

FANCL announces new medium-term business plan

YOKOHAMA, March 29, 2012—FANCL Corporation, at a meeting of its board of directors, today decided the details of a new medium-term business plan for the three-year period from April 2012 to March 2015.

Since its establishment, FANCL Group has operated under a philosophy of building a system to eliminate negatives in the consumer experience, and has continued to challenge common industry practice with its *preservative-free cosmetics, dietary supplements, hatsuga genmai* and *kale* businesses. However more than 30 years on from its establishment, amid rapid change in the market environment FANCL's businesses are struggling to stand out, and profits have reached a plateau.

Accordingly, a new medium-term business plan has been formulated to put FANCL's business back on a path of growth. FANCL will work to achieve its long-term future vision through the steady execution of this plan.

1. Long-term vision

Based on its philosophy of eliminating negatives, FANCL will clearly redefine and continue to evolve the branding of its cosmetics and health food business.

Cosmetics business

FANCL aims to establish its position as a Global Premium Brand, with a core focus on the value of "making beauty possible—preservative free".

Health business

FANCL will help realize a healthy way of life for all customers as a lifetime health partner, offering products and services that promote "Good Aging" by maintaining good physical and mental health.

2. Medium-term business plan

FANCL has designated this plan as a three-year challenge in pursuit of its long-term vision, and the following four themes have been established as key strategies.

(1) Cosmetics business

FANCL will convey the value of FANCL cosmetics as "making beauty possible—preservative free", aiming to attract new customers, raise brand loyalty and reinforce business foundations.

<Product strategy>

FANCL will work to innovate its cosmetic products and launch them on the market as a complete personal cosmetics range focused on preservative-free technology.

<Sales strategy>

FANCL will promote the seamless expansion throughout mail-order, direct and internet sales channels of a new counseling system which has been developed based on FANCL's own preservative-free philosophy, and will offer a more personalized sales approach by utilizing a new system which enables it to consistently provide information tailored to its customers.

<Brand communication strategy>

FANCL will actively invest in advertising and innovative promotional messaging, and convey information and news via FANCL's new comprehensive website with the aim of establishing a new global outlook on preservative-free products.

(2) Health business

From January 2013 FANCL will begin to rebuild its health business under the new 'FANCL Health Science' brand name. FANCL will work to secure greater share in the highly lucrative supplements market for middle-aged and elderly customers by actively promoting the scientifically proven effects of its products and its strong focus on specific areas of health.

<Product strategy>

FANCL will promote further development of supplements using original ingredients created in-house, and expand its lineup of products targeting middle-aged and elderly customers.

<Sales strategy>

FANCL will build on its unique health philosophy, and expand its individually tailored personal counseling throughout multiple sales channels.

(3) Overseas business

FANCL will standardize its brand globally and gradually rebrand FANCL cosmetics in overseas markets starting from spring 2013.

In countries where it already has a presence, FANCL will implement the full-scale launch of mainly internet-based mail order sales and develop its sales network through multiple sales channels, while considering new business development in new markets mainly in Asia.

(4) Reinforcing management foundations

<Systems>

In autumn 2013 FANCL will complete the phased development and introduction of its new customer management system, and will evolve its personalized and seamless multi-channel services and individual customer approach.

FANCL will also develop a highly flexible system foundation that can support the company's overseas development and future IT advancements.

<Store development>

FANCL will implement new store openings in department store complexes in wider Tokyo and regional cities, and enhance counseling functions through store renovations and store conversions.

<Cost reductions>

FANCL will aim to reduce costs by revising all aspects of its product development and material procurement process, from product planning through to production.

<Research and development>

In its cosmetics business FANCL will build on its proprietary technology to further advance its preservative-free cosmetic research and raise the effectiveness of its products, while developing technology which will enable it to provide more personalized cosmetics.

In its health business, FANCL will promote the development of products which bring detectable effects, and products targeting middle-aged to elderly customers, while placing a strong focus on counseling based on independent medical research and development of personalized supplements.

<Human resource development>

FANCL will build the foundations for overseas expansion through the development of globally skilled personnel and the national and international exchange of personnel. FANCL will also enhance the sales and counseling skills of in-store sales staff and call-center staff to raise customer satisfaction and build trusting relationships with customers.

3. Numerical targets

	Consolidated net sales	Consolidated operating profit	Consolidated operating profit margin
FY 2014	¥101.0 billion	¥8.0 billion	8%

* Aiming to accelerate growth in overseas markets with a foreign sales ratio of 15% in FY 2014.

4. Dividend policy

FANCL will continue to maintain the same dividend policy from previous years.

Dividends	Dividend payout ratio of 40% or higher of consolidated net income.
Acquisition of own shares	Own shares may be acquired for the purpose of improving capital efficiency, with consideration for funding requirements for capital expenditure and stock prices.
Cancellation of own shares	Surplus treasury stock of more than 10% of issued and outstanding shares will be cancelled.

Ends