

# FANCL

## FANCL Report 2015



For inquiries about this report:

### FANCL Corporation

89-1 Yamashita-cho, Naka-ku, Yokohama,  
Kanagawa-ken 231-8528, Japan  
Investor Relations Group  
TEL: 81(45)226-1470 FAX: 81(45)226-1442  
E-mail: 4921ir@fancl.co.jp

Founding Philosophy

## Eliminate the "Negatives" with a Sense of Justice

Corporate Philosophy

## "Can Achieve More"

The FANCL Group is a corporation that truly cares for people. FANCL has strived to eliminate customers' negative experience and pursue gentleness, safety, and assurance of its products. We always put ourselves in customers' shoes and the happiness of our customers forms the basis of everything we do.

### FANCL Group Structure

# FANCL

FANCL CORPORATION (holding company)

#### Consolidated Subsidiaries

- FANCL
- FANCL COSMETICS CORPORATION
-  FANCL HEALTH SCIENCE CORPORATION
-  ATTENIR CORPORATION
- FANCL Hatsuga Genmai Co., Ltd.
- FANCL ASIA (PTE) LTD
-  FANCL B&H CORPORATION
- NICOSTAR BEAUTECH Co., Ltd.
- FANCL INTERNATIONAL, INC.



#### Non-Consolidated Subsidiaries

- Domestic Group Companies**
- FANCL SMILE Co., Ltd.
- FANCL Insurance Service Corp.
- FANCL FARM Co., Ltd.
- Green Hill Co., Ltd.
- Global Group Company**
- FANCL (Shanghai) Business Consulting Limited

## Develop and Nurture FANCL's Unique Assets

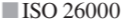


In addition to the tangible assets that appear as profits and the like on balance sheets and other financial documents, FANCL also has intangible assets. For example, employees acting based on a philosophy and things like corporate culture. FANCL's value creation nurtures these tangible and intangible assets.

This report takes up FANCL's seven main assets and introduces them.

FANCL uses value creation in an effort to become a company with sustainable growth and close ties to society.

 <p><b>Financial Assets</b> Implement the new medium-term management plan with speedy management &gt;&gt; For details, see pages 2-5</p>	 <p><b>Sales and Services</b> Specialist staff respond through diverse sales channels &gt;&gt; For details, see pages 14-16</p>
 <p><b>Human Resources</b> Utilizing human resources with a diversity of values &gt;&gt; For details, see pages 6-7</p>	 <p><b>Society and Environment</b> Continuing employee participation-style social and environmental activities &gt;&gt; For details, see pages 17-18</p>
 <p><b>Research and Product Planning</b> Eliminate the "negatives" using scientific evidence and develop revolutionary products &gt;&gt; For details, see pages 8-11</p>	 <p><b>Corporate Governance</b> Promoting thorough corporate governance as an important management challenge &gt;&gt; For details, see pages 19-21</p>
 <p><b>Manufacturing and Distribution</b> Ensuring safe and gentle products with thorough quality control &gt;&gt; For details, see pages 12-13</p>	

#### Editorial Policy

- Organizations FANCL CORPORATION and the FANCL Group
- Businesses Cosmetics, nutritional supplements and other businesses
- Applicable Period Fiscal 2015 (from April 1, 2014 to March 31, 2015)  
\* Some areas include information from before March 31, 2014 and after April 1, 2015.
- Reference Guidelines  ISO 26000  Environmental reporting guidelines of Ministry of the Environment  United Nations Global Compact



FANCL endorses the United Nations Global Compact and formally became a signatory in April 2013.

See our website for more detailed information about FANCL's CSR.

## Valuing a Mindset that Considers Customers

**Kenji Ikemori**  
Chairman & CEO,  
Representative Director

## Realizing Speedy Management

**Kazuyoshi Miyajima**  
President & COO,  
Representative Director

### Taking on the Challenge of Reducing Health Care Costs as a Health-Support Company

With founder Kenji Ikemori's return to active management in January 2013, the FANCL Group took decisive action with the objective of reforming at 10 times the previous speed. In April 2014, FANCL transitioned to a holding company structure and, based on the founding philosophy maintained since foundation in 1980 of eliminating the "negatives" (dissatisfactions, uncertainties, and inconveniences) with a sense of justice, is taking on challenges as a group of specialists in cosmetics and health foods.

To give an example, FANCL HEALTH SCIENCE CORPORATION is taking on the challenge of expanding healthy life spans as a health-support company to reduce Japan's health care costs amounting to about ¥40 trillion. One way it does this is through utilizing Japan's food with functional claims labeling system that started in April 2015. Making full use of research results obtained at the FANCL Research Institute, we are actively labeling our products with nutrient function claims based on scientific grounds.

### Highly Regarded in Fiscal 2015 for Empowerment of Women, Social Contributions and Environmental Activities

The FANCL Group actively employs a diverse range of human resources, including women, the elderly, foreign nationals and employees with disabilities, to provide customers with products and services that feel close to them.

For example, women fill 47.6% of management positions at FANCL COSMETICS CORPORATION and female employees take the lead in development, advertising and sales promotion of *Mutenka*\* cosmetics, steadily improving business results. We are highly regarded for the active role women play and were awarded with a Corporate Activity Award by the Tokyo Stock Exchange, Inc. for Initiatives to Empower Women in the Workplace.

We were additionally awarded a prize at the Japan Philanthropic Association's 12th Annual Corporate Philanthropy Awards for 28 years of continuous social activities supporting people with disabilities, as well as commended at the Low Carbon Cup 2015 sponsored by the Japan Network for Climate Change Actions for activities to reduce CO<sub>2</sub> emissions at the home and workplace. We will continue being proactive with social and environmental preservation activities at the core of our management.

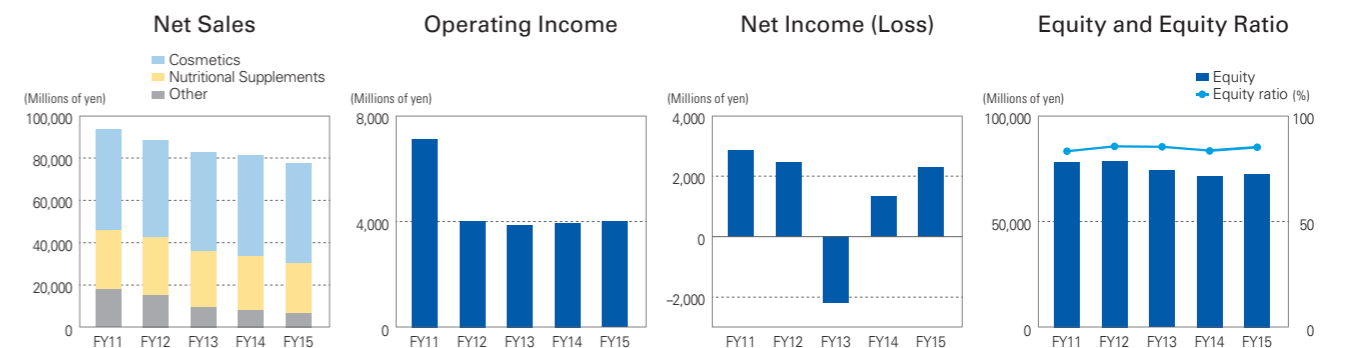
\* FANCL's *Mutenka* products contain no additives, preservatives, sterilizers, petroleum surfactants, fragrances, mineral oils, ultraviolet absorbers, and artificial colorings.

### Fiscal 2015 Business Results and Launching into the Future

In fiscal 2015, net sales decreased 4.3% year on year to ¥77,632 million on the back of the reaction to the surge in demand ahead of the increase in Japan's consumption tax. Under these circumstances, FANCL COSMETICS CORPORATION's results surpassed the previous fiscal year as a result of starting the wholesale of *Mild Cleansing Oil* and *Facial Washing Powder* to drugstores and renewing makeup products and the high-grade aging care essence. Moreover, in the Nutritional Supplements Business, steady sales of our newly launched diet supplement, *Calorie Limit for the Mature Aged*, drove a recovery from the second quarter onward.

