aim of strengthening management quality.

2. Separation and name change of the subsidiary, and share transfer of indirectly owned company overview:

(1) Company separation

1. Schedule

- Approval of IIMONO OHKOKU separation plan at Board of Directors meeting: December 5, 2011
- Approval of IIMONO OHKOKU separation plan at shareholders' meeting: December 21, 2011 (planned)
- Date of company separation: February 1, 2012 (planned)
- Date of registration of company separation: February 1, 2012 (planned)

(2) Separation method

A physical separation in which the separating company will be Fancl's subsidiary IIMONO OHKOKU and the newly established indirectly owned company (a 100%-owned subsidiary of IIMONO OHKOKU) will be the continuing company.

(3) Allocation of shares, etc.

The newly established company will issue 100 common shares upon separation, all of which will be allocated to the separated company. The separated company will not issue new share subscription rights or bonds with stock acquisition rights.

(4) Change to capital, etc., as a result of separation

There will be no change to subsidiary capital following separation.

(5) Rights and obligations of the continuing company

The continuation of rights and obligations from the separating company to the newly established company will be such rights and obligations as employment contracts, loans and assets held in the household sundries sales business as of the separation execution date, except as otherwise stipulated in the February 1, 2012 separation plan. (This excludes loans from Fancl to IIMONO OHKOKU and Fancl loan guarantees on mortgages held by IIMONO OHKOKU for its head office land and building real estate)

(6) Expectation of fulfillment of obligation

Following the separation, debt held by the separated company is expected to be only loans from Fancl, which will waive loan claims through the special liquidation in accordance with item

3. Subsidiary company (separating company) unrecoverable debt. Fancl does not anticipate concerns arising over fulfillment of obligation since we currently expect the separation to improve the newly established company net assets and because the debt the company will bear will have only a negligible effect.

(2) Change of name of separating company

1. Subsidiary company name (separating company):
   - Current company name IIMONO OHKOKU Co., Ltd.
   - Head office Kanagawa-ken, Yokohama-shi, Sakae-ku, Iijima-cho 109-1
   - Representative director Hiroshi Hasegawa, CEO

2. Subsidiary company name (separating company) after change:
   - Business name after change IIMONO FUDOSAN Co., Ltd.
   - Head office Kanagawa-ken, Yokohama-shi, Sakae-ku, Iijima-cho 109-1
   - Representative director Hiroshi Hasegawa, CEO

3. Date of change
   - Date of change February 1, 2012

4. Summary of above separating companies after business name change

*Planned separation dates are estimates

	Separating company: subsidiary company (March 31, 2011)	Separated company: subsidiary company (After separation: February 1, 2012)	Newly established company: Indirectly-owned company (Planned - February 1, 2012)
Company name	IIMONO OHKOKU Co., Ltd.	IIMONO FUDOSAN Co., Ltd.	IIMONO OHKOKU Co., Ltd..
Representative director	Hiroshi Hasegawa, CEO	Hiroshi Hasegawa, CEO	Tsuyoshi Tatai, CEO
Head office	Tokyo-to, Shibuya-ku, Sendagaya 3-4-15	Kanagawa-ken, Yokohama-shi, Sakae-ku, Iijima-cho 109-1	Kanagawa-ken, Yokohama-shi, Sakae-ku, Iijima-cho 109-1
Date of establishment	December 26, 1962	December 26, 1962	February 1, 2012
Main business	Sale of household sundries	None *Planned for special liquidation after separation	Sale of household sundries
Fiscal year end	March 31	March 31	March 31

Number of employees	74	0	74
Capital	¥196 million	¥196 million	¥10 million
Total outstanding shares	7,840,000 shares	7,840,000 shares	100 shares
Main shareholder and percentage held	Fancl: 81.6%	Fancl: 81.6%	Separated company 100%

5. Separating company (subsidiary company) three-year performance

(¥ mn)	FY March 2009	FY March 2010	FY March 2011
Net sales	9,545	9,135	8,245
Ordinary income	(335)	(34)	(136)
Net income	(363)	(17)	(145)
Total assets	1,623	1,887	1,516
Net assets	(1,573)	(1,591)	(1,737)

(3) Indirectly-owned company's (newly-established company) share transfer summary

1. Share transferee

・ Name: Kenji Ikemori (Tokyo-to, Minato-ku)

・ Relationship to company: Ikemori an Honorary Chairman of Fancl and holds 8.88% of outstanding Fancl shares. A stock company of which Ikemori holds the majority voting rights owns 13.05% of Fancl total outstanding shares

2. Number of shares held in indirectly-owned company pre-and-post share transfer

・ Number of shares held by subsidiary prior to transfer: 100 shares
(Ownership by Fancl subsidiary: 100%)
(Number of shares with voting rights: 100 shares)

・ Number of shares to be transferred: 100 shares

・ Number of shares held by subsidiary post transfer: 0 shares
(Ownership by Fancl subsidiary: 0%)
(Number of shares with voting rights: 0 shares)

3. Share transfer schedule

・ Approval of share transfer at IIMONO OHKOKU

Board of Directors meeting: December 5, 2011

・ Indirectly-owned company share transfer date: February 1, 2012 (planned)

4. Share transfer cost

・Transfer cost: ¥150 million

3. Subsidiary company (separating company) unrecoverable debt

In order to ensure the smooth operation of the newly-established company, the ¥1.85 billion in loans and loan collateral claims, including the mortgage of our headquarters building and land held by IIMONO OHKOKU Co., Ltd. will not be succeeded to the newly established.

After company separation, a special liquidation of the separated company is planned and debt obligations to Fancl will be waived.

Further, the separated company's building and land mortgage used as loan collateral is planned for sale to a third party prior to special liquidation of the separated company and these funds will be used to repay loans to Fancl. Fancl will make a prompt disclosure of the final amount of debt waived once details have been confirmed.

4. Forecast and impact on results of the subsidiary company separation, share transfer and special liquidation:

The effect of the subsidiary company separation, the indirectly-owned company share transfer, the waiving of loans to subsidiary company and the special liquidation will have on our group results is currently under review, and forecasts will be issued as soon as they are confirmed.

***** Ends *****

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