

FANCL

正直品質。

FANCL Group Financial Results Briefing For the period April 1, 2023 to September 30, 2023

November 2, 2023

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ESG

Setting the stage for establishing
our new Materiality

Financial Highlights

Results by segment

FANCL

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(Millions of yen)	H1 of FY to March 2023	H1 of FY to March 2024	Change YoY
Sales	50,639	54,077	+ 6.8%
<i>Cosmetics</i>	28,694	29,886	+ 4.2%
<i>Nutritional supplements</i>	18,866	21,394	+ 13.4%
<i>Other</i>	3,078	2,796	(9.2%)
<i>Hatsuga Genmai</i>	996	889	(10.7%)
<i>Kale Juice</i>	964	923	(4.2%)
Operating income	3,350	6,057	+ 80.8%
Ordinary income	4,176	6,362	+ 52.3%
Net income	2,654	4,316	+ 62.6%
※1 EBITDA	5,494	7,995	+ 45.5%
※2 EBITDA margin	10.8%	14.8%	+ 3.9%

※1 EBITDA : Operating income + Depreciation

【Inbound sales (Direct store sales)】

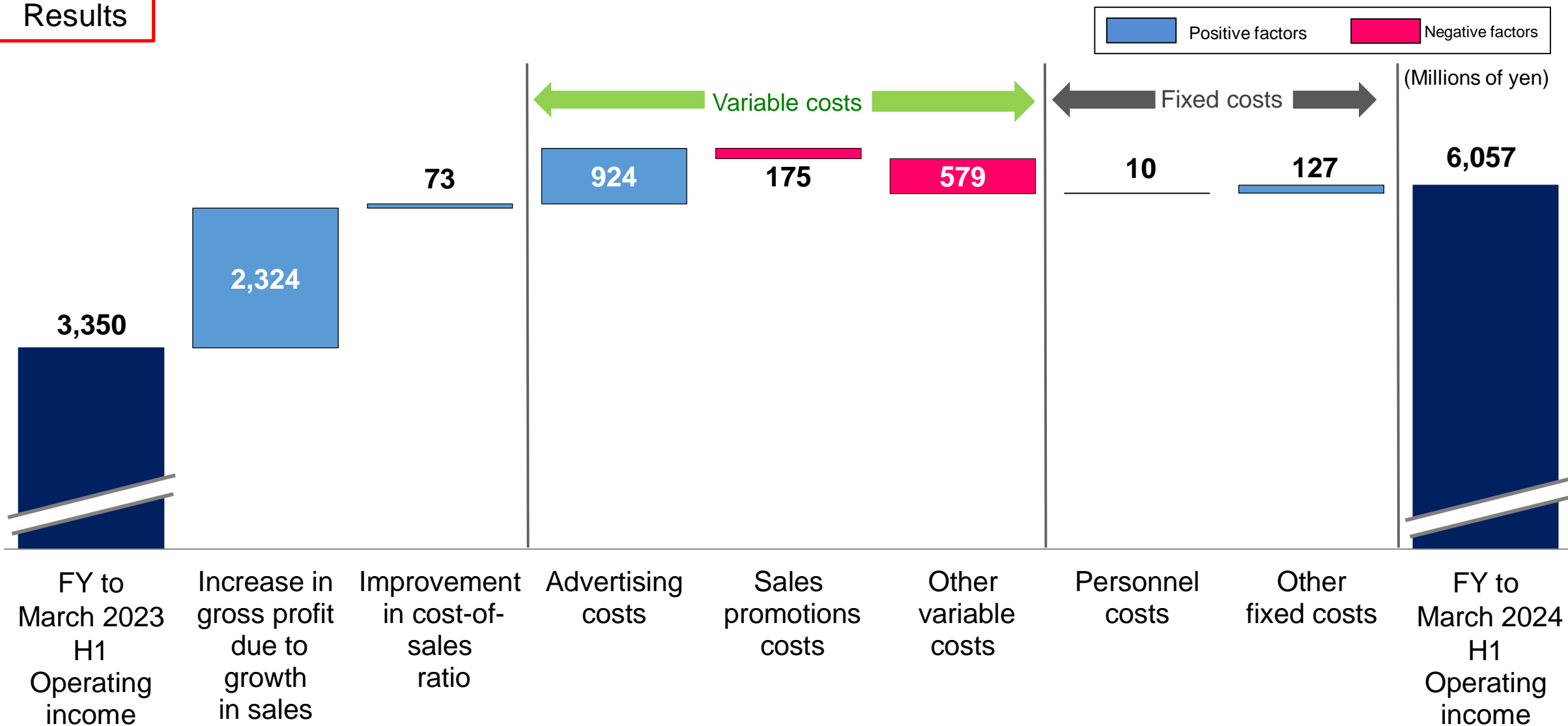
¥1.09B (¥40M in previous comparable period)

