



FANCL Group Financial Results Briefing

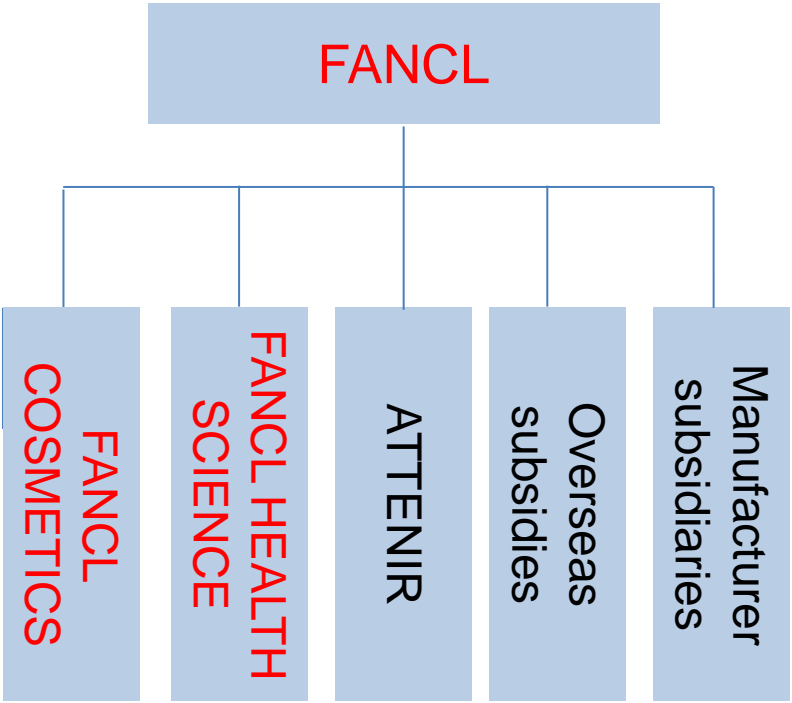
For the period April 1, 2016 to December 31, 2016

January 30, 2017

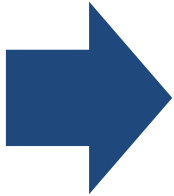
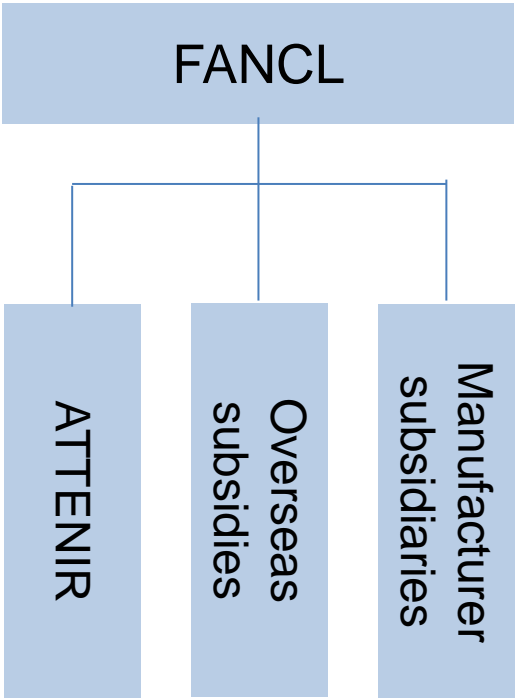
FANCL Corporation has resolved to conduct an absorption-type merger of FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION, effective April 1, 2017

Purpose	Further developing a structure that enables the Medium-Term Management Plan to be implemented more effectively, while dynamically leveraging the strengths possessed by the overall Group.
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<Current structure>



<New structure>



New management structure as of April 1, 2017

New position	Name
Chairman, Representative Director, Founder	Kenji Ikemori
Director, Vice Chairman	Kazuyoshi Miyajima
President & CEO, Representative Director	Kazuyuki Shimada

Financial Highlights

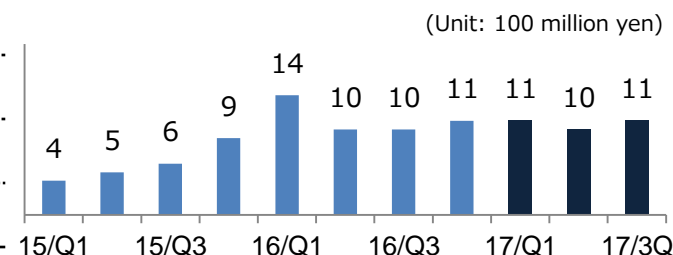
Results by segment

(Millions of yen)	Nine-month period of FY to March 2016	Nine-month period of FY to March 2017	Change YoY	Q3 of FY to March 2016 (10-12)	Q3 of FY to March 2017 (10-12)	Change YoY
Sales	67,986	71,674	+5.4%	24,793	25,510	+2.9%
Cosmetics	41,200	42,228	+2.5%	15,210	15,095	(0.8%)
Nutritional supplements	21,383	23,898	+11.8%	7,614	8,467	+11.2%
Other	5,401	5,547	+2.7%	1,968	1,947	(1.1%)
Hatsuga Genmai	1,982	1,902	(4.0%)	728	650	(10.6%)
Kale Juice	2,096	2,067	(1.4%)	733	699	(4.6%)
Operating income	1,382	(440)	—	1,266	160	(87.3%)
Ordinary income	1,532	(331)	—	1,311	210	(84.0%)
Net income	921	4,001	+334.2%	793	127	(83.9%)

Sales breakdown (9-month period)

