

Briefing on capital and business alliance between FANCL Corporation and Kirin Holdings Company Q&A session summary

1. I understand that Chairman Ikemori approached Kirin about a capital and business alliance. When did the talks begin?
What kind of synergies do you think can be created with Kirin? Do you already have a clear understanding of the expected quantitative effects?

⇒I'm afraid I cannot provide specific details about when the talks began.

Both companies are considering the possible synergies in product development and in the area of R&D. We are working to identify the specific qualitative effects from here onwards.

2. Is product development where you expect to see the greatest synergy?
Please tell me specific details about Kirin's technologies.

⇒From here on there will be a range of discussions carried out between researchers at both companies, and in terms of synergies, product development will be significant. For example, while a beverage product that uses functional ingredients from supplements can be quite quickly commercialized for the domestic market, it may take more time for the development of products based on a slightly deeper level of technology.

Kirin Holdings is engaged in a range of in-depth research, including fermentation technology, immunity and brain research, and with input from our researchers, there is a possibility that this can be utilized in skincare and supplement development.

3. Comparing cosmetics and supplements, do you expect the synergies to be greater with supplements? Also, in terms of sales channels, is the online and catalogue channel going to be the main focus?

⇒Kirin Holdings is aiming to grow its businesses that bridge pharmaceuticals and food & beverages, and therefore we expect the Health Foods business to be given a greater weighting. However, FANCL Cosmetics leads our consolidated earnings, so we will be sure to thoroughly address the possibilities in that area also. For example, *NEO FANCL* products contain ingredients using fermentation technology, *Beauty BOUQUET* products contain hatsuga genmai (germinated rice) ferment extract, and *AND MIRAI* uses a "Sakura Fermentation Charge" ingredient. Ingredients using fermentation technology are thought to be highly effective in skin care, and we look forward to seeing even greater possibilities

with Kirin's fermentation and culture technologies.

In terms of channels, Kirin has overwhelming strength in the wholesale channel, so we believe that FANCL can contribute the greatest in the online and catalogue channel, particularly in e-commerce.

4. Do you plan to access each other's sales channels?

⇒No specific decision has been made on this, but as an example, we understand that approximately half of Kirin's vending machines are located in offices. It may be possible to offer products that contain functional ingredients which address the typical health concerns of office workers. Additionally, if we can develop joint products under the "FANCL Health Science" and "x (by) Kirin" brands, we could sell them at FANCL direct stores or on our e-commerce platforms. Our aim is to keep an open mind and consider all options.

5. What sort of synergies do you expect in your global expansion?

⇒Kirin Holdings possesses a strong network focused on Southeast Asia, a region that is currently not covered by FANCL, so we hope to gain knowledge in that area. Additionally, if we are able to bring new supplements to the market using Kirin Holdings' ingredients and R&D capabilities, there is a possibility that we can sell them in the Chinese market at some point in the future.

6. I believe the founder's shareholding ratio was approximately 37%. Was the entire stake sold to Kirin in this deal?

⇒Last year, the company bought back about 6% of its shares, so the founder's shareholding dropped to about 33%.
About 1% is expected to remain after the sale to Kirin.

7. Is there a clause in the agreement which states that Kirin shall maintain its 33% stake in FANCL?

⇒While I am unable to talk about the details of the agreement, I can say that it includes a clause stating that the company shall remain listed.

8. This agreement sees the addition of a new major shareholder. With this in mind, it will be important that there is a system in place that protects the value of minority shareholders. Currently there are three outside directors, and considerable efforts are being made with corporate governance. Will you consider further initiatives to protect the value of minority shareholders, such as increasing the number of outside directors?

⇒With this transaction, Kirin becomes a shareholder of less than one-third, and FANCL maintains its independence as a listed company. We of course continue to highly value

the position of our minority shareholders.

FANCL currently has approximately 80,000 shareholders, most of which are individual shareholders. Since the company's listing, we have continued to hold general shareholder meetings on Saturdays, and usually see around 5,000 attend the venue, which is the Yokohama Arena. We have always strongly valued our minority shareholders. There is growing demand for enhancements in the area of governance, and currently three out of our nine directors are outside directors. From the next fiscal year our policy will be that more than one-third are outside directors, and we will ensure that management is carried out with consideration for minority shareholders.

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