※2 EBITDA margin : EBITDA / Sales

Sales breakdown (6-month period)		
Region	Amount	Change YoY
Domestic	49,090	+ 6.2%
Overseas	4,986	+ 12.7%
Cosmetics		Amount
FANCL	Domestic	20,253
	Overseas	1,177
	Total	21,431
ATTENIR	Domestic	6,457
	Overseas	1,217
	Total	7,675
<i>boscia</i>	358	(10.1%)
Nutritional supplements		Amount
Domestic	19,167	+ 11.9%
Overseas	2,226	+ 28.1%
Total	21,394	+ 13.4%

H1 Analysis of change in operating income

Results



Outlook for full year

Outlook of FY to March 2024

(Millions of yen)	FY to March 2023	FY to March 2024 (plan)	Change YoY
Sales	103,595	111,000	+7.1%
<i>Cosmetics</i>	57,448	61,650	+7.3%
<i>Nutritional supplements</i>	39,871	43,460	+9.0%
<i>Other</i>	6,276	5,890	(6.2%)
<i>Hatsuga Genmai</i>	1,985	1,900	(4.3%)
<i>Kale Juice</i>	2,005	1,950	(2.8%)
Operating income	7,843	12,000	+53.0%
Ordinary income	8,557	12,200	+42.6%
Net income	4,970	8,000	+60.9%
※1 EBITDA	12,220	16,000	+30.9%
※2 EBITDA margin	11.8%	14.4%	+2.6%

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

【 Inbound sales (Direct store sales) 】

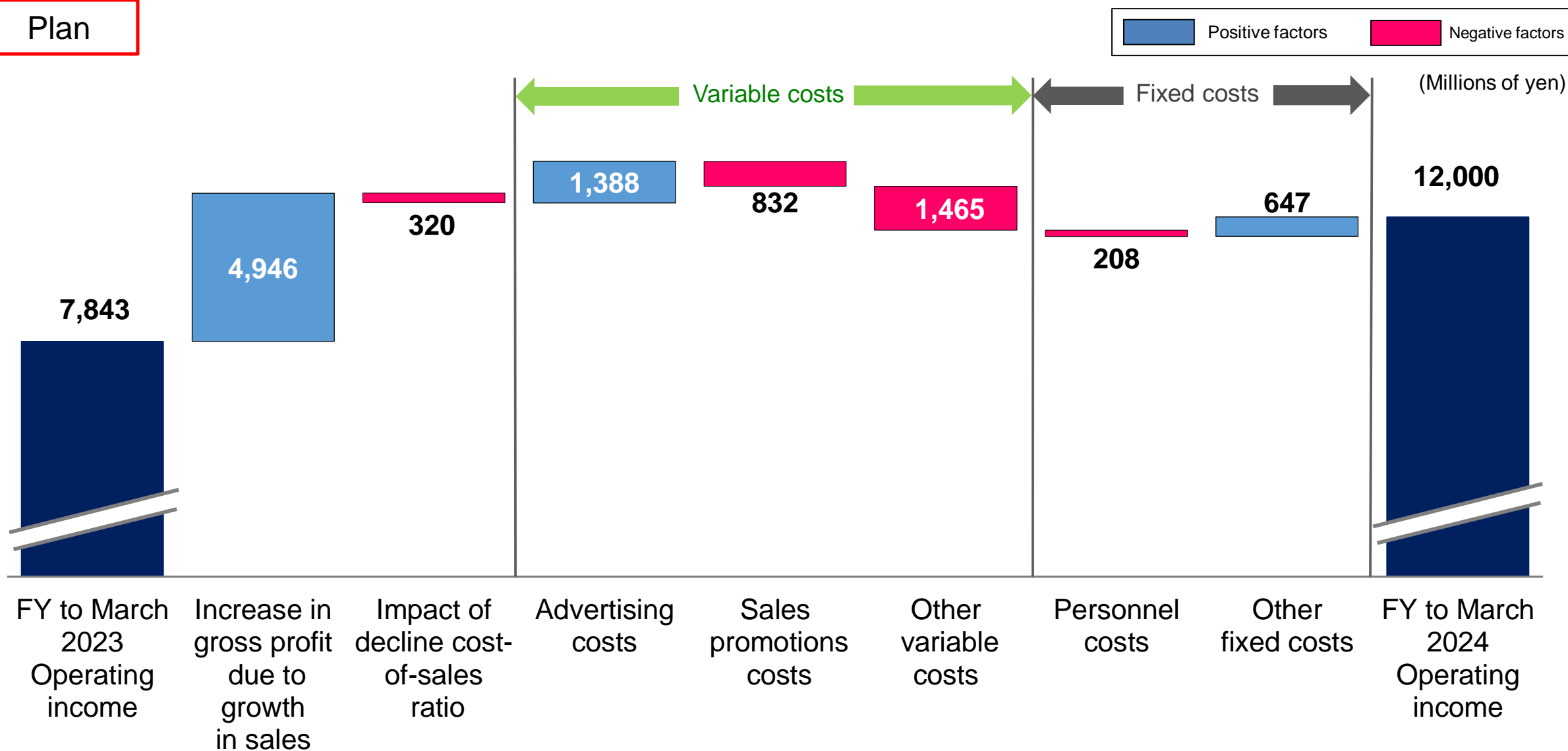
Plan: ¥3B (¥440M in previous comparable period)

Sales breakdown (Full year)

Region	Amount	Change YoY	
Domestic	101,065	+7.7%	
Overseas	9,935	+1.9%	
Cosmetics	Amount	Change YoY	
<i>FANCL</i>	Domestic	41,685	+8.3%
	Overseas	3,135	(12.9%)
	Total	44,820	+6.5%
<i>ATTENIR</i>	Domestic	13,540	+9.1%
	Overseas	1,730	+67.0%
	Total	15,270	+13.6%
<i>boscia</i>	800	+2.1%	
Nutritional supplements	Amount	Change YoY	
Domestic	39,200	+10.3%	
Overseas	4,260	(1.5%)	
Total	43,460	+9.0%	

FY Mar/2024 : Analysis of change in operating income

Plan



First half summary

Progress of FY Mar/2024 plan

Japan sales (excl. inbound) recovered to level higher than pre-pandemic FY Mar/2020

H1	FY Mar/2020*	FY Mar/2024	Change	Growth rate
Online and Catalogue	22.6B	27.5B	+ 4.8B	122%
Stores (excluding inbound)	11.8B	8.9B	(2.9B)	75%
Wholesale	12.2B	11.5B	(0.6B)	94%
Total	46.6B	47.9B	+ 1.3B	103%

Demonstration of strength in operating across multiple channels, centered on D2C

*Excludes impact of Oct 2019 consumption tax increase; Estimate based on revenue recognition standard

Plan	Progress	H1 achievements and key points going forward		
Expand sales through effective marketing	◎	<ul style="list-style-type: none"> Shifted a portion of advertising expenses to external online and catalogue platforms, effectively expanding sales and acquiring customers Promoted retention and activation of existing customers, mainly through subscriptions <p>FANCL's online and catalogue sales (cosmetics and supplements): 106% YoY</p>		
Rebuild store channels	○	<ul style="list-style-type: none"> By attracting customers through events and implementing counseling, existing store sales were 116% YoY (Q2; excl. inbound) 		
Accelerate globalization	○	China supplements	◎	Shifted to schemes where FANCL can play a larger role
		Attenir	◎	Exceeded plan through live commerce by KOLs
		boscia	△	Advancing structural reform for e-commerce. Sales at real stores sluggish
		Other		Began discussions with Blackmores on creating synergies

Limited impact from nuclear plant treated water release

Impact of nuclear plant treated water release offset by H1 sales growth and additional countermeasures

◆ Impact on sales

Area	Max impact amount	Details	
China supplements business	-1.5B	Shipments	<ul style="list-style-type: none"> • Test shipments cleared customs. However, customs clearance requires considerable time • Switching marine-derived raw materials of Japanese origin to foreign products. Scheduled to be completed by year end
		Sales	<ul style="list-style-type: none"> • Some KOL promotions cancelled
Attenir	-500M	Sales	<ul style="list-style-type: none"> • Some KOL promotions cancelled
Inbound	None	Sales	<ul style="list-style-type: none"> • No impact on inbound demand

◆ Additional measures

Area	Main measures
Online and catalogue	<ul style="list-style-type: none"> • Strengthen promotions to existing customers whose purchase amounts and frequency have recently declined
Store/wholesale	<ul style="list-style-type: none"> • Strengthen promotion of core products (incl. <i>Calolimit</i>, <i>Naishi Support</i>, and <i>Age Bracket-based Supplements</i>)
Attenir	<ul style="list-style-type: none"> • Strengthen 35th anniversary campaign and external online and catalogue platform sales
Costs	<ul style="list-style-type: none"> • Reduce administrative expenses, review overseas marketing expenses

Cosmetics Business

Core cleansing, basic skin care customer base expanding. H2: cross-selling proposals with new products

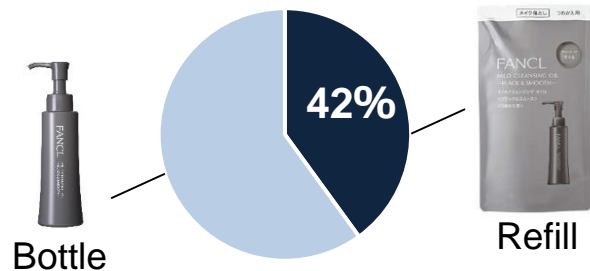
MILD CLEANSING OIL –BLACK&SMOOTH–
performing strongly



MILD CLEANSING OIL –BLACK&SMOOTH–
Launched April 18, 2023

- Cumulative sales reached **1 million units** in 4 months from launch
- **Refillable version** launched August 17

Percentage of refill version sales



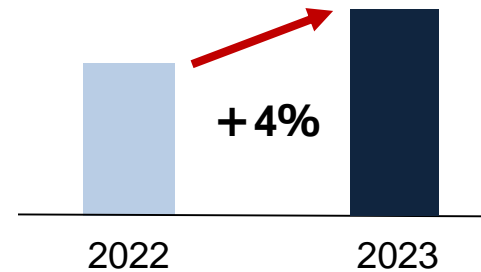
Steady repeat purchases.
Aiming to continue efforts
to expand customer base

Expansion of rate of basic skin care subscriptions

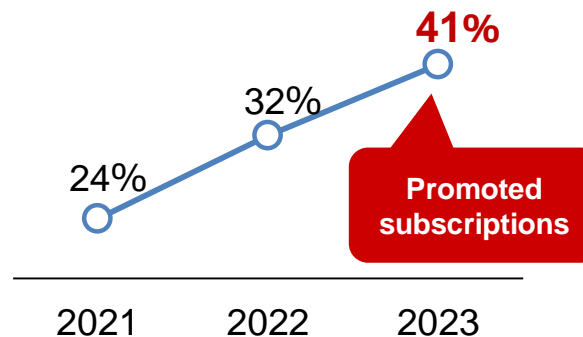
Led by **Brightening line**



Basic skin care sales
(H1, online and catalogue)

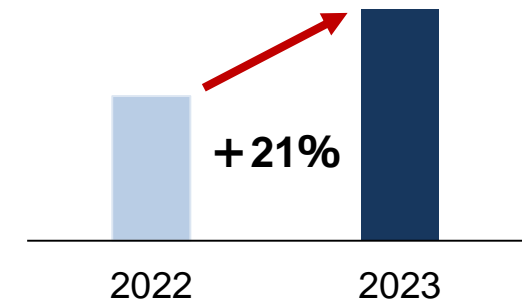


Subscription sales as a % of total
basic skin care sales on our own
online and catalogue platform



Strengthening of cross-selling

CORE EFFECTOR sales (H1)



Actively offering special care and limited
edition products to cleansing and basic
product customers



Limited edition
**Mild Cleansing
Oil**

Eye area moisturizing cream
Clear Eye Serum W
Price: ¥1,980

Make up
(Renewal in 2024)

- › Aiming for sales growth through effect of renewal of core products. Overseas: Developing general trading sales into second pillar of our business

Domestic

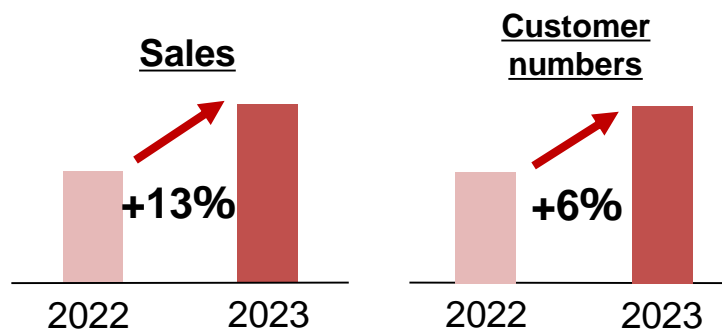
Dress lift and Dress snow

Renewed version launched on September 19, 2023

Enhanced anti-aging functions



Results in 1 month post renewal



SKIN CLEAR CLEANSE OIL



Renewed version to launch on November 15, 2023

Evolved into a cleanser that treats roughness and dullness of mature skin and brings transparency to skin

- Newly blended jojoba oil and kukui nut oil relaxes skin surface and **clears dullness**
- **Unique formulation** achieves minimal friction
- **Price increased by 6-10%** with enhanced functionality

Aiming for +15% YoY increase in cleansing sales

Overseas

General trade sales

FY Mar/2019 – FY Mar/2024

Develop into No.1 brand in cleansing category, centered on cross border e-commerce

FY Mar/2025~

Expand recognition as an "anti-aging care brand" centered on basic skin care

- **Planning to sign exclusive sales agreement with a major cosmetics specialty store**
- **Start sales within China from FY Mar/2025**

Health Business

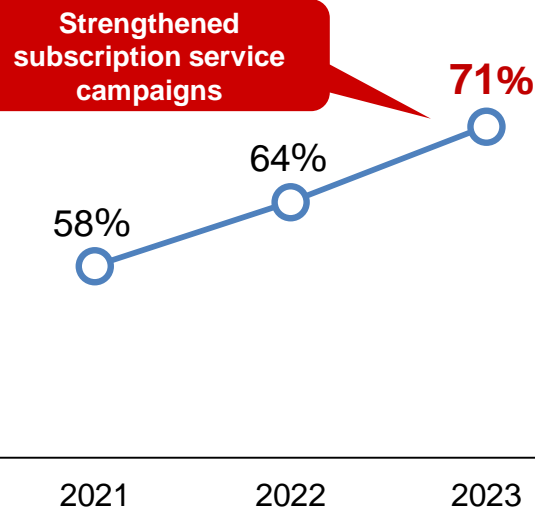
› Stable sales base through subscriptions. In H2: Develop future star products and expand the *Calolimit* brand

Expansion of subscription rate

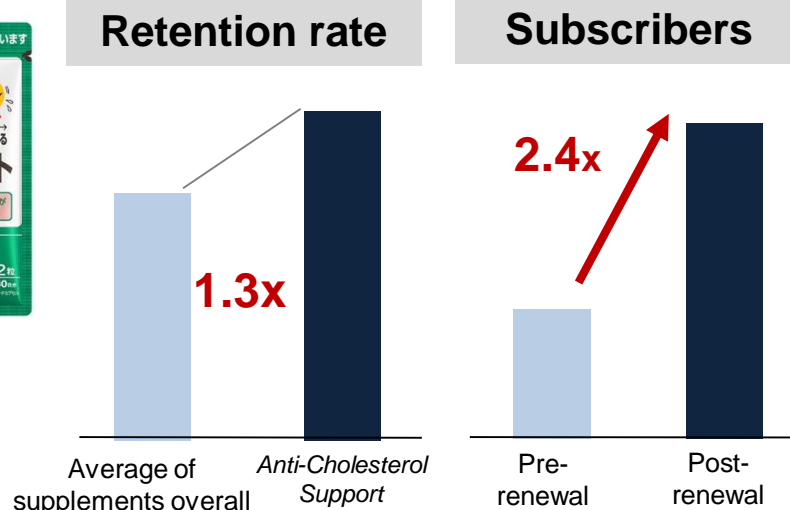
Special features of FANCL subscription service

- Up to 15% off, starting from first delivery
- Change or cancel anytime
- Free shipping

Subscription sales as a % of total supplement sales on our own online and catalogue platform



Future star product: *Anti-Cholesterol Support*



H2 area promotions



Promotions centered on area-specific commercials in Hokkaido, Tohoku, and Shizuoka

Aiming for sales of ¥1 billion this fiscal year

Calolimit Blend Tea launch



KIRIN x FANCL

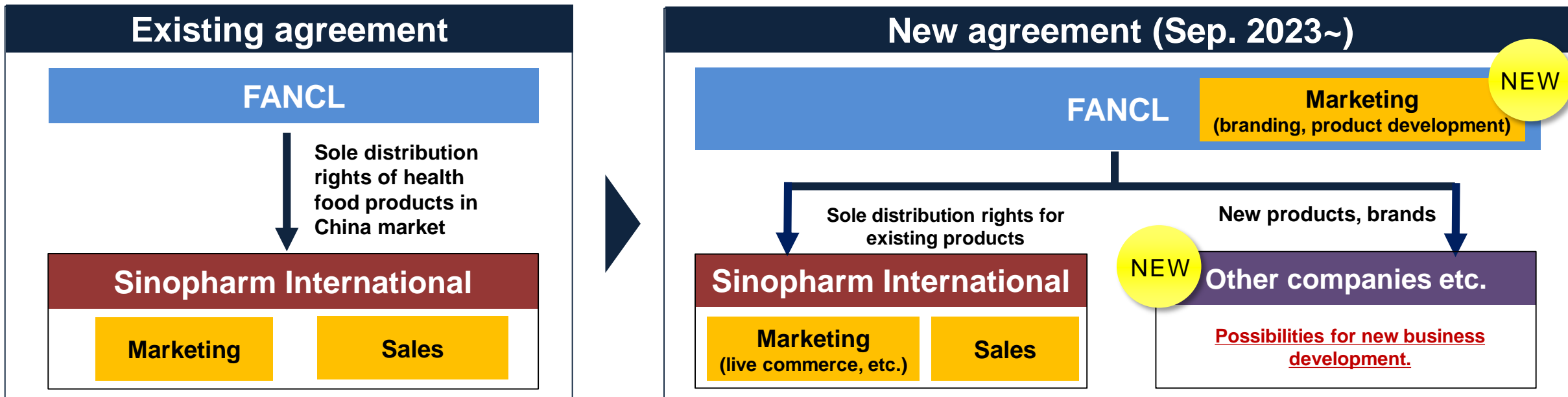
Calolimit Blend tea
(Food with Functional Claims)
Launch: October 2023
600ml ¥170 (excl. tax)

- Suppresses absorption of sugar and fat
- Supports happiness of eating well
- Contains four healthy ingredients
- Caffeine-free

Expand brand awareness and cultivate potential supplement users

- > Revised sole distributorship agreement with Sinopharm International, shifted to schemes where FANCL can play larger role

Details of agreement revision



<Key points of agreement revision>

- **New business development** will be possible through initiatives with other companies.
- As the brand owner, FANCL will work **on branding and product development from a medium- to long-term perspective**.
(Results) Number of Weibo followers (compared to before our involvement): 5.5x higher; number of WeChat views: 2.1x higher
- Reached agreement to **gradually increase wholesale rate** to Sinopharm International. Contribution to overall business performance expected to increase from next fiscal year and beyond.

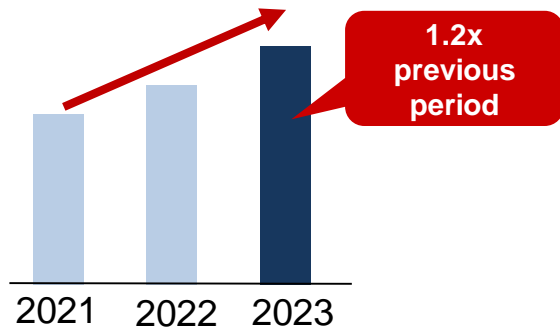
Channel

Online and Catalogue: Strengthen external platforms / direct sales (online and store); promote communication through app

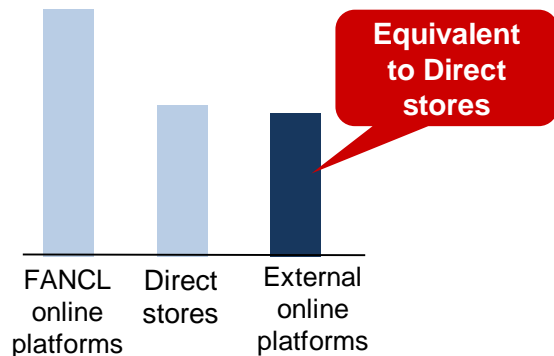
External online and catalogue sales a key growth driver. App transformed to be a mainstay of communication

Strengthen customer base through external online platforms

External platform sales (H1)



Number of purchasers (H1)



User characteristics of each mall

Rakuten	amazon	Qoo10
30s~40s female	40s~50s male	teens~20s female

Strengthened advertising in malls according to customer base of each mall

Significant growth in sales of core products



MILD CLEANSING OIL

1.4x previous period



Calolimit for the Mature Aged

1.3x previous period

Promoting fan conversion through direct sales app

Introducing new features to increase app usage

Annual purchases by app users: **1.4x** that of non-users



FANCL Weather and Skin Forecast (Release: Early November)

Displays weather forecast and quick advice based on UV rays and skin index

Leads app users to "FANCL CLIP" - recommended articles introducing FANCL's unique approach

Transformation into an app that users want to open every day

Stores: Enhance brand experience value

› Promoting store renewals in accordance with characteristics of location and commercial facilities to boost fan conversion

Tailored to younger people

Yurakucho Marui Store
(Renovated on March 9)



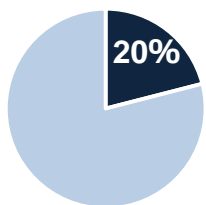
Keihan Mall Store
(Renovated on August 25)



Store designed so that customers can feel free to stop by and touch our products even without assistance

Ratio of customers aged 35 and under

Pre-renovation (existing)

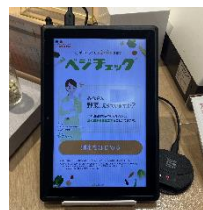


Post renovation (new)



Internal/external beauty focus

Sapporo Mitsukoshi Store
(Renovated on October 27)



Vege check



Bone densitometer

Targeting the mature aged by utilizing health check equipment, strengthening internal and external beauty offerings

FANCL Ginza Square

Shop floor (Renovated on November 1)



Community Studio (Opened November 22)



Ginza Square-only: experience making your own original MILD CLEANSING OIL BOTTLE

- Makeup Seminars
- Health Seminars
- Personal color diagnosis
- Workshops, etc.




Proposing items and services that only a flagship store can offer

Strengthen connections with customers and increase satisfaction

ESG

Setting the stage for establishing our new Materiality

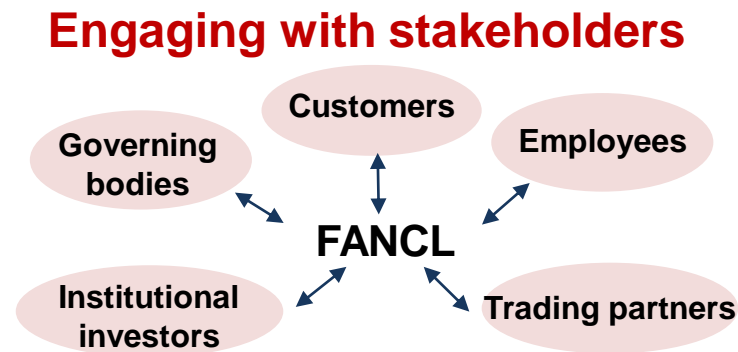
Our Materiality in the current Medium-Term Management Plan

 <p>Environment</p> <ul style="list-style-type: none"> • Response to Climate Change • Reduction of CO2 emissions • Reduction of plastic use • Sustainable Procurement 	 <p>Healthy Living</p> <ul style="list-style-type: none"> • Initiatives to extend a healthy life • Addressing basic nutritional needs • Initiatives to improve QOL 	 <p>Local Communities and Employees</p> <ul style="list-style-type: none"> • Promotion of diversity and inclusion • Contributing to the local community • Evolve educational seminars on beauty and health
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Materiality redesign process for the next Medium-Term Management Plan

- Step 1** Identify candidate materiality proposals based on social issues predicted for the future
- Step 2** Formulate a **Materiality Matrix** through management discussions
- Step 3** **Engage with stakeholders** and incorporate their expectations and requests
- Step 4** Sustainability Committee and Board of Directors engage in in-depth discussions, and make a final decision



Put our founding philosophy into practice, positioning our new Materiality as a management challenge aimed at **eliminating future negatives**

