

FANCL Report 2017



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A History of Creating Value

FANCL is committed to eliminating the negatives of dissatisfaction, anxiety, and inconvenience for all people throughout the world.

[Founding Philosophy]

Eliminate the
“Negatives” with a
Sense of Justice

[Corporate Philosophy]

“Can Achieve More”

The FANCL Group is a corporation that truly cares for people. FANCL has strived to eliminate customers' negative experience and pursue gentleness, safety, and assurance of its products. We always put ourselves in customers' shoes and the happiness of our customers forms the basis of everything we do.

1980-

Eliminate the
“Negatives”

1980

Kenji Ikemori founded a sole-proprietor cosmetics sales company. Launched mail-order sales of cosmetics

1981

Incorporated Japan fine chemical Sales Co., Ltd. (Current FANCL CORPORATION)

1982

Launched sales of *Mutenka* skin care products, the world's first cosmetics to be completely free of additives



1985

Launched sales of sample packs that by convention were historically provided free-of-charge on the basis that a fee would be by its very nature, motivate customers to use the Company's products



1989

Launched sales of ATTENIR cosmetics that embody the concepts of high quality, low cost, and high fashion sense



1990-

1992

Introduced postbox-sized packaging for delivery to the home



1993

Launched sales of *BELMEIL*, Japan's first *Mutenka* makeup series



1994

Launched mail-order sales of health foods and nutritional supplements; took up the challenge of addressing price slashing



1995

Reduced the prices of products on a large scale by lowering costs through volume production and reviewing service programs



1996

Launched an unlimited return and exchange guarantee system even for products that have been opened

1996

Opened the FANCL Child Care Center within the Company to help female employees continue their work while caring for their children (Closed in 2004)

1997

Launched online product orders

1997

Launched a Designated Delivery Place that enables customers to identify a location for product delivery whether at or away from home with no signature of receipt required



1999

Launched sales of the wet-type *FANCL Hatsuga Genmai* (germinated brown rice), which is more nutritious than white rice and easily cooked



2000-

2000

Launched the mail-order sales FANCL Additional Point Program

2000

Launched sales of the tasty *FANCL Kale Juice* at an affordable price through convenience stores for easy purchase on a daily basis



2012

Renewed the Cosmetics Business brand; launched sales of six skin care lines by age bracket and skin problem

2015

Launched sales of *Enkin*, *Total Fat Support*, and *Blood-Pres Support* utilizing the system of "Foods with Function Claims"



2015

Launched sales of *Skin Solution*, a personal essence, utilizing proprietary The "Skin biomarker Analysis" technology



2016

Launched the FANCL Health Promotion Program to support the employee health management efforts of corporations and associations as a part of the Company's Preventive Healthcare Business activities



2016

Launched sales of *Beauty BOUQUET*, a cosmetic line for mature adults over the age of 60



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Forward-Looking Statements

Forward-looking statements contained within this report are based on information the FANCL Group could obtain at the time of its production. Actual results may vary and statements are subject to change depending on changes in a variety of factors.



Sold in 5mL vials for weekly use from 1982. FANCL will continue to develop *Mutenka* cosmetic technologies going forward.

* FANCL's *Mutenka* products contain no additives, preservatives, sterilizers, petroleum surfactants, fragrances, mineral oils, ultraviolet absorbents, or artificial colorings.

To Our Shareholders and Other Stakeholders

Taking up the challenge of creating new value through the development of products based on our integrated manufacturing and sales framework business model



Kenji Ikemori
Chairman,
Representative Director,
Founder

Kazuyuki Shimada
President & CEO,
Representative Director

Message from the Founder

Rallying to the Company's founding philosophy, FANCL has worked diligently to eliminate the "negatives" present in the world and in each era with a sense of justice.

Looking back some 30-plus years ago, the harm caused by cosmetics was a major social issue. Preservatives were widely used to prevent cosmetics from spoiling, and these preservatives and other additives were causing damage to women's skin. As a result, considerable effort was made to develop *Mutenka** cosmetics and to set many women free from skin problems.

Going back 20-odd years, many people in Japan suffered from lifestyle diseases despite the nation's standing as a developed country. This was largely due to the flood of fast foods and other Western diets, resulting in poor nutritional balance and a decline in dietary habits. Under these circumstances, we focused on nutritional supplements including royal jelly, chlorella, and ginseng, which were expensive at that time. Every effort was made to dramatically reduce prices by engaging in comprehensive activities from research through planning to the manufacture and sale of products. In this manner, we took steps to put in place the foundation for a supplement market.

In putting forward its corporate stance, FANCL is determined to communicate a consistent message of "Honest Quality." In providing cosmetics that are both fresh and *Mutenka*, every effort is made to ensure the safety and peace of mind of all customers. Turning to the Company's supplement activities, FANCL has adopted an Inner Body Effectiveness Design concept. Based on in-depth research into the duration of action and absorption methods within the body, the Company is engaging in the development of a wide range of products.

In order to establish a more robust operating platform, FANCL revised its corporate spin-off system integrating FANCL COSMETICS CORPORATION and FANCL HEALTH SCIENCE CORPORATION into a single entity.

We welcome your expectations in our newly emerged format and ask for your continued support and understanding.

Kenji Ikemori
Chairman, Representative Director, Founder

* FANCL's *Mutenka* products contain no additives, preservatives, sterilizers, petroleum surfactants, fragrances, mineral oils, ultraviolet absorbers, or artificial colorings.

Message from the New President

FANCL has adopted an overarching "ALL-FANCL, ONE-FANCL" policy. Combining our research, manufacturing, business, and sales functions, we will strengthen our ability to generate profit.

- (1) We will make the most of our collective strengths by adopting a comprehensive marketing strategy that encompasses research, development, and sales.
- (2) We will maximize advertising effects by reviewing advertising methods and actively promoting new methods. At the same time, we will foster strong ties of trust with new customers.
- (3) Looking beyond existing sales channels, we will take up the challenge of exploring and developing new and innovative avenues.
- (4) In addition to addressing changes in the structure of society and the continuous stream of innovative technologies, we will maximize the effects of forward-looking investments.
- (5) We will promote employees' health and productivity management as well as diversity (the effective application of a wide range of human resources) and put in place an environment in which employees can shine.

Guided by a philosophy that espouses the importance of solving social issues, FANCL is actively engaged in promoting environmental, social, and governance (ESG) initiatives. We have achieved a certain level of success with various endeavors including efforts to put in place a workplace environment in which women can excel and the employment of people with disabilities. In this regard, the Company has received numerous commendations and awards.

Looking ahead, we will continue to focus on the promotion of employees' health and productivity management. In addition to laying a foundation that will allow employees to reach their full potential, we will adopt bold measures and accept the challenge of an era that is in a constant state of flux to ensure the growth and development of the Company in concert with its stakeholders.

Kazuyuki Shimada
President & CEO, Representative Director

Value Creation through “Honest Quality”

Drawing on the strengths of an integrated manufacturing and sales framework and the support of its management foundation, FANCL is determined to eliminate the “negatives” by adopting an unwavering commitment to “Honest Quality.”

Anxieties, Dissatisfaction, and Inconvenience throughout the World

FANCL's Value Creation

- Achieve the Medium-Term Management Plan
- Maximize shareholder value

Eliminate the “Negatives” in Fiscal 2017

正直品質。

FANCL's overarching aspiration is to eliminate customers' anxieties and dissatisfaction together with the “negatives” present in the world.

Drawing on this aspiration, our journey as a going concern began with the development of *Mutenka* cosmetics.

In addition to our roots, eliminating the “negatives” remains an ongoing challenge.

That is why we consistently maintain a questioning posture.

Will our products delight customers?

Will customers feel free to use our products with confidence?

And, can we provide our products with reliable assurance?

In order to address each of these questions, we place considerable emphasis on the research, verification, and production process.

Above all, we place the utmost importance on the comments and feedback of each and every customer, which form the basis of our every thought.

How can we best meet the requests of each and every customer?

We recognize that our efforts require time and money.

Our endeavors may at times seem awkward and clumsy.

Nevertheless, FANCL's essence is to continuously take up and address each challenge.

FANCL

* 正直品質... Honest Quality

■ Growing burden imposed by medical expenses

■ Aging society

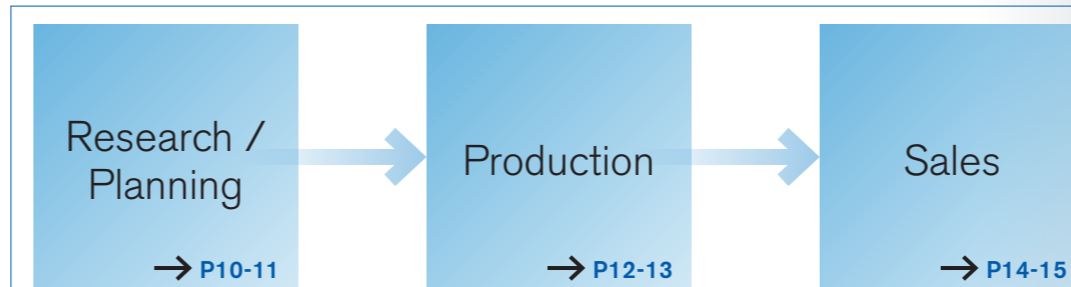
■ Changing lifestyles

■ Global warming

■ Human rights issues

■ Increasingly stressful society

An integrated manufacturing and sales framework to help ensure “Honest Quality”



A management platform to support “Honest Quality”

ENVIRONMENT

We engage in environmentally friendly activities across each of our business activities.

→ P16-17

SOCIAL

We are promoting health management and workstyle reform. We engage vigorously in social activities.

→ P18-21

GOVERNANCE

We are putting in place a structure and system to ensure sound and transparent management.

→ P22-23



- Helped to reduce medical expenditures in Japan
- Helped to improve health and extend life expectancy

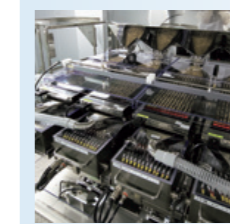
Launched sales of Foods with Function Claims

→ P10



- Helped to provide comfortable and rich lives
- Launched sales of *Beauty BOUQUET*, a cosmetic line for mature adults over the age of 60

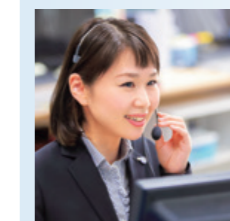
→ P11



- Provided safe and reliable products

Expanded the Chiba factory supplement manufacturing line

→ P13



- Gained the growing trust of customers

Announced details of the Company's consumer-oriented voluntary declaration

→ P14-15



- Reduced CO₂ emissions

Received the Cosmetics Packaging Award at the 2016 Japan Packaging Contest

→ P16-17



- Promoted health management

Certified as an Excellent Enterprise of Health and Productivity Management-White 500 by Japan's Ministry of Economy, Trade and Industry

→ P19

The Medium-Term Management Plan (FY2016 to FY2018)

Basic Approach

Make strategic investments in advertising with the aim of doubling sales in five years

Basic Strategy	Initiatives
1 Make strategic investments in advertising	<ul style="list-style-type: none"> Invest in advertising at levels significantly higher than before Develop consistent advertising to publicize the Company's corporate stance and promote its philosophy
2 Expand wholesale sales and store channels as a part of efforts to ensure that advertising produces the maximum effect	<ul style="list-style-type: none"> Expand the number of wholesale sales channel stores Open and expand directly-managed stores in select prime locations
3 Strengthen cross-selling	<ul style="list-style-type: none"> Grow sales by using star products to stimulate consumer purchases of complementary items
4 Reinforce the business foundation	<ul style="list-style-type: none"> Improve the capacity utilization of existing manufacturing facilities, and work to improve productivity and reduce unit costs Make full use of the second R&D facility that opened in May 2016 to strengthen R&D and increase the speed of product development

Progress during the Second Year (FY2017) of the Medium-Term Management Plan

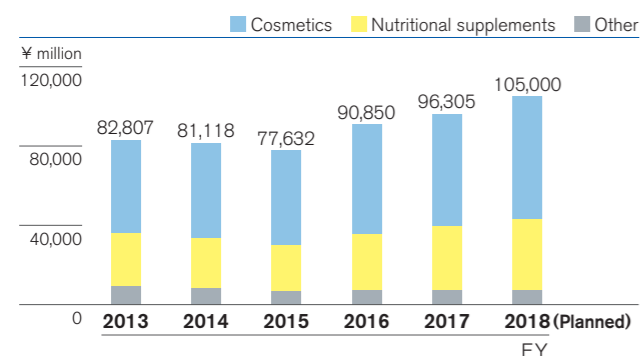
Guided by the basic policy adopted under the Medium-Term Management Plan, FANCL undertook strategic investments in advertising while pushing forward various initiatives. As a result, net sales increased 6.0% compared with the previous fiscal year, to ¥96,305 million, in fiscal 2017. From a profit perspective, operating income surged 86.3% year on year, to ¥2,244 million. After posting such items as the gain on sale of investment securities as extraordinary income, net income attributable to owners of the parent came in at ¥5,146 million. Taking each of these factors into consideration, ROE improved to 7.3%.

In the FANCL Cosmetics Business, sales hit a record high for the second consecutive fiscal period. In addition to successful efforts aimed at expanding the customer base, this outstanding

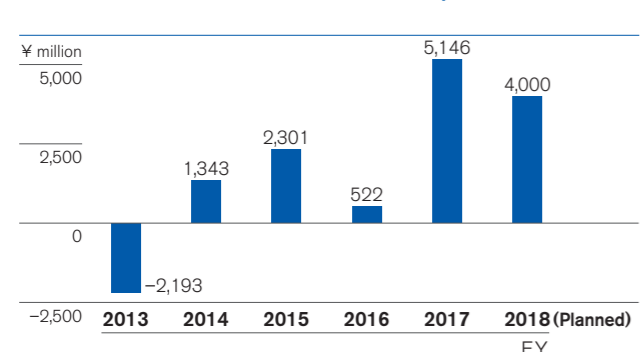
result was largely attributable to growth in wholesale sales to drugstores and the positive flow-on effects that followed the release of *Beauty BOUQUET*, a new brand that mainly targets the mature demographic and customers over the age of 60. The substantial upswing in revenue also reflected such factors as robust trends in Foods with Function Claims including *Enkin* and *Calolimit* in the Nutritional Supplements Business.

In contrast, both net sales and operating income results fell short of plans identified at the beginning of the period. While failing to fully capitalize on the effects of advertising, fiscal 2017 was also a period during which certain issues remained unresolved. This included the ability of stores to attract customers and the effectiveness of efforts to promote cross-sales.

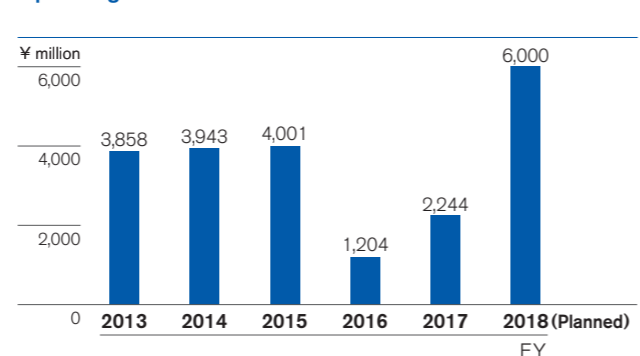
Sales



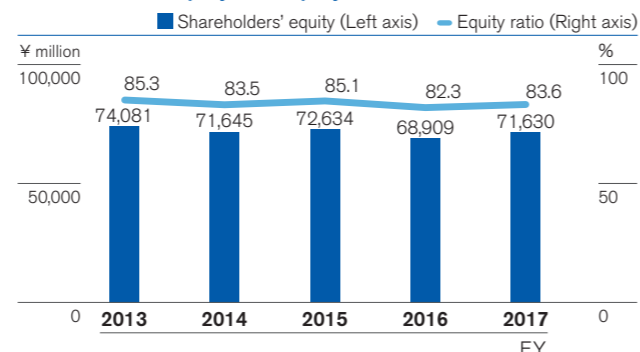
Net income attributable to owners of the parent



Operating income



Shareholders' equity and equity ratio



FY2018 Plan

1 Advertising Strategy

We will reduce the level of television and other mass media advertising, and work to increase sales by shifting to online channels. We will also position the concept of "Honest Quality" at the heart of our corporate branding activities. By advertising this corporate stance, we will convey our philosophy as well as our unwavering commitment to quality in our research and manufacturing activities.

2 Product Strategy

By strengthening products that target customers in their 20s to mid-30s as well as mature adults, we will expand product sales to untapped demographics in the FANCL Cosmetics Business.

Looking beyond convention, energies will be channeled toward triggering innovation and creating new markets. While maintaining the safety and reliability of the Company's *Mutenka* line of products, FANCL will develop new products and brands that clearly stand apart from conventional low-volume items.

In the Nutritional Supplements Business, FANCL will boost sales of the *Enkin* and *Calolimit* series of star products. Looking to the future, the Company will focus on developing new products that boast innovative functions while creating a mid-price market that other companies have yet to enter.

3 Marketing Strategy

FANCL dissolved its holding company structure in April 2017. Under the umbrella of a single uniform strategy, the Company will strengthen each of its "beauty" and "health" businesses.

At the same time, FANCL will transition toward a business model that focuses on online mail-order sales to better reflect changes in customers' lifestyles. Taking another step forward, the Company will promote targeted cross-selling by utilizing its systems to provide optimal products that draw on a variety of variables including customer gender, age, concerns, and past purchasing patterns.

As far as retail store sales are concerned, the focus of the Company's endeavors will shift heavily toward consulting. As one of many new initiatives, FANCL has opened a new-style FANCL beauty & health store targeting working women in the 20s and 30s. In this manner, the Company will work to acquire a new customer base.

From a wholesale sales perspective, FANCL will look to cultivate new sales channels. This includes the introduction of FANCL cosmetics to major convenience store chains.

In light of the above, net sales are forecast to increase 9.0% compared with the fiscal year under review, to ¥105,000 million in fiscal 2018. Operating income is projected to jump 2.7 times year on year, to ¥6,000 million.

Numerical Targets for the Final Fiscal Year (FY2018) of the Medium-Term Management Plan (FY2016 to FY2018)

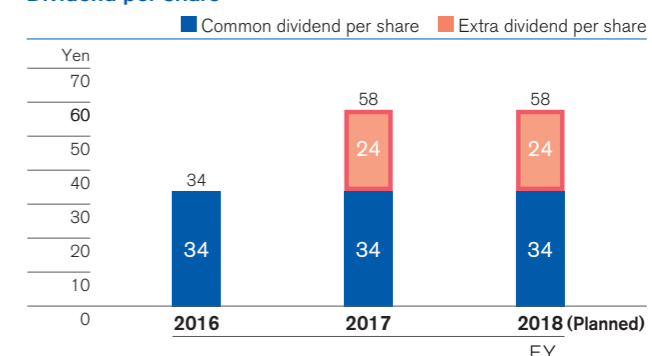
	FY2015	FY2018 Plan		
	Results	Targets Announced at the Time the Plan was Established	2017 Actual Results	Compared with FY2015
Consolidated net sales	77.6 billion	125.0 billion	105.0 billion	+27.4 billion
Consolidated operating income	4.0 billion	10.0 billion	6.0 billion	+2.0 billion
Return on equity (ROE)	3%	At least 8%	6%	+3 pt

Shareholder Return Initiative: Undertake the Payment of Special Dividends for Two Years

FANCL recognizes that the return of profits to shareholders is an important management issue. The Company has adopted the basic policy of targeting a consolidated dividend payout ratio of at least 40%.

In addition to the basic policy outlined above, FANCL decided to pay a special dividend of ¥24 per share for fiscal 2017. This in part reflects the gain on sales of investment securities posted as extraordinary income. Coupled with the ordinary dividend of ¥34 per share, the annual dividend came in at ¥58 per share. Moving forward, FANCL plans to again pay an annual dividend of ¥58 per share, comprising of an ordinary dividend of ¥34 per share and a special dividend of ¥24 per share, for fiscal 2018.

Dividend per share



Shareholder Return Policy

Dividends	Maintain a dividend payout ratio of at least 40% of profit attributable to owners of the parent
Acquisition of treasury stock	Flexibly consider the acquisition of treasury shares with the aim of improving the capital efficiency ratio, while taking into account trends in the share price and future capital funding requirements
Cancellation of treasury stock	Treasury shares in excess of approximately 10% of the total number of outstanding shares will be cancelled

Business Strategy

FANCL Cosmetics

Record-High Sales for Two Consecutive Periods in Fiscal 2017

The number of mail-order customers reached a record high mainly on the back of promotions for core products. Coupled with the renewal of *Aging Care Washing Cream* and *Facial*

Washing Powder, an increase in the number of drugstores handling the Company's products, and other factors, sales also hit an historic high.

Strengthening Sales to People in Their 20s to Mid-30s as Well as Mature Customers in Fiscal 2018

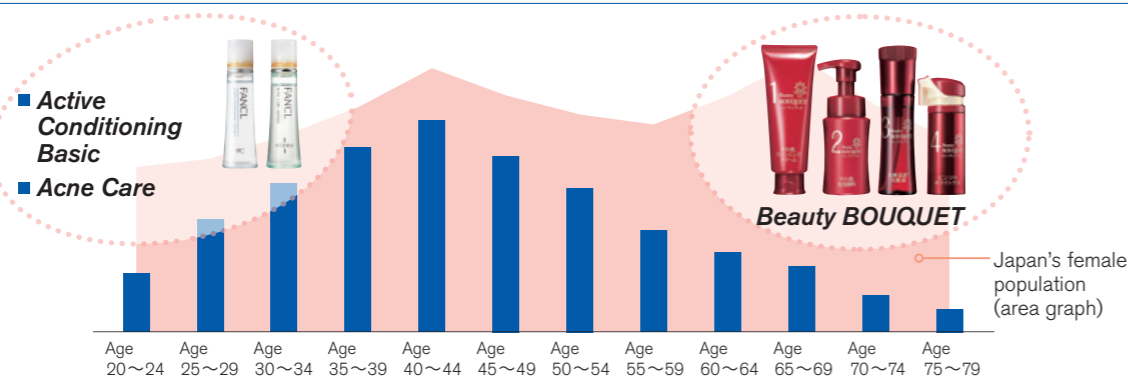
In fiscal 2018, FANCL will enhance its target-based approach. In addition to strengthening its core cleansing, facial wash, base skincare, and other products, the Company will promote the purchase of complementary items that are distinguished by their unique features to its current main target demographic of people from their late 30s to 50s.

Moreover, the Company will ramp up in earnest its approach to those age groups where it is relatively weak. This includes

people in their 20s to mid-30s as well as mature customers. Targeting the younger age group, FANCL will position *Active Conditioning Basic* and *Acne Care* as strategic products and bolster its marketing activities.

In October 2016, the Company launched *Beauty BOUQUET* for mature customers over the age of 60. Looking ahead, plans are in place to undertake mail-order sales of this product and to rollout across the store network in earnest.

Customer Age Groups



ATTENIR

Successive Releases of Innovative Products

ATTENIR will continue offering luxury brand quality at one-third of the market price or lower. Guided by this overarching philosophy, the Company released such innovative products as *SkinClear Cleanse Oil* and *Midnight Moisturizer*. At the same time, energies were directed toward building interest and a strong reputation by employing unique communication models that utilize the Internet. Thanks largely to these endeavors, the

number of customers recovered to the historic high levels recorded in 2008.

In fiscal 2018, the Company will promote further enhancements in its communication model. Every effort will be made to strengthen the customer base and expand sales by releasing a succession of innovative products.



Nutritional Supplements Business

In Fiscal 2017, Returned to Historic-High Customer Levels Recorded Roughly 10 Years Ago

In the Nutritional Supplements Business, the number of mail-order customers returned to the historic-high levels recorded

roughly 10 years ago thanks largely to robust sales of *Enkin* and *Calolimit*, Foods with Function Claims.

Aiming to Set Another New Sales Record in Fiscal 2018

Targeting mature customers, FANCL released *Sumaho Enkin* (for Smartphone, PC users) as a part of its *Enkin* series of Foods with Function Claims in March 2017. In showcasing certain features that are distinct from the core *Enkin* product line, the Company is promoting *Sumaho Enkin* and its ability to alleviate the eye fatigue of people under the age of 45 caused by smartphone use.

Drawing on the Company's proprietary approach toward selecting the necessary nutrients to help maintain and improve

the health of the populace in Japan, FANCL released *Essential Nutrient Pack*, an innovative product that places the utmost importance on "Efficacy in body," in May 2017. In June, the Company will introduce *Calorie Limit for the Mature Aged* to the market. Every effort will be made to highlight the attributes of this Foods with Function Claims.

Through these and other initiatives, FANCL will endeavor to surpass the level of record high sales in the Nutritional Supplements Business last posted in fiscal 2006.



Overseas

FANCL

FANCL are marketed in China, Hong Kong, Taiwan, Singapore, and the U.S. In addition to ramping up the pace of new store openings in China in fiscal 2018, steps will be taken to progressively initiate launching online stores throughout Asia beginning

with Hong Kong. In this manner, every effort will be made to expand sales. Guided by the policy to actively enter new markets, plans are in place to launch operations in Malaysia during fiscal 2018.

boscia

boscia is a unique botanical and natural cosmetics brand. It is developing mainly in North America in partnership with Sephora, a global beauty retailer. Sales continue to expand at

an annual rate of between 15 to 20%. Product development is ahead of market needs and a steady stream of new products is launched yearly.



Research and Planning

Eliminate the “negatives” in beauty and health through technological innovation

Addressing the Rise in Medical Expenditures in Japan

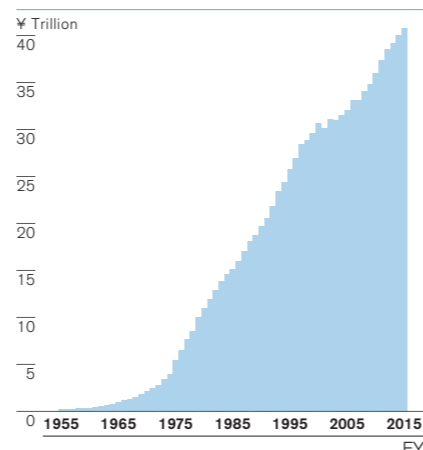
FANCL believes its mission is to address the social problem of rising medical expenditures in an aging population by helping to increase the length of Healthy life span. Advances in medicine are essential to prolonging Healthy life span, but medical expenditures will inevitably creep upward as the number of people with ailments increases. The key to living a long healthy life is preventive medicine, which helps people from becoming sick in the first place.

Preventive medicine is a complex topic that is hard to measure. To date, most companies have refrained from pursuing research in preventive medicine, because even products found to be beneficial could not be labeled with this functionality.

In April 2015, the Consumer Affairs Agency introduced a new Foods with Function Claims system that lets companies provide information useful to consumers for product selection. This system has raised expectations that more research will be conducted on food functionality. Since this field is rather new to research, collaboration among many researchers is needed. We aim to improve R&D capabilities by actively promoting joint research with universities and other organizations.

FANCL will continue to contribute to a long-living, healthy society by developing products that help to maintain and promote health.

Annual Medical Expenditures in Japan



2015 Outline of National Medical Care Expenditure (Ministry of Health, Labour and Welfare) (Created with data from www.mhlw.go.jp/toukei/saikin/hw/k-iyohi/14/)



Food with Function Claims *Naishi Support* (Weight and body fat care)

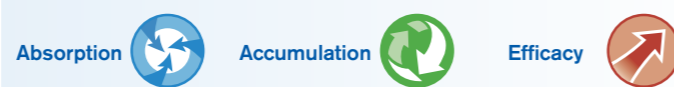
Definitely Functional and Safe “Foods with Function Claims”

Having proactively advanced research in safe and functional health foods, FANCL was the first company to announce a food with function claims after the system of “Foods with Function Claims” started. As of March 31, 2017, FANCL has filed applications for 14 products with the Consumer Affairs Agency after conducting R&D and extensive clinical testing of its own proprietary formulations.

FANCL's Proprietary Design of “Efficacy in Body”

FANCL has also been developing “efficacy in body technologies.” These technologies focus on the “absorption” of active ingredients that are difficult for the body to absorb, the “accumulation” of active ingredients that easily pass through the body, and their “efficacy” in enhancing benefits through an optimal balance of ingredients. Our R&D focuses on maximizing the benefits of supplements through these three “Inner Body Effectiveness Designs.”

The “efficacy in body” logo verifying meticulousness



Sachiyuki Teramoto

Division Manager, Functional Food Research Institute



Strengthening Research Capabilities with Completion of Second Laboratory

In May 2016, construction was completed on a second laboratory next to the FANCL Research Institute. Featuring the latest in equipment, the second laboratory conducts research on neuroscience, dermatology, pharmaceutical formulation and other revolutionary themes.



Second laboratory

Key Successes and Outcomes in Fiscal 2017

Number of products developed

FANCL Cosmetics: 48	ATTENIR: 26	Supplements: 17	Kale juice-related products: 2	Hatsuga Genmai (germinated brown rice)-related products: 3	Foods: 2
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193	55	57
Researchers (including staff)	Patent filings	Academic presentations and research publications

Professional qualifications

Ph.D.: 19	Pharmacists: 10	Registered dietitians and nutritionists: 8
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FANCL R&D:
www.fancl.jp/en/laboratory/

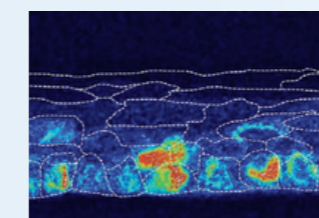
Cutting-Edge *Mutenka* Anti-Stress Science

Scientific Research in Dermatology with Skin Live Imaging Technology

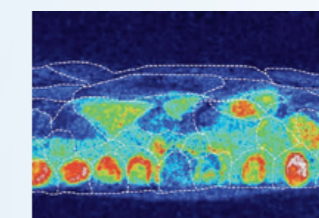
At FANCL, through ongoing research on the impact that additives have on the skin, we have discovered that minute traces of preservatives in cosmetics place stress on cells, possibly accelerating aging. Moreover, we have conducted research on proteins that cause skin stress and risks, and developed technologies for measuring skin stress. Through the application of our skin live imaging technology and skin stem cell technology for observing the molecules inside the skin, we are advancing the development of technologies for the development of next-generation anti-aging cosmetics by trying to shed light on the mechanisms behind skin regeneration and aging.

Imaging of Active Oxygen Generation

With our skin live imaging technology, we have successfully observed active oxygen within the skin using a skin model. We discovered that preservatives cause a larger amount of active oxygen to be generated, increasing the risk of aging.



Without preservatives



With preservatives

Active oxygen
More
Less

Product Development for New Markets and Needs

In the Cosmetics Business, to draw in more customers amid diversifying needs in recent years, FANCL released the *Beauty BOUQUET* line of cosmetics in autumn 2016 for mature adults over the age of 60. This particular product line is distinguished by its ease of use as an all-in-one cosmetic with a highly effective feel. In addition, FANCL expanded the type of retail stores that handle our products to include drugstores and convenience stores so that more customers have easy access to our facial cleansers and skin care items, such as *Mild Cleansing Oil*, which has become a hit seller at @Cosme, an online cosmetics retailer. We will continue to open new markets while developing new products and services for diversifying lifestyles and different age groups.



Mild Cleansing Oil

Facial Washing Powder

Production

We pursue “Honest Quality” in the production process in line with our mission of delivering safe and worry-free products to our customers.

Production Bases

Production Takes Place in Japan to Ensure Quality and Safety

FSSC Mark
The Nagano factory, in charge of producing Hatsuga Genmai (germinated brown rice), has obtained FSSC 22000 certification, an international standard for food safety.

FANCL Hatsuga Genmai Co., Ltd.'s Nagano factory
Address: Tomi City, Nagano Prefecture
Start of operations: April 2002
Items produced: Hatsuga Genmai (germinated brown rice)-related products

FANCL B&H CORPORATION's Gunma factory
Address: Oura District, Gunma Prefecture
Start of operations: September 2008
Items produced: Cosmetics

FANCL Yokohama Head Office

FANCL B&H CORPORATION's Chiba factory
Address: Nagareyama City, Chiba Prefecture
Start of operations: June 1991
Items produced: Cosmetics, supplements

FANCL B&H CORPORATION's Shiga factory
Address: Hino Town, Gamo District, Shiga Prefecture
Start of operations: October 2003
Items produced: Cosmetics

Green Hill Co., Ltd. (Non-equity method affiliate)
Address: Seiyo City, Ehime Prefecture
Start of operations: April 2002
Items produced: Kale juice

FANCL B&H CORPORATION's Yokohama factory
Address: Yokohama City, Kanagawa Prefecture
Start of operations: February 2004
Items produced: Supplements

Standards for Production Bases

Company Name	Standards Production Bases	GMP ^{*1} Standards		FSSC 22000 ^{*2}	Facility Clean Room
		Cosmetics	Health Foods		
FANCL B&H CORPORATION	Chiba	●			●
	Shiga	●			●
	Yokohama		●		●
	Gunma	●			●
FANCL Hatsuga Genmai Co., Ltd.	Nagano			●	●

***1 Good Manufacturing Practices (GMP)** was drawn up by the U.S. Food and Drug Administration to maintain production management and quality control for such items as cosmetics, pharmaceuticals and foods.

***2 Internationally recognized Food Safety System Certification (FSSC) 22000**

Pursuing Assurance and Safety

Expansion of Supplement Production Lines at Chiba Factory

With an eye on future demand, FANCL expanded production lines at the Chiba factory in October 2016. As a result, the Chiba factory has evolved into a new integrated factory that is able to produce high-quality supplements in addition to *Mutenka* cosmetics.

Pharmaceuticals-grade cleanroom conditions

The Chiba factory meets the same stringent production management standards as FANCL B&H CORPORATION's Yokohama factory, which has obtained Good Manufacturing Practices (GMP) certification for dietary supplements. It also has pharmaceuticals-grade cleanroom environments (for solid preparations). The Chiba factory has production equipment and methods that facilitate automation (labor-saving technology) in light of the shrinking and aging workforce in Japan.



Supplement filling machine at the Chiba factory

Introduction of cutting-edge vein identification system

Since supplements are a food put in the mouth, redundant quality checks are performed on raw ingredients, grains and final products in order to ensure safety. With the aim of enhancing food defense^{*1}, we have installed a cutting-edge vein identification system to control the entry of workers into the production area.



Vein identification system

*1 Food defense:

Initiatives to prevent the intentional mixing of foreign objects in food.

Highest-Grade Production Environments for *Mutenka* Cosmetics

“Ultra” cleanrooms also able to produce eye drops and injectable drugs

All factories have cleanrooms^{*2} that purify the air to remove impurities and even bacteria for the production of *Mutenka* cosmetics, which use zero preservatives. Our cleanrooms are so clean that they meet pharmaceuticals-grade production standards, namely Class 100^{*3} standards for air quality.



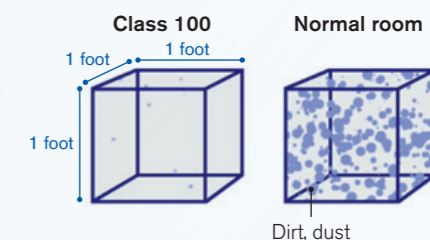
Workerless cleanroom where containers are filled

*2 Cleanroom:

A cleanroom is a space with clean, temperature- and humidity-controlled air with significantly reduced levels of airborne dust and dirt.

*3 Class 100:

Class 100 denotes a space with 100 or fewer dust or debris particles of 0.5 μm (1/2,000 mm) or larger per 1 cubic foot (30.48 cm) of air.



Closed system for preventing impurities

Blended lotion and other cosmetics are transported to the container filling area without coming into contact with the air via a closed system shut out from the outside air. Used machines are cleaned in an automated process with pure water that has zero impurities. Both the container filling and machine cleaning processes prevent contamination from bacteria.

Sales

Customers are not pressured to buy something they do not need.

Voluntary Declaration of Customer-Oriented Management for Building Trust with Customers

In December 2016, FANCL made a voluntary declaration of consumer-oriented management in line with the consumer-oriented management initiative being promoted by the Consumer Affairs Agency with the objective of improving trust between customers and companies.

Declaration 1: Commitment by Top Management

Taking the customer's perspective

Top management, directors and all employees will observe this principle, based on the management philosophy of "always putting ourselves in customers' shoes and the happiness of our customers as the basis of everything that we do."

Declaration 2: Ensure Corporate Governance

Reflecting on customer opinions in meetings led by the president

To remain a trusted corporation, one of the most important issues for management is improving corporate governance.

We hold meetings chaired by the president and attended by directors and key managers to discuss customer opinions and requests.

Declaration 3: Foster Corporate Culture and Employee Awareness

Training at FANCL College

FANCL College is an in-house education department that offers training programs for learning more about corporate philosophy, beauty, health, products, and customer interactions. Upon joining the company, all employees are thoroughly trained on our philosophy of eliminate the "negatives" and ensuring "Honest Quality." From fiscal 2018, FANCL will implement training on the psychology of shopping in a bid to enhance the sales capabilities of staff. We aim to train staff who are able to empathize with customers and recommend products that consumers truly need for their beauty and health.

Key training curriculum for improving customer interactions

Course name	Course material
Founding philosophy	This course deepens understanding of our founding philosophy, the "core" of FANCL, and how it applies to work situations.
Consumer psychology	Participants use role playing to learn about how to interact with customers with a focus on their feelings during the shopping experience.
Reading emotional signals	In this course, skills are learned for accepting and responding to the feelings of customers with an understanding of the importance of reading emotional signals.
Essential skills	Participants learn how to advise customers in an easy-to-understand way by being mindful of avoiding unnecessary and roundabout words.
Interacting with senior citizens	This course teaches how to interact with senior customers by being aware of the physical and mental "negatives" they experience when shopping, and striving to eliminate these "negatives."

Declaration 4: Collaboration on Marketing, Quality Assurance, Customer Services, and Legal

Framework for using customer feedback (Yahho System)

The *Yahho System* is a database of customer opinions that gives employees access to this information when they need it. It has been in use since 1995. Positive feedback from our customers helps to invigorate employees. At the same time, every effort is made to uncover the rationale behind requests and opinions, and to put in place and improve measures in a timely manner.

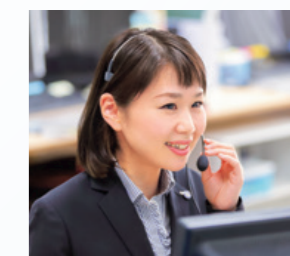
Customer Opinions in Fiscal 2017

About	385,000
[Breakdown]	
Questions: About	232,000
Requests / opinions: About	135,000
Praise: About	18,000

Declaration 5: Provide Customers with More Information, Mutually Exchange Information

Database for combining supplements with pharmaceuticals (SDI System)

The SDI System is a service designed to alleviate any concerns customers may have about taking our supplements. Information about scientific studies for combining the roughly 100 health food items sold by FANCL with approximately 30,000 varieties of prescription drugs and over-the-counter drugs has been put into a database. Our Supplement Consultation Center, staffed by expert pharmacists and registered dietitians, provides customers with personalized advice to address any concerns.



Advice from expert staff

Customer's Eye Committee

Since 2002, the Customer's Eye Committee has evaluated the quality of our call center services and customer interactions at retail stores from the customers' perspective.

In fiscal 2017, 348 customers cooperated with the committee. We conducted surveys and focus group interviews, and the feedback from these customers has been used to improve product development and service levels.

Declaration 6: Improve and Develop in Consideration of Demands from Consumers and Society

Designated Delivery Place service launched 20 years ago

In 1997, FANCL launched an innovative service it calls Designated Delivery Place. Even if the customer is not at home, products can be delivered to locations designated by the customer, such as inside the basket of their bicycle, without having to sign for the delivery. This convenient service has been popular among our customers. In Japan, the excessive burdens placed on delivery service workers have become a social issue. Our Designated Delivery Place service helps reduce the burden placed on delivery personnel and improve delivery efficiency. While fulfilling our social responsibilities and improving convenience for customers, this service also helps lower delivery costs.



Delivery left at a designated spot

Bump dot labeling for the visually impaired and the elderly

Bump dots are FANCL-designed stickers with raised surfaces that are attached to products to enable people with visual impairments and the elderly to identify the contents by touching the labels. This service started in 1998 and employees of FANCL SMILE Co., Ltd. who have visual impairments improved the labels to make them easy to identify.



Bump dot labeling

Sales Channels

Mail-Order Sales

- Online sales
- Catalog sales
- Customer service center
 - Orders
 - Inquiries
 - Beauty consultations
 - Supplement consultations

Online sales is a core sales channel for FANCL, which creates information tailored to the age group of the customer and distributes it through optimal media formats.



Internet

Information magazine (ESPOIR)

Information magazine (Genki Lifestyles)

Retail Store Sales

Expert staff provide customers with comprehensive consultations on health and beauty, proposing care optimized for each and every customer.



Wholesale

Our products are also available for purchase in convenience stores, supermarkets and drugstores.



Environmental Activities

Environmental Policy

In all aspects of our corporate activities, we are grateful for the bounty provided by nature, and intend to contribute to the preservation of the environment and biodiversity.

Environmental Targets

- Global warming: Reduce CO₂ emissions 26% by fiscal 2031 (compared with fiscal 2014)
- Natural resources: Reduce landfill waste 12% by fiscal 2021 (compared with fiscal 2013)
- Products: Create CSR procurement standards
- Strictly manage chemical substances in line with Strategic Approach to International Chemicals Management
- Promote educational activities about the environment

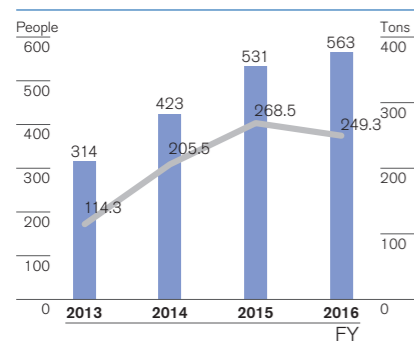
Environmental Efforts in Business Activities

FANCL will continue to provide high-value-added products and services while working to reduce the environmental footprint of its business activities.



Eco Activities with Employee Participation

Family Eco Program



■ Number of employees who successfully reduced CO₂ emissions (left)
 — Reduction in CO₂ emissions (right)
 * Data for fiscal 2017 is still being compiled.

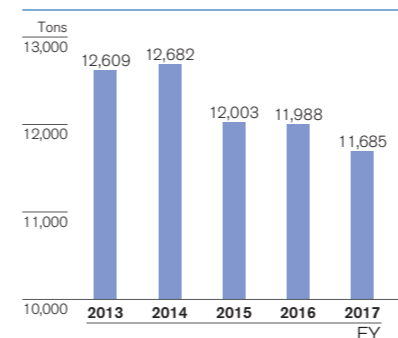
Since 2008, FANCL has promoted a Family Eco Program where employees and their families help reduce CO₂. Over the course of a year, broken into two parts (April to September, and October to March the next year), a family's bill for electricity, gas and water is totaled. If their total bill is less than the national average for a similarly sized family (according to the Ministry of Internal Affairs and Communications), each member of the family receives a gift certificate.



Save on gas bills by taking a bath together. Families also learn more about the environment.

Disclosure of Environmental Information

CO₂ Emissions



FANCL participates in the Environmental Information Disclosure System being promoted by the Ministry of the Environment. This system shares with investors the environmental information disclosed by companies, promoting dialog. Using this framework, the aim is to open up communication on all fronts between companies and investors. FANCL also discloses information about its environmental activities on its website in order to facilitate the publication of the latest information to shareholders and investors.

Personnel Support Operations

FANCL's approach to human resources

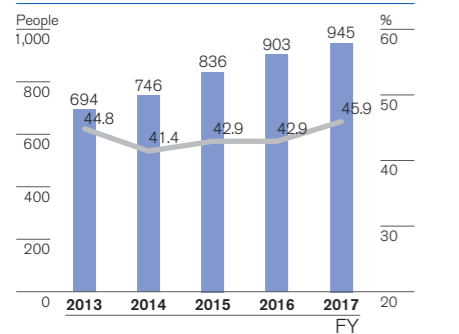
We aim for growth as a company that truly cares for people, respecting the individuality of each person and their diverse values.

[Human Resource Philosophy]
We aim to be a company where employees work toward their dreams.

[Human Resource Vision]
We aim to create a work environment that attracts: People who take on challenges for people and society, People who desire to grow, and People who produce results

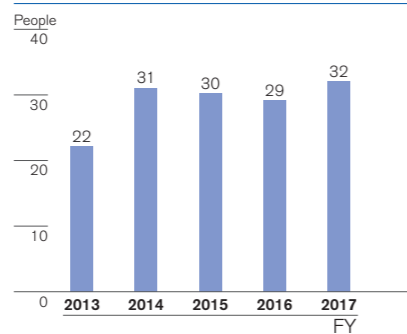
Diversity

Number of employees, percentage of women in management positions



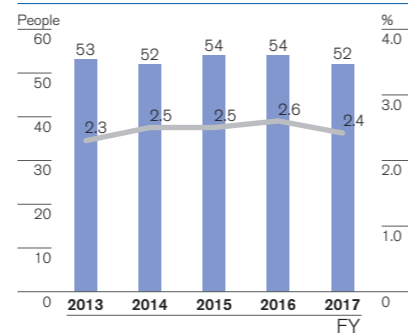
■ Number of employees (left)
— Percentage of women in management positions (right)

Number of employees aged over 60*



*Including fixed-term employees

Number of employees with disabilities, percentage of total*



■ Number of employees with disabilities (left)
— Percentage of employees with disabilities (right)
*Including special subsidiaries
Legally mandated employment ratio: 2.0%

Creating a Workplace Where Men and Women Support One Another

FANCL agrees with the Kanagawa Ikubosu Declaration that aims to change men's attitudes toward childrearing. We are working to provide all female employees with the opportunity to work with pride from home or satellite offices.

Launch of Active Senior Employee System

In April 2017, FANCL created the Active Senior Employee category for new employees aged 65 and older. The Company eliminated age restrictions on re-employment, giving opportunities to senior citizens who wish to continue working in their golden years. These senior employees also pass down their experience and knowledge to younger employees.

Special Subsidiary FANCL SMILE Co., Ltd.

FANCL SMILE Co., Ltd. was established as a special subsidiary in 1999. This subsidiary employs people with disabilities with the intention of helping them be independent members of society, and not from the standpoint of protecting them as socially handicapped people.

Message from a Mid-Career Hire

A corporate culture that values customer input

Through on-the-job training and several training courses, I have been able to learn from scratch the knowledge I require to perform my work as a mid-career hire. FANCL's emphasis on employee training is one of its competitive advantages, in my opinion, as it allows the Company to leverage the strengths of all employees. At meetings of board members, the recorded voices of actual customers are replayed for the benefit of the directors deciding measures. I am impressed with how the customers' point of view has a direct impact on considerations made by the management team.

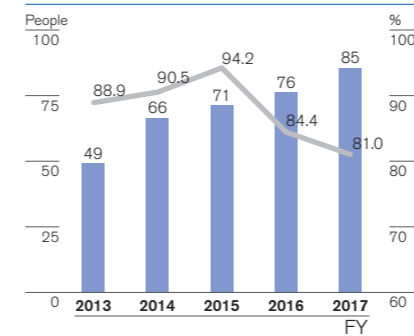
The corporate culture here gives plenty of opportunities to employees with the drive to succeed. As I become involved with the creation of business plans, I hope to contribute to the expansion of corporate value at FANCL.



Yudai Nagamatsu
Corporate Planning Group
Corporate Planning Division
Group Support Center

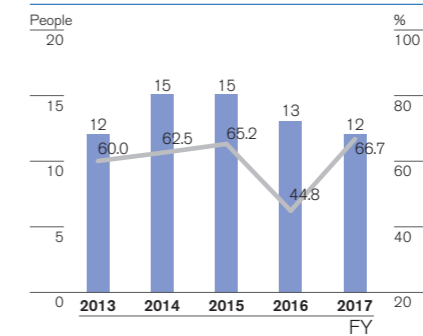
Diversification in Work Styles

Number of employees who work shortened hours to raise children, use ratio



■ Number of employees (left)
— Use ratio (right)

Number of employees who take leave for supporting childbirth, use ratio



■ Number of employees (left)
— Use ratio (right)

Systems and In-House Seminars for Supporting Diverse Work Style

Discretionary work system

A discretionary work system has been introduced for researchers with the objective of passing along FANCL's research techniques and improving research outcomes.

FANCL's work-from-home system

FANCL has a flexible stance on work hours and locations so that employees working shortened hours to raise their children can still aim to advance their careers. We plan further developments that will support employees balancing childcare with work.

Childrearing assistance system (Yoiko Teate)

Employees with children receive a monthly stipend of ¥10,000 per child until their 19th birthday.

Childrearing seminars

Childrearing seminars are held during lunch hours with the aim of fostering a workplace where employees can work enthusiastically while balancing childrearing and work. A number of male employees have also participated in the seminars, including managers.

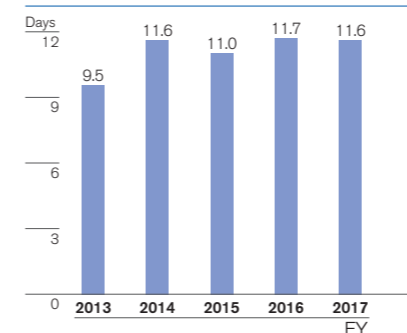
Certified as a company that supports children and childrearing in Kanagawa Prefecture

Certified as an Eruboshi company

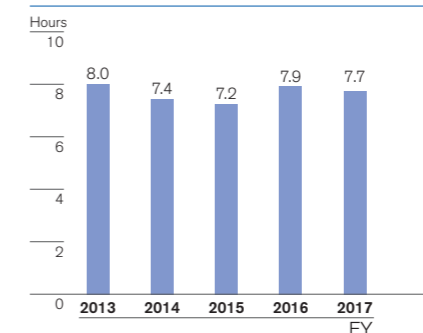
Acquired the Kurumin mark symbolizing childcare support from the Ministry of Health, Labour and Welfare

Health Management

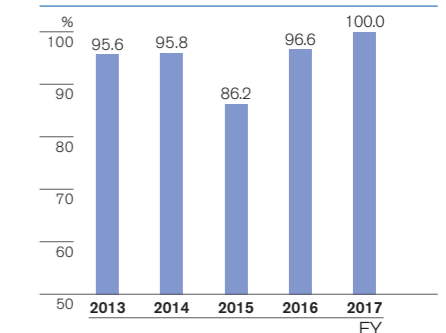
Average number of vacation days taken



Average number of overtime hours per month



Retention rate for college hires after three years



FANCL stretching during the morning meeting

Recognized by 2017 Certified Health and Productivity Management Organization Recognition Program of the Ministry of Economy, Trade and Industry

In February 2017, FANCL was recognized as one of the large enterprises (White 500) in the Certified Health and Productivity Management Organization Recognition Program. The Company was recognized for its FANCL Health Promotion Program, through which health counselors gave approximately 250 employees advice on their health examination results and lifestyle habits, as well as the food served in its employee cafeterias, which offer balanced nutrition.



Connections with Society

Action policy

We value relationships with local communities and interaction with people with disabilities.

With Communities

We were certified as a leading company that contributes to the Yokohama community in October 2016.



Elementary school students exercise with locals

Hamakko Future Company Project

In Yokohama City where FANCL has its head office, the local government launched the Hamakko Future Company Project in August 2016 with the aim of raising socially minded and independent children. Companies and organizations within the city are encouraged to get involved in school education. FANCL let some employees provide exercise advice and kale juice over the course of six months to elementary school students and helped these students realize their wish of helping local people to improve their health through exercise.



Employee volunteers for cleaning Yokohama City

Activities to Clean the Beautify Harbor City of Yokohama

Since 2014, FANCL has participated in cleaning activities initiated by companies in Yokohama City. Employees volunteer to clean areas around our offices early in the morning, and areas around the Port of Yokohama on the weekends.

Helping People with Disabilities



FANCL takes a positive stance toward people with disabilities, and agrees with the principles of the "Living Together in Society" declaration made by Kanagawa Prefecture.



Christmas party at the FANCL office

Work with Houmon no Ie, a Social Welfare Provider

FANCL has worked with the social welfare entity Houmon no Ie, a facility for people with severe disabilities, since 1987. New FANCL employees train at the facility, and fund-raising bazaars are also sponsored there. People at Houmon no Ie are invited to a Christmas party held at FANCL's office, where top management and employees enjoy their time interacting with each other.

FANCL SMILE's 18th National Adapted Aerobics Contest

Special subsidiary FANCL SMILE Co., Ltd. co-sponsors and participates in aerobic exercise contests, where employees practice aerobics after work with the aim of winning competitions.

Employee Participation

Activities Related to Beauty and Health



FANCL makeup seminar

FANCL Seminar

FANCL Seminars are free seminars about makeup and health that are held at special assistance schools and facilities for the elderly. FANCL Group employees teach the seminars. Employees with limited teaching experience learn techniques before the seminars are held. Information regarding FANCL's concepts of beauty and health are then provided to seminar participants.

Fiscal 2017

Number of times: **152** (137 last year)
Number of employee participants: **180** (222 last year)



Hand massage event for evacuees

Support for Disaster-Affected Regions

As a part of our assistance to people affected by the Great East Japan Earthquake, we have continued to offer support for their mental and physical health, such as by giving hand massages and kale juice. FANCL participates in events sponsored by non-profit organizations and local governments able to precisely understand the needs of local communities. These events are held in regions affected by the natural disaster and also evacuation areas.

Since 2011

Number of times: **191**
Total number of employee participants: **937**

The Company donated a portion of sales from FANCL *Facial Washing Powder* (cherry blossom package design; limited release item) to help people rebuild from the Kumamoto earthquake.

With Stakeholders (Donations)

Along with stakeholders, FANCL donates funds in line with its action policy.

Type	Year started	Donations made in fiscal 2017	Main recipient
Shareholder donations	2007	¥1,107,000	Japanese Red Cross
FANCL Classic Fund	2008	¥4,866,000	Susono City
Employee donations to the "Can Achieve More Fund"	2008	¥10,300,000	Japanese Red Cross (2016 Kumamoto Earthquake Assistance)
Customer donations of points	2009	¥2,256,000	Michinoku Future Fund
	2017	¥5,376,000	Japanese Red Cross (2016 Kumamoto Earthquake Assistance)

Major donations



"Can Achieve More Fund" logo

Working with Partners Around the World



Materials donated to children in Costa Rica

FANCL Kids Baseball

Since 2010, FANCL has been a special co-sponsor of our baseball class, FANCL Kids Baseball, at which FANCL partner Tatsunori Hara serves as instructor. Materials no longer used in baseball classes are gathered together and entrusted to university students and representatives of non-profit organizations sent abroad by the Japan International Cooperation Agency (JICA), where they give the materials to people in need.

Fiscal 2017

Number of items donated: **2,867** (1,837 last year)
Countries that received donations: **9** (8 last year)

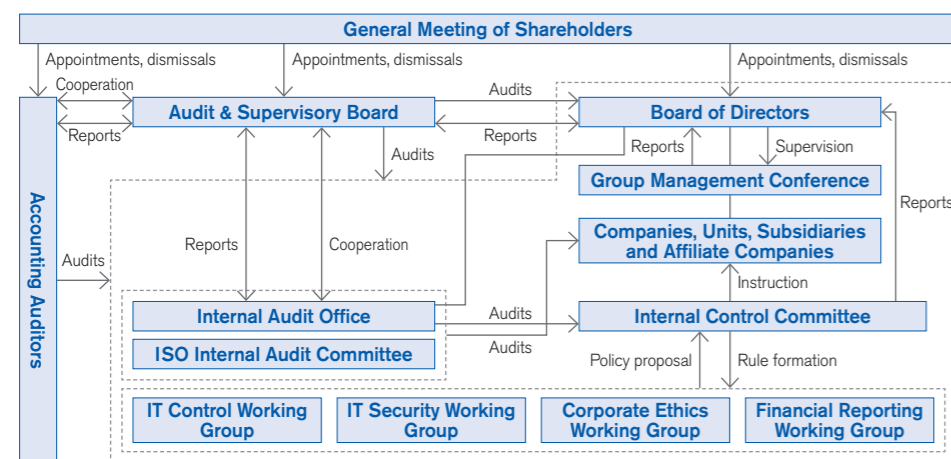
Corporate Governance

Basic Policy

FANCL will raise management efficiency and transparency by sincerely enhancing corporate governance

Internal control within the Group will be built and established on the foundation of FANCL's corporate philosophy

Corporate Governance Framework



Governance at a Glance

As of June 17, 2017

Organizational Design	Company with an Audit & Supervisory Board
Number of directors	15
Of which, outside directors	2
Number of Audit & Supervisory Board members	4
Of which, outside Audit & Supervisory Board members	3
Number of independent officers	5
Number of Board of Directors meetings in fiscal 2017	17
Tenure of directors	1 year
Stock option system	Yes
Compliance regulations	Yes

The enhancement of corporate governance is regarded as an important management issue in gaining the trust of shareholders and other stakeholders. Our basic policy is to achieve business efficiency and transparency through rigorous adherence to corporate ethics and relevant laws, and through enhancements to our internal control system, including a risk management system.

The management framework as of June 17, 2017 was 15 directors (of whom two are outside directors), four Audit & Supervisory Board members (of whom three are outside Audit & Supervisory Board members) and 11 executive officers. The tenure of directors is one year.

The Board of Directors decides on and supervises the execution of important business matters. The Group Management Conference conducts preliminary deliberations on matters for decision by the Board of Directors, and deliberates on important matters regarding management, within the scope of authority granted by the Board of Directors.

FANCL has adopted an Audit & Supervisory Board system. Audit & Supervisory Board members attend meetings of the Board of Directors, Group Management Conference and other important meetings, expressing opinions as necessary in order to enhance the effectiveness of auditing regarding management's decision making. Audit & Supervisory Board members also exchange opinions with senior management on a regular basis, providing an impartial management monitoring system.



A Board of Directors meeting

Response to the Corporate Governance Code

FANCL views the General Meeting of Shareholders as an opportunity to engage in constructive dialog with shareholders. From 2017, the Company has switched to a full-color notice of convocation for the general meeting of shareholders, as an important communications tool with shareholders. FANCL includes pictures of candidates for director positions, product pictures and graphs in the notice of convocation, and takes other steps to create materials that are easy to read and understand. The notice of convocation is mailed well in advance of the meeting so that shareholders have enough time to consider how they will exercise their voting rights.



Disclosure of Information to Shareholders and Investors



General Meeting of Shareholders

FANCL makes every effort to disclose information to stakeholders in a fair and timely manner. Management proactively engages in communications with shareholders and investors, and reflects their opinions in operations and IR activities.

General Meeting of Shareholders

With the aim of having "open" shareholder meetings, our General Meeting of Shareholders is held on a Saturday so that shareholders can easily attend, as we intentionally avoid dates when other companies also hold meetings. At our customary post-meeting social event, shareholders have opportunities to communicate directly with directors and employees.

Investor Engagement

36th Annual General Meeting of Shareholders (June 25, 2016) Attendance: **4,619** people

Results briefings: Held **4** times

IR engagements: About **300**

Overseas IR: **3** trips

Individual Investors

We proactively engage in dialog with individual investors, inviting them on tours of our factories and holding investment seminars for women.

Institutional Investors and Analysts

FANCL holds results briefings every quarter, and also sets up small meetings and tours of its facilities, including its research labs. Overseas IR events are periodically held for non-resident investors.

In our IR activities, we field numerous requests for interviews, as many as 300 in fiscal 2017, as investors prefer one-on-one conversations for follow-up questions.

Message from an Outside Director

Take on new challenges and break stereotypes, like the saying "there is no progress without change"

Companies need to be quick and nimble in order to prosper in an era of rapidly changing customer needs. In this regard, I have high hopes for the quick business judgment and execution capabilities of Mr. Shimada, who was newly appointed president on April 1, 2017.

Looking at FANCL from the outside, I feel that the company highly values engagement with shareholders. One example of this is the General Meeting of Shareholders. Since its listing, FANCL has held the meeting on a Saturday or Sunday so that as many shareholders as possible can attend. Every time, I feel their strong commitment to truthful and transparent management in order to meet the expectations of shareholders.

I would like to see FANCL's employees become more willing to take on new challenges. FANCL's employees work diligently with a heavy emphasis on teamwork, but I get the sense that they have inherited less of the DNA that can be traced back to FANCL's beginning, when employees were more willing to take on new challenges and break away from stereotypes. As an outside director, I would like to see FANCL move in a direction where its employees return to these roots as challengers of the status quo and create innovative new products and services that eliminate the "negatives" of the world.

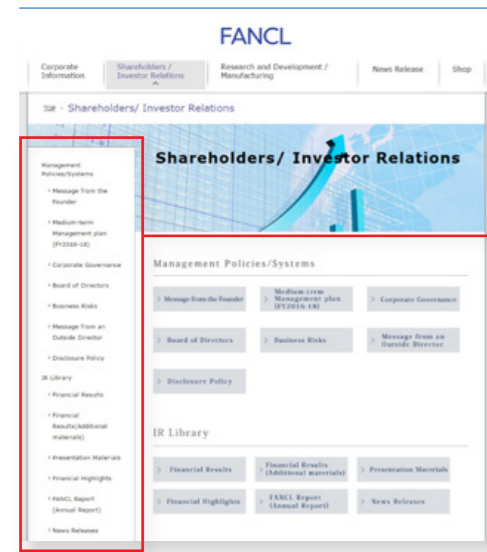


Katsunori Koseki
Outside Director

- 1984 FANCL Biken (Currently FANCL CORPORATION)'s Audit & Supervisory Board Member
- 1986 Registered with the Tokyo-Chiho Certified Public Tax Accountants Association
- 1989 Established the Katsunori Koseki Certified Public Tax Account Office (Current)
- 1996 Audit & Supervisory Board Member
- 2016 FANCL Corporation Director (Current)


The full text can be read on our website.
www.fancl.jp/en/ir/management/interview/

Website



Shareholders/Investor Relations
www.fancl.jp/en/ir/

Management Policies/Systems	Message from the Founder, Medium-term Management plan (FY2016-18), Corporate Governance, Board of Directors, Business Risks, Message from an Outside Director, Disclosure Policy
IR Library	Financial Results, Financial Results (Additional materials), Presentation Materials, Financial Highlights, FANCL Report (Annual Report), News Releases



CSR/Environment/Social Contribution
www.fancl.jp/csr/ (in Japanese)

CSR Topics	Report on monthly CSR activities
Corporate Governance	Corporate governance policy, governance report, audit structure and systems, and other information
Human Rights	Human rights initiatives, diversity promotion, and other information
Employment Practices	Personnel-related data, types of employment, and other information
Environment	Environmental policy, environmental activities, and other information
Fair Business Practices	Procurement and purchasing policy, purchasing mechanisms, and other information
Consumer Issues	Research, production, customer service, and other information
Community Participation	Social activities policy, employee donation activities, and other information
External Evaluations and Awards	Awards received, external evaluations, and other information
FANCL Report (Annual Report)	Information can be accessed/downloaded in PDF format

FANCL Tour
www.fancl.jp/tour/

FANCL organizes tours of its facilities to enable the general public and associations to experience its concept of "Honest Quality." Employees act as onsite guides providing participants with an insight into the Company's meticulous attention to detail. Applications for tours can be made online using the Company's website.

Tours

- Chiba factory
- Shiga factory
- Nagano factory
- Research Institute
- FANCL SMILE
- FANCL Ginza Square
- Kanto Distribution Center



Nagano factory



Research Institute



Kanto Distribution Center

Corporate Overview/ Board of Directors/ Group of Companies/ Editorial Policy

Corporate Overview (As of April 1, 2017)

Company name	FANCL CORPORATION
Address	89-1 Yamashita-cho, Naka-ku, Yokohama, Kanagawa-ken
Telephone	+81(45)226-1200 (switchboard)
Representative	Kazuyuki Shimada President & CEO, Representative Director
Established	August 18, 1981
Paid-in capital	¥10,795 million
Number of employees	1,009 * Not including contract and part-time employees
Research Institute	FANCL Research Institute Totsuka-ku, Yokohama, Kanagawa-ken
Principal banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation

Board of Directors (As of June 17, 2017)

Chairman, Representative Director, Founder	Kenji Ikemori	Audit & Supervisory Board Member (Standing)	Seichiro Takahashi
Vice Chairman, Executive Director	Kazuyoshi Miyajima	Outside Audit & Supervisory Board Member	Toshio Takano
President & CEO, Representative Director	Kazuyuki Shimada	Outside Audit & Supervisory Board Member	Tsuneoyoshi Seki
Senior Managing Director	Tomochika Yamaguchi	Outside Audit & Supervisory Board Member	Hideki Minamikawa
Senior Managing Director	Mayuko Yamaoka	Executive Officer	Akiko Matsugaya
Executive Managing Director	Toru Tsurusaki	Executive Officer	Koichi Matsumoto
Executive Director	Yasushi Sumida	Executive Officer	Toyokazu Inaba
Executive Director	Yoshihisa Hosaka	Executive Officer	Nobuyuki Uematsu
Executive Director	Yukihiro Ishigami	Executive Officer	Kazumasa Wakayama
Executive Director	Hiromichi Aoto	Executive Officer	Yuna Sato
Director	Akihiro Yanagisawa	Executive Officer	Junji Nagasaka
Director	Kenichi Sugama	Executive Officer	Katsuyuki Anzai
Director	Gen Inomata	Executive Officer	Shoko Matsukuma
Outside Director	Norito Ikeda	Executive Officer	Yoko Mamizuka
Outside Director	Katsunori Koseki	Executive Officer	Kohji Yamaguchi

Group of Companies (As of April 1, 2017)

Name of Company	Principal Business Activities
ATTENIR CORPORATION (Consolidated subsidiary)	Engages in the sale of cosmetics and fashion brands based on the philosophy of "continuing to offer luxury brand quality at one-third of the market price or lower."
FANCL Hatsuga Genmai Co., Ltd. (Consolidated subsidiary)	Produces Hatsuga Genmai (germinated brown rice).
FANCL ASIA (PTE) LTD (Consolidated subsidiary)	Oversees sales activities in Asia/Pacific region
FANCL B&H CORPORATION (Consolidated subsidiary)	Manufactures cosmetics, quasi-drugs, and nutritional supplements.
NICOSTAR BEAUTECH Co., Ltd. (Consolidated subsidiary)	Engages in the sale and contract manufacturing of cosmetics and quasi-drugs.
FANCL INTERNATIONAL, INC. (Consolidated subsidiary)	Distributes cosmetics and nutritional supplements in the United States.
boscia, LLC (Consolidated subsidiary)	Distributes cosmetics and nutritional supplements in the United States.
FANCL SMILE Co., Ltd. (Non-consolidated subsidiary)	(A special subsidiary) Promotes the employment of people with disabilities; undertakes a variety of activities including the setup of various catalogs.
FANCL Insurance Service Corp. (Non-consolidated subsidiary)	Insurance agency, engaged in soliciting insurance contracts and associated operations.
FANCL FARM Co., Ltd. (Non-consolidated subsidiary)	Engages in the production, processing, and sale of agricultural products.
FANCL (Shanghai) Business Consulting Limited (Non-consolidated subsidiary)	Engages in the registration of cosmetics and supplements in China.

Editorial Policy

Organizations FANCL CORPORATION and the FANCL Group

Businesses Cosmetics, nutritional supplements and other businesses

Applicable Period Fiscal 2017 (from April 1, 2016 to March 31, 2017)

* Some areas include information from before March 31, 2016 and after April 1, 2017.

Reference Guidelines ■ ISO 26000 ■ GRI, etc.

Status as a Socially Responsible Investment
* As of January 4, 2017

FANCL has been selected as a constituent stock for the Morningstar Socially Responsible Index (MS-SRI). MS-SRI is Japan's first domestic socially responsible index, and is an index of share prices from 150 companies that Morningstar Japan K.K. selects from among those listed in Japan assessed as having an excellent social record.

