Held August 4, 2023

FANCL CORPORATION
FY Mar/2024 Q1 Financial Results Briefing
Q&A Session Summary

1. Can you explain the factors behind Q1 sales exceeding the plan by around ¥1.1 billion, and your thoughts on the Q2 plan?

⇒Cosmetics sales exceeded plan by just under ¥700 million, and supplements by just under ¥500 million. In cosmetics, the main drivers were wholesale sales of FANCL Cosmetics, with strong sales of new product *MILD CLEANSING OIL - BLACK & SMOOTH -*, good performance of the renewed *Botanical Force* brand we jointly developed with Seven & i, and good outcomes with Attenir cross-border e-commerce sales on 618 shopping day. In supplements, we achieved strong sales of core products *Calolimit*, *Enkin*, and *Age Bracket-Based Supplements*, exceeding the plan across all domestic channels.

Looking ahead to Q2, we have not revised the half-year plan, instead simply reducing the Q2 plan by the amount we exceeded Q1. This may appear conservative, and we do not currently see any factors likely to cause a slowdown, so we are looking to achieve growth similar to that of Q1.

2. Q1 growth seemed very strong, even compared to the trend in the overall domestic market. What is your view of the cosmetics and supplements markets, and FANCL's situation?

⇒In the cosmetics market, there has been a clear recovery since the government reclassified COVID-19 in May this year, and we are seeing improvement in the mid-price tier, which had been struggling. People are getting out and about and removing their masks, and our sales of cleansing and makeup products have been good.

In supplements, the Ministry of Internal Affairs and Communication's survey of household spending showed year-on-year increases in March and April, but May has weakened with a slight minus outcome. Base supplements such as vitamins and minerals, sleep-related, women-related, and eye care products are growing, while diet supplements continue to fall below the previous year's level. Among those, *Calolimit* is trending favorably. We are also seeing a number of our other products outperform the market, including our *Age Bracket-Based Supplements*, which have a unique market position.

3. Why did you not upwardly revise your forecasts? If this progress continues it seems that both sales and earnings will exceed the plan. Are you planning additional investment?

⇒Since we do not revise detailed plans on a quarterly basis, the full-year forecast remains unchanged. If profits look strong, we may increase our expense spending somewhat to get off to a good start in the next fiscal year, but at this point, we are not considering any unplanned investments. In the current fiscal year, our focus is on executing plans to streamline our advertising expenses, revamp our consumer magazine to revitalize existing customers, upgrade our app, and other such initiatives.

4. Inbound sales in Q1 exceeded the plan at ¥500 million, but the impression is that it was not a significant increase. Although visitors from China have not yet returned to Japan at the level expected, what is the outlook for achieving inbound sales of ¥3 billion this fiscal year?

⇒Inbound sales in Q1 were ¥500 million, exceeding the plan of ¥400 million, with supplements in particular growing more than expected. The ratio of Chinese customers was 90% in the fiscal year ended March 2020 at its peak, while it is currently around 70%. A full-fledged recovery has not yet been achieved due to difficulties with visa issuance, a ban on group tours, and high airfares. On the other hand, compared to a few years ago, the percentage of customers from Taiwan, Singapore, Thailand, and Vietnam has increased. We expect the number of Chinese visitors to Japan to increase from August, when the summer vacation season is in full swing, and we believe we can achieve our planned ¥1 billion for the first half of the year and ¥2 billion for the second half.

Ends