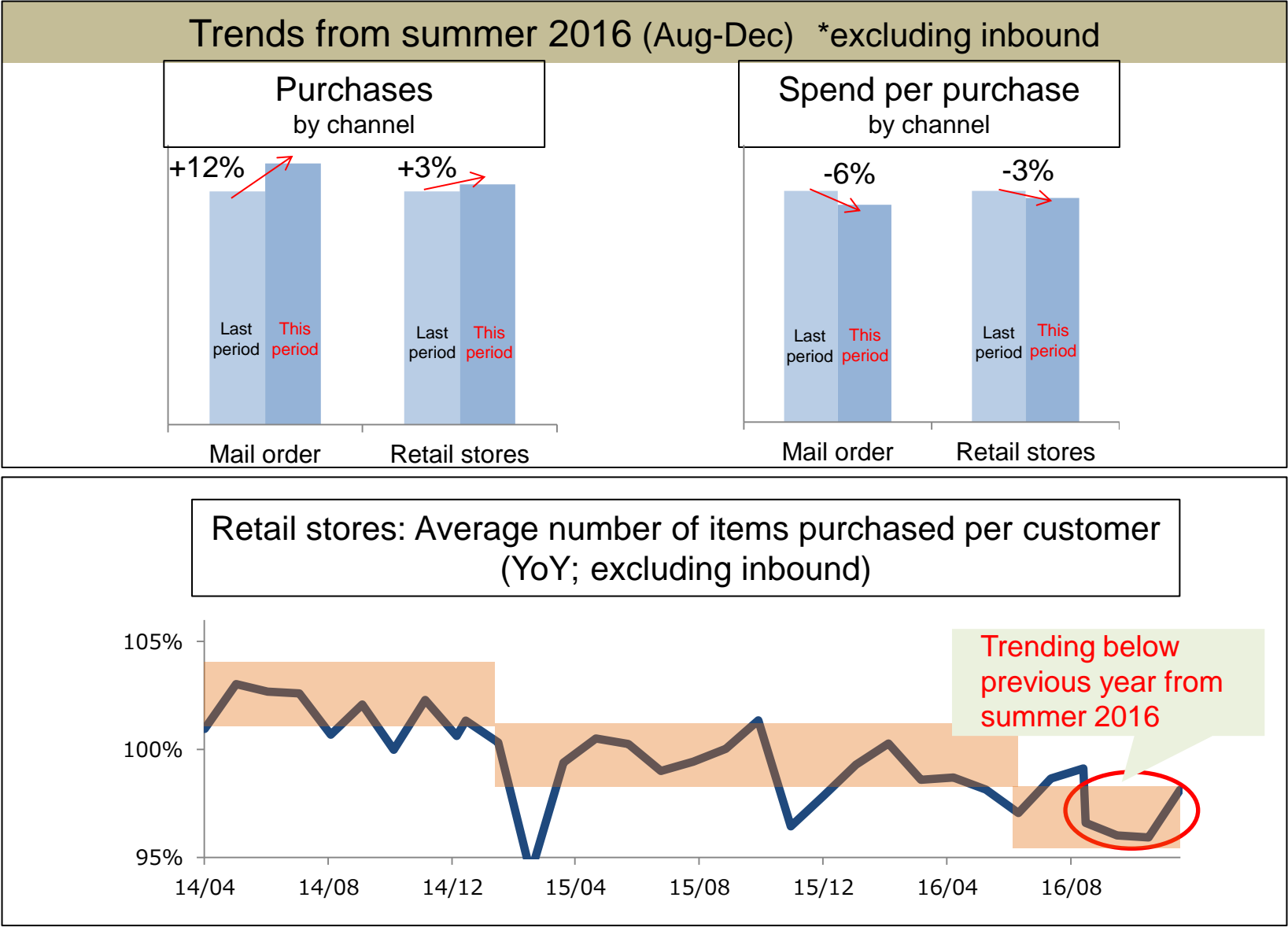
Results by cosmetics brand	FANCL	33,240	-0.0% (Domestic: +0.7%, Overseas: -6.5%)
	ATTENIR	6,748	+18.5%
	boscia	1,587	+4.9% (+16.9% on local currency basis)
Nutritional supplements		23,898	+11.8% (Domestic: +11.8%, Overseas: +11.0%)

Inbound sales(estimated)



