

40<sup>th</sup>  
Anniversary

FANCL

正直品質。

FANCL REPORT  
**2020**



# Passing our beliefs

## Founding Philosophy

Eliminate the “Negatives”  
with a Sense of Justice



The FANCL Group's  
Philosophies

---

## 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.

FANCL is committed to transforming anxiety into security, dissatisfaction into satisfaction, and inconvenience into convenience. As a company that seeks to eliminate these “negatives” for all people throughout the world and that has resolved social issues, FANCL welcomed its 40th anniversary in 2020. Going forward, the Company will repeatedly meet challenges, and continue to inherit, evolve, and grow with the Stance Message of “Upholding Quality” held close to heart.

# Inheritance, Evolution, Growth into the Future

## Founding Period

1980-1993

### Founding FANCL to Solve Cosmetics Pollution



Founder Kenji Ikemori

Japan's cosmetics industry has undergone continuous growth since the end of World War II, but around 1978 and 1979, the preservatives, antioxidants, microbicides, fragrances, and other additives used in cosmetics began causing more and more skin problems. Kenji Ikemori, the founder of the Company, established FANCL as a sole-proprietor cosmetics sales company in 1980 with the aim of solving these skin problems. The belief that runs through FANCL's founding philosophy of “desiring to eliminate anxiety, inconvenience, and other 'negatives' from the world” lies in this history.

### Birth of Mutenka Cosmetics

FANCL's *Mutenka* cosmetics were born from a completely new concept that did not exist in the cosmetics industry at the time. In order to ensure that customers would always use fresh products, FANCL conceived of the idea to label its products with the date of manufacture. Because *Mutenka* cosmetics do not contain any preservatives, the Company also decided to sell these in small glass vials that could be completely used in one week. The mail-order sales channel was also chosen as another solution to maintaining product freshness.

### Explosive Popularity and Dramatic Sales Growth

FANCL's *Mutenka* cosmetics made a significant impact and came to receive overwhelming support among women at the time who were troubled by skin problems. In 1982, just two years after its founding, this support drove the Company's customer base past 30,000 and led to dramatic growth in sales, which nearly doubled over the three years from 1983 to 1985.



Mutenka Cosmetics sold in glass vials

## Growth Period

1994-1999

### Diversifying Business and Sales Channels, Spreading Trust



Commemorative photograph of FANCL's listing on the Tokyo Stock Exchange First Section

During this period, FANCL further developed its cosmetics business, including expanding ATTENIR cosmetics under the concept of high-quality at affordable prices. In addition, the Company diversified its business and products with the start of its Nutritional Supplements business and store sales, and worked to bolster its sales capabilities. In 1998, FANCL initiated over-the-counter trading of its shares, and made a major leap just one year and one month later with its listing on the Tokyo Stock Exchange First Section.

### Entering the Market for Health Foods by Slashing Prices

In 1994, the Company successfully entered the health food business by launching mail-order sales of its nutritional supplements. The health foods sold in Japan at the time were extremely expensive. Likewise, the Company's Nutritional Supplements business, which began under the concept of slashing prices and desiring to provide health foods at a reasonable price due to the fact that supplements have an effect specifically because they are taken every day, matched the needs of its customers and thus received a flood of orders. Later, the Company launched its germinated brown rice business in 1999 and its kale juice business in 2000.



Vitamin C

### Launching Direct Store Sales

In 1995, the Company opened its first directly managed FANCL House shop in Shizuoka City to launch direct store sales. In 1996, the Company also successfully opened a store in Hong Kong. In 1999, the Company began sales of nutritional supplements at Seven-Eleven stores—sales had thus begun through distribution channels.



The first FANCL House shop (Shizuoka Aoba-dori shop)

### Reaching New Historical Highs for the Customer Base and Sales

During this period, FANCL truly entered an era of achievement. In FY Mar/2000, the customer base grew to 1.6 million. Meanwhile, sales reached ¥63 billion.

## Mature Period

2000-2014

### Seeking New Value and Raising Problem Awareness

By 2006 FANCL's business, now based on the two pillars of beauty and health, was following a growth trajectory with the opening of direct stores in all 47 prefectures in Japan, establishment of the FANCL germinated brown rice Nagano Factory, and establishment of the FANCL B&H CORPORATION Shiga Factory. As a result, the Company achieved consolidated sales of ¥101.0 billion during FY Mar/2007. On the other hand, FANCL had begun to see clouds on the horizon of its tireless growth.

### Expanding the Product Lineup and Sales Foundation

In terms of cosmetics, the Company aggressively renewed its popular *Mild Cleansing Oil* and other products, including basic skin care products and *Facial Washing Powder*, as part of its cosmetics rebranding in 2012. In terms of health foods, the Company launched sales of *FANCL CLINICAID*, a supplement for doctors, while *HTC Collagen* and *Calolimit®* achieved major success. Moreover, the Company had grown into a well-known, luxury brand when it attracted interest for opening a store in Shanghai, China, in 2004.



Mild Cleansing Oil

Calolimit®



Dazhongsi Wangfujing Department Store (Shanghai, China)

### Addressing Sales Expansion. New Operations at a Second Factory

In April 2002, the Company began operations at the FANCL germinated brown rice Nagano Factory (currently: FANCL B&H CORPORATION Nagano Factory), which produces up to 80 tons per day. The Company also began operations at the FANCL B&H CORPORATION Shiga Factory in October 2003. Moreover, FANCL had only been producing cosmetics at the Chiba Factory, so the Company worked to decentralize its production site and bolster production capacity for the purpose of ensuring stable supply and diversifying risk.



Germinated brown rice Nagano Factory



Shiga Factory, FANCL B&H CORPORATION

## Structural Reform and Regrowth Period

2015-

### Towards Further Growth as a Unified Company Under “ALL-FANCL, ONE-FANCL”

The founder, Kenji Ikemori, who had returned to transform FANCL into a company that would grow once again, made investments for the future, eliminated unprofitable divisions, and implemented other structural reforms. He also launched the “Advertising-led Growth Strategy.” As a result, performance underwent a sharp recovery and the Company recorded its highest sales in history during FY Mar/2018, the first time it had done so in 11 years.

In 2019, the Company announced a capital and business alliance agreement with Kirin Holdings, Limited, whereby FANCL became an equity-method affiliated company of Kirin Holdings. The philosophies and direction for which both companies aim match perfectly, and thus enable the move to connect to the future by allowing the companies to fully demonstrate their respective strengths and creating a synergy effect.

### Recognizing the Results of Structural Reform

Launched in FY Mar/2016, the 1st Medium-Term Management Plan “Advertising-led Growth Strategy” made strategic advertising investments based on a long-term vision that included expansion of the customer base, thereby helping performance to achieve a sharp recovery.

Launched in FY Mar/2019, the 2nd Medium-Term Management Plan “ACTION 2020” served to improve profitability and helped the Company record its highest profits in history for the second consecutive year during FY Mar/2020.



The first floor of FANCL Ginza Square transformed into an international shop

### Launching Sales of Innovative, Unique Products

The Company launched *Enkin*, Japan's first food with functional claims, in 2015, and released the *Beauty BOUQUET* aging care brand for mature adults in 2016. Similarly, in 2018 the Company launched *AND MIRAI*, a skin care brand targeting women around the age of 30. The Company also launched *Nestlé Wellness Ambassador*, formulated with supplement components and jointly developed with Nestlé Japan Ltd., and *Calolimit Tea for the Mature Aged®*, a brand of tea jointly developed with DyDo DRINCO, Inc., as a means of steadily expanding the scope of the Company's long-term customer base.



FY Mar/2020 Sales  
**¥126.8 billion**

Founding

1980

1985

Founding Period

1990

1995

Growth Period

2000

2005

Mature Period

2010

2015

Structural Reform and Regrowth Period

2019



FANCL Ginza Square Beauty Shop  
Store Manager

### Yui Himeno

With the remodeling of FANCL Ginza Square, we believe we can provide our customers with new experiences and excitement without any changes to the reliability and peace of mind they have come to expect. We will continually strive to be the kind of store that would make anyone want to visit at least once, and then return to whenever possible.



Direct Sales Division Sales Planning Department  
Digital Promotion Group  
Group Manager

### Tomoya Hagiwara

Through the use of digital technologies to provide products and services in unprecedented ways, we will not only solve existing issues, but also provide opportunities for new discoveries and excitement, as well as the joy of being beautiful and healthy. Our goal is to evolve into a new FANCL that provides more than just a friendly face to our customers.



FANCL B&H CORPORATION  
Yokohama Factory

### Hiroyuki Tanabe

With the goal of providing safe and secure products to our customers on a daily basis, the manufacturing department remains focused on "quality, delivery schedules, and costs." Since we do not interact directly with the end users, our commitment to our work is focused on satisfying the needs of the next step in the process, which we view as our customer.

## Full employee support for "NEXT FANCL"

FANCL celebrates the 40th anniversary of the company's founding in 2020. We intend to sustain growth by maintaining our stance on "Upholding Quality" as we take on new challenges.



FANCL Research Institute  
Functional Food Research Institute  
Formulation Technology Group

### Aina Hirata

We will continue to develop products and engage in technological research that promotes product efficacy in our body in order to provide products that have our customers saying they felt better after taking our supplements and that FANCL products are highly effective in producing the desired results.



FANCL Research Institute  
Cosmetics Research Institute  
Skincare Development Group

### Ryoma Teranishi

Under NEXT FANCL we believe that in addition to products that are good for our customers' skin, it is vital to develop functional cosmetics. While it is difficult to develop functional cosmetics that are also gentle to the skin, we are taking on this challenge using the additive-free technological expertise we have accumulated over the years.



Customer Service Division  
Customer Service Department  
Beauty Counseling Group

### Ayaka Ogata

We have received many comments from customers indicating their pleasure over the helpful and friendly services we have provided. Our goal is for FANCL to become an even more cherished brand by making the best use of this outstanding ability to respond to customer needs and revising our services in line with those needs.

<b>01</b>	The FANCL Group's Philosophies	<b>31</b>	Confronting New "Negatives" in Society from the COVID-19 Crisis
<b>02</b>	Our 40-year History	<b>33</b>	FANCL Group's "Sustainable Declaration"
<b>05</b>	The Determination of Employees Focused on the Future	<b>35</b>	Protecting the Environment
<b>07</b>	FANCL at a Glance	<b>37</b>	Living Healthily
<b>09</b>	FANCL's Value Creation	<b>39</b>	Respecting Diversity
<b>11</b>	FANCL by the Numbers	<b>41</b>	Reinforcement of Governance
<b>13</b>	FANCL's Business Model	<b>45</b>	Directors and Audit & Supervisory Board Members
<b>17</b>	"VISION2030"	<b>47</b>	11-Year Financial / Non-financial Summary
<b>18</b>	Capital and Business Alliance with Kirin Holdings	<b>49</b>	Management Discussion and Analysis
<b>19</b>	To Our Shareholders and Other Stakeholders	<b>51</b>	Consolidated Financial Statements
<b>25</b>	Business Strategies	<b>55</b>	Stock Information
<b>29</b>	<b>Special Dialogue</b> Joint Kirin × FANCL Research Commenced to Realize Synergies	<b>56</b>	Corporate Information

Additional information FANCL Corporate Website <https://www.fancl.jp/en/index.html>

#### IR Presentation Materials



[https://www.fancl.jp/en/ir/library/finance\\_data/index.html](https://www.fancl.jp/en/ir/library/finance_data/index.html)

#### Corporate Governance Report



<https://www.fancl.jp/en/csr/governance/pdf/report.pdf>



#### FANCL Group "Sustainable Declaration"

<https://www.fancl.jp/en/about/action/index.html>



#### ESG Data Book

<https://www.fancl.jp/en/ir/library/esgdata/index.html>

#### FANCL's SDGs Initiatives



Through the implementation of the FANCL Group's Sustainable Declaration (see Page 33), we are contributing to the realization of the Sustainable Development Goals (SDGs) and fulfilling our social responsibilities through our business activities.

#### Editorial Policy

- Organizations** FANCL CORPORATION and the FANCL Group
- Businesses** Cosmetics, nutritional supplements and other businesses
- Applicable Period** Fiscal 2020 (from April 1, 2019 to March 31, 2020)

\* Some areas include information from before March 31, 2019 and after April 1, 2020.

#### External assessments

#### 2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

FANCL was selected as a component company on the (US) MSCI Japan Empowering Women (WIN) Select Index.

#### Reference Guidelines

- ISO 26000
- GRI
- Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation



**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.

The FANCL Group is committed to eliminating the “Negatives” of dissatisfaction, anxiety, and inconvenience throughout the world focusing mainly on its Cosmetics and Nutritional Supplements businesses. While developing sales channels that are in tune with the times, the Group is focused on multi-channel development, including online and catalogue, direct store, wholesale, and overseas sales activities.

FY Mar/2020 Results

Overseas sales

8%

Wholesale sales

19%

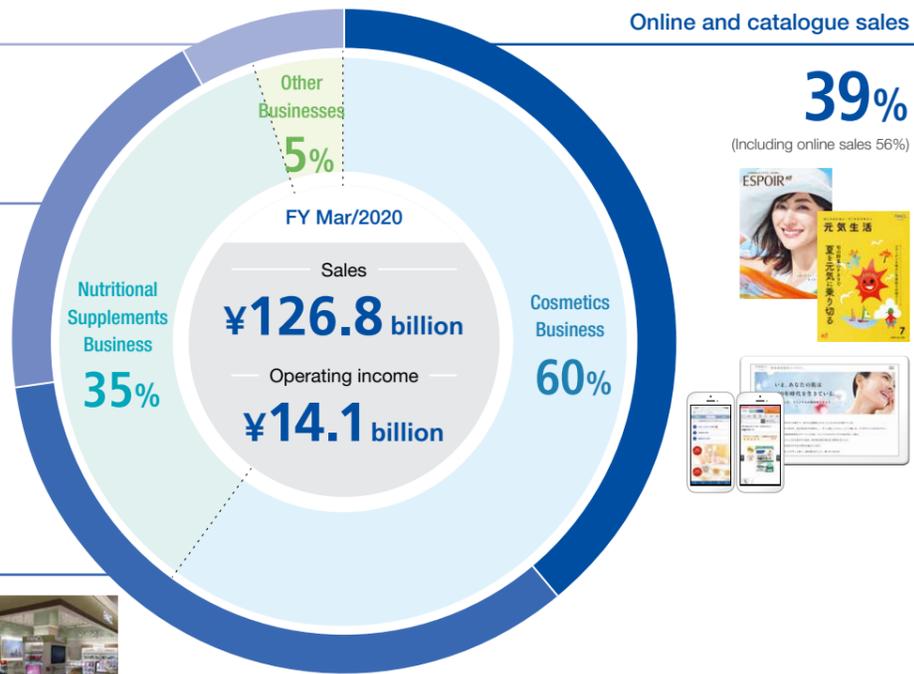
Drugstores, convenience stores, general supermarkets, other



Direct store sales

34%

FANCL 212 stores  
ATTENIR 24 stores



Online and catalogue sales

39%

(Including online sales 56%)



Global Business Development

- F FANCL
- boscia
- A ATTENIR



Times Square store in Hong Kong

boscia

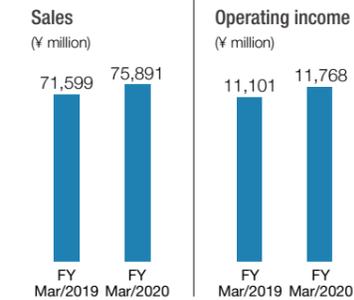
Boscia, launched in California in 2002, is a cosmetic brand built on a botanical science theme. For sale only in overseas locations, boscia products are available at Sephora, Ulta, and other cosmetics specialty stores.



Selling through Amazon in North America

Business Introduction

Cosmetics Business



FANCL Cosmetics

Mutenka cosmetics help address a variety of issues while drawing out the natural beauty of the skin. They provide long-lasting beauty by extending the life of skin.

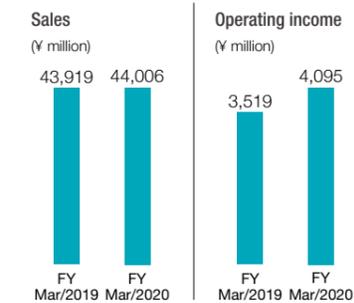


ATTENIR

ATTENIR is focused on providing happiness and quality to women every day. The brand specializes in aging care products and is built on a philosophy of “continuing to offer luxury brand quality at one-third of the market price or lower.”



Nutritional Supplements Business

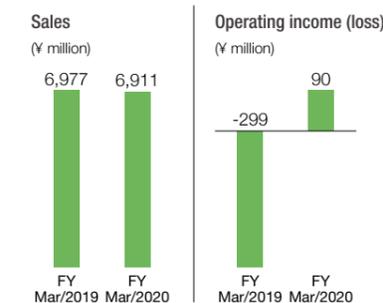


Nutritional Supplements

As a partner that is working to promote lifelong health while helping people lead invigorating lives, FANCL is supporting society in an era of 100-year lifespans.



Other Businesses



Hatsuga Genmai (germinated brown rice) / Kale Juice

Achieving good health through a sound daily diet, FANCL's kale juice-related products and Hatsuga Genmai are easy to incorporate into any diet and deliver abundant nutritional benefits essential to good health.



Intimate Apparel / General Merchandise

FANCL offers Intimate Apparel that are comfortable, don't itch, and make our customers feel beautiful, as well as a wide variety of comfortable General Merchandise that offer customers peace of mind in their selection.



Taking full advantage of the wellspring of value creation that we have nurtured since our foundation, we will work diligently to ensure our ongoing sustainable growth while enhancing our corporate value by practicing "Upholding Quality."

# VISION2030 Achievement

Make the world healthier and more beautiful

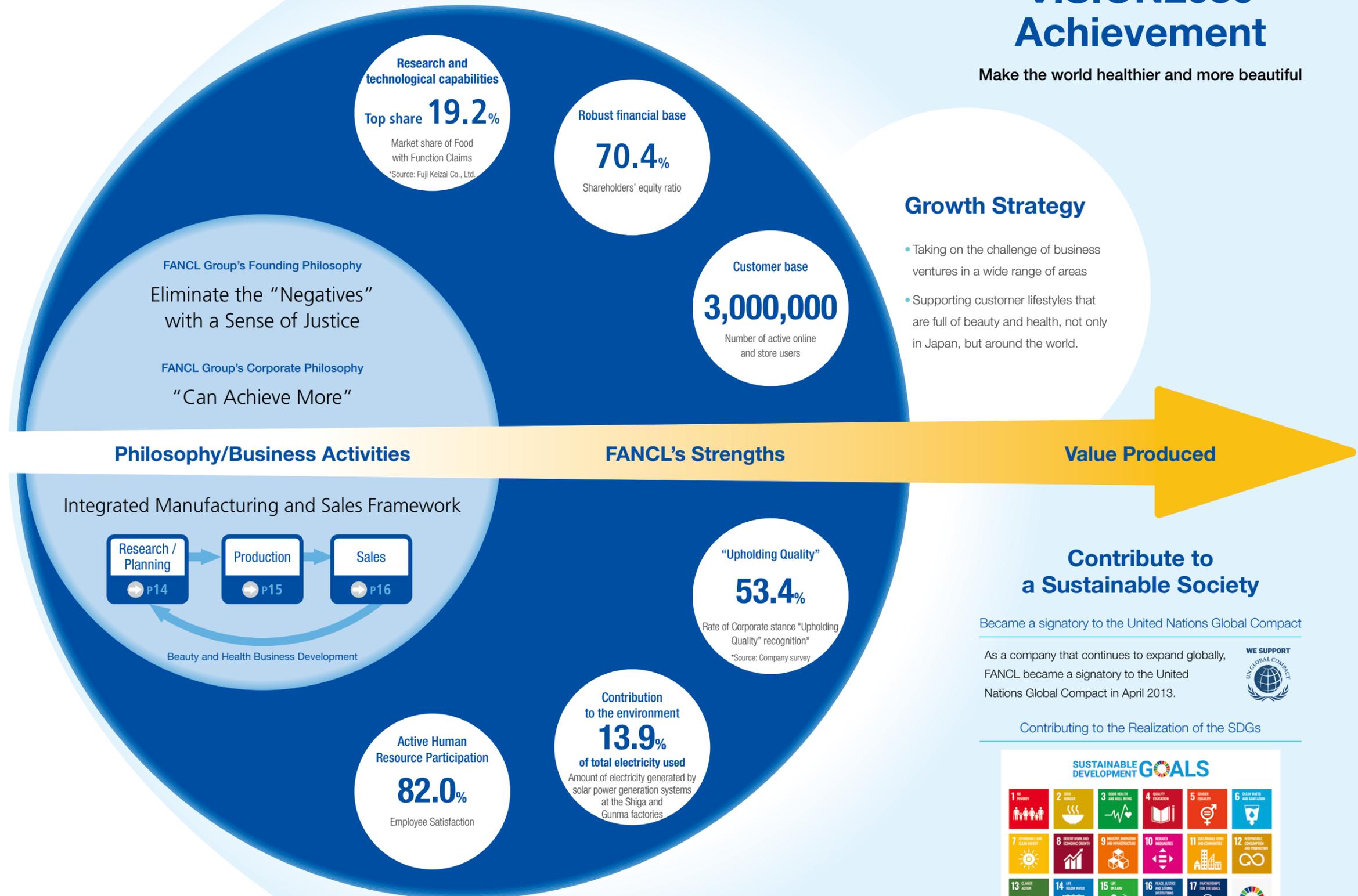
## Opportunities

- Increase in e-commerce customers
- Increase in overseas visitors to Japan over the medium to long term
- The growing importance of working in good health for a long time
- The growing need for aging care products

## External environment

## Risks

- Changes in consumer behavior
- Natural disasters and the spread of infectious diseases
- Manufacturing and quality control
- Information management and security
- Environmental measures



## Growth Strategy

- Taking on the challenge of business ventures in a wide range of areas
- Supporting customer lifestyles that are full of beauty and health, not only in Japan, but around the world.

## Contribute to a Sustainable Society

Became a signatory to the United Nations Global Compact

As a company that continues to expand globally, FANCL became a signatory to the United Nations Global Compact in April 2013.



Contributing to the Realization of the SDGs



For further information, please see the section regarding our Sustainable Declaration on page 33.

## Financial Highlights

<p><b>Sales</b></p> <p><b>¥126.8 billion</b> (FY Mar/2020)</p> <p><b>¥122.4 billion</b> (FY Mar/2019)</p> <p>Achieved record-high sales for three consecutive years</p>	<p><b>Operating income / Operating margin</b></p> <p><b>¥14.1 billion / 11%</b> (FY Mar/2020)</p> <p><b>¥12.3 billion / 10%</b> (FY Mar/2019)</p> <p>Achieved record-high operating profit for two consecutive years</p>	<p><b>ROE (Return on equity)</b></p> <p><b>15.8%</b> (FY Mar/2020)</p> <p><b>12.8%</b> (FY Mar/2019)</p> <p>Significant improvement mainly through sales expansion</p>
<p><b>Shareholders' equity / Shareholders' equity ratio</b></p> <p><b>¥66.5 billion / 70.4%</b> (FY Mar/2020)</p> <p>Successfully maintained a solid financial base</p>	<p><b>Dividends per share / Dividend payout ratio</b></p> <p><b>¥34 / 41%</b> (FY Mar/2020)</p> <p>Dividend on a planned dividend payout ratio of approximately 40%</p>	<p><b>Research and development expenses</b></p> <p><b>¥3.4 billion</b> (FY Mar/2020)</p> <p>Working to improve proprietary technological capabilities and value as an R&amp;D-oriented company</p>

 **Financial Information**  
www.fancl.jp/en/ir/library/finance\_results/

## Employees

<p><b>Percentage of female employees / Percentage of women in management</b></p> <p><b>68.6% / 43.6%</b> (FY Mar/2020)</p> <p><b>69.0% / 46.2%</b> (FY Mar/2019)</p> <p>The Company continues to introduce programs that accommodate flexible work styles as a part of efforts to help women develop their careers</p> <p><small>* FANCL's non-consolidated results</small></p>	<p><b>New employee retention rate</b></p> <p><b>82.5%</b> (FY Mar/2020)</p> <p><b>84.0%</b> (FY Mar/2019)</p> <p>Percentage of new employees still employed three years after joining the Company</p>	<p><b>Number of foreign national employees</b></p> <p><b>105</b> (FY Mar/2020)</p> <p><b>90</b> (FY Mar/2019)</p> <p>Foreign national employees active in overseas department and store sales</p>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Environment

<p><b>CO<sub>2</sub> emissions (per sales of ¥100 million)</b></p> <p><b>8.4 t / ¥100 million</b> (FY Mar/2020)</p> <p><b>9.6 t / ¥100 million</b> (FY Mar/2019)</p> <p>Implemented measures aimed at reducing CO<sub>2</sub> emissions across the Group as a whole</p>	<p><b>Waste Volume (per sales of ¥100 million)</b></p> <p><b>0.6 t</b> (FY Mar/2020)</p> <p><b>0.7 t</b> (FY Mar/2019)</p> <p>Relative decline in waste volume</p>	<p><b>Amount of electricity generated by solar power generation systems at factories (Shiga, Gunma)</b></p> <p><b>13.9% of total electricity used</b> (530,936 kWh)(FY Mar/2020)</p> <p><b>13.3%</b> (499,703 kWh)(FY Mar/2019)</p> <p>Shiga Factory employs solar panels as an environmental model facility</p>
<p><b>Environmental protection costs</b></p> <p><b>¥287 million</b> (FY Mar/2020)</p> <p><b>¥269 million</b> (FY Mar/2019)</p> <p>Capital investment aimed at reducing the Group's environmental footprint</p>	<p><b>Amount of paper used</b></p> <p><b>7,060 t</b> (FY Mar/2020)</p> <p><b>7,656 t</b> (FY Mar/2019)</p> <p>Every effort is being made to reduce the amount of paper used by the entire Group</p>	<p><b>CO<sub>2</sub> emissions under the Eco Program at Home</b></p> <p><b>-274 t</b> (FY Mar/2019)</p> <p><b>-291 t</b> (FY Mar/2018)</p> <p>Employees are working to reduce CO<sub>2</sub> emissions in their homes</p>

## Society

<p><b>Number of FANCL seminars held / Number of participating employees</b></p> <p><b>143 / 180</b> (FY Mar/2020)</p> <p><b>163 / 215</b> (FY Mar/2019)</p> <p>The Company holds makeup and grooming seminars for people with disabilities, including those with visual impairments</p>	<p><b>Employee participation rate in the "Can Achieve More Fund"</b></p> <p><b>74.1%</b> (FY Mar/2020)</p> <p><b>79.0%</b> (FY Mar/2019)</p> <p>Donation activities initiated by employees in 2007</p>	<p><b>Number of tour participants</b></p> <p><b>20,172</b> (FY Mar/2020)</p> <p><b>18,671</b> (FY Mar/2019)</p> <p>FANCL holds customer tours at eight of its facilities, including factories and Research Institutes</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

# FANCL's Business Model

The FANCL Group handles every aspect of research and development, production, and sales on its own, thereby enabling the Company to pay meticulous attention to gentleness, safety, and assurance throughout. By making products that are uncompromising in "Upholding Quality" and that reflect the needs and voices of its customers, FANCL continues to pursue sustainable growth, greater corporate value, and the deployment of its approach to Value Creation as a company that is oriented towards resolving social issues.



## Management Foundation

- Promoting health of employees
- Creating environments where employees are able to work with vitality
- Reinforcing business partnerships



FANCL's Business Model

## Research and Development Capabilities that Eliminate the "Negatives" Through Innovation

FANCL Research Institute's responsibilities lie in the beauty and health domains, from basic research to product development. A second Research Center was completed in 2016, and the findings of innovative research are actively applied to products. The Company continues to undertake challenges as a research and development company.



### Major Achievements in FY Mar/2020

Number of products developed		Number of patent filings		Number of Researchers and Professional Qualifications	
FANCL Cosmetics	88	In Japan	50	Researchers	200
Supplements	25	Overseas	1	Ph.D.	23
ATTENIR	85	In Japan	28	Pharmacists	12
Germinated brown rice and kale juice-related products	8	Overseas	3	Registered dieticians	6
		In Japan	15		
		Overseas	2		
		Partners in joint research	40		
		Research and development expenses	¥3,440 million		

### Mutenka Cosmetics Research –FANCL's History is the History of Mutenka–

Since its founding, FANCL has been entirely focused on *Mutenka* (preservative-free) as a means of delivering safety and peace of mind to its customers. In addition to safety and peace of mind, the Company continues to conduct further research in order to prove the effects on skin and to pursue natural skin beauty.

FANCL has scientifically proven that preservatives and other stress-inducing components accelerate skin aging and inhibit natural skin beauty at the cellular and DNA level. Likewise, the Company has concluded that the concept of *Mutenka* goes beyond safety and peace of mind to achieve an anti-aging effect and natural skin beauty.

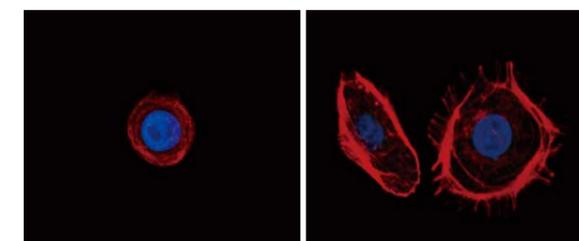
The Company has incorporated this new concept of cosmetics development, namely that stress-inducing component-free cosmetics are linked to anti-aging, into all of its products. FANCL continues to pursue cosmetics research aimed at maximizing the beauty of skin through *Mutenka*.

### FANCL's Strengths –Proprietary Formulation Technology–

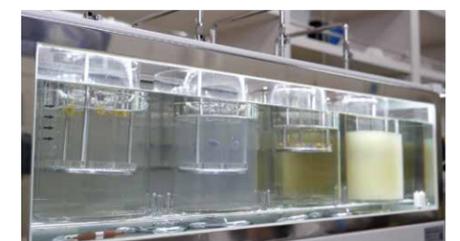
Ever since the launch of its Supplement Business in 1994, FANCL has conducted evidence-based product development. The Company develops products through a wide range of research, from seeking out functional materials to developing formulation technologies. In particular, the Company formulates and designs supplements using its proprietary "Product Efficacy in Our Body Design" formulation technology in a way that maximizes their efficacy. This technology infuses product design with a formulation balance that raises the persistence, absorption, and efficacy of the individual components in order to maximize the inherent strengths of the formulated components.

FANCL also independently conducts mandatory clinical trials for pharmaceuticals and verifies effectiveness and safety to deliver highly functional products. For this purpose, the Company was one of the first enterprises to address the foods with function claims system, which began in 2015, and now develops many foods with functional claims.

FANCL also contributes to reduced medical costs by bolstering the healthier lifespans of people around the world through highly functional supplements.



Healthy cell                      Stressed cell



Disintegration test machines used for pharmaceuticals are also able to reproduce the way in which supplements dissolve in the stomach



### Manufacturing Capabilities that Achieve Safety and Peace of Mind

FANCL produces both cosmetics and health food products under a management framework that complies with GMP standards. The Company's domestic network comprised of five production bases manufactures in pursuit of "Upholding Quality" under a strict standard unique to FANCL and under its stated mission of delivering products that provide customers with safety and peace of mind. The Company will actively promote robotics, AI and other forms of innovation to strengthen its supply capabilities.



#### Standards for Production Bases

Bases	Standards	GMP*1 Standards		FSSC 22000*2	Facility Clean Room
		Cosmetics	Health Foods		
FANCL B&H CORPORATION	Chiba Factory	●	●		●
	Shiga Factory	●			●
	Yokohama Factory		●		●
	Gunma Factory	●			●
	Nagano Factory			●	●

\*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

#### Equipping All Factories with Cleanrooms

FANCL provides its customers with only those products of uncompromising quality that have passed inspection under strict standards unique to FANCL at every stage along the way, from ingredient selection to production and shipping.

For example, the Company produces the content of its cosmetics by feeding the raw ingredients mixed in a special kettle after the weighing process into a vacuum emulsification kettle. The finished contents are then advanced to the filling process via a closed system that is completely sealed from the outside in order to prevent contamination by bacteria and other impurities. The filling process takes place in a "Class 100" clean booth that provides the cleanest environment inside the factories. "Class 100" denotes a 30 cm cubic volume of air in which there are fewer than 100 particles, grains of dust, or germs. Typically, it is assumed there are millions of grains of dust and germs in this volume of air. "Class 100" is the level of cleanliness in which pharmaceuticals can be produced.

#### Operations Begun at a Dedicated Mild Cleansing Oil Production Plant

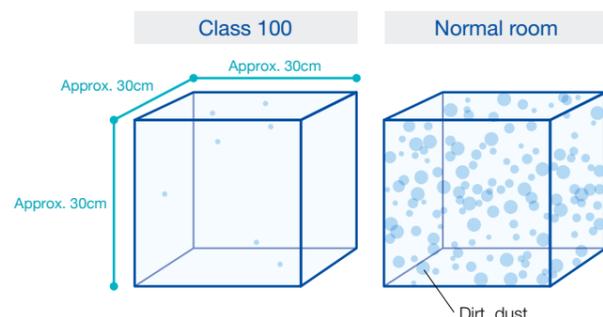
Ever since sales were launched in 1997, Mild Cleansing Oil has been used affectionately by many customers and is now one of FANCL's mainstay products, selling one unit every three seconds since its renewal release in 2017.

More recently, expansion of sales channels to drug stores, as well as increasing purchases by inbound customers, has led to an outlook for future demand. Therefore, in March 2020 FANCL established a new dedicated factory capable of mass-production in Nagareyama City, Chiba, Japan.

By combining the production capabilities of the three existing factories at the new facility, the Company has successfully reduced costs and enabled annual production of 12 million units, 1.3 times the original volume. This move has also opened excess capacity at the existing plants, which will enable FANCL to cultivate new demand.



#### Class 100 cleanroom



### Sales Capabilities that Supply Products and Services Through a Variety of Sales Channels

In addition to online and catalogue sales, FANCL provides products and services through direct store sales, wholesale sales, and multiple other sales channels. FANCL's call centers field inquiries relating to beauty and health, and use the SDI\*1 System telephone consultation service to provide information on the interaction of health supplements and drugs on a timely basis. FANCL works constantly to reflect the opinions of its customers, shared company-wide through the "Yahho System"\*2, in product development. The Company provides safety and peace of mind by tailoring its services to each and every customer through a variety of means, including counseling at stores.



\*1 Supplement and Drug Interaction  
\*2 A system designed to view, aggregate, and analyze customer comments

#### Sales channels



73% of sales come through online and catalogue, store, and other direct sales channels

#### Customer Opinions in FY Mar/2020

# 369,931

Breakdown	
Questions	224,482
Requests / opinions	131,088
Praise	14,361

#### Major Achievements in FY Mar/2020

Number of direct stores	212
Number of wholesalers	268 companies
Number of SDI System inquiries	24,219

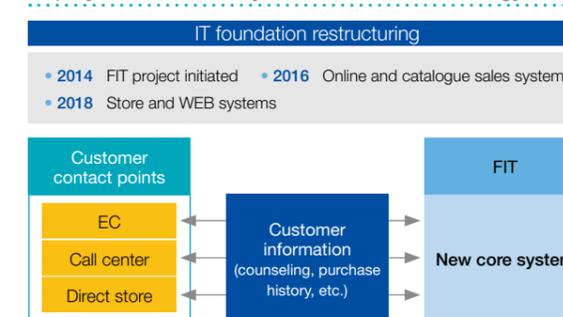
#### Uniquely Developed FIT Core System

FANCL's uniquely developed FIT core system supports its online and catalogue, and direct store sales channels. Starting with a renewal of the online and catalogue sales system in 2016, the Company also updated its store and WEB systems in 2018. The Company has thus shifted to omni-channel sales. Aggressively leveraging new cloud technologies has afforded FANCL greater flexibility, higher speeds, and lower costs than in the past.

In terms of cost, the Company reduced IT expenses by approximately 30% from FY Mar/2014 to FY Mar/2020.

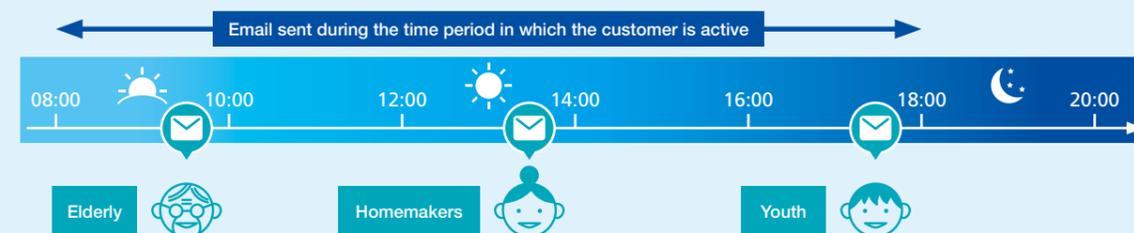
FANCL will deploy a detailed CRM strategy based on this core system.

#### Deployment of the IT System-based CRM Strategy



#### FANCL's CRM

As part of its online and catalogue sales business, FANCL is strengthening the CRM strategy and successfully transforms the business every year. Currently, the Company is developing a system that automatically sends information and proposals tailored to individual customers based on various customer data, including age, gender, and purchase history. Likewise, this system will enable FANCL to communicate more personally with its customers and will enable the Company to approach its customers at the ideal time, thereby helping to improve purchase rates.



# “VISION2030”

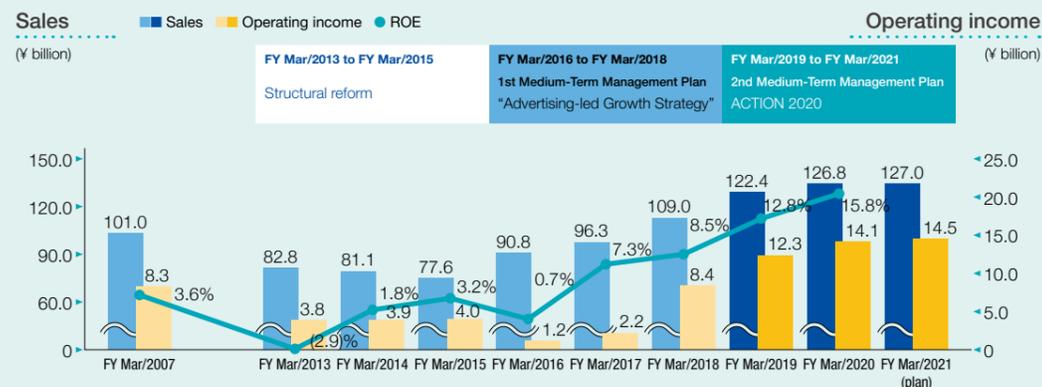
Make the world healthier and more beautiful

Toward 2030, the FANCL Group aims to launch business ventures in a range of areas. In each business domain we aim to support customer lifestyles full of beauty and health, not only in Japan but on a global scale, as a corporate group that customers can trust and rely upon.

<b>Beauty</b>	Aim to diversify our brands in line with diversifying consumer values, transcending the boundaries of cosmetics to develop business centered on beauty-focused fashion and lifestyle offerings.
<b>Health</b>	Develop a new health business that supports a society in an era of 100-year lifespans, aiming to become the most widely-used supplement brand.
<b>Beauty &amp; Health</b>	Actively expand the FANCL, boscia, and ATTENIR brands into overseas markets, aiming for each to become brands that are loved by customers worldwide.



<b>FY Mar/2021 Numerical Targets</b>	<b>Consolidated sales</b> <b>¥127.0 billion</b> (initial target ¥140.0 billion)	<b>Operating income</b> <b>¥14.5 billion</b> (initial target ¥18.0 billion)
--------------------------------------	---------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------



\* Due to the significant impact of store closures and other effects of COVID-19 on performance, FY Mar/2021 consolidated sales and operating income targets have been adjusted downwards.

## Capital and Business Alliance with Kirin Holdings

In August 2019, FANCL signed a capital and business alliance agreement with Kirin Holdings Company, Limited (Kirin).

Kirin acquired 33.0%\* of the voting rights of the Company's stock, and FANCL became an equity-method affiliated company of Kirin.

\* Percentage of total voting rights of FANCL as of March 31, 2019, rounded down to second decimal place



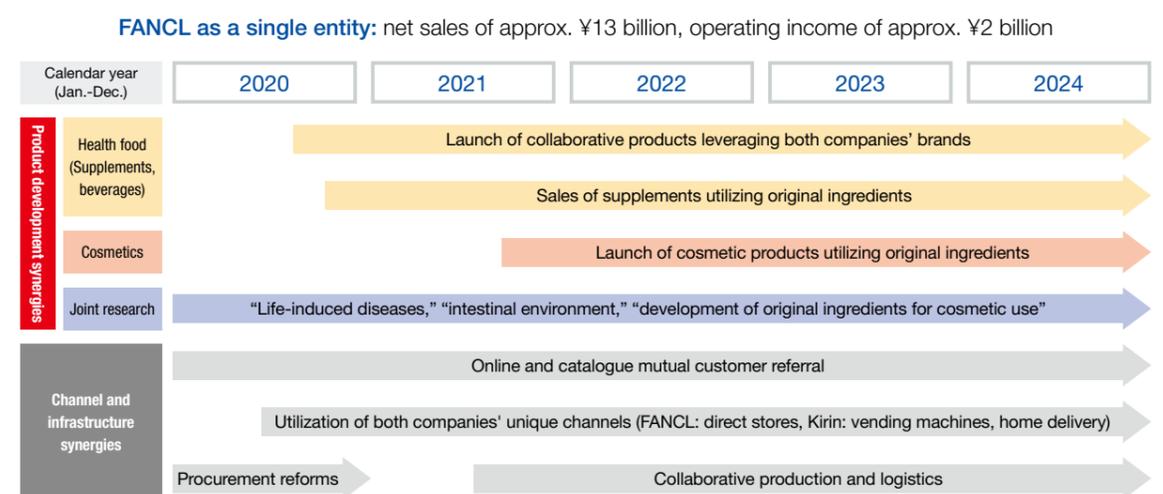
### Reasons for Alliance

- FANCL's goal of achieving growth by working to resolve the social issue of "extension of healthy life expectancy of people around the world" is shared by Kirin's approach to achieving sustainable growth by providing solutions for the social issues related to "Health and Well-being" adopted under its CSV\* strategy. The philosophies and the directions in which the two companies are moving are the same.
  - \* Creating Shared Value. The creation of value that can be shared with customers and society
- Kirin and FANCL's materials/products, customers, sales channels, and areas of overseas expansion do not overlap, and thus the companies have a relationship in which they will be able to complement each other based on their respective strengths.

### Areas of synergy realization

	Kirin	FANCL	
<b>Product development synergies</b>	Integration of "Brands" and "Technologies"	Health Science	Beauty & Health
	Product development utilizing unique materials	High-functioning amino acid and functional materials (immune system, brain function, intestinal environment, etc.)	Unique materials which are scientifically backed up
	Joint-development of products and business	<ul style="list-style-type: none"> <li>Co-development in areas such as "lifestyle-related diseases," "brain function," "frailty," "physical therapy," "immune system" and "intestinal environment"</li> <li>Co-development of cosmetic products utilizing yeast and fermentation technology</li> <li>Co-development of new business model</li> </ul>	<ul style="list-style-type: none"> <li>Leveraging both "brands" and "technologies," develop products with new concepts</li> <li>Development of supplements for healthy lifestyles, anti-aging skincare products, etc.</li> </ul>
<b>Channel and infrastructure synergies</b>	Mutual utilization of business platforms	<ul style="list-style-type: none"> <li>Online and catalogue mutual customer referrals</li> <li>Utilization of both companies' unique channels (FANCL: direct stores, Kirin: vending machines, home delivery)</li> <li>Collaborative production and logistics</li> </ul>	

### Synergy effects (FY Mar/2025)



# Determined, Decisive, Ambitious



President & CEO,  
Representative Director

*Kazuyuki Shimada*

## Long-term Vision "VISION2030"

→ P17

## Capital and Business Alliance with Kirin Holdings

→ P18

## Kirin × FANCL Special Dialogue

→ P29

## Our Vision

### Growth as a Company That Resolves Social Issues

Since its founding in 1980, FANCL has been consistently growing as a company that helps to resolve social problems. Arising from our desire to help women who were suffering from skin problems caused by cosmetics, the latter half of the 1970s marked the beginning of our world-first development of "preservative-free cosmetics" for which we made no use of additives such as preservatives. In 1994, we decided that we wanted to support the health of people around the world, so provided high-quality health foods at competitive prices, which up until that time had been very expensive. Using the term "supplement," which was then not yet well-known in Japan, we created the health food market.

In 2018, we formulated "VISION2030—Make the world healthier and more beautiful" as our long-term vision for 2030, which will mark the 50th anniversary of our founding. While supporting the beautiful, healthy and prosperous lives of customers around the world by providing high-quality, safe and assured cosmetics and healthy foods with reliable functions, this vision encapsulates our determination in aiming to be a company that is trusted and loved by society by helping to extend healthy life expectancy and reduce medical costs. In this way, our principle of eliminating the "Negatives" that exist in the world through our products has remained unchanged since the Company was founded.

## Capital and Business Alliance with Kirin Holdings

### The Direction of Both Companies Is the Same

In August 2019, we announced a capital and business alliance with Kirin Holdings (hereinafter, Kirin). In its Long-term Management Vision (KV2027), Kirin's avowed aim is growth through the resolution of health-related social issues. This is in line with FANCL's goal of achieving growth by addressing the social issue of extending the healthy life expectancy of people around the world. Since there is no overlap in our companies' products, customers and channels, we are also expecting that we will be able to build a relationship in which we will be able to demonstrate each other's strengths. In terms of research and development, Kirin possesses a vast amount of accumulated basic research, whereas FANCL, in contrast mainly developing to meet market needs, has excellent commercialization technologies at its disposal. In terms of marketing, whereas Kirin is skilled at mass marketing utilizing a wide range of channels throughout Japan, FANCL remains in close contact with each and every one of its customers and has the advantage of adopting needs through dialogue. We believe that by utilizing the characteristics of both companies, complementary synergies can be demonstrated.

We have been making a variety of efforts with the aim of deepening our understanding of each other's business including a trial session of FANCL products in November 2019 and touring Kirin's Yokohama Factory. Even employees are regarding this partnership with a positive attitude and are promoting companywide exchanges in a very good atmosphere.



Following the announcement of the capital and business alliance with Kirin Holdings: (center) FANCL founder Kenji Ikemori and (right) Kirin Holdings President & CEO Yoshinori Isozaki



General Meeting of Shareholders



Research report meeting with (right) Kirin Holdings President & CEO Yoshinori Isozaki

### Specific Synergistic Effects

Going forward, we aim to demonstrate the synergistic effects over the short, medium and long term. Among the factors that can be cited as creating effects in a relatively short period of time is the sending of mutual customers to each other to utilize each other's sales channels. We are also planning to launch, by the end of the year, a collaborative product that leverages the brands of both companies. When we conducted a consumer survey on the trial product, there was a favorable reaction that we previously could not have seen in an independently developed product.

In the medium term, we will undertake joint developments that will leverage the proprietary materials owned by each of us. For example, Kirin has been conducting yeast research for many years, but only a small part of the research results have been commercialized. It may be possible for FANCL researchers to develop new products and businesses by examining whether the findings from such research can be applied to cosmetics and health foods.

In the long term, we will conduct joint research to resolve future social issues. For example, brain function research aimed at enhancing cognitive function, the need for which is expected to grow as society ages. Both companies had previously been independently advancing this kind of research, but further results can be expected from our working together.

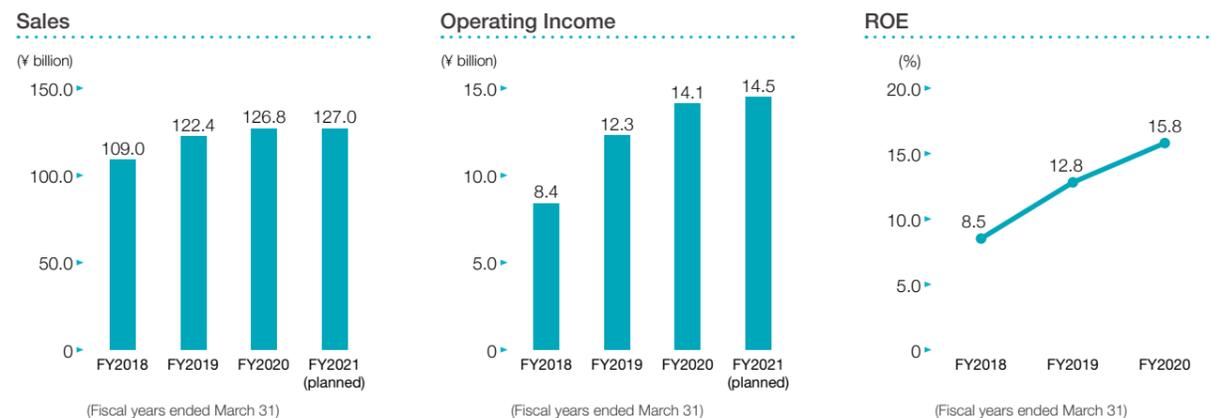
## FY Mar/2020 Results and Future Initiatives

### New Records Set in Sales, Operating Income

Despite the impact of the novel coronavirus (COVID-19) from the end of January onward, the results for FY Mar/2020—during which business was promoted under the slogan “Let’s change it. Let’s try it” —were sales of ¥126,810 million and operating income of ¥14,125 million, representing record-high sales and operating income for a third and second consecutive period, respectively. In addition to the successful launch of new member services online and catalogue, the active opening of direct stores in large department stores, the development of wholesales-only supplements and other factors, we focused on re-recognizing and refining “this is where FANCL shines!” in all divisions of the Company. By re-recognizing our strengths from a variety of perspectives, such as additive-free cosmetics, the product efficacy in our body, and our excellent human resources, we utilized them in products and advertising campaigns.

### Response to Impact from COVID-19

COVID-19 brought about a wide range of negative effects, including a decline in inbound demand, the suspension of business at commercial facilities and a widespread mood of self-restraint among consumers. Having established a Crisis Management Committee, the Company had been planning and implementing information sharing and response measures at the officer / general manager level three times a week since February. Skincare products are used on a daily basis regardless of whether people go out, and there is a high demand for supplements amid growing awareness of health. Aiming to continue to deliver products to customers steadily and reliably even at the time of a crisis of this kind, in terms of securing the procurement of raw materials and of sales we, for example, expanded sales of supplements that give some degree of immunity.



### FY Mar/2021 Business Strategy

In FY Mar/2021, we aim to engage in business in a “Determined, Decisive, Ambitious” manner. We will try to “look around and listen carefully” and “think for ourselves and act for ourselves.” Now that we find ourselves in a crisis that is said to be the biggest since the postwar period, we must take adversity as an opportunity and take new steps. I feel that questions are seriously being asked of our “ALL-FANCL, ONE-FANCL” capabilities.

Specifically, taking advantage of our having a mail-order channel, we will guide customers who have been mainly using stores up until now to use online mail-order as much as possible. Also, while supporting sales, we will increase the number of customers who use both as a great opportunity to experience mail order. In cosmetics, we will start wholesale sales to e-commerce (EC) sites directly managed by retail stores, such as department stores and drug store chains, and actively develop exclusive products and private brands (PBs) for major drug stores and convenience stores. In addition to strengthening supplements for healthy lifestyles and supplements that give some degree of immunity, in health foods we will work on product development that will create new inbound demand. In addition, we will commence sales of the *AND MIRAI* cosmetic brand and beauty supplements through cross-border EC overseas. Through these new efforts, we aim to increase both consolidated sales and operating income year on year. With regard to the numerical targets of the Medium-Term Management Plan, sales of ¥140.0 billion and operating income of ¥18.0 billion, we will closely watch the effects of COVID-19 and try to get as close to them as possible.

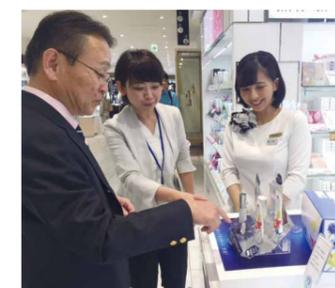
### Medium- and Long-Term Initiatives

From now on, FANCL will make overseas business its growth driver and will work particularly aggressively on its Chinese supplement business. Although supplement sales in cross-border EC by our partnership with China Sinopharm International Corporation (hereinafter, China Sinopharm International) have already achieved some results, in 2020 we will obtain approval from the Chinese government to sell supplements, such as vitamins and minerals, as health foods and expand them at hands-on shops and duty-free shops. FANCL's supplements have received high ratings from inbound customers, and we are expecting that sales via e-commerce and in actual stores, such as drugstores, in China will become a great growth opportunity in the years ahead.

Currently, demand is temporarily declining due to the effects of COVID-19, but we will steadily make the necessary investments in anticipation of future demand expansion. In March 2020, a factory focused specifically on the production of *Mild Cleansing Oil* started operation adjacent to the Chiba Factory. As a result, our production capacity for the product has dramatically improved, and at the existing plant we have generated production capacity that can handle future increases in demand. In anticipation of growing demand for supplements in developing regions such as China, a supplement factory is under construction in Mishima City, Shizuoka Prefecture, and will start operations in March 2021, and our New West Japan Logistics Center will be established in Kadoma City, Osaka Prefecture, in June 2021. At each facility, we will aggressively make capital investments in automation and labor saving in consideration of future labor shortages.



Management policy presentation



FANCL store visit



Presentation of a cake to celebrate achievement of the highest monthly sales

Sustainable Declaration

→ P33

Confronting New “Negatives” in Society from the COVID-19 Crisis

→ P31

## Initiatives toward Achievement of SDGs

### Sharing Companywide Awareness to Resolve Social Issues

In June 2018, we formulated our “Sustainable Declaration: Building a Bright Future Together” and expressed our intention to contribute to the realization of a sustainable society in line with the Sustainable Development Goals (SDGs). In essence, the founding philosophy of Eliminate the “Negatives” with a Sense of Justice is consistent with the SDGs philosophy, and awareness of resolving social issues is shared throughout the Company.

Previously, we had been promoting initiatives such as the development of environmentally friendly products, but to further connect our business with global issues, we changed the name of what had formerly been the CSR Promotion Office to SDGs Promotion Office in March 2020. If you broaden your horizon and turn your gaze toward the generations to come, you can see that there are many unresolved “Negatives” in the world. Of course, there is no comparison between the size of the problems confronting the company FANCL and problems of a global scale. We would, however, like to become one of the driving forces for a great movement in the world by making innovative efforts and actively disseminating information.

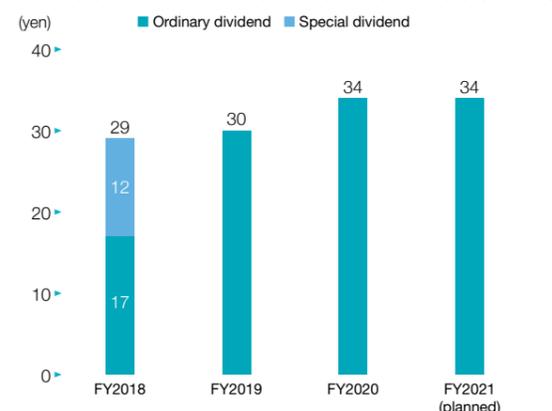
### Eliminating the “Negatives” Caused by COVID-19

The COVID-19 pandemic has made real the risk of infectious disease and, at the same time, caused a new “Negative.” In the meantime, FANCL has already initiated a variety of initiatives. On account of the serious shortage of masks in Japan, FANCL received the full support of China Sinopharm International, the distributor of health foods in China, procured non-woven masks made in China and sold them in Japan. As a company, we are also providing a variety of support to our employees, who are working hard for our customers in this difficult situation. For example, in the online and catalogue business, we will provide special recognition of service benefits to customer service center staff, 100% leave compensation to approximately 1,800 staff whose stores are closed, and subsidize the utility and communications costs for employees working from home. Outside the company, we donated cosmetics and masks to medical professionals and nursery school teachers. Going forward, while ensuring employee safety, we will earnestly make every effort to ensure that FANCL is able to contribute to society.

### Returns to Shareholders

<b>Dividend</b>	Consider a dividend amount given a target consolidated dividend payout ratio of approximately 40% and DOE (dividend on equity) ratio of approximately 5%.
<b>Acquisition of treasury shares</b>	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.
<b>Cancellation of treasury stock</b>	Treasury shares in excess of 10% of the total number of outstanding shares will be cancelled.

### Dividend per Share



(Fiscal years ended March 31)

\* FANCL conducted a 2-for-1 stock split of its common shares on December 1, 2018. Past dividend payment data has been retroactively adjusted to reflect this stock split.

## To Our Stakeholders

### Capital Policy and Governance Framework

The ROE for FY Mar/2020 improved to 15.8% and thereby surpassed the Medium-Term Management Plan target of 13.5%. Going forward, we will link to improvements in corporate value by making growth investments that exceed the cost of capital. With regard to shareholder returns, there will be no change in our stance of continuing to provide returns in accordance with business performance trends.

Regarding our governance framework, we had taken the opportunity presented by the 2019 General Meeting of Shareholders to review the composition of directors with the aim of strengthening the management oversight function of the Board of Directors. Specifically, we had reduced the number of directors from 15 to nine and the ratio of outside directors to one third. At the 2020 General Meeting of Shareholders, we established a Board of Directors that reflects the opinions of not only major shareholder Kirin but also minority shareholders by having four internal directors, two directors from Kirin and three independent outside directors. In addition, taking over a position previously filled by the president and CEO, an independent outside director now serves as chairperson of the Nomination and Compensation Committee, which has led to the transition to a more transparent governance framework.

### Toward the Post-COVID-19 Era

Last year represented a paradigm shift for FANCL. Our major shareholder was replaced by Kirin, and founder Kenji Ikemori retired in December. Despite this independence from our founder, we will maintain our founding philosophy—Eliminate the “Negatives” with a Sense of Justice—and continue to grow in the years to come.

COVID-19 which is currently posing a threat to the world, will eventually come to an end. At the same time as we are facing the current crisis, we also have to think about the post-COVID-19 era. The changes in social structure are ever-increasing, and there is no doubt that they will increase in speed, and at the same time, the “Negatives” that will need to be resolved will also change. In 2020, FANCL celebrated its 40th anniversary, but in the coming years we will continue to eliminate the “Negatives” one by one to build for the future and continue to take an aggressive stance that does not fear change.

Reinforcement of Governance

→ P41

**We will raise our gaze and demonstrate the capabilities of “ALL-FANCL, ONE-FANCL”**

President & CEO,  
Representative Director

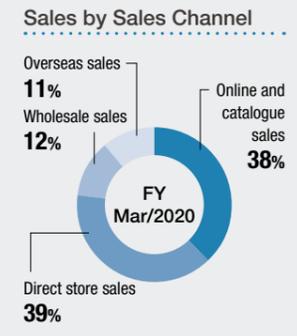
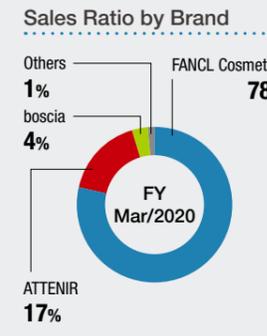
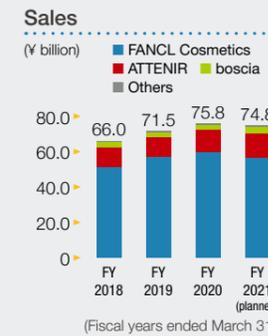
*Kazuyuki Shimada*



# Cosmetics Business

The issue of “cosmetics pollution” was a major social problem in the late 1970s, and FANCL was the first in the world to develop *Mutenka* cosmetics, which did not use additives such as preservatives that could cause skin problems. This was instrumental in solving the cosmetics problems experienced by a substantial number of women.

FANCL will continue to contribute to improvements in the quality of life (QOL) of people around the world by delivering on a global basis highly functional cosmetics that are safe, of the highest quality, and offer our customers real peace of mind.



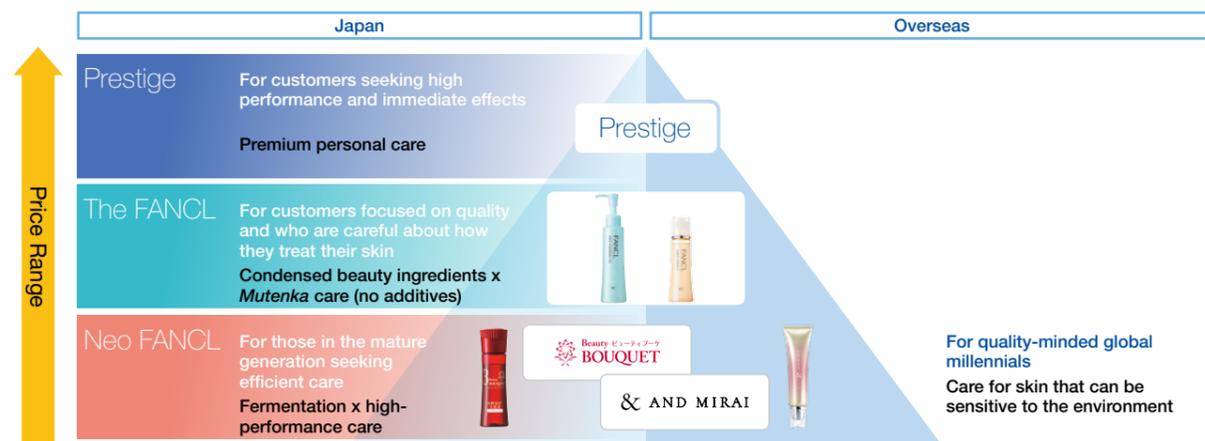
## FANCL

### Basic Strategies

We will continue to promote brand diversification as we strive to meet the increasingly varied needs of our customers, including those overseas.



### Brand Development



### FY Mar/2020 Results

Sales in FY Mar/2020 were firm, rising 4.8% from the previous fiscal year thanks to strong performance in mainstay products as well as to favorable contributions from recently launched *DEEP CLEAR WASHING POWDER* and *Beauty BOUQUET* cosmetics, which target consumers in the mature generation.

### FY Mar/2021 Targets

The FANCL products form the core of our sales and in this group not only will we strengthen our lineup of basic skin care products and *DEEP CLEAR WASHING POWDER*, but we will also launch *FACIAL CLEANSER* and a new concept aging care serum as a symbol of the 40th anniversary of our company's founding.

In *Beauty BOUQUET* under the *Neo FANCL* brand, we aim to expand the number of new subscribers while strengthening our lineup of skin care products and *Fermented Wakan Hair Essence*,

which was launched in February 2020. For *AND MIRAI*, we completely revamped the brand and its products in April 2020 as we target women in Japan and overseas with skin concerns brought on by the stresses of modern daily life.

In the *Prestige* brand, we plan to launch premium personal care products in March 2021 for customers seeking high performance and immediate effects.

In overseas operations, we will be launching e-commerce test sales to store customers in China, as well as cross-border e-commerce sales of *AND MIRAI* products in a bid to acquire a new customer base that is different from those for the existing FANCL brands.

While the COVID-19 pandemic is likely to have an impact in FY Mar/2021, we aim to minimize any narrowing in sales by aggressively implementing the aforementioned initiatives.

## ATTENIR

### Basic Strategies

We are targeting enhanced growth through the unique positioning of our brand, which provides luxury brand quality at one-third the market price or lower.



### FY Mar/2020 Results

Sales of ATTENIR Cosmetics increased 10.1% year on year in FY Mar/2020 thanks to strong sales of basic skin care products and *Skin Clear Cleanse Oil*, as well as a favorable contribution from an expansion in direct store and cross-border e-commerce channels.

### FY Mar/2021 Targets

In FY Mar/2021, we plan not only to strengthen our lineup of basic skin care products, but also to launch a new concept beauty essence and revamp existing beauty creams. In addition to

cosmetics, we aim to increase the number of ATTENIR fans with offerings such as beauty supplements and fashion collections. Our channel strategy includes opening locations in domestic department stores, expanding external platform online and catalogue sales, including through companies such as Amazon, strengthening *Eye Extra Serum* as a next-pillar product on par with *Skin Clear Cleanse Oil* in the cross-border e-commerce business to China, and continuing our efforts to provide information through the use of online resources.

## boscia

### Basic Strategies

As a pioneer in natural cosmetics in the US, we aim to foster expansion by providing innovative products and managing the business with a sense of urgency.



### FY Mar/2020 Results

Despite struggling sales at our major business partners, boscia sales increased 7.5% year on year thanks to firm sales through new partners, including ULTA, Amazon, and Costco.

### FY Mar/2021 Targets

In FY Mar/2021, we aim to improve sales through the Costco and Amazon channels, while launching products in major US drugstore chains in the fall.

Boscia is widely recognized as a “clean beauty” brand and has been the subject of strong interest from chain store businesses such as drugstores and specialty stores. We plan on developing prestige cosmetics corners at these new partner drugstore chains. Our goal is to expand sales by continually launching innovative products that meet the needs of the world, which we consider the universal theme of the boscia brand.

# Nutritional Supplements Business

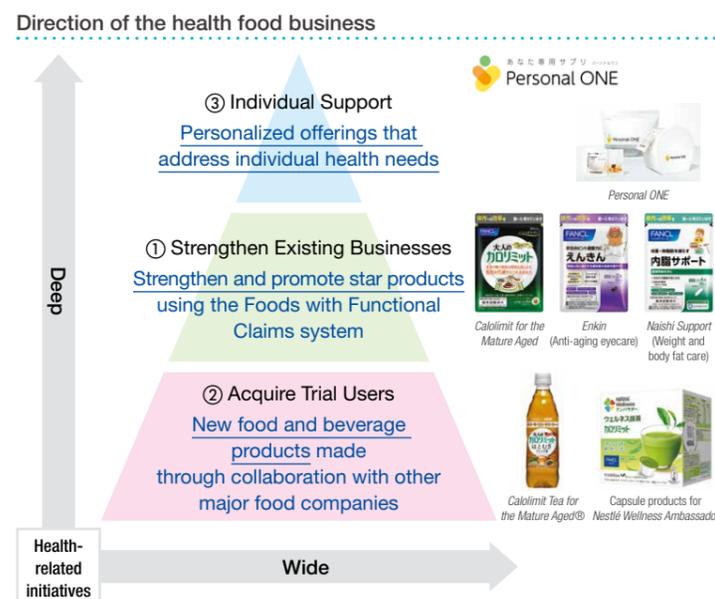
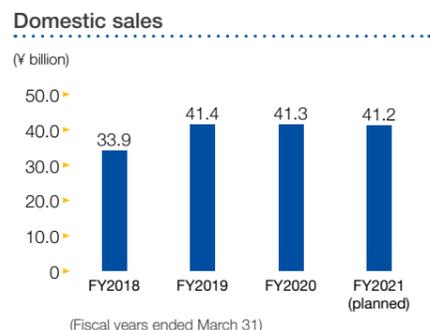
Health food products were still considered expensive in 1994. With the idea of offering a high level of quality at affordable prices, FANCL pioneered the supplement market in Japan using the actual word “supplement,” which was virtually unknown in the country at the time. With the aim of contributing to the extensions of healthy life expectancies and lower medical expenses for people around the world, FANCL is committed to continually providing high-quality, global-standard health foods that are backed by definitive evidence.



## Domestic Business

### Basic Strategies

- ① Strengthen and promote star products
- ② Offer new food and beverage products
- ③ Target growth through the development of personal supplements meeting individual needs as an earnings pillar



### FY Mar/2020 Results

Domestic sales in the Nutritional Supplements business in FY Mar/2020 were roughly flat year on year as the adverse effects from the COVID-19 pandemic were offset by favorable contributions from Foods with Function Claims products, including *Naishi Support* (Weight and body fat care) and *Nyosan Support* (Uric Acid Support).

### FY Mar/2021 Targets

In the existing Supplement business, we will strengthen supplements for healthy lifestyles, positioning them as a growth category while also aiming to expand sales through the revamping of star products.

In FY Mar/2021 we will position *Ketsuatsu Support* (Blood Pressure Support), a blood pressure support product, as a new strategic product, aggressively launch product promotions, and enact renewals for several star products, including *Calolimit®* and *Age Bracket-Based Supplements*.

In addition, beginning in fall 2020, we will launch supplements

under the FANCL brand that have formulation and functions unique to FANCL and use proprietary ingredients such as plasma lactic acid bacterium developed by Kirin.

We are steadily expanding collaborations with major food manufacturers in place since 2016. In addition to DyDo DRINCO and Nestlé Japan, we launched products developed in collaboration with Nagatanien in February 2020. We intend to continue to expand our product lineup moving forward as we bolster our collaborative efforts with new partner companies.

We intend to launch beverages developed in collaboration with Kirin Brewery and Kirin Beverage in fall 2020.

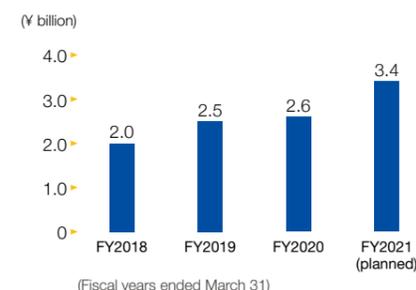
*Personal ONE*, a personalized supplement targeting a new customer base and launched in February 2020, appears to be off to a good start. With an average purchase price of just under ¥10,000, roughly double the average online and catalogue purchase, the product is contributing to an increase in spending per buyer. We intend to further expand production capacity, followed by largely online promotional efforts.

## Overseas business

### Basic Strategies

We aim to strengthen our China supplement business, which is our largest driver of growth.

### Overseas sales



### FY Mar/2020 Results

Overseas sales in the Nutritional Supplements business in FY Mar/2020 expanded 4.4% year on year thanks to favorable cross-border e-commerce sales to China.

### FY Mar/2021 Targets (China Supplement Business)

The cross-border e-commerce business for China focused on five platforms, including T-mall, JD, and Kaola in FY Mar/2020. However, we intend to expand the number of outlets further in FY Mar/2021.

In terms of products, we intend to develop *Kale Juice*, as well as *Naishi Support* (Weight and body fat care), *Nyosan Support* (Uric Acid Support), and *Calolimit®* as potential second and third earnings pillars alongside *Age Bracket-Based Supplements*.

We also intend to develop beauty supplements for the first time in cross-border e-commerce operations as we launch the top-tier beauty supplement product *BEAUTY RISE*.

In FY Mar/2021 we aim to launch health food sales in China acquiring a sales license for vitamins and minerals in that country. After the announcement at the 3rd China International Import Expo in November, we intend to develop the business mainly through duty-free stores and experienced-based stores, with a focus on e-commerce. We also plan to develop operations in the broad Sinopharm Group pharmacies sales channel.

## TOPICS

### Launching a Service in China that Investigates the Effects of Health Food and Medicine Combinations

FANCL developed Japan's first related service in 2004 with its proprietary SDI (Supplemental and Drug Interaction system), which could perform searches for about 30,000 health food and pharmaceutical or OTC treatment combinations.

Ahead of the launch of health food sales in China in FY Mar/2021, we focused on examining all available literature and research reports on about 110,000 medicinal treatments in the country. After confirming the effects of potential combinations, we launched the service in China in January 2020.

Our goal in offering this service is to create an environment in which Chinese customers can safely consume health foods while simultaneously promoting the reliability of FANCL's research technology and product quality throughout China.



Formal signing with China Sinopharm International Corporation, health food distributors in China

# Joint Kirin x FANCL Research Commenced to Realize Synergies

Having announced in August 2019 that they would sign a capital and business alliance, Kirin Holdings Company, Limited (Kirin) and FANCL have made a start on joint research projects. We asked the directors in charge of R&D from each company to talk about the expected synergies.

## First Impressions Following the Business Alliance

**Takami** Traditionally, FANCL has had a good impression in terms of its name recognition, products and company image. We are also expecting that the alliance with FANCL will enable us to demonstrate great synergies in the promotion of the health science business, which has been adopted under our current long-term management plan.



**Sumida** I felt at the same time delighted and nervous at the prospect of being able to work with a large company like Kirin. There was above all a great sense of expectation among the researchers that if we could combine our technologies with Kirin's technologies, we could make amazing products. Also, Kirin employees had highly rated our research content and technologies, which gave us an even more positive feeling.

## Features of Both Companies' R&D Systems

**Takami** At Kirin, product development is carried out by operating companies, such as Kirin Brewery and Kirin Beverage,

and our R&D Division mainly conducts basic research. It represents a collaboration, in which operating companies apply the materials and technologies developed at the R&D Division to their products. In contrast, in FANCL's case, I felt a difference in that under their research system both the basic research and product development functions are located in laboratories.

**Sumida** The differences in the research systems Mr. Takami mentioned are linked to the features of the two companies' research content. For instance, Kirin possesses very extensive and deep knowledge and technologies in basic research. In contrast, FANCL conducts research in a sequence, from basic research to product development, while always keeping in mind—depending on the product—the philosophy of "eliminating the Negatives." We believe that by utilizing the characteristics of both companies, we can build a complementary relationship, in which FANCL will commercialize Kirin-developed materials, for example.

**Takami** I agree. I sense a positive response in which research that did not readily lead to products within Kirin can be applied in a variety of ways by collaborating with FANCL. In fact, in fields

such as the "maintenance of brain function" for the aging society of the future, we are advancing joint research toward commercialization while sharing the technologies and knowledge that both sides have accumulated to date.

## Results that Have Begun to Be Seen and Challenges

**Sumida** We are already conducting joint research projects on more than 10 themes related to cosmetics and health food. As one of the most recent major achievements, FANCL conducted an evaluation experiment on the "components contained in white koji bacterium" held by Kirin and found that they have excellent beauty effects. By applying them to cosmetics, we hope to develop epoch-making anti-aging cosmetics. A variety of other Kirin-provided materials are apparently likely to find applications in cosmetics and health food. Conversely, I also think that FANCL's technologies can find applications in Kirin products.

**Takami** In the meantime, I think a point that is being raised as a task from now on will be to unify the conceptual awareness, such as the directions of research and ways of thinking. Both companies have DNA that has been passed down through history, so the question is how to go about aiming for integration while making the most of our individual characteristics. From now on, it will be necessary to promote further mutual understanding with regard to each other's R&D and corporate climate.

**Sumida** To that end, active personnel exchanges will also be important. If there are excellent researchers nearby, researchers will by nature try to incorporate their skills and knowledge into their own research. This is where the integration of technology and innovation occurs. Researchers involved in the same research theme have already exchanged meaningful

opinions, and there is an increasing momentum to try to bring out the best in each other.

**Takami** In addition to that, I think it's important to have competitive exchanges so that researchers apply themselves diligently. For example, by conducting competitions under the same research theme and thereby creating a healthy competitive spirit, it may be possible to dramatically improve the technological capabilities of both parties.

## Future Visions

**Sumida** Both companies share the same desire in that they would like to make the world a healthier place. In a super-aging society, the name given to an era in which people often live to 100, I would like us to work together on themes that include products that will enhance the quality of life of the elderly, the prevention of lifestyle-induced diseases and dementia, and the development of technologies for improving immunity. On the other hand, I'm really excited that, even if something does not immediately appear in product form, there is also the expectation that combining each other's technologies might enable us to produce something that will cause expressions of surprise across the world.



**Takami** I am convinced that the synergies between the two companies have great potential. R&D is a tough world in which much of what we are working on does not see the light of day. However, the seeds of innovation that change the world are always hidden in the myriad of failures. I would like to find this seed and focus my efforts on creating a mechanism for its germination. We would like to set high goals together and eventually aim to be attractive research organizations at both companies, so that we bring together excellent researchers from all over the world.

**Sumida** Let's be sure to innovate together for the future.

Both companies share the same desire in that they would like to make the world a healthier place.

Yasushi Sumida  
Executive Managing Director  
General Manager of FANCL Research Institute



By creating a healthy competitive spirit, we will bring about a dramatic improvement in the technological capabilities of both parties.

Yoshiyuki Takami  
President of Research & Development Division  
Kirin Holdings

At an early stage in the spread of COVID-19 infection, the FANCL Group set up a Crisis Management Committee which took swift action to protect employee health and safety and offer solutions and support in response to social issues. Going forward, we are committed to continuing to respond sensitively to change and eliminate the “negatives” in society.

## Protecting Employee Health and Safety

### Call Center Dispersal and Payment of Special Allowance to Call Center Employees

We foresaw that the recommendation to stay at home and the closure of directly managed stores would lead to increased online and catalogue sales. We responded with additional call center capacity dispersed between four units at two locations. Previously, around 200 staff had been concentrated at a single site, but as a measure to prevent infection, operations were dispersed and the number of staff working in each unit reduced. As the operation of our customer service lines requires protection of personal information and access to specialist knowledge, working from home was not possible. As a mark of thanks to the staff who continued to provide customer service under these conditions, we paid each of our 163 call center employees a special monthly allowance of ¥15,000 (adjusted according to hours worked) in the period from April 11 to June 30.

### Infection prevention measures at call centers

- 1 Dispersal of call center locations
- 2 Seating arrangement to maintain social distancing
- 3 Effective ventilation of call center premises
- 4 Conscientious handwashing and disinfection
- 5 Provision and mandatory wearing of masks
- 6 Body temperature check before start of duty



Call center unit specially created in Headquarters Building

### Full Pay During Closure and Upskilling Support for Directly Managed Store Staff

As stores closed nationwide in response to the government's declaration of a state of emergency, the approximately 1,800 employees of FANCL and Attenir directly managed stores were placed on full pay. Additionally, to enhance standards of service after reopening, the employees of directly managed stores were provided with learning tools to improve their knowledge of products and other areas to promote upskilling.

Salary received by directly managed store staff during closure

100%



Expansion of home working

### Expanded Home Working and Assistance with Utility and Telecommunications Charges

From February, we promoted home working and taking of paid vacation. To further expand home working following the declaration of a state of emergency on April 7, we set up two alternating home working shifts and took other measures which cut interpersonal contact in the office by more than 70%. As home working brings increases in utility, telecommunications and other costs, around 2,500 Group employees received a uniform monthly assistance payment of ¥2,000.

### IT Environment Upgrade for Home Working and Internal Public Relations to Keep Employees Connected

Before the start of the COVID-19 crisis, we had introduced the Microsoft Teams software package to upgrade our IT environment, which enabled us to make a smooth transition to home working. For the first time, the Human Resources Department conducted interviews for next year's new graduate intake online, while the FANCL College, which is part of the Internal Education Department, carried out new employee training remotely. In this way, each department explored new approaches using the Teams software. At the same time, we worked to keep employees emotionally connected by providing information through the daily Network Topics bulletin, which gave an update on each department.



Staff training online

## Resolving Social Issues

### Donation of Cosmetics and Masks to Frontline Workers in Medical Care, Childcare and Nursing

As a social contribution initiative, we presented masks with advanced functions to medical care institutions across Japan through the Ministry of Health, Labour and Welfare.

We also donated non-woven masks and cosmetics to frontline workers in childcare and nursing.

Donation recipient	Items donated	Donation provider
Medical care institutions nationwide via the Ministry of Health, Labour and Welfare	High performance face masks: 10,000 units	FANCL Corporation
Japan day nursery association (social welfare service corporation)	Non-woven face masks: 100,000 units	¥1,000,000 from the employee-sponsored Can Achieve More Fund with the rest donated by FANCL Corporation
Japanese Nursing Association (public interest incorporated association)	Mild Cleansing Oil: 20,000 bottles	10,000 bottles each from FANCL Corporation and the company founder Kenji Ikemori

### Providing Support Jointly with Customers and Shareholders

We also called on customers and shareholders to donate masks to medical care institutions and other facilities. From customers we collected donations of loyalty points and from shareholders donations from the shareholder benefits program. The donations were used to buy masks to present to medical care institutions and other relevant facilities.



Donation page

### Eliminating a “Negative” by Offering Masks for Sale

Our e-commerce website FANCL Online launched sales of four types of non-woven masks. With delivery charges covered by FANCL, the introduction of time-limited website access and advance registration before purchase ensured that customers nationwide were able to place orders without the system crashing.

In January we sent material assistance to China Sinopharm International Corporation, our partner in the Chinese health food market. Later, as the infection spread in Japan too, our Chinese partner reciprocated with material assistance and invested great efforts in securing mask supplies for us to sell to customers. This mutual assistance has strengthened our ties with our partner business.



Non-woven masks for men

Non-woven masks for women and children



Non-woven masks for small children

Non-woven masks Chinese-language package

Assistance from FANCL to China Sinopharm International Corporation	Assistance from China Sinopharm International Corporation to FANCL
<ul style="list-style-type: none"> <li>• Masks: 137,200 units</li> <li>• Protective wear: 3,000 units</li> <li>• Protective goggles: 2,000 units</li> <li>• Gloves: 6,000 pairs</li> </ul>	<ul style="list-style-type: none"> <li>• Masks for employees of directly managed stores: 50,000 units</li> <li>• Cooperation in securing masks for customer sales</li> </ul>



Masks from China Sinopharm International Corporation and FANCL employees showing their thanks

## TOPICS

### Expansion of Multi-channel Online and Catalogue Sales and Product Development for Hygienic Purposes

The recommendation to stay at home led to a slump in demand through retail stores and wholesalers, but heightened demand from online and catalogue sales. FANCL drew on its strength in multi-channel operations to expand its online and catalogue sales services. We put in place a range of measures to ensure a convenient experience for customers purchasing from home, including arranging for online and catalogue sales to be free of delivery charges and providing enhanced information on safeguarding health. We also launched urgent product development activities in response to anticipated demand in areas related to hygiene and sanitation, including for instance masks with a skin-friendly texture and antibacterial products.



Delivery free of charge for a limited period

In June 2018, FANCL formulated the FANCL Group's Sustainable Declaration, which established four key themes based on ESG.

## FANCL Group's "Sustainable Declaration"

# Building a Bright Future Together

Guided by our founding philosophy of

"Eliminating the 'Negatives' with a Sense of Justice,"

FANCL is confronting issues of anxiety toward the future,

including with regard to the global environment and society,

while together with our stakeholders we are working to engender hope.

We aim to achieve a sustainable society that

brings happiness to the people who live today and in the future.

## Contribute to a Sustainable Society

As a company that continues to expand globally, FANCL became a signatory to the United Nations Global Compact in April 2013.



FANCL will also work actively toward achieving the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 by carrying out the Group's Sustainable Declaration.



## Four Key Themes

### Protecting the Environment

In all aspects of corporate activities, be grateful for the bounty provided by nature, while aiming to contribute to the preservation of the natural environment

#### Basic Policy

- Based on the Paris Agreement, to reduce CO<sub>2</sub> emissions by 26% (compared with FY Mar/2014) by FY Mar/2031
- Reinforcing environmental "product measures" and "educational activities" while aiming to improve brand value and expand sales

#### Value to Be Provided

- Preservation of the natural environment
- Providing products and services that take the environment into consideration



Further details  
➔ P35

### Living Healthily

As a pioneer in supplements, striving to bolster the healthier lifespans of people around the world, while reducing the expense of medical treatment

#### Basic Policy

- Widely expanding the health business while contributing to preventive healthcare as well as longer, healthier lifespans
- Promoting health management based on the FANCL Group's Declaration of Health Management

#### Value to Be Provided

- Extending the healthy life expectancy of people around the world and reducing the expense of medical treatment
- Raising productivity through the maintenance and promotion of employee health



Further details  
➔ P37

### Respecting Diversity

While valuing a corporate culture of being "a corporation that truly cares for people," continuing to be a company that supports the happiness of people

#### Basic Policy

- Promoting diversity based on the slogan "Embrace differences"
- Encouraging the employment of people with disabilities and promoting support for them to lead independent lives
- Through social contribution activities aiming to improve the quality of life of the visually impaired and the elderly

#### Value to Be Provided

- Creating a society which is easy to live in for all
- Providing products and services that respond to a diverse sense of values



Further details  
➔ P39

### Reinforcement of Governance

With a high degree of transparency, striving for management that is, without fail, scrupulous

#### Basic Policy

- Aiming to improve management transparency and objectivity
- Strengthen dialogue with stakeholders and investors  
Strengthen returns to shareholders

#### Value to Be Provided

- Sustainable management foundation
- Improved corporate value
- Enhanced shareholder returns



Further details  
➔ P41

# Protecting the Environment



In all aspects of corporate activities, be grateful for the bounty provided by nature, while aiming to contribute to the preservation of the natural environment

### Basic Policy

- Based on the Paris Agreement, to reduce CO<sub>2</sub> emissions by 26% (compared with FY Mar/2014) by FY Mar/2031
- Reinforcing environmental “product measures” and “educational activities” while aiming to improve brand value and expand sales

## Global Warming Countermeasures

### Measures at Offices, Factories

We are taking an integrated inventory of the status of energy consumption across the whole Group as a basis for efficiency-driven energy conservation measures. As a result, we are restricting holiday and night-time operation at factories to target energy and cost savings. Meanwhile, we set up a dedicated production facility for *Mild Cleansing Oil* at the Chiba Factory in March 2020. Bringing operations together at a single site for a product that had previously been manufactured at three different factories has achieved more efficient use of the energy required for production line operation.

We are working to improve the resource recovery rate with a drive for more comprehensive sorting of waste materials at our Headquarters Building. To ensure that employees have a correct understanding of how to sort waste, we organize regular hands-on waste sorting workshops.



Waste sorting workshop

### Eco Activities in Employees' Homes

In 2008, FANCL launched its “Eco Program at Home” to support eco activities in employees' homes. We award gift certificates to employees whose total household charges for electricity, gas and water usage are 5% lower than the national average announced by the Ministry of Internal Affairs and Communications.

In recognition of this initiative, FANCL received an Executive Committee Special Prize — an Environmental and Social Innovation Award as part of the 2019 Good Life Awards sponsored by Japan's Ministry of the Environment. As well as raising employees' environmental awareness, the initiative also contributed to children's environmental education in the home.



The Good Life Awards ceremony

### Utilization of Natural Energy

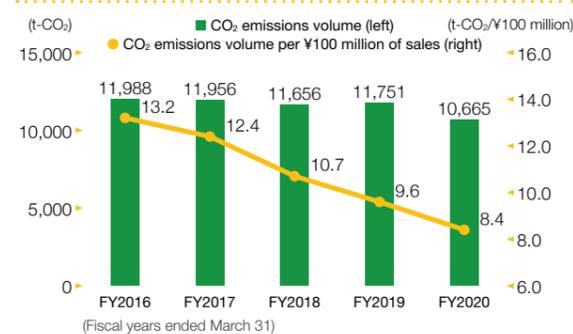
FANCL is a co-sponsor of a wind power project being implemented by the city of Yokohama. Its aims are to promote the use of natural energy and to combat global warming.

We have also introduced solar power generation systems at our Shiga and Gunma factories. Taken together, the two factories are meeting 14% of their electricity consumption from solar power.



Solar power generation panels at the Shiga Factory

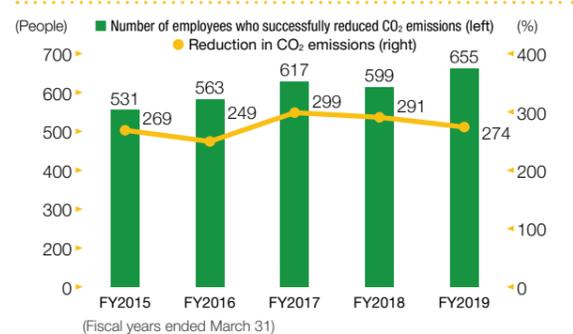
### CO<sub>2</sub> Emissions



### Waste volume



### Eco Program at Home



## Eco-friendly Product Production

### Use of Eco-friendly Paper

For product packaging, we use FSC-certified paper\* or similar eco-friendly material.

Since March 2019 we have been gradually discontinuing the use of plastic shopping bags at our directly-managed stores and switching to paper bags made of FSC-certified paper. We are also using FSC-certified paper for receipts and magazines containing online and catalogue information.

\* FSC-certified paper conforms to the standards of the international NGO, the Forest Stewardship Council (FSC®). The paper is from properly managed, FSC®-certified forests, reclaimed resources and raw materials from other controlled sources.



Use of eco-friendly paper

### Development of Plant-Derived Plastic Containers and Refill Packs

We adopted plant-derived plastic, which is made from sugar cane leftovers that had previously been wasted, for lotions and emulsions.

In June 2020, we launched sales of a refill pack for the mainstay product *Mild Cleansing Oil*. We began development in response to customer comments that they felt it was wasteful to discard the container. As a product used in the bath, it needed to clear a very high bar regarding its antibacterial and other properties. Time was therefore required to test and confirm its quality before the refill pack could be realized. Compared to the standard container, it achieves a reduction of approximately 82% in the use of plastic material.



Containers for which we adopted plant-derived plastic

Reducing plastic use with refill pack

## Initiatives with Customer Participation

### HAPPY eco website and FANCL eco Mark

We have chosen the environmental activity theme “HAPPY eco—Creating the Future with Our Customers” to promote customer participation in eco-friendly initiatives. To encourage customers to select eco-friendly products, we identify those that meet our independent standards with the “FANCL eco Mark” and make environmental information available via our HAPPY eco website.



FANCL eco Mark

## Employee Environmental Education

We organize study sessions to enhance employees' understanding of the SDGs and environmental issues. In FY Mar/2020, the sessions focused on different themes in line with the differing work content of the participating employees, from officers to researchers. Meanwhile, we are working in collaboration with the Yokohama Municipal Waterworks Bureau to conserve the “*Doshi no Mori*” forest in Doshi-village, Yamanashi Prefecture, through brush clearing and tree planting operations. The forest is one of the main water sources for the city of Yokohama, where the Company headquarters is located. In recognition of these initiatives, FANCL received an Award for Excellence in the large enterprise category of “the Corporate Awards for Environmental Leadership Development 2019” sponsored by Japan's Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD).



SDGs study session

# Living Healthily



As a pioneer in supplements, striving to bolster the healthier lifespans of people around the world, while reducing the expense of medical treatment

### Basic Policy

- Widely expanding the health business while contributing to preventive healthcare as well as longer, healthier lifespans
- Promoting health management based on the FANCL Group's Declaration of Health Management

## Development of Products for Healthcare Market

### Sales Launch of Personal Supplement Personal ONE

On February 20, 2020, we launched sales of the personal supplement *Personal ONE*. This is a product which offers each individual the optimal supplement based on a urine test (patent pending) and an online questionnaire to analyze the individual's basic nutrient requirements and health issues. This new business could only have been realized by a company like FANCL with its wide product range, strength in research technology, SDI system to check for interactions between health foods and medications, and health counselors equipped with specialist knowledge.



Personal ONE

### Top Sales\* of Food Supplements with Function Claims

FANCL has launched 24 products under the food with functional claims labeling system that Japan introduced in 2015, all supported by efficacy data, and now holds the top market share in sales of food supplements with functional claims. Nine of the newly launched products have had their functions confirmed in highly reliable clinical trials and have acquired a large customer following.

\* Source: HB Foods Marketing Manual 2020: Foods with Functional Claims Market Analysis: Market Share of Domestic Manufacturers of Food Supplements with Functional Claims. Fuji Keizai.



Calolimit®

Naishi Support (Weight and body fat care)

### Joint Development

FANCL is working on joint development projects with other enterprises and organizations to create products and services that utilize to optimum benefit its accumulated store of beauty- and health-related knowledge, technology and expertise. In the case of the capsule products for the *Nestlé Wellness Ambassador* health services platform jointly developed with Nestlé Japan Ltd., we have so far released 19 products that can help to resolve nutritional and health problems.

We have also developed products jointly with other companies including DyDo DRINCO, Inc. and Nagatani Co., Ltd., which have won popularity with many customers.



Capsule products for Nestlé Wellness Ambassador

## Business Promoting Healthy Management

FANCL uses its solid expertise, backed by its accumulated research findings and record of achievement, to support healthy management practice. We are now rolling out services to corporate customers whose central element is practical health seminars built around the concept of "programs you can start today." In FY Mar/2020, as well as corporate customers, we also delivered seminars to employees of Kanagawa Prefecture. Going forward, we will enhance our support for healthy management by using videos and apps to deliver services on a monthly fee basis that promote awareness and provide knowledge, and assistance in the area of health.



## FANCL Group Declaration of Health Management

### Slogan

The greatest testament is for us to be beautiful and healthy

### Health philosophy

The "health of our employees" is the foundation upon which the entirety of the FANCL Group and its commitment to health and beauty rests. With this in mind, as pioneers in the health food industry, we will promote the creation of a culture in which health is the top priority and ensure sound and healthy management while continuing to take on the challenge of creating new value and eliminating all the "negativities".

### FANCL Health Guidelines

1. We will ensure the health of employees by making maximum use of our knowledge of preventive medicine and health foods.
2. We will create a positive and lively workplace where employees can work vibrantly.
3. We will make the physical and mental health of employees our top priority, actively undertaking primary prevention (preventing the onset of diseases or disorders).

### Employee Code of Conduct

1. Each and every employee shall actively consume health foods in an effort to enhance their own health.
2. Each and every employee shall strive to embody health and beauty as advertisements for FANCL.
3. Each and every employee shall actively participate in health enhancing activities both inside and outside the company as experts in health and beauty.



### Declaration of Health Management

<https://www.fancl.jp/en/csr/labor/policy.html>

## Healthy and Productivity Management and Innovation in Work Styles

We work to ensure that our workplace environments and human resources systems can accommodate flexible work styles. In April 2019, we introduced a flexible worktime system company-wide and in April 2020 we revised the human resources system for permanent employees. FANCL works to create an environment that supports employees to develop their strengths, puts in place systems that enable individual growth and self-expression, and offers work styles that respect work-life balance. In recognition of these initiatives, FANCL was included in the 2020 White 500 list of companies recognized for outstanding health and productivity management by Japan's Ministry of International Trade and Industry and was also granted certification under the Yokohama City Healthy Management 2020 program.



	FY Mar/2019	FY Mar/2020
Number of vacation days taken	15.8 days	17.4 days
Average number of overtime hours per month	5.2 hours	4.8 hours
Rate of regular health checkups	100%	100%
Stress check completion rate	98.4%	97.6%
Employee satisfaction rate	84.3%	82.0%

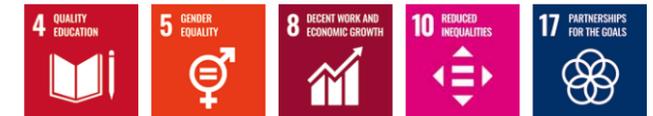
\*Consolidated domestic Group companies

### Video Link Consultation with Public Health Nurses

We operate a Health Support Office to safeguard employee health which is staffed by resident public health nurses who visit company offices in succession. Previously, health consultation and support was provided to direct store staff by video link, but as a measure to prevent the spread of COVID-19 infection, this system has been extended to cover all office employees in Japan including Headquarters staff, so that all employees now have access to health consultation from their home.



# Respecting Diversity



While valuing a corporate culture of being “a corporation that truly cares for people,” continuing to be a company that supports the happiness of people

### Basic Policy

- Promoting diversity based on the slogan “Embrace differences”
- Encouraging the employment of people with disabilities and promoting support for them to lead independent lives
- Through social contribution activities aiming to improve the quality of life of the visually impaired and the elderly

## Key Phrase to Promote Diversity

<p><b>Slogan</b></p> <p style="text-align: center; font-size: 2em;">“Embrace differences”</p>	<p><b>Policy</b></p> <p>As a “corporation that truly cares for people,” the FANCL Group has adopted the key phrase “Embrace differences” to express its aim to continue creating new value by benefiting from a diverse human resources team whose wide variety of values and ways of thinking give space to individual qualities and strengths.</p>
-----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Diversity Training

FANCL conducts training in the SDGs and diversity throughout the year with the aim of encouraging employees to ‘own’ social issues. LGBT training using a virtual reality headset allows participants to experience what the world looks like to those affected and what difficulties they face in everyday life. This ‘hands-on’ training format allows participants to gain a deeper understanding.



Hands-on visual impairment training

Hands-on LGBT training with virtual reality tools

## FANCL Seminars

Since 1988, to support them in facing life with a confident and positive attitude, FANCL has offered free seminars providing advice on makeup and grooming to people with visual impairment or other disabilities, students at special assistance schools, and people aged 65 or over. The instructors are employees of the FANCL Group.



Bump dot labeling and seminars for the visually impaired were awarded the Minister of State for Special Missions Prize as part of the Promotion of Barrier Free Universal Design Prize awards sponsored by the Cabinet Office.

## Collaborative Seminars on Personal Appearance Care

Since October 5, 2019, Aderans Company Limited and FANCL have organized a series of AxF Beautiful Smile seminars on personal appearance care.

This ongoing program of jointly organized events within hospitals aims to use personal appearance care to improve the quality of life for cancer patients, create an environment in which they can approach treatment positively, and show them how using makeup can lift their mood. Going forward, Aderans and FANCL will continue collaborating to support patients in receiving treatment and returning to normal life.



Collaborative seminar at Saitama Sekishinkai Hospital, Medical Treatment Counseling event

## Promotion of Female Empowerment

Since its foundation, FANCL has enjoyed a corporate culture in which men and women can support and cooperate with each other in their professional activities. To support employees combining work with childbirth and childrearing, we have expanded opportunities for short-time working and offer diverse work styles including flextime and homeworking. This is reflected in the 100% return-to-work rate of employees taking childrearing leave. Meanwhile, we have supported female career development through proactive promotion of women to managerial positions and creation of new specialist posts towards a goal of women occupying 50% of managerial positions.



Acquired the Kurumin mark symbolizing childcare support from the Ministry of Health, Labour and Welfare in 2008

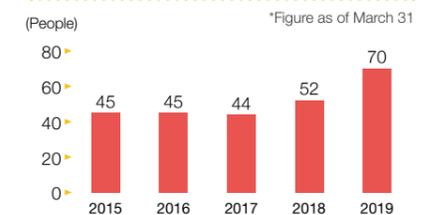
Certified as an Eruboshi company by the Ministry of Health, Labour and Welfare in 2016

## FANCL SMILE

FANCL SMILE Co., Ltd. was established in February 1999 with the aim of supporting people with disabilities to lead more independent lives. Since its establishment, the company has taken on tasks mainly relating to the Group’s internal operations, such as internal document distribution, packaging of cosmetics and internal mail delivery. The aim is to provide employment to 100 people with disabilities.



## Number of employees with disabilities at special subsidiary FANCL SMILE Co., Ltd.



## Employment of Older Human Resources

To allow employees who have reached age 60 to continue working according to the work pattern of their choice, we have adjusted the human resources system for permanent employees to raise the regular retirement age to 65. For employees of 65 and over, we have created a new ‘Active Senior’ employment category to allow a longer relationship with those who wish to continue working or who the company wishes to retain.

## Associate Full-time Employees

This is a new employment category created for employees unable to continue working under a regular permanent employee contract due to nursing care responsibilities, a physical illness requiring long-term treatment, a physical disability or other such reason. This status allows them to combine work with life’s other demands thanks to the understanding and cooperation of the workplace.

## Donation Activities

The FANCL Group operates a donation initiative for shareholders, a loyalty point donation initiative for customers, and an employee donation initiative through the ‘Can Achieve More Fund.’ In addition to making donations to bodies engaged in activities aligned with FANCL’s policy on social activities, we also make donations in the event of a disaster. FANCL Classic not only organizes a senior golf tournament but also engages in a wide range of charitable activities and makes donations in Japan and overseas.



## Donations in FY Mar/2020

Type	Year started	Donations made in FY Mar/2020	Main recipient
Shareholder donations	FY Mar/2007	¥2,091,000	Japanese Red Cross
FANCL Classic Fund	FY Mar/2008	¥3,585,539	Susono City (social welfare)
Employee donations to the “Can Achieve More Fund”	FY Mar/2008	¥5,999,400	Japan Philanthropic Association
Customer donations of loyalty points	FY Mar/2009	¥2,505,805	Japan Philanthropic Association

# Reinforcement of Governance



With a high degree of transparency, striving for management that is, without fail, scrupulous

### Basic Policy

- Aiming to improve management transparency and objectivity
- Strengthen dialogue with stakeholders and investors
- Strengthen returns to shareholders

### Corporate Governance Framework

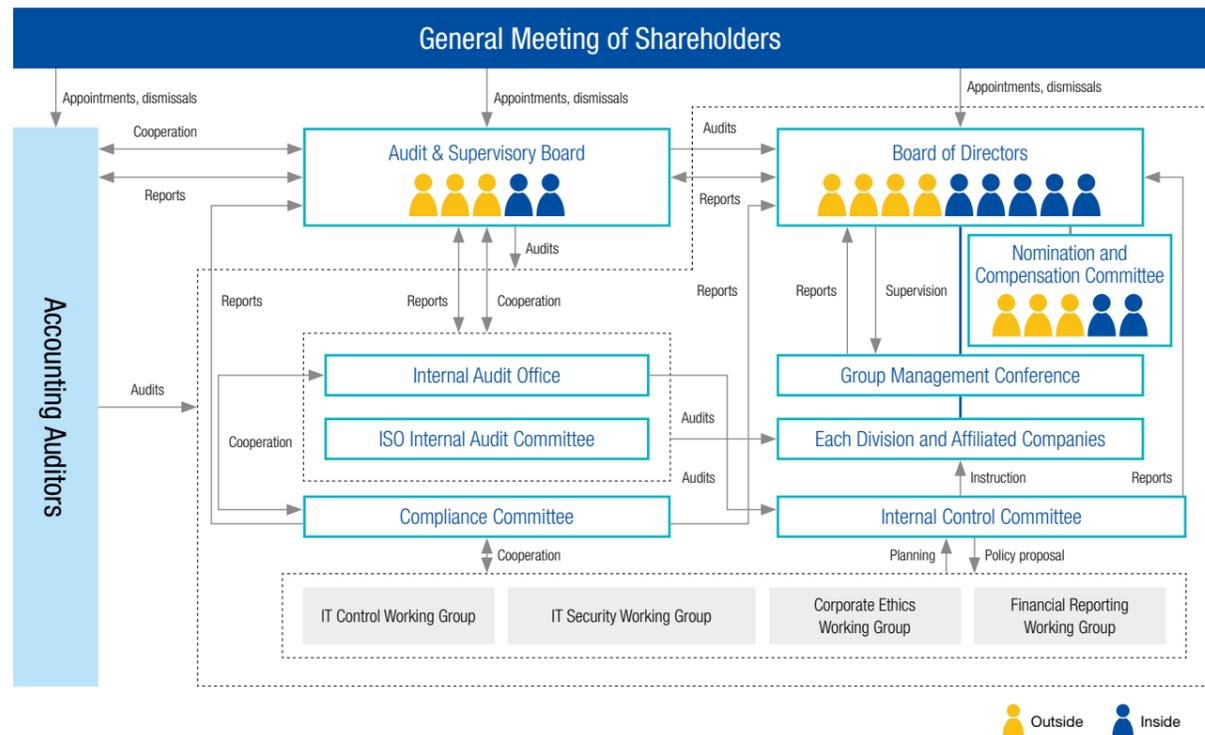
The Board of Directors decides on and supervises the execution of important business matters. The Group Management Conference conducts preliminary deliberations on matters for decision by the Board of Directors, and deliberates on important matters regarding management, within the scope of authority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

Having also adopted an Audit & Supervisory Board System, the Audit & Supervisory Board members have attended and stated

appropriate opinions at meetings, including those of the Board of Directors, to improve the effectiveness of audits in management decisions. In addition, they have opportunities to exchange opinions with top management as appropriate, and have in place a fair management oversight system.

In June 2020, we appointed a woman as one of the new outside directors. Going forward, we will continue to seek diversity in the Board membership.

(As of June 20, 2020)



### Reinforcing Our Corporate Governance Framework

2016	2018	2019	2020
<ul style="list-style-type: none"> <li>• Number of outside directors increased by one to two outside directors system</li> </ul>	<ul style="list-style-type: none"> <li>• Nomination and Compensation Committee established</li> <li>• Compliance Committee established</li> <li>• Officer compensation system revised</li> </ul>	<ul style="list-style-type: none"> <li>• Number of outside directors increased by one (to three outside directors system), total number of directors reduced, ratio of outside directors to 1/3</li> <li>• Takeover defense measures discontinued</li> </ul>	<ul style="list-style-type: none"> <li>• Number of outside directors increased by one (to four outside directors system)</li> <li>• Female outside director appointed</li> <li>• Outside director appointed as chairperson of Nomination and Compensation Committee</li> </ul>

### Change in composition of Board of Directors



### Nomination and Compensation Committee

The Company has in place a Nomination and Compensation Committee as an advisory body to the President & CEO, Representative Director to actively involve the independent outside directors in the nomination of director candidates and in deciding officer compensation as well as to ensure the fairness, transparency and objectivity of procedures. The chairperson of the committee as well as the majority of its members are independent outside directors. In addition to matters relating to the nomination of directors and executive officers of the Company, the committee drafts the compensation system, examines the amounts of

compensation for each individual and submits a full report stating its opinions to the President & CEO, Representative Director. In FY Mar/2020, the Nomination and Compensation Committee met four times.

Giving full consideration to each person's personality and insights—regardless of gender, age, nationality—while properly understanding and putting into practice the Company's founding philosophy (Eliminate the "Negatives" with a Sense of Justice) and corporate philosophy ("Can Achieve More"), the policy is to appoint people who will be able to fulfill their duties and responsibilities as directors.

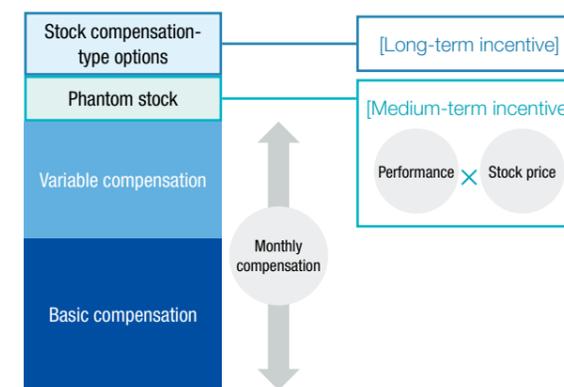
### Officer Compensation System

Officer compensation consists of monthly compensation, which pays a fixed amount each month, stock compensation-type options as a long-term incentive and a performance-linked, stock price-based compensation plan (phantom stock) as a medium-term incentive. The monthly compensation is further divided into basic compensation, which is determined based on the weight of the officer's roles and responsibilities, and variable compensation that is determined each year on the basis of factors that include the degree to which the annual plan (operating income) in the previous fiscal year was achieved and an individual performance evaluation. In the case of outside directors, however, only basic compensation is paid. After consultations with the Nomination

and Compensation Committee, the President & CEO, Representative Director makes these decisions, authorized by the Board of Directors.

With the aim of providing an incentive to increase shareholder value throughout an officer's tenure, the stock compensation-type options have an exercise price of 1 yen per share and stock acquisition rights that can only be exercised in one tranche within 10 days after the officer's retirement. A monetary fee, the payment amount of which is determined according to the stock price on a certain date, the phantom stock amount paid will be linked not only to the stock price but also to the achievement of the performance targets (consolidated net sales and operating income) set forth in the Medium-Term Management Plan.

### Officer Compensation System



### Officer Compensation, etc., in FY Mar/2020

Officer classifications	Total Compensation, etc. (¥ million)	Total compensation, etc., by type (¥ million)			Number of Officers
		Monthly compensation	Stock compensation-type options	Phantom stock	
<b>Directors</b> (Of whom outside directors)	436 (26)	329 (26)	78 (-)	28 (-)	13 (3)
<b>Corporate auditors</b> (Of whom outside auditors)	39 (21)	39 (21)	- (-)	- (-)	4 (3)

## Reinforcement of Governance

### Evaluation of Board of Directors' Effectiveness

#### FY Mar/2019 Evaluation

\*In April 2019, the fourth self-evaluation questionnaire survey of the Board of Directors was carried out with the participation of all directors and Audit & Supervisory Board members.

<b>Findings</b>	The frequency of meetings of the Board of Directors, the items on the discussion agenda, and other organizational aspects are appropriate overall, the advice and direction provided by outside directors based on their extensive experience and specialist knowledge functions effectively.
<b>Issues</b>	<ul style="list-style-type: none"> <li>Total number of directors too high</li> <li>Proportion of outside directors too low</li> <li>Insufficient discussion from medium- to long-term perspective</li> <li>Further enhancement required of opportunities to acquire knowledge and receive training</li> </ul>

#### Initiatives in FY Mar/2020

- Revised composition of Board of Directors:** At the 39th Ordinary General Meeting of Shareholders in June 2019, the total number of directors was reduced from 15 to nine and the number of outside directors increased by one, bringing the proportion of outside directors to one-third of the total.
- Revised discussion criteria for Board of Directors meetings:** To speed up decision-making on management matters and to strengthen the management supervision function of the Board of Directors, the discussion criteria for Board of Directors meetings were revised and certain powers transferred.
- Enhanced training opportunities:** In addition to regular study sessions on corporate legal affairs and other subjects, e-learning seminars on capital markets and on management approaches for increased corporate value were made available to all officers in the Group. Additionally, following the conclusion of the capital and business alliance with Kirin Holdings, corporate governance-related study sessions were stepped up.

### Compliance / Risk Management

The Company operates a Compliance Committee chaired by the President & CEO, Representative Director to oversee the whole Group. The Compliance Committee operates subcommittees for advertising expressions, environmental affairs, and human rights and a helpline for whistleblowers, ensuring an integrated structure capable of swift processing and checking of compliance-related information. If a significant risk is identified by any of the subcommittees, it is promptly reported to the Board of Directors and the Audit & Supervisory Board. Specifically, the product quality and advertising expression subcommittees, which deal respectively with quality assurance and with ensuring that advertising content is easy to understand and not open to customer misinterpretation, hold weekly meetings to share customer comments and information on the latest official developments, industry trends, and related matters.



### Response to COVID-19

In response to the worldwide spread of COVID-19 infection, the FANCL Group set up a Crisis Management Committee in February 2020. In addition to measures to prevent infection and a range of other employee support measures, the committee also discussed and swiftly implemented other activities including the provision of materials to healthcare professionals and other groups. It also took steps to secure raw materials and other material supplies and to support the continuity of the production system so as to ensure stable product supply to customers. In line with the progressive lifting of Japan's state of emergency, the Crisis Management Committee was replaced at the end of May 2020 by reporting activities through the regular corporate bodies. A new committee was set up with tasks including the drafting of business strategies for 'with COVID-19' and 'post-COVID-19' scenarios, and related discussions are now ongoing.



\*Name at time of establishment

## Message from an Outside Director



One of FANCL's great strengths is that all employees and officers are committed to its founding philosophy

Mitsuaki Nakakubo

**Profile**  
 April 1995 Registered as an attorney (under Daini Tokyo Bar Association) (Current registration)  
 April 2001 Partner of Asahi Law Offices (Current position)  
 June 2019 Outside Director of the Company (Current position)

### Board of Directors — Benefiting from an Outside Perspective

As an attorney, I have represented the executive side in many shareholder lawsuits. I think that experience has developed a sense in me of what kind of information is needed to make judgments as to whether management conduct is appropriate and rational. Since I have also served a number of times as a member on independent committees investigating corporate misconduct, I think I have gained a very good feel for the risks inherent in corporate activity. I became a FANCL director in the hope of using this experience to contribute what I could. What has struck me as very distinctive is that all employees and officers are strongly committed to the FANCL founding philosophy, which creates a corporate culture of honesty and openness. So, on the Board of Directors, the outside directors speak up very actively, and we have very frank discussions on a wide range of topics that goes beyond the items on the agenda. On the other hand, I have encountered some issues on the organizational side, so there have been times for instance when insufficient information was provided for the discussion or when the resolutions to be voted on were difficult to understand. But when I have been clear in pointing out the issue, my comment has been swiftly accepted and efforts made to improve the organization. That illustrates the open approach, ready to listen to all opinions, which I think is one of the great strengths of FANCL.

### Towards Greater Transparency in the Governance Framework

In June 2020, toward building a sounder governance framework with greater transparency, we took a further step to strengthen the framework by welcoming new directors who are specialists in the fields of business management, accounting, and law, respectively, and also a new female director. It was additionally decided that I, an outside director, should become the chairperson of the Nomination and Compensation Committee. With this system in place, I want to carry on contributing whatever I can across a broad range of fronts, from safeguarding the interests of minority shareholders to strengthening our focus on ESG.

### Capital and Business Alliance with Kirin Holdings

When I heard that a capital and business alliance involving a share

transfer from the founder of the company was being considered, the first thing that concerned me was whether the founding spirit, the corporate ethos and the other strengths and good qualities that FANCL has built up over the years could be maintained, and whether its employees would be able to accept this development and view it positively. However, these worries were dispelled by former chairman Kenji Ikemori and the other members of the management team, who gave an explanation of the objectives of the alliance, the subsequent medium- to long-term vision, and other details. I believe this decision was the right one to ensure that FANCL can utilize its strengths to achieve continuous growth. It is not quite one year since the date of the capital and business alliance, so it is too early to expect to receive a positive verdict at this stage, and it will be important for FANCL to show its best efforts going forward.

### FANCL Should Work for Sustainable Growth by Identifying the Changing "Negatives" that Face People Today

The age we are entering will bring heightened uncertainty and an ever increasing pace of change in the business environment. Management will need to respond with swift decision-making while bearing in mind a whole variety of risks. Rather than the ability to generate profit in the short term, capital markets will focus attention on less tangible forms of corporate value that promote sustainable growth, such as strengths in ESG. To put it another way, I think this will be an age when the value of companies that take a fair and honest approach to business will be properly appreciated. Since its establishment, FANCL has always been ahead of its time with its founding philosophy of eliminating the "Negatives" and I am confident that it will develop an even stronger presence going forward. Events like the current COVID-19 pandemic that bring sweeping change in social arrangements are likely to leave behind them a world with a very different set of "negatives." In response, I would like to see FANCL draw on the strength of the strong commitment of all its employees and officers to the founding philosophy in order to come together and think about what are the "negatives" which people are likely to face going forward, and then apply the same passion as before to creating the products and services that the world needs. As an outside director, I am also committed to contributing what I can, however little, to the sustainable growth of FANCL.

Directors



President & CEO,  
Representative Director  
Kazuyuki Shimada



Representative Director,  
Senior Managing Director  
Tomochika Yamaguchi



Executive Managing Director  
Akihiro Yanagisawa



Executive Managing Director  
Yasushi Sumida

Directors



Executive Director  
Shinro Fujita

Audit & Supervisory Board Members



Audit & Supervisory Board Member  
Seiichiro Takahashi



Audit & Supervisory Board Member  
Naoya Maruo

Outside Directors



Outside Director (Independent Officer)  
Mitsuaki Nakakubo

April 1995 Registered as an attorney (under Daini Tokyo Bar Association) (Current registration)  
April 2001 Partner of Asahi Law Offices (Current position)  
June 2019 Outside Director of the Company (Current position)



Outside Director (Independent Officer)  
Keiichiro Hashimoto

April 1974 Entered The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)  
June 2001 General Manager of Global Business Division of The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)  
June 2003 Representative Member of the Board, Vice President and CFO of MITSUBISHI MOTORS CORPORATION  
June 2005 Senior Executive Vice President of SEGA SAMMY HOLDINGS INC.  
June 2010 Chairman and President of Metropolitan Expressway Company Limited  
May 2014 Vice President and COO of Shioya Tochi Co., Ltd.  
June 2015 Audit & Supervisory Board Member of HIGASHI-NIPPON BANK, Ltd.  
April 2019 Vice Chairman and President of Japan Association of Corporate Executives (Current position)  
June 2020 Outside Audit & Supervisory Board Member of Maeda Road Construction Co., Ltd. (Current position)  
June 2020 Outside Director of the Company (Current position)



Outside Director (Independent Officer)  
Akira Matsumoto

April 1994 Entered Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation)  
October 1999 Entered KPMG Century Audit Corporation (currently KPMG AZSA LLC.)  
April 2003 President and Representative Director of MIT Corporate Advisory Services CO., LTD. (Current position)  
June 2020 Outside Director of the Company (Current position)



Outside Director (Independent Officer)  
Junko Tsuboi

April 1985 Entered Kirin Brewery Company, Limited (currently Kirin Holdings Company, Limited)  
March 2005 General Manager of Corporate Communications Dept. of Kirin Beverage Company, Limited  
March 2010 President and Representative Director of YOKOHAMA RED BRICK WAREHOUSE Co., Ltd.  
March 2012 General Manager of CSR Management Dept. and General Manager of Corporate Communications Dept. of Kirin Holdings Company, Limited  
January 2013 General Manager of Corporate Brand Management Dept. of CSV Div. of Kirin Company, Limited  
March 2014 Executive Officer, General Manager of Corporate Brand Management Dept. of CSV Div. of Kirin Company, Limited  
April 2016 Executive Officer, General Manager of Corporate Brand Management Dept. of Kirin Company, Limited  
March 2019 Senior Executive Officer and General Manager of Corporate Brand Management Dept. of Kirin Holdings Company, Limited (Current position)  
June 2020 Outside Director of the Company (Current position)

Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member (Independent Officer)  
Toshio Takano

April 1968 Public Prosecutor, Sapporo District Public Prosecutors Office  
July 1995 Chief Public Prosecutor, Kofu District Public Prosecutors Office  
November 2000 Chief Public Prosecutor, Tokyo District Public Prosecutors Office  
November 2001 Superintendent Public Prosecutor, Sendai High Public Prosecutors Office  
January 2004 Superintendent Public Prosecutor, Nagoya High Public Prosecutors Office  
February 2006 Established Takano Law Office (Current position)  
June 2013 Outside Audit & Supervisory Board Member of the Company (Current position)



Outside Audit & Supervisory Board Member (Independent Officer)  
Tsuneyoshi Seki

March 1990 Registered as Certified Public Accountant  
August 1995 Joined Deloitte Touche Tohmatsu (now Deloitte Touche Tohmatsu LLC)  
June 2003 Partner in Deloitte Touche Tohmatsu (now Deloitte Touche Tohmatsu LLC)  
July 2014 Established Tsuneyoshi Seki Certified Public Accountant Office (Current position)  
June 2016 Outside Audit & Supervisory Board Member of the Company (Current position)



Outside Audit & Supervisory Board Member (Independent Officer)  
Hideki Minamikawa

April 1974 Joined Japan's Environment Agency (currently Ministry of the Environment)  
January 2011 Administrative Vice-Minister of the Environment  
July 2013 Advisor, Japan's Ministry of the Environment  
June 2014 President of the Japan Environmental Sanitation Center  
June 2017 Outside Audit & Supervisory Board Member of the Company (Current position)

Executive Officers

Senior Executive Officer Kazumasa Wakayama	Senior Executive Officer Yuna Akashi	Senior Executive Officer Yoshihisa Hosaka	Senior Executive Officer Gen Inomata	Senior Executive Officer Junji Nagasaka
Senior Executive Officer Nobuyuki Uematsu	Senior Executive Officer Akiko Matsugaya	Executive Officer Koichi Matsumoto	Executive Officer Hiroaki Hori	Executive Officer Tomoko Saito
Executive Officer Hiromichi Aoto	Executive Officer Jun Saito	Executive Officer Yoko Mamizuka	Executive Officer Kengo Muraoka	

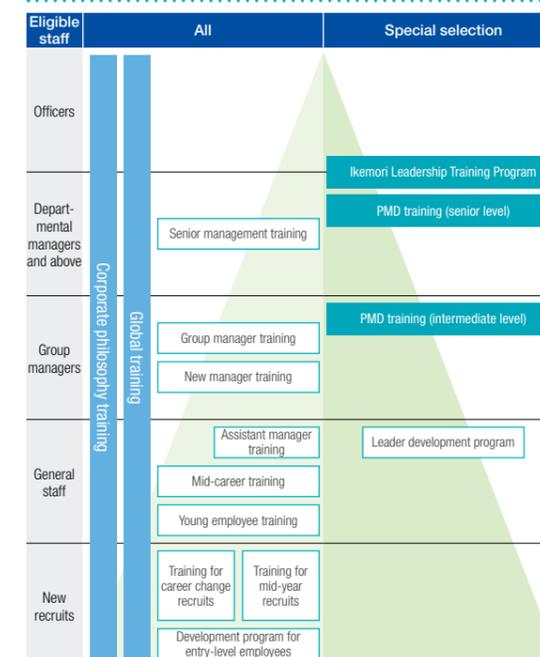
Developing the Next Generation of Managers

Aimed at developing the next generation of managers, the Ikemori Leadership Training Program hosts around 10 participants, elected by employees and other means, for a two-year training program, during which they deepen their understanding of the FANCL philosophy while learning to acquire a managerial viewpoint. So far, program graduates have included eleven who later became directors (including of Group companies) and nine who became executive officers.

Starting from FY Mar/2020, we additionally launched a training program for specially selected managerial staff known as Professional Manager Development (PMD) training program. This is an initiative to cultivate the human resources who will carry FANCL forward into the future having acquired the skills needed to take a managerial viewpoint and drive operations and the managerial ability to respond to changing times.

Number of graduate students 36 (Of whom nine are women)  
Appointed to executive positions 11 Directors, 9 Executive officers (including Group companies)  
\*Figures up to June 2020

Human resources development system



**Structural Reform Period**

- Elimination of unprofitable businesses
- Reinforcement of wholesale channels, etc.

**1st Medium-Term Management Plan  
“Advertising-led Growth Strategy”**

- Strategic investments in Advertising
- Expanding wholesale sales and direct store channels as part of our efforts to ensure that advertising produces the maximum effect

**2nd Medium-Term Management Plan  
ACTION 2020**

- Maintain a growth trajectory, raise profitability
- Establish a robust platform for overseas growth

(¥ million)	FY Mar/2010	FY Mar/2011	FY Mar/2012	FY Mar/2013	FY Mar/2014	FY Mar/2015	FY Mar/2016	FY Mar/2017	FY Mar/2018	FY Mar/2019	FY Mar/2020	(¥ million)
<b>Financial data</b>												
<b>Fiscal year</b>												
<b>Net sales</b>	99,536	93,789	88,165	82,807	81,118	77,632	90,850	96,305	109,019	122,496	126,810	<b>Net sales</b>
Cosmetics	51,902	47,678	45,824	46,721	47,525	47,471	55,016	56,926	66,048	71,599	75,891	Cosmetics
Nutritional Supplements	28,492	28,247	27,036	26,601	25,386	23,285	28,612	32,085	35,933	43,919	44,006	Nutritional Supplements
Other Businesses	19,141	17,863	15,303	9,484	8,207	6,876	7,221	7,294	7,037	6,977	6,911	Other Businesses
<b>Results by sales channels</b>												
Online and catalogue sales	53,258	50,318	46,342	40,133	39,696	36,545	40,078	43,037	46,206	46,806	49,896	Online and catalogue sales
Direct store sales	24,991	23,696	22,252	22,310	23,286	23,310	28,016	28,637	34,780	43,605	42,687	Direct store sales
Wholesale sales	10,976	11,521	11,852	11,873	10,216	11,356	14,573	16,388	17,813	21,676	23,549	Wholesale sales
Overseas sales	10,309	8,253	7,718	8,490	7,919	6,419	8,182	8,242	10,219	10,408	10,675	Overseas sales
<b>Gross profit</b>	66,452	61,842	58,997	55,528	55,393	54,295	63,878	67,810	77,431	87,378	90,543	<b>Gross profit</b>
Gross profit margin (%)	66.8	65.9	66.9	67.1	68.3	69.9	70.3	70.4	71.0	71.3	71.4	Gross profit margin (%)
<b>Selling, general and administrative (SGA) expenses</b>	57,294	54,724	54,980	51,670	51,450	50,294	62,673	65,565	68,983	74,990	76,417	<b>Selling, general and administrative (SGA) expenses</b>
SGA expenses to sales ratio (%)	57.6	58.3	62.4	62.4	63.4	64.8	69.0	68.1	63.3	61.2	60.3	SGA expenses to sales ratio (%)
<b>Operating income</b>	9,158	7,117	4,016	3,858	3,943	4,001	1,204	2,244	8,448	12,387	14,125	<b>Operating income</b>
Cosmetics	7,945	7,097	4,685	3,888	4,661	5,557	6,275	5,253	9,150	11,101	11,768	Cosmetics
Nutritional Supplements	3,250	2,125	1,583	1,962	1,125	(4)	(1,779)	(865)	864	3,519	4,095	Nutritional Supplements
Other Businesses	(488)	(505)	(587)	(290)	(4)	152	(1,774)	(599)	149	(299)	90	Other Businesses
<b>Operating margin (%)</b>	9.2	7.6	4.6	4.7	4.9	5.2	1.3	2.3	7.7	10.1	11.1	<b>Operating margin (%)</b>
Cosmetics (%)	15.3	14.9	10.2	8.3	9.8	11.7	11.4	9.2	13.9	15.5	15.5	Cosmetics (%)
Nutritional Supplements (%)	11.4	7.5	5.9	7.4	4.4	(0.0)	(6.2)	(2.7)	2.4	8.0	9.3	Nutritional Supplements (%)
Other Businesses (%)	(2.6)	(2.8)	(3.8)	(3.1)	(0.1)	2.2	(24.6)	(8.2)	2.1	(4.3)	1.3	Other Businesses (%)
<b>Ordinary income</b>	9,181	6,668	4,003	4,427	4,262	4,283	1,421	2,385	8,650	12,348	14,313	<b>Ordinary income</b>
<b>Net income</b>	4,306	2,849	2,454	(2,193)	1,343	2,301	522	5,146	6,191	8,649	9,985	<b>Net income</b>
Net income margin (%)	4.3	3.0	2.8	(2.6)	1.7	3.0	0.6	5.3	5.7	7.1	7.9	Net income margin (%)
<b>ROE (%)</b>	5.8	3.7	3.1	(2.9)	1.8	3.2	0.7	7.3	8.5	12.8	15.8	<b>ROE (%)</b>
Advertising expenses	7,971	8,230	8,540	8,631	8,265	7,907	15,035	14,816	15,164	15,919	15,402	Advertising expenses
Sales promotion expenses	11,460	11,240	10,860	9,189	9,426	9,451	11,888	12,833	12,839	13,430	14,542	Sales promotion expenses
Research and development expenses	2,351	2,428	2,646	2,498	2,428	2,353	2,852	3,277	3,112	3,464	3,440	Research and development expenses
Capital investment (cash flow basis)	1,898	3,305	3,948	3,375	2,439	7,612	3,726	4,074	2,476	3,683	11,233	Capital investment (cash flow basis)
Depreciation	3,157	2,970	3,437	3,443	2,972	2,973	3,207	3,185	2,826	3,057	3,307	Depreciation
Cash flows from operating activities	10,531	6,311	6,321	6,145	6,595	5,946	3,170	2,192	10,531	8,731	14,380	Cash flows from operating activities
Cash flows from investing activities	(3,555)	(922)	(7,008)	(822)	1,402	(5,972)	(3,389)	5,976	(2,392)	(3,160)	(11,309)	Cash flows from investing activities
Cash flows from financing activities	431	(2,277)	(2,315)	(2,251)	(3,956)	(1,820)	(4,647)	(2,552)	(3,126)	(23,559)	6,292	Cash flows from financing activities
Increase (Decrease) in cash and cash equivalents	7,669	3,059	(3,048)	3,171	4,149	(1,717)	(4,920)	5,568	5,031	(18,006)	9,355	Increase (Decrease) in cash and cash equivalents
<b>Fiscal year-end</b>												
Total assets	92,983	94,030	91,739	86,849	85,800	85,311	83,767	85,677	92,380	80,307	94,478	Total assets
Net assets	77,596	78,647	78,796	74,542	72,154	73,214	69,639	72,402	75,597	60,916	67,138	Net assets
Shareholders' equity ratio (%)	83.0	83.2	85.5	85.3	83.5	85.1	82.3	83.6	81.0	74.8	70.4	Shareholders' equity ratio (%)
<b>Shareholder Return</b>												
Dividends per share (yen)*1	17.0	17.0	17.0	17.0	17.0	17.0	17.0	29.0*2	29.0*2	30.0	34.0	Dividends per share (yen)*1
Dividend payout ratio (%)	49.8	77.5	89.9	—	161.7	94.2	409.1	70.8	59.4	43.6	40.9	Dividend payout ratio (%)
DOE (dividend on equity) (%)	2.9	2.8	2.8	2.9	3.0	3.0	3.0	5.2	5.0	5.5	6.5	DOE (dividend on equity) (%)
Number of FANCL stores in Japan	180	179	177	175	167	164	176	201	197	204	212	Number of FANCL stores in Japan
<b>Non-financial Data</b>												
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	12,542	11,954	11,316	12,502	12,764	11,997	11,988	11,956	11,656	11,751	10,665	CO <sub>2</sub> emissions (t-CO <sub>2</sub> )
CO <sub>2</sub> emissions under the Eco Program at Home (t-CO <sub>2</sub> )	(70)	(21)	(48)	(114)	(206)	(269)	(249)	(299)	(291)	(274)	(123)*3	CO <sub>2</sub> emissions under the Eco Program at Home (t-CO <sub>2</sub> )
Total volume of waste (t)	1,319	1,266	1,261	1,322	1,290	1,262	1,274	861	901	877	808	Total volume of waste (t)

\*1 As a 1:2 stock split was conducted, with December 1, 2018 as the effective date, the dividends per share after the split are stated

\*2 The fiscal years ending March 2017 and March 2018 include the special dividend of ¥12.0

\*3 Reflects half-year amount as full-year figures are still being compiled

## Sales

During FY Mar/2020, overall sales increased 3.5% compared with FY Mar/2019, to ¥126,810 million. Despite the COVID-19 outbreak impacting domestic and inbound demand, this upswing was due to an increase in sales largely centered on the Cosmetics business resulting from the effects of new products and the expansion of direct store and cross-border e-commerce sales channels.

## Cosmetics Business

Sales from the Cosmetics business increased 6.0% to ¥75,891 million.

Sales of FANCL Cosmetics increased 4.8% to ¥59,478 million, due to strong trends in sales of core products such as *Mild Cleansing Oil*, in addition to contributions from the new product *DEEP CLEAR WASHING POWDER*, and *Beauty BOUQUET*.

Sales of ATTENIR Cosmetics increased 10.1% to ¥12,674 million. In addition to strong sales of basic skin care products and the relaunched *Skin Clear Cleanse Oil*, this growth in sales was due to the expansion in direct store and cross-border e-commerce sales channels.

Sales of boschia increased 7.5% to ¥2,810 million, as a result of an expansion of U.S. chain stores newly carrying the products.

Looking at results by sales channels, online and catalogue sales increased 7.0% year on year, to ¥29,081 million, direct store sales climbed 2.3% to ¥29,666 million, wholesale sales jumped 20.7% to ¥9,096 million, and overseas sales grew 2.1% to ¥8,047 million.

## Profit

Buoyed by an increase in revenue and other factors, gross profit climbed 3.6% year on year, to ¥90,543 million.

Operating income grew 14.0% to ¥14,125 million. In addition to the increase in gross profit from higher sales, operating income was boosted by such factors as a decrease in advertising expenses through efficient management of online advertising. As a result, the selling, general and administrative (SG&A) expenses to sales ratio narrowed 1.0 percentage point. Ordinary income increased 15.9% to ¥14,313 million, and net income attributable to owners of the parent company improved 15.4% to ¥9,985 million.

## Research and Development Expenses

Total research and development expenses in the fiscal year under review came to ¥3,440 million.

At its Research Institute, FANCL engages in basic technological and product development research on cosmetics, nutritional supplements, *Hatsuga Genmai* (germinated brown rice), and Kale Juice in an effort to promote safety and functionality research with a focus on peace of mind and safety as well as the development of products based on scientific evidence. In addition to leveraging its Yahho System, which collates and analyzes customer feedback received directly through the customer service center, in the development of products, FANCL also undertakes a wide range of research and development activities, including joint research with many domestic and international research institutions and

## Nutritional Supplements Business

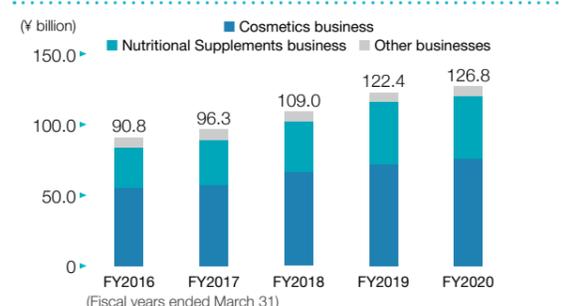
Nutritional supplement sales increased 0.2% to ¥44,006 million. This largely reflected strong trends in such Foods with Function Claims as Naishi Support and Nyosan Support.

Again by sales channels, online and catalogue sales increased 7.3% to ¥15,710 million, direct store sales decreased 11.0% to ¥12,501 million, wholesale sales climbed 3.5% to ¥13,176 million, and overseas sales rose 4.4% to ¥2,617 million.

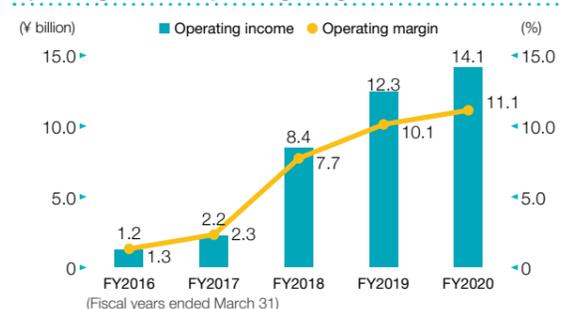
## Other Businesses

Sales from Other businesses decreased 0.9% year on year, to ¥6,911 million. While revenue increased in Intimate Apparel and General Merchandise business, the downturn in sales from Other businesses was mainly due to a drop in revenue from the *Hatsuga genmai* and Kale juice businesses.

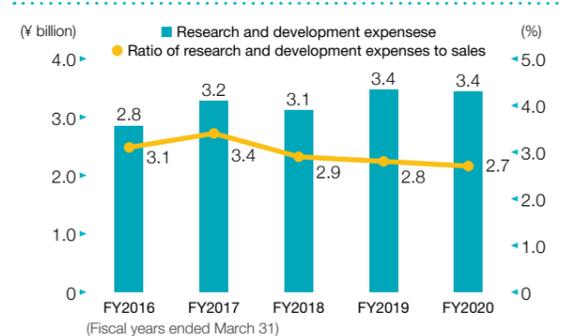
## