

# FANCL CORPORATION

## FY Mar/2024 Interim Financial Results Briefing

### Q&A Session Summary

1. Can you explain the factors that have led to your success in acquiring new customers at direct stores and on external online platforms?

⇒Both the Yurakucho Marui and Keihan Mall stores have undergone renovations with the goal of appealing to a younger demographic, making it more convenient for young customers to visit and explore products independently. These stores have also prominently showcased items popular with the younger demographic, including facial cleansers, cleansing products, acne care products, and body milks.

In H1, external online platform sales saw a 20% increase compared to the previous year. We are customizing our promotions and adjusting product offering strategies to suit the unique needs and characteristics of specific customers of each online marketplace. On Rakuten we are focusing on women in their 30s to 40s, on Amazon we are targeting a male audience, and Qoo10 we are catering to a younger female demographic.

2. Is there any change to your inbound sales target of ¥3 billion for this fiscal year?

⇒During H1, inbound sales surpassed our target of ¥1 billion, reaching ¥1.1 billion. There was a temporary slowdown due to high airfares during China's National Day holiday, which has been a consistent trend even before the COVID-19 pandemic. We are optimistic that if airfares decrease in the future, we will see an increase in the number of group tours. Our target for the remainder of the year stands at ¥2 billion, and as of now, there are no changes to the full year sales target of ¥3 billion.

3. Has the release of treated water from the Fukushima nuclear power plant impacted sales in any way?

⇒In Q2, Attenir incurred a loss of ¥250 million in its overseas sales channel. Sales were trending positively through to mid-August and shipments for W11 were progressing. However, we temporarily halted these shipments due to the release of treated water from the Fukushima Daiichi Power Plant in late August. Looking ahead to H2, we anticipate a negative impact of ¥200 million in Q3 and ¥50 million in Q4, due to the inability to execute originally planned KOL live commerce events as well as the need

for inventory adjustments. We intend to make up for this by increasing the frequency of small-scale KOL-driven live commerce events.

As for Sinopharm International, their financial calendar is offset by three months, so there is no apparent impact on sales in H1. However, we anticipate negative effects of ¥900 million in Q3 and ¥600 million in Q4. Despite their initial plans to ship products for W11, they temporarily halted these shipments.

Nonetheless, the impact of local boycotts and rumors seems to be minimal, and we do not expect it to have a prolonged impact. Additionally, due to the prohibition of importing products using marine-derived ingredients from Japan, we are in the process of transitioning to foreign-sourced materials, which we anticipate the completion of by the end of the year.

4. Why are you revising the contract with Sinopharm International?
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⇒ In the past, our primary method of business expansion has been through cross-border e-commerce in conjunction with Sinopharm International. However, as we look to introduce new brands beyond our "FANCL Health Science" brand in the future, we will be exploring fresh business opportunities by partnering with companies other than Sinopharm International. It is important to emphasize that we intend to maintain a strong relationship with Sinopharm International, and we are actively working together to address the challenges associated with the release of treated water, holding daily meetings to work towards a solution.

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