

FANCL Corporation  
TSE 1<sup>st</sup> Section: 4921

**Notice regarding absorption (simplified merger and short form merger) of wholly-owned subsidiaries**

**Yokohama**, January 16, 2017 - At a board meeting held today, FANCL Corporation resolved to conduct an absorption-type merger of wholly-owned subsidiaries FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION, effective April 1, 2017. Details are as follows. Please note that, because this is an absorption-type merger of wholly-owned subsidiaries, some items for disclosure are partially omitted.

**1. Purpose of merger**

Since founder Kenji Ikemori's return to active management in January 2013, the FANCL Group has continued to implement a range of structural improvements.

On April 1, 2014, FANCL transitioned to a holding company structure, with the objective of promoting rapid decision-making with higher specialization and autonomy in each of its businesses, and the enhancement of business execution through stronger corporate governance. In addition, under the Medium-Term Management Plan beginning FY2016, the FANCL Group is implementing strategic investments in advertising aimed at driving sales growth.

However, in the two years since the Medium-Term Management Plan was formulated, the business environment surrounding the Company—including consumer trends and the competitive environment—has changed dramatically, necessitating flexibility in strategy execution.

In response to these changes in the environment, the Company has resolved to conduct an absorption-type merger of FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION, effective April 1, 2017, with the objective of further developing a structure that enables the Medium-Term Management Plan to be implemented more effectively, while dynamically leveraging the strengths possessed by the overall Group.

**2. Outline of merger**

**(1) Schedule of mergers**

Date of board of directors meeting to approve mergers	January 16, 2017
Date of merger agreement	January 16, 2017
Effective date of mergers	April 1, 2017 (planned)

\* Given that the merger of FANCL COSMETICS CORPORATION is a simplified merger as defined in Article 796 (2) of the Companies Act, and the merger of FANCL HEALTH SCIENCE CORPORATION is a short form merger as defined in Article 784 (1) of the Companies Act, these mergers will be conducted without seeking approval at a general meeting of shareholders.

The Company is subject to consolidated dividend restrictions.

(2) Method of merger

These are absorption-type mergers, with FANCL Corporation the surviving company and FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION being dissolved.

(3) Share allocation

Given that both FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION are wholly-owned subsidiaries, there will be no new share issues, capital increase, or monetary payments accompanying these mergers.

(4) Treatment of new share warrants and convertible bonds

Not applicable

3. Outline of merging companies (As of September 30, 2016)

Surviving company

(1) Company name	FANCL Corporation	
(2) Head office	89-1 Yamashita-cho, Naka-ku, Yokohama, Japan	
(3) Representative	President, Representative Director, Kazuyoshi Miyajima	
(4) Business outline	Sale of cosmetics, nutritional supplements, etc.	
(5) Capital	¥10,795 million	
(6) Date of incorporation	August 18, 1981	
(7) Total number of issued shares	65,176,600 shares	
(8) Fiscal year-end	March 31	
(9) Principal shareholders and their shareholding ratios	Keiai Corporation Kenji Ikemori THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - HONG KONG PRIVATE BANKING DIVISION-CMC HOLDINGS LTD PILLOWS Co., Ltd FANCL Corporation	13.05% 8.76%  7.04% 3.72% 3.43%
(10) Financial condition and business performance in preceding fiscal year	Fiscal period	Fiscal Year Ended March 31, 2016 (Consolidated) (Millions of yen)
	Net assets	69,639
	Total assets	83,767
	Net assets per share (¥)	1,100.39
	Sales	90,850
	Operating income	1,204
	Ordinary income	1,421
	Net income attributable to owners of the parent company	522
	Earnings per share (¥)	8.31

Non-surviving company

(1) Company name	FANCL COSMETICS CORPORATION	
(2) Head office	89-1 Yamashita-cho, Naka-ku, Yokohama, Japan	
(3) Representative	President, Representative Director, Minako Yamaoka	
(4) Business outline	Development and sales of cosmetics products	
(5) Capital	¥500 million	
(6) Date of incorporation	April 1, 2014	
(7) Total number of issued shares	10,000 shares	
(8) Fiscal year-end	March 31	
(9) Principal shareholders and their shareholding ratios	FANCL Corporation 100.00%	
(10) Financial condition and business performance in preceding fiscal year	Fiscal period	Fiscal Year Ended March 31, 2016 (Non-consolidated) (Millions of yen)
	Net assets	5,491
	Total assets	7,938
	Net assets per share (¥)	549,182.64
	Sales	23,040
	Operating income	1,488
	Ordinary income	1,506
	Net income attributable to owners of the parent company	1,074
	Earnings per share (¥)	107,462.64

Non-surviving company

(1) Company name	FANCL HEALTH SCIENCE CORPORATION	
(2) Head office	89-1 Yamashita-cho, Naka-ku, Yokohama, Japan	
(3) Representative	President, Representative Director, Hiromichi Aoto	
(4) Business outline	Development and sales of nutritional supplement products	
(5) Capital	¥500 million	
(6) Date of incorporation	April 1, 2014	
(7) Total number of issued shares	10,000 shares	
(8) Fiscal year-end	March 31	
(9) Principal shareholders and their shareholding ratios	FANCL Corporation 100.00%	
(10) Financial condition and business performance in	Fiscal period	Fiscal Year Ended March 31, 2016 (Non-consolidated) (Millions of yen)

preceding fiscal year	Net assets	575
	Total assets	5,847
	Net assets per share (¥)	57,550.46
	Sales	22,140
	Operating income	(1,809)
	Ordinary income	(1,770)
	Net income attributable to owners of the parent company	(1,265)
	Earnings per share (¥)	(126,557.04)

#### 4. Situation after the merger

There will be no changes to the companies' names, head office locations, representatives or their titles, the content of their business, capital or fiscal term as a result of these mergers.

#### 5. Future outlook

The effect of the mergers on the consolidated financial results will be negligible as they are mergers with its wholly owned subsidiaries.

**\*\*\*ENDS\*\*\***

#### **For further information please contact:**

Investor Relations Group  
Tel. +81 45 226-1470  
Email: 4921ir@fancl.co.jp