

Transfer of equity and debt held in Kanebo Cosmetics Ltd. and Kanebo, Ltd.

Tokyo, December 16, 2005 – The Industrial Revitalization Committee of the Industrial Revitalization Corporation of Japan (“the IRCJ”) today approved the transfer or disposal of equity and debt, etc., held in Kanebo Cosmetics Ltd. and Kanebo, Ltd. After the transfer, the IRCJ will no longer hold any claims against these Kanebo companies.

1. Name of companies concerned

Main companies:

Kanebo Cosmetics Ltd. (formerly Kanebo Boutique Co., Ltd.; hereafter, “Kanebo Cosmetics”)

Kanebo, Ltd. (hereafter, “Kanebo”) and other group companies

2. Process to date

Kanebo Cosmetics: On March 10, 2004, the IRCJ approved an application for assistance by this company under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003. On March 30 of the same year, under Article 25, Clause 1 of the same act, the IRCJ reached agreement with financial institutions on the purchase of this company’s debts.

Kanebo: On March 10, 2004 and May 31, 2004, the IRCJ approved an application for assistance by this company under Article 22, Clause 3 of the Industrial Revitalization Corporation Act of 2003. On July 30 of the same year, under Article 25, Clause 1 of the same act, the IRCJ reached agreement with financial institutions on the purchase of this company’s debts.

The IRCJ has been pursuing the business revitalization of Kanebo Cosmetics and Kanebo, and considering that their revitalization prospects look somewhat brighter, the IRCJ has been in the process of transferring the equity and claims it holds in these companies and has come to a decision to transfer its equity and claims to Kao Corporation (hereafter, “KAO”) and Trinity Investment Co., Ltd. Trinity Investment Co., Ltd. is capitalized by a fund (hereafter, “3Fund”) that is managed by Advantage Partners LLP, MKS Partners Limited, and Unison Capital, Inc. Upon this decision, a contract will soon be formed with the relevant parties, with the aim of executing the transfers by the end of January 2006.

3. Capital amounts, etc.

The IRCJ, through a capital injection of ¥86,000 million, currently holds voting shares amounting to 86% of voting rights in Kanebo Cosmetics, and through a debt equity swap totaling ¥150,000 million holds all Class A preferred shares issued by Kanebo Cosmetics.

Also, through a capital injection of ¥10,000 million and a debt equity swap totaling ¥10,000 million, the IRCJ holds Class C shares in Kanebo amounting to 32.11% of voting rights.

Under the decision announced today, the IRCJ will transfer all of the shares it holds in Kanebo Cosmetics and Kanebo.

4. Amount of debt

The principal value of Kanebo Cosmetic’s debts purchased from Kanebo by the IRCJ was ¥150 million, for which the IRCJ paid ¥1 (one yen). Thereafter, debt forgiveness of ¥150 million was implemented in accordance with the revitalization plan. Following this, new financing of ¥280,000 million was implemented concomitant with the transfer of the cosmetics business. With regard to the ¥130,000 million of debts remaining after the ¥150,000 debt equity swap outlined above, a certain amount has been repaid from

operating profit and other sources. All the remaining amount at the time of the contract closure will be transferred at face value.

The IRCJ also purchased Kanebo's debts with a principal value of ¥103,821 million from financial institutions and others, for which the IRCJ paid ¥47,235 million. Financial support of ¥66,543 million was undertaken in accordance with the revitalization plan, comprising debt forgiveness of ¥56,543 million and a debt equity swap of ¥10,000 million. With regard to the ¥37,278 million of debt remaining after implementation of this financial support, a certain amount has been repaid through the sale of certain business operations and asset disposals, etc. All the remaining amount at the time of the contract closure will be transferred at face value.

For more information, please contact

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About the IRCJ:

The IRCJ was established jointly by the public and private sector on April 16, 2003, with the aim of providing revitalization assistance beneficial to both the industrial and the financial sectors in Japan. It targets assistance at companies that have sound business fundamentals but are unable to thrive because of excessive debt levels or other factors. The IRCJ has approximately 200 employees and is based in Tokyo. For more information please visit www.ircj.co.jp