Market environment	Stronger sense of budget-mindedness seen in customers since summer 2016. Although purchases are increasing, the spend per purchase has fallen
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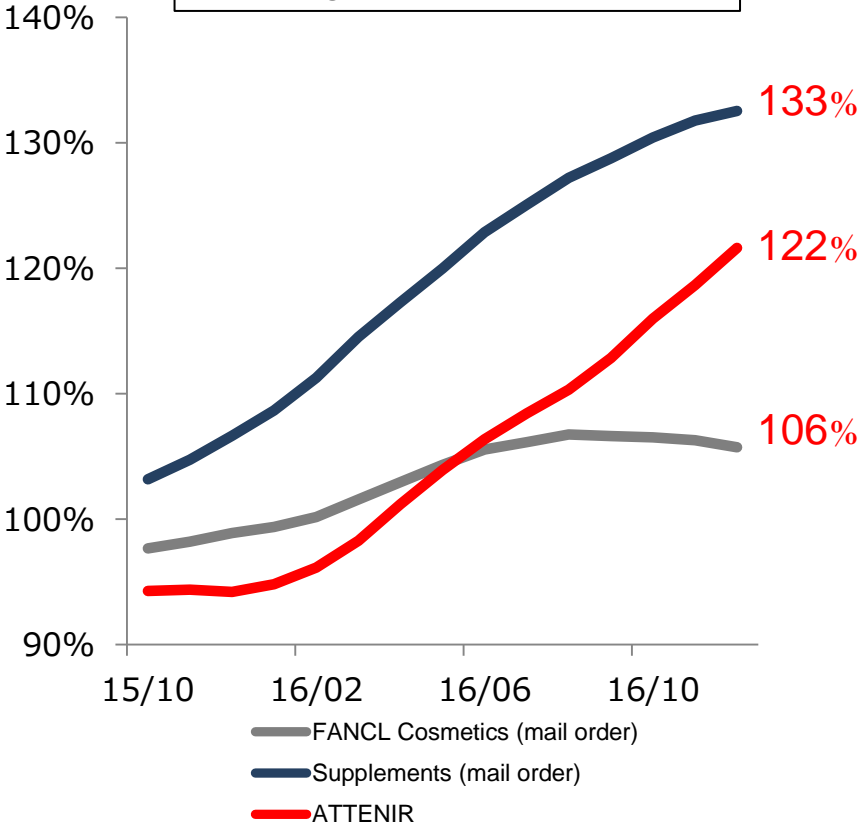
	Channel	Rating	Overall evaluation
FANCL Cosmetics	Mail-order	△	• Fell just short of target as spend per purchase has dropped, offsetting steady increase in customers
	Retail stores	x	• Existing stores below previous year due to drop in spend per purchase
	Wholesale	△	• Airport duty-free stores were just below target
ATTENIR		✓	• Maintained strong performance with enhancement of customer base
Nutritional supplements	Mail-order	✓	• Positive results in new customer acquisitions. Customer numbers this FY set for new record
	Retail stores	△	• Just short of previous year due to drop in spend per purchase
	Wholesale	x	• While advertised products were in line with plan, other products struggled



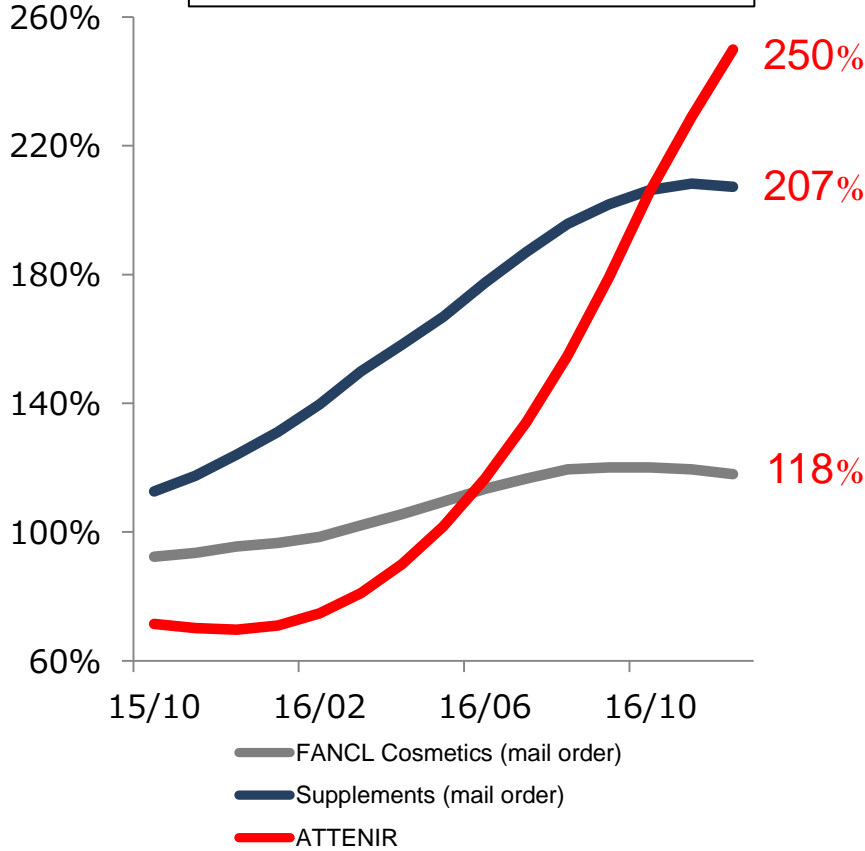
Customer base steadily expanding as a result of advertising-focused strategy

■ Trends in customer numbers (existing) (YoY)

Existing customers (overall)

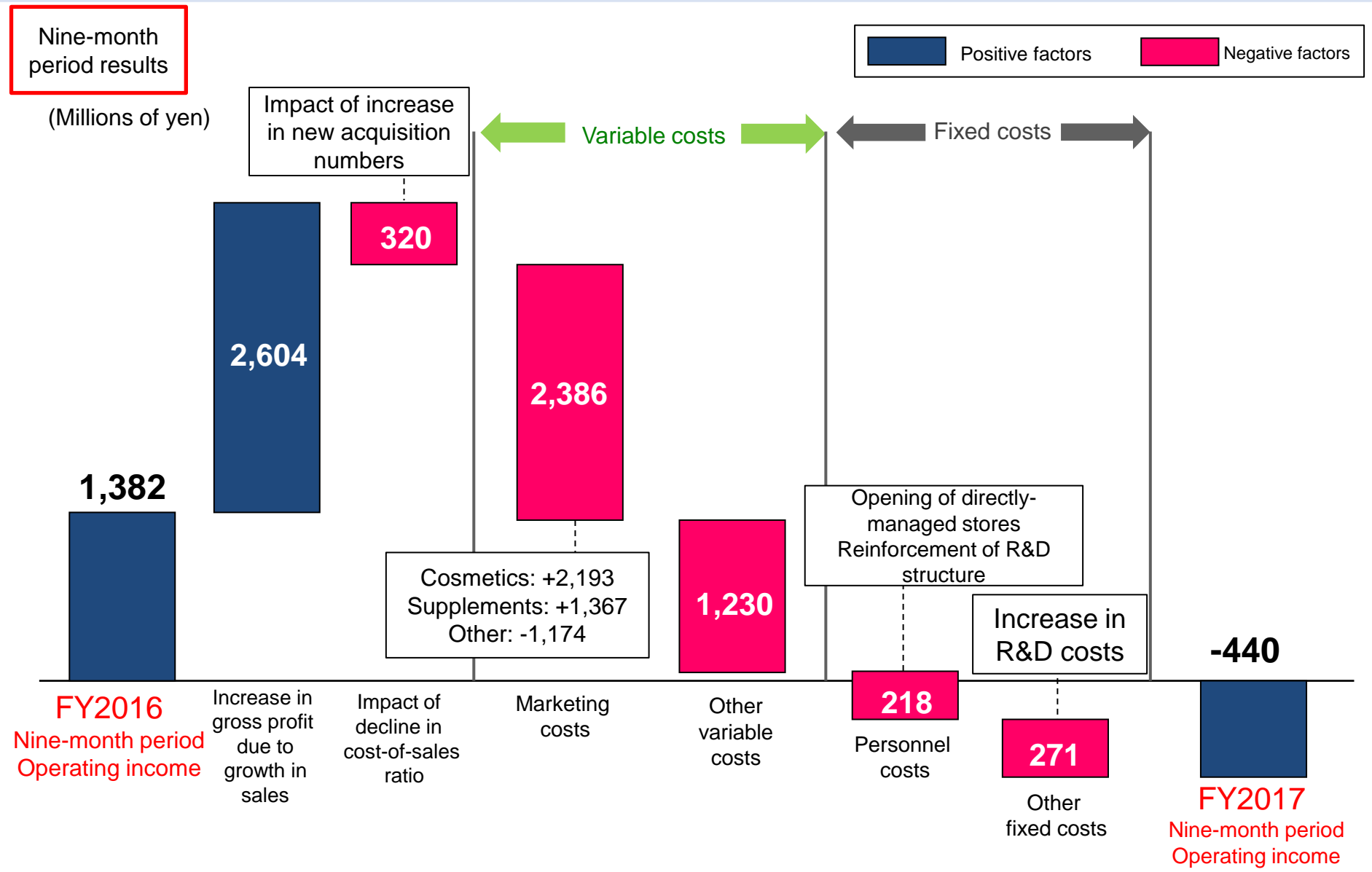


Light users (2-9 purchases)



*Existing customers who have made a purchase in the past 4 months (12-month moving average)

(Reference) Analysis of change in Operating income



Beauty Business

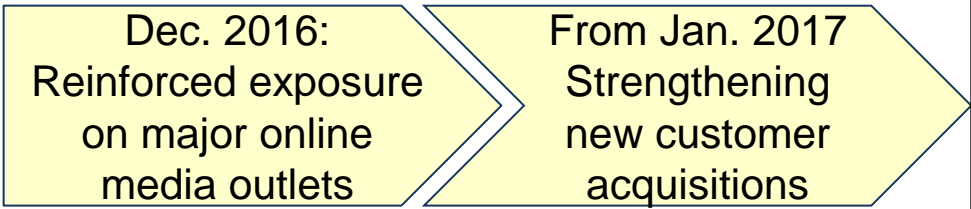
■ Launched promotions leveraging induction into hall of fame at @cosme BEST COSMETICS AWARDS 2016



Web-focused promotions



*Hall of fame induction: Honoring cosmetics that have ranked 1st three times



■ Mutenka Active Conditioning 1st anniversary campaign

Achieve expansion of contact points and reinforcement of independent reviews

Expansion of
contact points

- Magazine tie-ups/ads
- SNS
- Search engine branding ads
- Public transport ads

×

Reinforcement
of Independent
reviews

- Tie-ups with review sites
- Sampling
- Reviews on own site

Q3 (Oct. – Dec.) new customer numbers up 130% compared to plan

<Social media>



<Magazine tie-ups/ads>



Leveraging creation of a real-life drama based on popular comic series Tokyo Tarareba Musume to expand media exposure and evoke conversation on social media

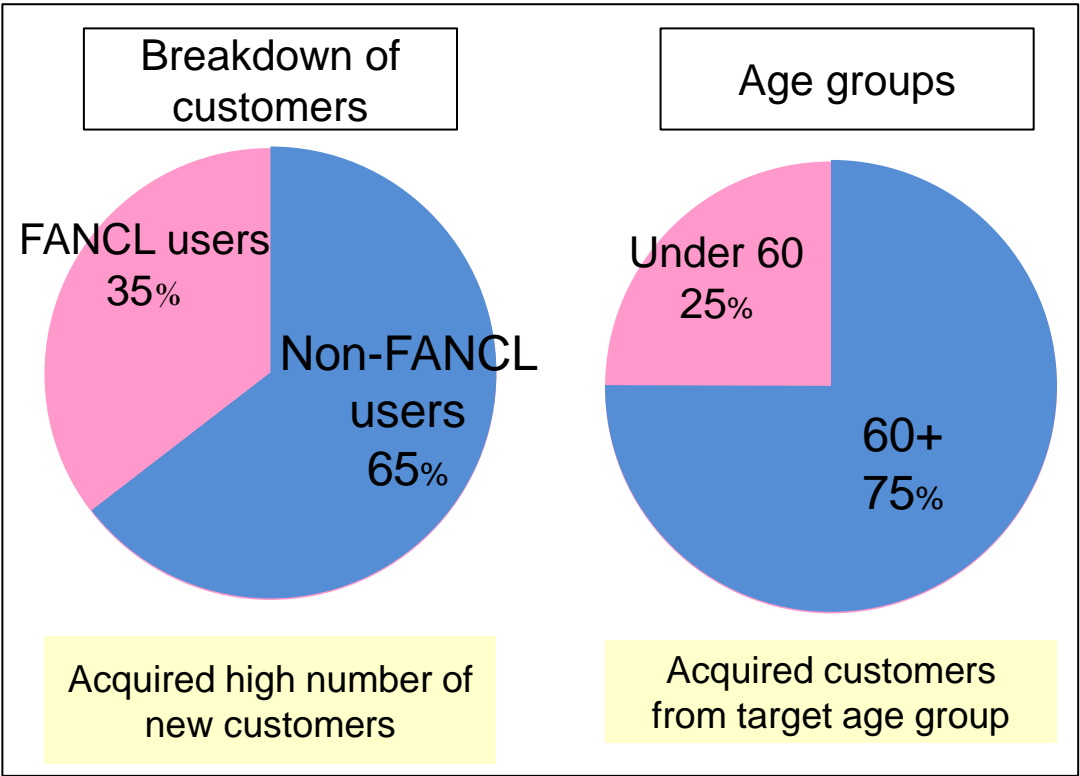
■ Beauty BOUQUET, targeting mature customers aged 60+ (launched Oct. 3, 2016)

Launched test marketing mainly centered on mail order channel
A strong start, with new customer numbers 117% higher than plan



Price: ¥1,620~¥5,184 (incl. tax)

Sales channels: Mail order,
some retail stores
(Available through wholesales in some
areas from January 2017)



Launching test wholesale sales in Shizuoka area from January 2017

■ Revolutionary products well-received by the market

Best Cleanser: 1st place



Skin Clear Cleanse Oil
＜Aroma type＞



Best Eye Care: 2nd place

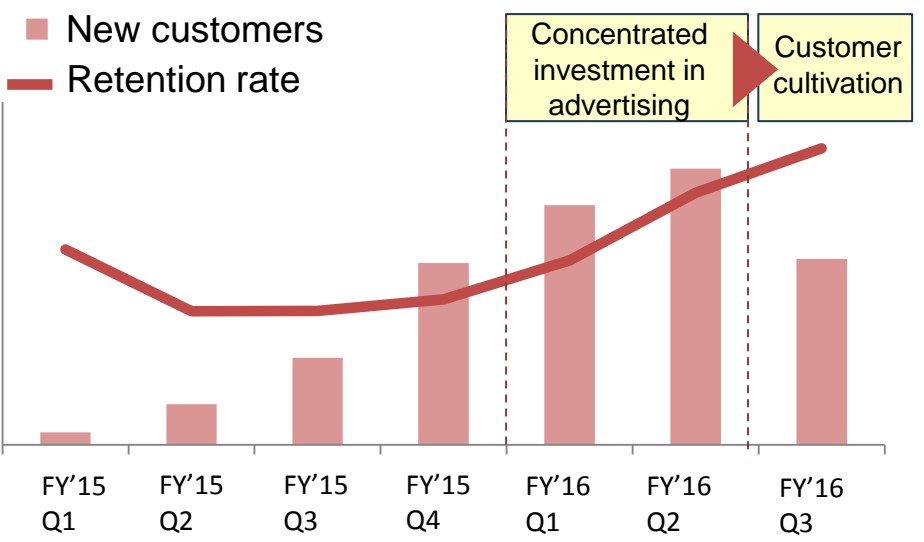


Eye Extra Serum



■ Customer trends

Trends in new customer acquisition numbers and retention rate*



*The ratio of new customers that make a second purchase

New customer acquisition in Q3 was **2.1** times that of the previous year due to revolutionary new products and internet advertising, etc.

Plan to bring existing customer numbers back to record 2008 levels by end of fiscal year

boscia: High growth achieved through speedy product development



Botanical Science with Advanced technology

■ Continue 15-20% annual sales growth with fast introduction of revolutionary new products

Launched Jul. 2016



Sake Bright White Mask
\$38

Launched Aug. 2016



Tsubaki Splash Mask
\$38

Launched Aug. 2016



Charcoal MakeUp Melter
Cleansing Oil-Balm
\$32

Launched Dec. 2016



Charcoal Deodorant
\$20

New products triggering purchases of regular product items.
Within a number of years, aiming for 4.0 billion yen sales at wholesale base –
double the level of the last period

Health Business

Food with functional claims
labeling
Wholesale sales ranking

November 2016

1	Calolimit 30 doses
2	Enkin 30 days supply
3	Calorie Limit for the Mature Aged – Hatomugi Blend Tea (Distributor: DyDo DRINCO INC.)
4	Company A (sweets)
5	Company B (drink)

Survey by TRUE DATE
Customer Communications, Ltd.
Sponsored by Health & Beauty Retail Monthly

FANCL is dominating the top
ranks



Calolimit series sales

Q3 (Oct – Dec)
+10% YoY

*total of mail order, retail stores, and wholesale

Calorie Limit for the Mature Aged
Food with functional claims labeling
launching soon



Enkin sales

Q3 (Oct – Dec)
+34% YoY

*total of mail order, retail stores, and wholesale



Calorie Limit for the Mature Aged – Hatomugi Blend Tea

Jointly developed with DyDo DRINCO INC.
Launched as food with functional claims
labeling in November

■ Launch as food with functional claims labeling on March 17

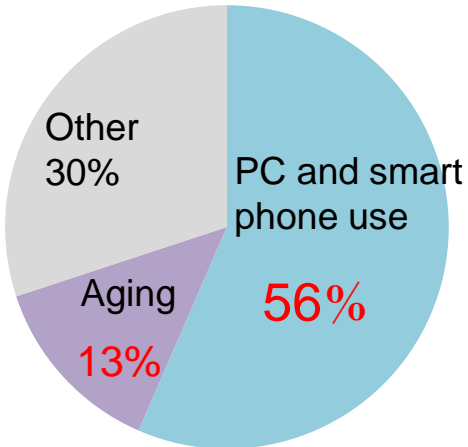


Volume: 30 days supply
Price: ¥1,563 (incl. tax)
Sales channels: mail order,
retail stores, wholesale

<Comparison with *Enkin*>

	<i>Enkin</i>	<i>Sumaho Enkin</i>
Effective against:	Deterioration of eyesight due to age	Eye fatigue from overuse
Target	Middle aged to elderly	Young adults

<Causes of eye fatigue>

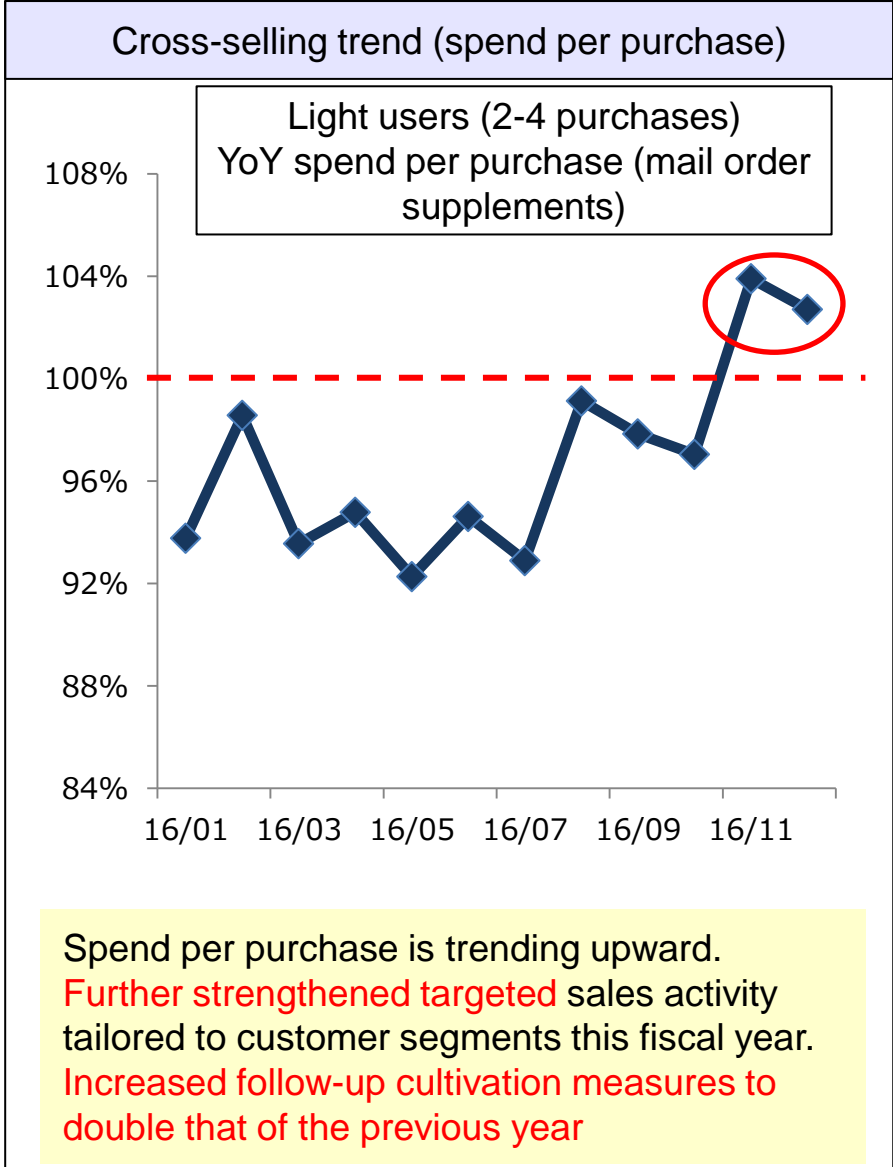
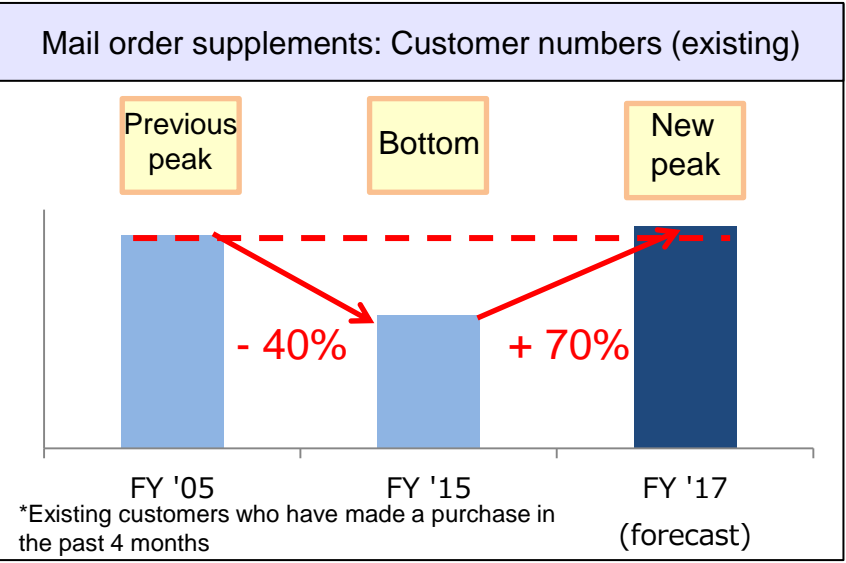
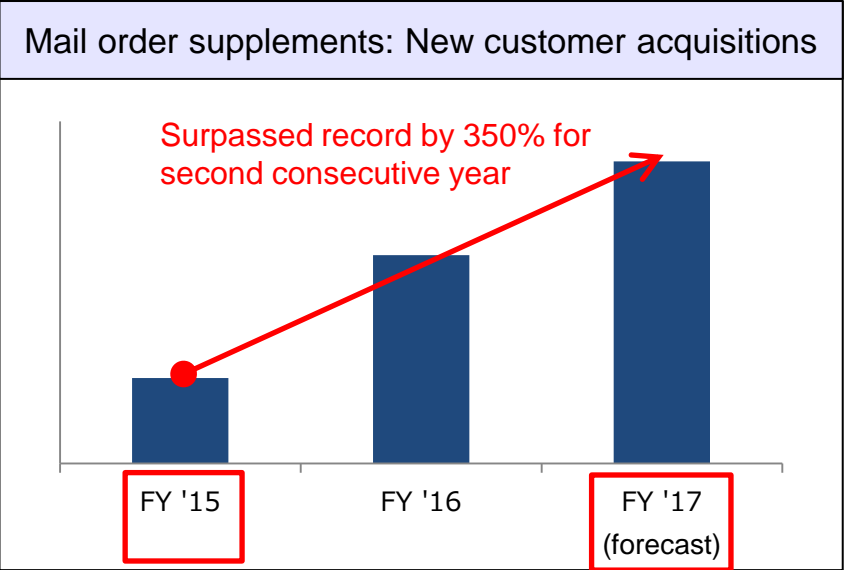


Source: survey by
FANCL(N = 10,008)

The biggest cause was fatigue caused by PC and smart phone use, at 56%. This was common amongst 20-40-year-olds.

Eye fatigue due to aging increased in over-40s.

Efficiently increase sales by leveraging *Enkin*'s high profile to create a series of products



Spend per purchase is trending upward.
Further strengthened targeted sales activity tailored to customer segments this fiscal year.
Increased follow-up cultivation measures to double that of the previous year

Stores

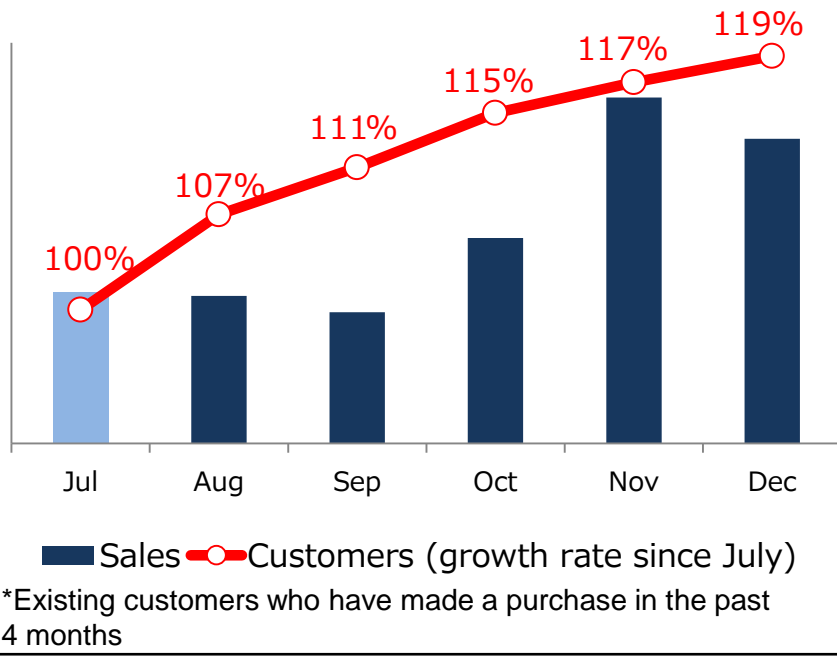
■ Measures to increase activity at retail stores opened since H2 2016

Guiding traffic to directly-managed stores

- Newspaper inserts
- Store-front fairs
- Events
- Store locations events/media



New store sales/customer numbers



The measures have been effective in increasing customers at new stores by 119%

Full Year Outlook

Full-year outlook to March 2017

(Millions of yen)		FY to March 2016	FY to March 2017	Change YoY
Sales		90,850	99,000	+ 9.0%
Cosmetics		55,016	58,500	+ 6.3%
Nutritional supplements		28,612	32,800	+ 14.6%
Other		7,221	7,700	+ 6.6%
	Hatsuga Genmai	2,604	2,700	+ 3.7%
	Kale Juice	2,757	2,840	+ 3.0%
Operating income		1,204	3,000	+149.1%
Ordinary income		1,421	3,100	+ 118.0%
Net income		522	6,200	+ 1085.9%

Sales breakdown

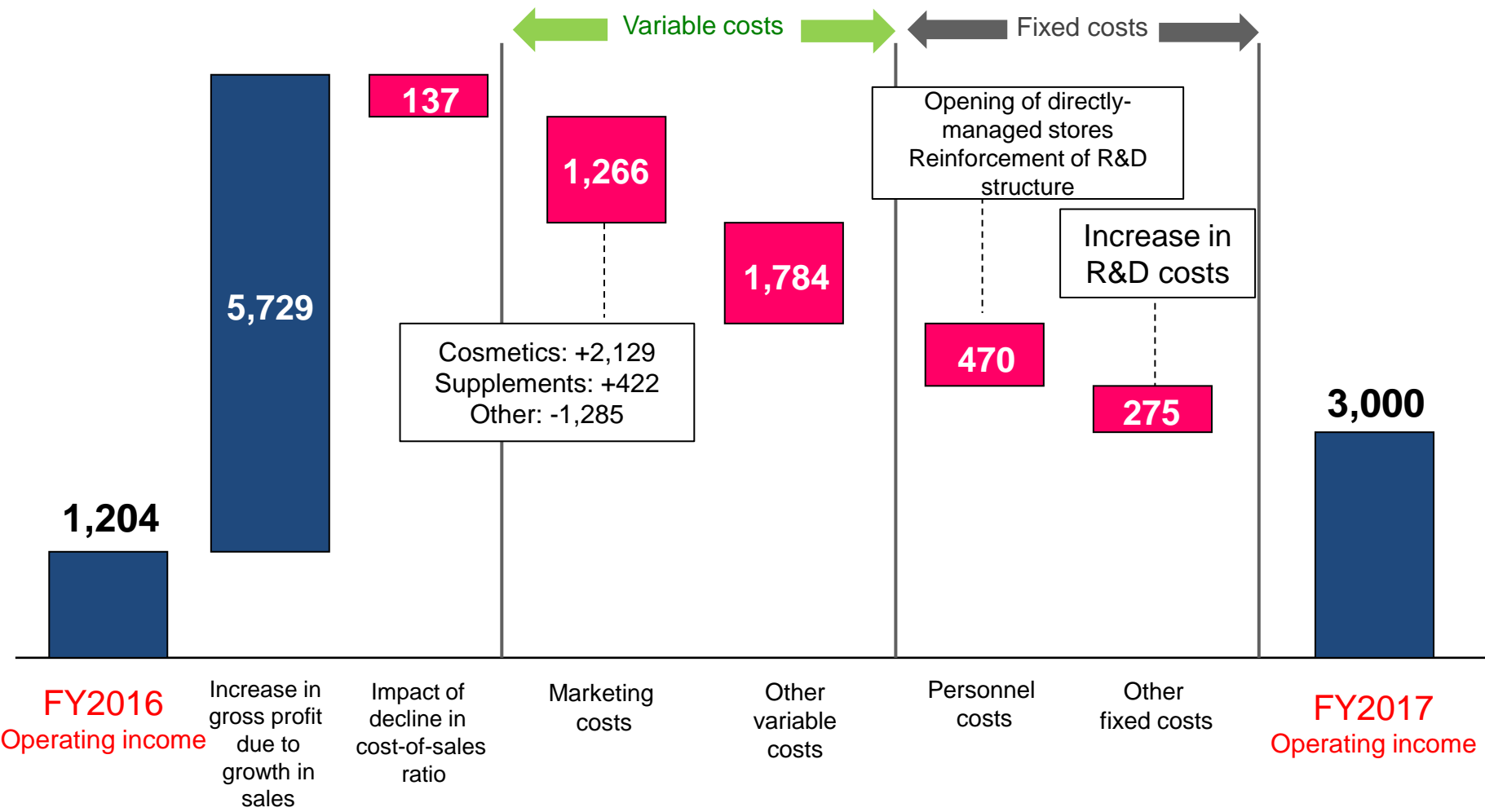
Results by cosmetics brand	FANCL	45,670	+ 3.2% (Domestic:+4.5%, Overseas:-8.1%)
	ATTENIR	9,320	+ 22.1%
	boscia	2,440	+ 13.2% (+ 19.2% on local currency basis)
Nutritional supplements		32,800	+ 14.6% (Domestic: + 15.2%, Overseas: + 4.3%)

Plan

Positive factors

Negative factors

(Millions of yen)



1. FY2018 positioning

◇Final year of the Medium-Term Management Plan (FY 2016-2018)

◇A year of producing the results of our advertising-led strategy. Continue growing sales and improving profitability.

2. Main policies

FANCL Cosmetics	<ul style="list-style-type: none"> •Strengthen and develop advertising, centering on web advertising •Strengthen drugstore deployments (<i>Beauty BOUQUET</i>, campaign products, etc.)
ATTENIR	<ul style="list-style-type: none"> •Accelerate growth through introduction of new products and independent communications strategy
Supplements	<ul style="list-style-type: none"> •Cultivate and serialize star products, strengthen cross-selling, develop intra-organizational sales channels
Retail stores	<ul style="list-style-type: none"> •Open high-quality stores in select locations, strengthen internal and external beauty counselling, increase activities at individual stores
Overseas	<ul style="list-style-type: none"> •Accelerate growth of <i>boscia</i>, accelerate development in Asia, prepare to launch supplements in China
Advertising	<ul style="list-style-type: none"> •Develop advertising with emphasis on internet •Develop advertising for company stance that sets 'Honest Quality' front and center
Costs	<ul style="list-style-type: none"> •Maintain advertising costs at the ¥15bn level but make sales promotion costs more efficient. Strive to reduce other costs

New supplement service to meet companies' health and productivity management needs

Business model

Supplements

An abundant line-up of over 130 different supplements
Allows employees to choose supplements that match
their style of work or health status



Pricing

Special discount	Business owners Cover XX% of cost	Employees Cover XX% of cost
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Covered by FANCL

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Main health services (optional)

Health seminars



Counselling
(Email, phone, in person)



Lifestyle evaluation
and advice



Vascular observations,
blood vessel age checks