Operating income increased 1.5% to ¥4,001 million due to an improved gross profit margin from strong sales in the Cosmetics Business and the result of efforts to reduce fixed expenses.

Management reforms over the past two years have strengthened the management base and signs of growth are becoming clearly visible. We have formulated a new medium-term management plan that started in fiscal 2016 and are executing bold growth strategies that will significantly launch us forward. Placing even greater value on the founding philosophy, we shall be a company moving forward resolutely with society.



# New Medium-Term Management Plan (Fiscal 2016 to 2018)



**Basic Approach | Maximize investments in advertising with the aim of doubling sales in five years**

	FY2015 results	FY2018 targets	FY2020 targets
Net sales	¥77,632 million	<b>¥125,000 million</b>	At least <b>¥150,000 million</b>
Operating income	¥4,001 million	<b>¥10,000 million</b>	<b>¥20,000 million</b>
ROE	3%	At least <b>8%</b>	At least <b>10%</b>

Dividends	Maintain a dividend payout ratio of at least 40% of consolidated net income
Acquisition of treasury stock	Flexibly consider the acquisition of treasury shares with the aim of improving the capital efficiency ratio, while taking into account trends in the share price and future capital funding requirements
Cancellation of treasury stock	Treasury shares in excess of approximately 10% of the total number of outstanding shares will be cancelled

Apart from the usual advertising expenses, FANCL will make additional advertising investments of around ¥5,000 million in the Cosmetics Business and ¥15,000 million in the Nutritional Supplements Business on a cumulative basis over the next three years. To maximize the advertising effect further, FANCL will expand the distribution of its products to more retailers and build a franchise of 350 directly-managed stores (164 stores as of March 2015). The Company's share of sales space will increase as a result, providing consumers more access to FANCL products around the clock. FANCL's full product lineup will also be leveraged for cross-selling to bolster the scope of consumer purchases from star products (entry products) to include other products as well.

Profit levels are projected to dip in fiscal 2016, the first year of the plan, due to upfront investments in advertising. However, the Company expects to begin recouping the investments gradually in the second year, with the aim of showing ¥10,000 million in operating income in fiscal 2018, the third year of the plan.

By executing this growth strategy, FANCL aims to increase sales and profits and improve capital efficiency. At the same time, FANCL will follow its policy on return to shareholders to actively enhance return on equity.

## Health Business Strategy

(Nutritional Supplements, *Hatsuga Genmai*, Kale Juice, Preventive Medicine)



### FANCL HEALTH SCIENCE CORPORATION

**Vision** Support customers' health across their entire lifetime. As Japan's leading health-support company, establish a strong position. Customers achieve "Good Aging" (Good Aging: Living your whole life in good health, both physically and mentally).

#### Basic strategies

- ✓ Develop middle-aged and elderly segments
- ✓ Cultivate star products through investment in advertising
- ✓ Develop preventative medicine business ahead of others

FANCL has room to grow because its customer base in health food is underdeveloped in the aged 50 or older segment where demand is heaviest. To focus on a middle-aged to older customer base as a core target, the Group is applying its advanced technology in laying claim to technological capabilities to develop original products formulated to prioritize metabolic efficiency. At the same time, FANCL will make the most of Japan's food with functional claims labeling system to differentiate the products it develops on scientific grounds. The labeling system was launched in April 2015 as part of the Abe Cabinet's growth strategy.

Meanwhile, sales weren't growing to the satisfaction of the Nutritional Supplements Business, in part due to insufficient advertising investment. For this reason, the new medium-term management plan seeks to nurture star products by more than doubling the allocation of advertising investment in products prioritized for reinforcement.

In addition, FANCL will strive to stay ahead of the competition in the preventative medicine business. One of the initiatives will be the full-scale development of a health counselor business, supervised by medical doctors, in which customers will receive advice on optimal nutritional supplements, diet and exercise based on genetic data and health examination results.



Calorie Limit for the Mature Aged®

Hatsuga Genmai



Ukon Kakumei



PSG®

## Cosmetics Business Strategy

### FANCL COSMETICS CORPORATION



**Vision** Offer bare-skin beauty to the people of the world, with *Mutenka*  
**Mission** Be beautiful now and in the future. Making healthy, energetic and beautiful skin with *Mutenka*, to support customers' lifestyles.

#### Basic strategies

- ✓ Expand sales by enhancing the facial cleansing category
- ✓ Increase number of skincare users who are receptive to the idea of *Mutenka*
- ✓ Move into new areas (the mature market / personal cosmetics)

FANCL will apply its *Mutenka* anti-stress science for bringing out the human skin's own power for rejuvenation to provide people around the world with bare-skin beauty.

The facial cleansing category, centered on FANCL's popular *Mild Cleansing Oil* and *Facial Washing Powder*, will be enhanced in scope with new formulations in high demand from customers to expand sales.

In addition, the skincare product line will be revamped in an effort to increase the number of users attracted to FANCL's *Mutenka* concept.

At the same time, products targeting highly beauty-conscious customers will be developed. These include cosmetics for the fast-growing mature adult market, as well as personal beauty essence applying FANCL's proprietary *Skin Biomarker Analysis* technology, customized to address each individual's immediate skincare needs and protection against skin damage in the future. In this way, FANCL will support the pursuit of ideal skin beauty for each individual customer.



Personal beauty essence, Skin Solution

### ATTENIR CORPORATION

#### Build a New Communication Model

Returning to the original "high quality, low cost, high fashion sense" product concept at its founding, ATTENIR began a successive renewal of its *The Inner Effector* top quality, nocturnal beauty cream and other mainstay products in November 2014.

Moving forward, ATTENIR will continue to revamp its mainstay products and conduct massive sales promotion campaigns to bring about a recovery in sales. At the same time, it will build a new communication model making effective use of the web to build and expand a customer base attracted to the product value of the ATTENIR brand.

## Attenir

おしみなく、うつくしく。  
Generous is beauty



The Inner Effector

## International Strategy

### boscia Starts Its Launch in the U.S. and Will Be Established as the Third Brand

FANCL INTERNATIONAL, INC., behind the *boscia* natural cosmetics line being developed in the U.S., will be consolidated from FY2016. As a brand, *boscia* is sold through Sephora, a top cosmetics retailer with 941 stores in 9 countries around the world, as the best seller in Sephora's natural skincare category. *boscia* is expanding into Asian and European markets with planned stores in NY and LA, *boscia* will be established as the third consolidated brand through reverse importation into Japan.



boscia product line

# Feature 1

## Diverse Human Resources



**Senior employees utilizing their wealth of knowledge**  
From left: Yasushi Nishijima, Pharmaceuticals Group, Quality Assurance Division, Group Support Center, FANCL CORPORATION  
Minako Seike, Corporate Social Responsibility Promotion Office, The Office of the President, FANCL CORPORATION



**Foreign national employees guide a customer from overseas**  
From left: Yushu Ma, Manager, International Shop on the 1st floor of FANCL Ginza Square  
Fang Yu, International Shop on the 1st floor of FANCL Ginza Square



**Special subsidiary employees responsible for mail delivery within the Company**  
From left: Koichi Tazaki, FANCL SMILE Co., Ltd.  
Miki Takahashi, FANCL SMILE Co., Ltd.



**Female managers succeeding in various divisions**  
From left: Michiko Honda, Group Manager, Underwear & Miscellaneous Goods Group, Mail Order Division, FANCL COSMETICS CORPORATION  
Mika Shigemori, Group Manager, Online Management Group, Online Sales Department, Online Channel Division, FANCL CORPORATION  
Shinobu Yoshida, Group Manager, Recruiting Group, Human Resources Division, Group Support Center, FANCL CORPORATION  
Maho Yamamoto, Division Manager, Direct Sales Department, Direct Sales Division, FANCL HEALTH SCIENCE CORPORATION

### Thriving Employees



#### TOPIC Receiving a FY2015 Corporate Activity Award

FANCL received a Tokyo Stock Exchange fiscal 2015 award under the criteria of "Initiatives to Empower Women in the Workplace" after we were assessed to have been a "positive influence on the corporate conduct of other listed companies from the in-depth disclosure on women empowerment" and for "actively addressing the nurturing and deployment of women for executive and managerial positions."



Left: Mayuko Yamaoka, Director and Senior Managing Director of FANCL CORPORATION

#### Female employees

Percentage of women in management

**33%**  
(FY14) 33%

The percentage of female employees is 64% and the percentage of women in management is 33%. Two FANCL COSMETICS CORPORATION directors are women and we take full advantage of women's perspectives as a center of specialist expertise on beauty to support women's beauty.

Rate of use of shorter working hours for childcare

**94.2%**  
(FY14) 90.5%



Acquired the Kurumin mark symbolizing childcare support from the Ministry of Health, Labour and Welfare

#### Employees with disabilities

Percentage of employees with disabilities (including special subsidiaries) (Legal requirement is 2.0%)

**2.5%\***  
(FY14) 2.5%

FANCL SMILE Co., Ltd. is a special subsidiary the Group established out of its desire to support people with disabilities gain independence as members of society. Employees engage in a variety of duties including sending direct mail and preparing cosmetics samples.



Preparing cosmetics samples

#### Elderly and foreign national employees

Number of employees aged over 60

**30**  
(FY14) 31

Elderly employees utilize the specialist knowledge they have cultivated. Foreign national staff work at bases such as FANCL Ginza Square, displaying their skills.

Number of foreign nationals employed (including part-time workers)

**36**  
(FY14) 10

### Education Nurturing the Essence of FANCL at FANCL College

Number of lectures in fiscal 2015

**364\***  
(FY14) 312

Total participants

**4,357\***  
(FY14) 4,431  
\* FANCL Group total

At FANCL College, focus is being placed on producing human resources who live the founding philosophy, become future generations to carry on FANCL and develop into specialists. To encourage development of diverse and individualistic human resources, specialized training in beauty, health and telephone manners is provided to retail and contact center staff.

In addition, in November 2014, training was provided to Group directors and all full-time employees to learn about the founding philosophy, as well as to review their own thoughts and actions.



"Monogoto wa Tanjun ni Kangaeyou (Think Simply)"  
PHP Institute, Inc.

The founder's book tells the story of the philosophy in easily understandable language. Quotes on book-marks that employees refer to in this report have been taken from this publication.

"Aite no Taïdo wa Jibun no Kokoro wo Utsusu Kagami (The Attitude You Receive from Others is a Reflection of Your Thoughts)"

#### Initiatives for Work-Life Balance

Average Monthly Overtime (Per person)

**7.23 hours**  
(FY14) 7.43 hours

Mondays, Wednesdays and Fridays are designated as days to avoid working overtime. FANCL offers extracurricular self-improvement seminars on intellectual and cultural pursuits for employees to effectively take advantage of those days.

#### Health Promotion Program for Employees

The FANCL Health Promotion Program is a personal health maintenance and lifestyle improvement program based on periodic health examination results and lifestyle counseling. The program aims to improve the health of employees while also collecting data on improvement effects and scientific grounding. Trial operation of the program began in January 2015 at FANCL, with a view also to proposing the program to other companies and organizations.



FANCL stretch exercises are part of the morning assembly



Nutritionally balanced meals are served at employee cafeterias

Note: Figures are the totals for FANCL CORPORATION, FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION (as of March 31, 2015) unless marked by an asterisk (\*).

# FANCL's Business Model

## Research and Product Planning



### Developing Evidence-Based, Innovative Products that Eliminate Negatives

FANCL's universal corporate philosophy of "eliminate the negatives" is also expressed in its research and development attitude. The FANCL Research Institute's mission is to eliminate the negatives such as dissatisfactions, uncertainties, and inconveniences in people's lives using technology backed by scientific evidence. Product development defines the age and strikes out in a new direction with multifaceted anti-stress skincare that has *Mutenka* research as its core technology and anti-aging with an eye on the preventative medicine field. Both achieve evidence-backed elimination of the negatives. To pioneer entry into a new age and new markets and move forward with technical innovation, the focus of FANCL's second laboratory, currently under construction, will be on basic research.



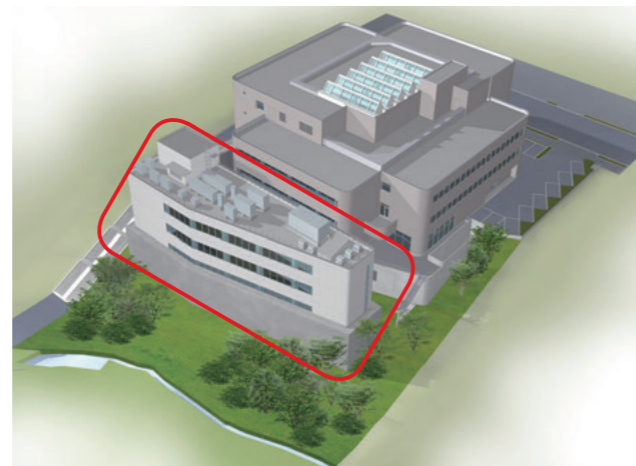
General Manager, FANCL Research Institute  
Yasushi Sumida



A saying by the founder that I like  
"Stand on the side that will change the times."

### The FANCL Research Institute Opens a New Age of Technological Innovation

Since its establishment in March 1999, the FANCL Research Institute that has borne the brunt of FANCL's R&D functions has conducted basic research into things like searching for new materials and assessing efficacy, in both the beauty and health fields, applying its results and conducting applied research in pursuit of the possibility of practical realization. Carrying out R&D through to product development, the institute is the "heart and mind of technological FANCL."



A concept drawing of the FANCL Research Institute after completion of construction of the second laboratory (outlined in red)  
Total floor space of about 1,764 m<sup>2</sup> with two floors each above ground and below ground

#### Second Laboratory for Strengthening Basic Research

In May 2016, construction will be completed on the second laboratory located adjacent to the existing research institute, which will be a facility engaged in neuroscience, genetic modification, and pharmaceutical research. By gathering, mixing and fusing basic research and core technologies, FANCL aims to create new values.

### Evidence-Based Product Development: Health Business Initiatives



#### FANCL HEALTH SCIENCE CORPORATION

#### Inner Body Effectiveness Design: Product Development Prioritizing Metabolic Efficiency

FANCL HEALTH SCIENCE CORPORATION scientifically supports the creation of health throughout the lives of each and every customer in their achievement of "Good Aging" (good physical and mental health throughout their lives). A supplement's quality cannot be measured on the absolute dosage of its ingredients. Absorbing the appropriate amount and remaining in the body over a long period enables the component to properly function, so we have focused on balancing the nutritional formula and prioritizing metabolic efficiency.



High-grade vitamins



Reduced Coenzyme Q10

Development Concept: "Best absorption for maximum effect"



Ensure the "absorption" of hard-to-absorb ingredients



Ensure the "accumulation" of easy-to-lose ingredients



Enhance "efficacy" by balanced formulation

#### Utilize Research Results and Maximize Use of Japan's Food with Functional Claims Labeling System

Japan's food with functional claims labeling system was launched in April 2015. Sales of products labeled with nutrition claims can now be sold simply by providing scientific evidence of the claim to the Consumer Affairs Agency. FANCL HEALTH SCIENCE CORPORATION is uniquely positioned to utilize the system because of the clinical tests the FANCL Research Institute carried out to satisfy the required advanced level of scientific evidence and safety.

Symbolic of this process is *Enkin* (Lutein & Blueberry), developed using a proprietary pharmaceutical design. The final product underwent clinical testing and its effectiveness was verified. As a result, it can display the specific label that it "helps the eyes adjust for bringing close items into focus and relieves the burden eye use causes to shoulder and neck muscles." This enables customers to make it easier to choose and seek products suitable for their own needs.



Old packaging



New packaging

Labeling of nutritional function and safety on the packaging of *Enkin* in response to the new system (new labels are outlined in red)

#### Main Achievements in Fiscal 2015

Products developed	FANCL Cosmetics	80
	ATTENIR Cosmetics	40
	Supplements	13
	Kale juice products	3
	<i>Hatsuga Genmai</i> products	5
Academic presentations & research papers	Foods	7
		59
Patent & design	Applications	47
	Registrations	45

#### Main Outside Presentations in Fiscal 2015

Date	Event	Details	Product & technology
June	14th Scientific Meeting of the Japanese Society of Anti-Aging Medicine	Effects of supplement ingestion on back pain	<i>Koshirax</i> <sup>®</sup>
July	The 11th Biennial International Society for the Study of Fatty Acids and Lipids Congress 2014	Rice bran-derived acylated steryl glucoside fraction decreases high serum LDL cholesterol levels in obese Japanese men	<i>Hatsugamai Power PSG</i>
September	The 10th Annual Meeting of the Japanese Association of Geriatric Dermatology	Relationship between DJ-1 in the skin's stratum corneum and ultraviolet damage	<i>Skin Biomarker Analysis</i> counseling
October	The 28th Congress of the International Federation of Societies of Cosmetic Chemists (IFSCC)	Development of a dual responsive liposome using pH and temperature stimulation-responsive polymers	Application in skincare products
		Development of PTMC-derivative powder, both water resistant and easily washed away, for application in makeup products	Application in makeup products
2015 March	The 2015 Annual Conference of the Japan Society for Bioscience, Biotechnology and Agrochemistry	Fomiroid A, a novel compound, inhibits NPC1L1-mediated cholesterol uptake	Application in diet products (Winner: Hot Topics Award)
	The 135th Annual Meeting of the Pharmaceutical Society of Japan in Kobe	Development of an enteric coated garlic capsule that improves allicin production Pharmaceutical design of diet pills with reduced pharmaceutical content in the soluble layer	Fermented garlic & egg yolk <i>Calorie Limit for the Mature Aged</i> <sup>®</sup>

#### Outside Seminars in Fiscal 2015

Date	Seminar
May	Special Industry Seminar, College of Bioresource Sciences, Nihon University
June	Industrial Technology Studies C, Faculty of Economics, Fukuoka University
August, November, December	Health Food Development Studies, School of Bioscience and Biotechnology, Tokyo University of Technology
December	TECHNICAL INFORMATION INSTITUTE CO., LTD. Seminar

#### Qualifications

Ph.D.	8	Veterinarian	1
Pharmacist	8	Patent attorney	1
Registered dietitian/dietician	7	Clinical technician	1

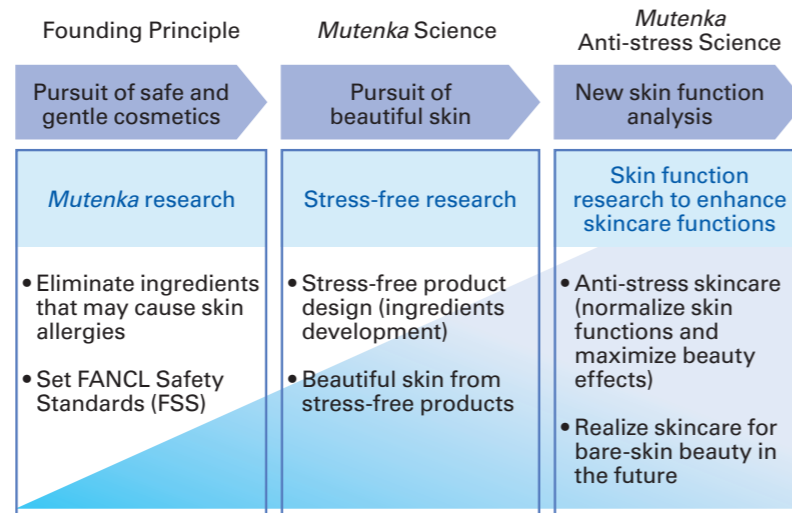
## Evidence-Based Product Development: Beauty Business Initiatives

### FANCL COSMETICS CORPORATION

# FANCL

#### Continuously Evolving *Mutenka* Anti-Stress Science

FANCL COSMETICS has continued *Mutenka* research for many years, proving that *Mutenka* is not only safe and gentle, but also that its beauty-enhancing ingredients are effective at enhancing the skin's natural strengths. Latest research has shown that *Mutenka* anti-stress skincare can remove stress on the skin from ultraviolet rays and other irritants and enhance the skin's natural strength. This has reinforced our conviction that this is aging care effective in providing beautiful skin, and *Mutenka* research continues to evolve.



#### Unique Technologies of *Skin Biomarker Analysis* and Personal Beauty Essence, *Skin Solution*

Establishing methods for accurately assessing skin condition is an important issue. We focused on the epidermis. From there, we led the world in developing our proprietary *Skin Biomarker Analysis* technology for identifying proteins indicating aging of the skin.

Using tape to collect proteins in the epidermis and analyzing these can clarify the different causes of blotches or wrinkles in every individual, as well as the risks going forward. Backed with scientific evidence, we can propose effective care that matches the worries customers have about their skin.

*Skin Solution*, a personal beauty essence, is a revolutionary product with a fundamental approach to resolving skin damage that addresses not only immediate skincare needs but protection against the risk of skin damage in the future, based on the results made clear through skin measurement in stores and a *Skin Biomarker Analysis*. Only FANCL, which values each and every individual, provides this personal beauty essence.



Taking epidermal cell samples for a *Skin Biomarker Analysis*



Personal beauty essence, *Skin Solution*

#### Anti-Stress Skincare Based on Scientific Evidence and Developed for Individual Concerns

##### *Mutenka FDR* Line for Dry and Sensitive Skin

FANCL has continued researching sensitive skin with a focus on the reduced immunity of the stratum corneum in sensitive skin and itchiness caused by stretching of nerves. The result of joint development with dermatologists was the *Mutenka FDR* line of products for dry and sensitive skin. For dry and sensitive skin susceptible to weaker barrier functioning against external stimuli, these products make adjustments to eliminate itchiness and provide healthy skin.



*Mutenka FDR* line

##### *Mutenka* Whitening Line

This is a new-concept whitening line that blocks melanin, the cause of spots, before it is generated through stress caused by such things as ultraviolet rays or preservatives. With the effect of active vitamin C and the power to prevent melanin remnants, these products draw out the skin's natural whitening strengths to prevent blotches and dull spots.



*Mutenka* Whitening Line

## Attenir

おしみなく、うつくしく。

Generous is beauty

### ATTENIR CORPORATION

#### A New Theory of *Inner Clock Beauty* Derived by Focusing on 24-Hour Biorhythms

ATTENIR CORPORATION came across the bio-rhythmic clock gene while searching for a way to induce high quality sleep. The biorhythmic clock gene resets the internal clock in humans upon the body's exposure to sunlight in the morning and activates an internal switch for the body to start secreting sleep hormones about 15 hours later. If the sympathetic nerve system is also predominant during the day it further improves the quality of sleep. The result of thorough studies and research into customers shows that appropriate skincare matching changes in the skin and body over 24 hours will maximize skin regeneration while sleeping and led to the concept of *Inner Clock Beauty*, a unique new theory of beauty.

#### Skincare Line Based on *Inner Clock Beauty*

##### *Inner Clock Beauty* Skincare Lines *Dress lift* and *Prima moist*

*Dress lift* and *Prima moist* are skincare lines that were launched based on *Inner Clock Beauty*. These are skincare lines for contemporary women who want vibrant, younger, more beautiful skin, but who are hampered by exposure to environments harsh on skin. They were developed in mind of women who must cope with many stresses such as work, homemaking and childcare, who are subject to disrupted biorhythms causing extremely poor quality sleep and hindering skin beauty.



Basic skincare with *Inner Clock Beauty*

#### For the Environment



CO<sub>2</sub> emissions reduction about  
**7.7 tons**  
annually

##### Thinning aluminum bags used for supplements

Aluminum bags used to package supplements were made thinner by reducing the thickness of the bags' polyethylene layer. Annual weight reduction was 4.3 tons and CO<sub>2</sub> emissions were cut by 7.7 tons.



CO<sub>2</sub> emissions reduction about  
**21.8 tons**  
annually

##### Lightening *Mild Cleansing Oil* Containers

Cutting the raw materials used in containers for *Mild Cleansing Oil* by 10% reduced the amount of plastic used annually by about 9 tons and realized a CO<sub>2</sub> emissions reduction of about 21.8 tons while retaining tightness and durability.



Used refill containers crushed  
**83%**  
in size

##### Eco-packs at ATTENIR

ATTENIR succeeded in developing eco-pack refill containers for its lotions that can be crushed to 83% of their size after emptying them. Holders designed specifically for the eco-packs enable contact-free refills, providing safety from a hygienic aspect, also.

# Manufacturing and Distribution



## Continuing to Take on Challenges to Protect *Mutenka*

My job is to design production processes for *Mutenka* cosmetics at the Chiba Plant. *Mutenka* cosmetics do not contain any preservatives or additives, which makes them susceptible to the likes of bacteria, so we must think thoroughly about all processes to prevent bacterial contamination and ways we can uphold *Mutenka*.

Before deciding on one process, we try many different methods, but behind each success is several failures. Nevertheless, we never give in and continue taking on the challenge until we finally find the best measure.

To respond to customers' faith that FANCL products are safe and gentle, we aim to use our technological capabilities to enhance quality and ensure stable supply.



Technology Group, Chiba Plant  
Supervisory Headquarters,  
FANCL B&H CORPORATION  
Yoshiyuki Kawashima



A saying by the founder that I like:  
"Perseverance overcomes failure"

## Ensuring Safe and Gentle Products with Thorough Quality Control

### Commitment to Raw Materials

We select raw materials using very strict standards precisely because customers are unable to do so for themselves. We are thorough about eliminating any ingredients that may result in skin problems and choose to use only raw materials that are confirmed to be safe and functional. For nutritional supplements, only raw materials that have cleared an exhaustive checklist confirming them free of remnant agrochemicals and hazardous minerals are used. FANCL also conducts inspections for allergens\*.

\* Seven raw materials designated as allergens: wheat, buckwheat, eggs, milk, peanuts, shrimp and crab)

### The Gentleness Standard is for Customers

FANCL formulated the FANCL Safety Standards (FSS) of gentleness, safety, and reliability for cosmetics so that all customers can use them without worry, especially if the customer has sensitive skin. FANCL cosmetics are designed according to these standards that eliminate the causes of skin stress and lead toward healthy skin.



The date of manufacture is printed on *Mutenka* cosmetics packaging as a proof of freshness

Mark of FANCL's propriety FSS

### Production Management that Realizes Safety and Reliability

The FANCL Group has five factories and produces products based on a management framework complying with the International Organization for Standardization (ISO) and good manufacturing practices (GMP).

For example, a manufacturing record is kept for each and every product and shows when and in which factory the product was produced, as well as what raw materials were used, as part of a traceability system.

### Standards for Production Bases

Company Name	Standard Plant	ISO Acquisition 9001	GMP*1		Facility Clean Room	Company subject to Energy Conservation Act*2
			Cosmetics	Health Foods		
FANCL B&H CORPORATION	Chiba	○	○		○	○
	Shiga	○	○		○	
	Yokohama	○		○	○	
	Gunma	○	○		○	
FANCL Hatsuga Genmai Co., Ltd.	Nagano	○			○	○

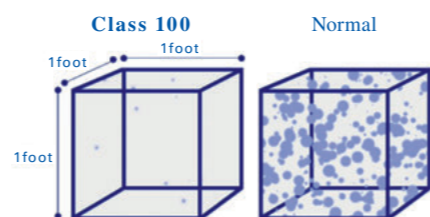
\*1 GMP Good Manufacturing Practices (GMP) was drawn up by the U.S. Food and Drug Administration to maintain production management and quality control for such items as cosmetics, pharmaceuticals and foods.

\*2 Energy Conservation Act (Act on the Rational Use of Energy) An act that requires any company with annual energy use of 1,500 kiloliters or more of energy when converted to a crude oil basis to file results of energy saving measures and a medium-term plan to the Ministry of Economy, Trade and Industry

All factories have clean rooms\*3. Moreover, filling of all *Mutenka* cosmetics products occurs in Class 100\*4 clean booths, the same high classification of cleanliness as pharmaceuticals manufacturing.

\*3 A clean room is a space with clean, temperature- and humidity-controlled air with significantly reduced levels of airborne dust and dirt.

\*4 Class 100 denotes a space with 100 or fewer dust or debris particles of 0.5 μm (1/50,000th of 1 mm) or larger per 1 cubic foot (30.48 cm) of air.



## Making *Mutenka* Cosmetics

### Production Process

#### 1. Preparation

Raw materials that have cleared inspection are accurately weighed and heat-mixed in production equipment (such as vacuum emulsifiers) to produce bulk\*.

\* Term used to describe lotions or emulsifiers before they are filled in containers



Vacuum emulsifier

#### 2. Filling

Bulk is transported to a clean room filling station by a liquid conveyor system or tank, and filled in special sealed containers.



Standard cosmetics liquid filling equipment

#### 3. Packing

Filled containers are automatically wrapped in the wrapping area or manually packed into cosmetics boxes. The manufacturing date is printed on the boxes as FANCL's commitment to *Mutenka*.



High-speed wrapping machine

Manually boxing filled containers

### Inspection by a Group of Specialists

All products undergo an individual set of inspections involving a variety of equipment and a visual check by a seasoned inspector. Products must clear FANCL's demanding standards, which gives us the confidence to deliver them to customers.



Analysis of product ingredients

Factory Tour Participants in Fiscal 2015

**2,800**

(FY2014) 2,202

Factory tours show how *Mutenka* cosmetics are made at the Chiba and Shiga factories.

## Environmentally Aware Distribution Center

Environmentally aware distribution is achieved by recycling 100% of the 202 tons of cardboard used for transporting products from factories. To counter excessive packaging, a system has been installed where computers determine optimum package sizes depending on the products ordered and select delivery box sizes accordingly.

A weighing system that controls the selection of delivery boxes to prevent excessive packaging



A computer screen displaying the optimum delivery box size at the delivery area



# Sales and Services



## Promptly Providing Information on Supplement and Drug Interaction

Currently, I work for a division that gathers and verifies information before registering for Supplement & Drug Interactions (SDI). Just as there are some foods that aren't a good combination when eaten together, we start with the idea that some supplements and drugs may not mix and have compiled a database of the effects of interaction among about 100 FANCL supplements and around 30,000 types of drugs. When we hear a pleasant report from a customer who has used the Supplement Consultation Center, we sense the worth of providing such services. We don't merely sell customers products. We make an effort daily to deliver to them safety and reliability to earn their trust.



Supplements / Drug Interaction Group, Sales Support Department, Direct Sales Division, FANCL HEALTH SCIENCE CORPORATION  
Miki Maeyama



A saying by the founder that I like:  
"Sell gentleness and reliability"

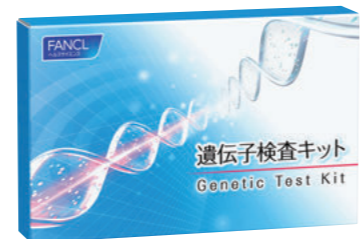
## Recommend Beauty and Health Solutions Matching Individual Customers

We are developing various sales channels that match customers' lifestyles.

<p><b>Mail-Order Sales</b></p> <ul style="list-style-type: none"> <li>■ Catalog</li> <li>■ Internet</li> <li>■ Contact center (Beauty consultation desk, nutritional supplement consultation desk, inquiry desk)</li> </ul> <p>Health business mail-order catalog Genki Seikatsu motto</p>	<p><b>Retail Store Sales</b></p> <p>Specialists give advice on health and beauty</p>	<p><b>Wholesale</b></p> <p>Wholesale business with convenience stores, supermarkets and drugstores</p>
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## Health Counseling Leveraging FANCL's R&D Capabilities

To have customers take our supplements with a sense of ease, we have set up a contact center providing prompt consultation on matters such as the proper way to take supplements and mixing FANCL supplements with pharmaceuticals. We not only listen to customers' concerns and recommend the optimal supplements for them to take, but also advise on matters like diet and exercise. In November 2014, we started handling genetic test kits from a preventative medicine viewpoint. Working in collaboration with medical institutions and based on supervision provided by physicians on the front lines of genetic analysis, testing enables analysis of potential illnesses to which customers may be at risk for in the future. Based on such analysis, proposals are made regarding diet, exercise and nutritional supplements.



Cutting-edge genetic testing supervised by specialist physicians

## Support from Health Counselors

There are 178 health counselors at FANCL who have completed training at FANCL College or at a collaborating medical institution. Qualified professionals such as pharmacists, registered dietitians and health and fitness instructors form the core of the health counselors. The health counselors, who have undergone specialist training, respond to individual customers' concerns and provide lifelong health support.

### Breakdown of Qualified Personnel

	Contact center	Retail store sales
Pharmacist	4	1
Registered dietitian	9	51
Dietician	3	69
Registered sales staff	2	15
Health and fitness instructor	2	0
Health counselor (Internal qualification)	26	152

\* As of March 31, 2015

## Nurturing a Trusting Relationship with Customers

**TOPIC** FANCL Acquires 3-Star Ranking for Its Support Portal and Inquiry Desk

FANCL Online and the FANCL Inquiry Desk were both awarded the highest rank of three stars in the Health Food Mail Order Industry category in HDI-Japan's Support Portal and Inquiries Desk Rankings for fiscal 2015.

Ryoichi Hiroishi, Inquiries Group, Customer Service Division, Customer Service Center, FANCL CORPORATION

## Valuing Dialogue with Customers

Two-way communication is an initiative in which an acknowledgement letter is sent to customers who requested certain discontinued products to be sold again. We value two-way communication that responds to customer feedback, as opposed to a one-way street, in nurturing a relationship of trust with customers. Customer feedback received at retail stores or the contact center is shared Company-wide to help with the entire Group's product development and to enhance service levels.

**Customer Feedback in Response to Receiving a Two-Way Communication Acknowledgment Letter**

I received a letter from FANCL the other day. I had previously requested that the catalog be laid out in alphabetical order, and listings in the latest issue were indeed in alphabetical order. The letter thanked me for my proposal. I thought that show of gratitude was exemplary FANCL behavior.

**Customer Feedback to a FANCL Shop Lumine Kitasenju**

I tried to buy some SkinCare Base, but found out that online sales had ended. When I inquired about this matter at the Kitasenju shop, an inquiry was sent out not only to nearby stores, but to all stores across Japan. It was truly a kind gesture. And due to this act, I was able to get the product. Thank you for the effort exerted for a single sale of SkinCare Base. I was delighted.

**Customer Feedback to the Contact Center (Beauty Consultation Desk)**

Thanks to receiving so much advice, like tips about makeup, my worries about the difference in makeup color between my face and neckline have disappeared and my spirits have lightened. I want to do my best so that my daughters—a second-year junior high school student and a first grader—will tell me how beautiful I look.

## Bump Dots for People with Visual Impairments and the Elderly

Bump dots are FANCL-designed stickers with raised surfaces that are attached to products to enable people with visual impairments and the elderly to identify the contents by touching the labels. Three employees of FANCL SMILE Co., Ltd. who have visual impairments improved the labels to make them easy to understand.



Bump dots

# We 'Can Achieve More' to Enhance Service



## Customer Feedback

### Initiatives for Improvements Utilizing Customer Feedback

Customer feedback is the source of FANCL's growth and it is an important factor in a variety of initiatives. Customer feedback obtained over the phone, through e-mail or via postcards distributed at retail stores is shared within the entire Company and entered into a feedback database to ensure speedy consideration of improvement measures.

Customer feedback in fiscal 2015

About **366,000**

(FY14) About 310,000

#### Make the mail-order catalog *ESPOIR* easier to read

*ESPOIR* was given color-coded page indexing to make it easier to find products in response to feedback that it had been difficult to find products in the catalog pages.



#### Make labels easier to peel off

Labels were improved in response to feedback that they were difficult to peel off before discarding the jar.



#### Make *Whitening Emulsion* easier to use

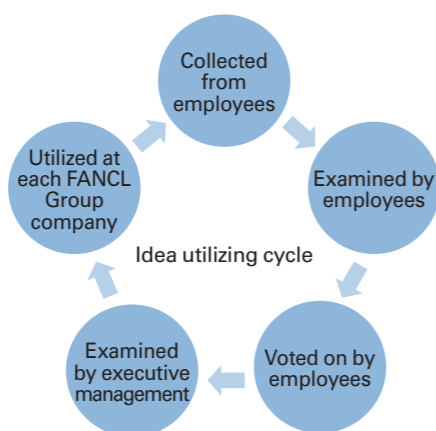
*Whitening Emulsion* packaging was changed from a bottle to an easier to use pump container in response to feedback that the serum was not easily extracted.



## Employee Feedback

### Collecting Ideas from All Employees for New Products, Services or Businesses

Based on the corporate philosophy of "Can Achieve More," FANCL has a system for seeking ideas whereby employees can write in about something they would like to see that is not limited to the beauty or health domains. This system seeks ideas from all employees about new products, services or businesses that will eliminate customers' negative experiences. In fiscal 2015, employees submitted approximately 11,000 ideas for their peers and the Company to consider.



A secretariat was established to collate the ideas

## Social Activities

Activity Policy | Join the community and share values with people with disabilities



TOPIC

### Receiving the Social Inclusion Award at the Japan Philanthropic Association's 12th Annual Corporate Philanthropy Awards

FANCL received a Social Inclusion Award at the Japan Philanthropic Association's 12th Annual Corporate Philanthropy Awards. FANCL's social activities began in 1987 when the Group got involved with Houmon-no-Ie, a facility for people with severe disabilities, located in Sakae-ku, Yokohama City. Since then, we have conducted FANCL Seminars at welfare centers, special-needs schools and other facilities, utilizing the beauty and health businesses. We are highly regarded for our consideration toward the lives of people with disabilities, for supporting and mixing with them through such activities as the establishment of the special subsidiary, FANCL SMILE Co., Ltd. and conducting donations together with stakeholders.



At the 12th Annual Corporate Philanthropy Awards Ceremony



A FANCL Seminar at a welfare center

### Continued Support for Recovery from the Great East Japan Earthquake

Since May 2011, FANCL has continued to carry out support activities interconnected with business, using beauty and health to help the Tohoku region recover from the disaster. Employees visit disaster-struck areas to provide services such as hand massages or nail care and products like kale juice and others. Among the comments given by participating employees was one who remarked that they had been inspired by people from the area affected by the earthquake and tsunami.

Number of support activities implemented since 2011:

**142**



Activities in the area affected by the earthquake and tsunami (Iwaki City, Fukushima Prefecture)

### Sports-Based Social Activities in Communities

FANCL carries out sports-based social activities as a company that supports health. Since 2001, FANCL has sponsored the FANCL Classic PGA Senior Tour Tournament golf championship. Operation by local volunteers and employees has made the FANCL Classic a rousing success. In addition, since 2010 the Company has hosted the FANCL Kids Baseball Challenge (FKBC), a baseball clinic for elementary and junior high school students across Japan.

FY15 FANCL Classic Gallery

**21,286 people**

(FY14) 23,008

Participants in FKBC FY15

**1,494**

(FY14) 2,137



FKBC in Yonezawa City, Yamagata Prefecture

### Donations with Stakeholders

#### Amounts Donated in Fiscal 2015

Item	Amount
Customers' FANCL points	¥2,594,006
Shareholders' shareholder benefits	¥1,383,000
Employee donations via "Can Achieve More Fund"	¥8,800,000 (Includes matching donation from FANCL)

#### Donate 1% of chocolate sales

A donation of 1% of the proceeds from chocolate sales and donations from FANCL employees were donated to the NGO-NPO ACE (Action against Child Exploitation), which supports children in cocoa-growing areas in Ghana.



Chocolat pour la beauté (limited sale item)

# Environmental Activities

**Activity Policy** | Be grateful for the blessings of nature in all aspects of corporate activity and aim to contribute to the preservation of the environment and biodiversity



**TOPIC**

## FANCL Receives the Best Communication Award (Awarded by Alterna Inc.) at Low Carbon Cup 2015

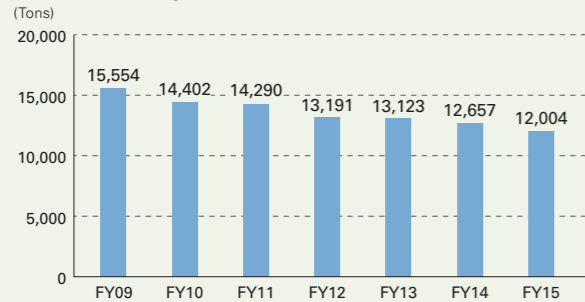
FANCL was selected as one of 39 finalists (including companies, schools and NPOs) from among 1,730 groups competing in the Low Carbon Cup 2015 sponsored by the Japan Network for Climate Change Actions, a contest for commending corporations and organizations across Japan engaged in outstanding environmental activities. Following a final presentation, we were awarded with the Best Communication Award (Awarded by Alterna Inc.) The prize was awarded for the presentation we gave introducing FANCL's unique eco-program conducted jointly at the Company and in employees' homes.



A scene from the award ceremony



### FANCL Group's CO<sub>2</sub> Emissions



\* Figures are calculated by the FY2015 CO<sub>2</sub> emission coefficient.

### Reusing and Recycling Store Uniforms

Retail store staff are issued with uniforms when they join the Company and return these if they leave. Returned uniforms are inspected and categorized into items that can be reused and those that can't. Reusable items are repaired, cleaned and presented to new employees.

Uniforms that can't be reused and others of an obsolete design are recycled as polyester fibers.



Retail store uniforms made from recycled fiber

**Reduce CO<sub>2</sub> emissions**

**Recycle**

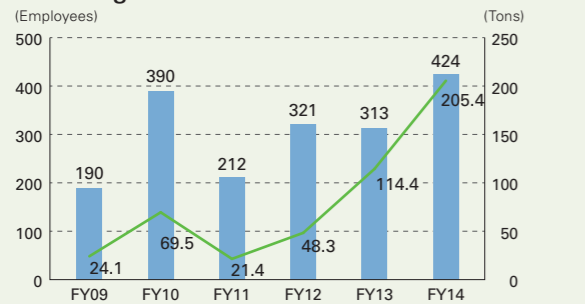
**Biodiversity**  
(Preservation of the natural environment)

**Reuse**

### Eco Program at Home

Under the Eco Program at Home to reduce CO<sub>2</sub> emissions in employees' homes, gift certificates are awarded to employee households whose total charges for electricity, gas and water are lower than that of the national household average. Employees and their families can have fun trying to reduce CO<sub>2</sub> emissions while engaging in environmental activities.

### Eco Program at Home



\* Figures for FY2015 are under calculation

### Reusing Baseball Equipment

At the FANCL Kids Baseball Challenge clinic sponsored by the Hochi Shimbun and supported by FANCL, collections are taken of unwanted equipment, which is donated to countries and regions where such equipment is lacking.

Items of baseball equipment collected in FY2015

**6,878**

(FY14) 5,183

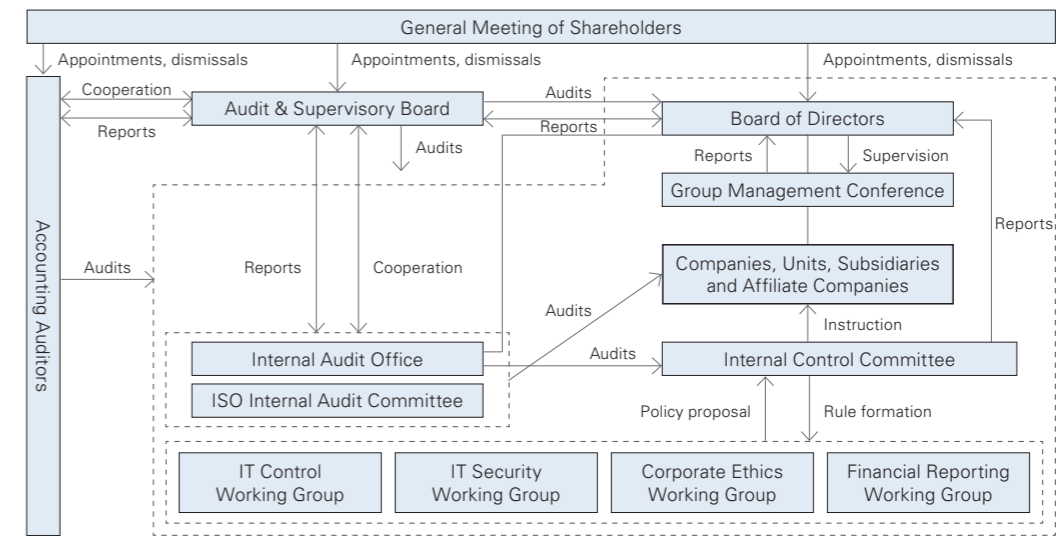


Collected baseball equipment

# Corporate Governance

**Basic Policy** | FANCL will raise management efficiency and transparency by rigorously enhancing corporate governance  
Internal control within the Group will be built and established on the foundation of FANCL's corporate philosophy

## Corporate Governance Framework



### The Board of Directors and the Group Management Conference

The Board of Directors comprises 14 directors, one of whom is an outside director. The board makes decisions on important issues regarding the execution of business and other statutory matters, and receives reports on and supervises the status of execution of business at the Company and its subsidiaries.

The Group Management Conference comprises directors, members of the Audit & Supervisory Board, and executive officers. The conference conducts preliminary deliberations on matters for decision by the Board of Directors, and deliberates on important matters regarding management, within the scope of authority granted by the Board of Directors.

### Company with an Audit & Supervisory Board

FANCL has adopted an Audit & Supervisory Board system, and has appointed the outside director and two outside Audit & Supervisory Board members as outside officers. The auditing framework is further strengthened and enhanced through coordination between the Audit & Supervisory Board and the Company's Internal Audit Office.

### Tenure of Directors

Starting June 2005, FANCL revised the tenure of its directors from two years to one year. This was done with the aim of building an optimal management structure in flexible response to changes in the business environment.

### Outside Directors and Outside Audit & Supervisory Board Members

FANCL appoints outside directors and outside Audit & Supervisory Board members to utilize their opinions and recommendations from diverse points of view in management and to further strengthen supervision over the execution of business. When appointing outside directors and outside Audit & Supervisory Board members, FANCL's practice is to select individuals deemed to be adequately independent.

### Executive Officer System

FANCL introduced an executive officer system in June 1999 with the aim of separating business execution from the supervisory function of management. Furthermore, the title of executive officer was divorced and accorded separately to each individual when a management system involving titles such as president, senior managing director and executive managing director was, in effect, abolished in June 2004.

## Message from an Outside Audit & Supervisory Board Member

### Hands-On Approach to Fulfilling My Duties as an Audit & Supervisory Board Member

As a member of the Audit & Supervisory Board, I have monitored the management of FANCL for over 19 years. Since shifting to a holding company structure in April 2014, my view is FANCL's Board of Directors of the holding company has functioned effectively under the leadership of Chairman Kenji Ikemori, the company founder. Since founding FANCL, Chairman Ikemori has worked tirelessly to eliminate negative attributes, while adapting to changing social needs in an evolving world. In recent years, his goal for the Company has been to eliminate bottlenecks to making decisions rapidly to keep pace with the accelerating transformation of society.

One of the salient characteristics of FANCL's Board of Directors is the high attendance rate of each of the directors. Almost every meeting of the board convenes with full attendance so that opinions can be exchanged aptly with the appropriate timing. One aim of FANCL's shift to a holding company structure was to realize prompt decision-making at each of the Group companies, and my opinion is the Board of Directors meetings at the holding company have met that aim.

In my duties as a member of the Audit & Supervisory Board, I have paid particular attention to rigorously examining and confirming the legality, adequacy and propriety of the resolutions up for discussion, at least one day before the board convenes, to ensure the sound supervision of the Board of Directors. In return, FANCL has made various accommodations to ensure that I can function effectively as an outside member of the Audit & Supervisory Board. For instance, the Company has enabled me to maintain close communication with the standing members of the Audit & Supervisory Board, which has enabled us to request and receive data that we deem necessary as auditors from both inside and outside the Company.

I also think that it's important to get to know the front lines of a company well when conducting audits. I therefore try as much as possible to attend any internal briefings on management policy, the financial results briefings FANCL holds for analysts and investors, events for launching new products, and on-site inventory inspections. I want nothing more than to apply a hands-on approach in fulfilling my duties as a member of FANCL's Audit & Supervisory Board.



Katsunori Koseki  
Outside Audit & Supervisory Board Member

- 1984 FANCL Biken (Currently FANCL CORPORATION)'s Audit & Supervisory Board Member
- 1986 Registered with the Tokyo-Chiho Certified Public Tax Accountants Association
- 1989 Established the Katsunori Koseki Certified Public Tax Account Office (Current)
- 1996 Audit & Supervisory Board Member (Current)

## Overview of the FANCL Group

### Corporate Overview (As of April 1, 2015)

Company name	FANCL CORPORATION
Address	89-1 Yamashita-cho, Naka-ku, Yokohama, Kanagawa-ken
Telephone	+81(45)226-1200 (switchboard)
Representative	Kazuyoshi Miyajima President, Representative Director
Established	Aug. 18, 1981
Paid-in capital	¥10,795 million
Number of employees	664 <small>* Not including contract and part-time employees (1,236 on consolidated basis)</small>
Name and location of research institute	FANCL Research Institute Totsuka-ku, Yokohama, Kanagawa-ken
Principal banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.

### Board of Directors (As of April 1, 2015)

Chairman & CEO, Representative Director	Kenji Ikemori	Executive Officer	Yukihiro Ishigami
President & COO, Representative Director	Kazuyoshi Miyajima	Executive Officer	Kohji Yamaguchi
Vice President, Representative Director	Tsuyoshi Tatai	Executive Officer	Akiko Matsugaya
Senior Managing Director	Mayuko Yamaoka	Executive Officer	Shoko Matsukuma
Executive Managing Director	Kazuyuki Shimada	Executive Officer	Koichi Matsumoto
Executive Director	Toru Tsurusaki	Audit & Supervisory Board Member (Standing)	Seichiro Takahashi
Executive Director	Yasushi Sumida	Audit & Supervisory Board Member (Standing)	Junji Iida
Executive Director	Norihiro Shigematsu	Outside Audit & Supervisory Board Member (Non-standing)	Katsunori Koseki
Executive Director	Yoshihisa Hosaka	Outside Audit & Supervisory Board Member (Non-standing)	Toshio Takano
Director	Tomochika Yamaguchi		
Director	Akihiro Yanagisawa		
Director	Kenichi Sugama		
Director	Gen Inomata		
Outside Director	Norito Ikeda		

### FANCL Group History

April 1980	FANCL Cosmetics founded Launched mail-order sales of cosmetics	December 1999	FANCL listed on First Section of Tokyo Stock Exchange
August 1981	Incorporation of FANCL CORPORATION (FANCL)	March 2000	FANCL ASIA (PTE) LTD. established in Singapore
February 1989	ATTENIR CORPORATION established	August 2000	Launched <i>FANCL Kale Juice</i> at Three-F convenience stores
February 1994	Launched mail-order sales of nutritional supplements	September 2000	Launched <i>Facial Washing Powder</i> at LAWSON convenience stores
March 1995	FANCL began expansion of directly operated shops	October 2002	FANCL B&H CORPORATION established
October 1996	Opening of first overseas store in Hong Kong	April 2003	FANCL Ginza Square opened
July 1997	FANCL INTERNATIONAL, INC. established in the U.S.	January 2008	boscia, LLC established in the U.S.
August 1997	Launched online product orders	October 2013	NICOSTAR BEAUTECH Co., Ltd. established
November 1998	Initial public offering as Japan Securities Dealers Association over-the-counter issue	April 2014	Transitioned to holding company structure FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION established
February 1999	FANCL SMILE Co., Ltd. established		
July 1999	Launched sales of nutritional supplements at 7-Eleven convenience stores		
August 1999	FANCL Dormer Corporation established		

## Annual General Meeting of Shareholders Held

### Held on a Saturday for Directors and Employees to Converse Directly with Shareholders

FANCL views the Annual General Meeting of Shareholders as its most important venue for direct dialogue with shareholders. We strive to make the meeting as open as possible by avoiding the traditional dates when many other companies are also holding their meetings and holding it on a Saturday so that many shareholders are able to attend.

The 34th Annual General Meeting of Shareholders was held at the Yokohama Arena on Saturday, June 21, 2014 and 3,956 shareholders attended.

At the customary reception after the Annual General Meeting, the directors and employees of FANCL deepened their rapport with shareholders through an exhibit of the Company's cosmetics and health food products and services, and by conducting beauty and health seminars. In these and other ways, FANCL will continue to build up its dialogue with shareholders.



421 employees were there to help host the Annual General Meeting

## Third-Party Opinion Digest

As a prerequisite to a good company, the organizational hierarchy and employees must maintain an independent and autonomous relationship. Many employees who work for such a hierarchy have pride in their work and organization, and this enables a company to provide high-quality services and products.

FANCL has a goal of implementing reforms at a speed 10 times faster than before. To this end, FANCL must make the most of the abundant ideas and capabilities of its diverse human resources and adapt dynamically to changes in the business environment. There are a number of preconditions for an organization to become a workplace where diversity can thrive. For one, employees must understand and share the direction and mission of their organization. For another, the organization must provide an environment in which the employees are unafraid to voice their own opinions. I think FANCL is able to proceed speedily with its reforms because it meets these two preconditions.



Sawako Fujii  
Diversity Consultant  
Representative Director, carrier Co., Ltd.

Ms. Fujii provides support in human resource development, diversity lectures and training, and consulting to numerous companies. She is also a part-time university lecturer and active in a wide range of activities including individual counseling and writing.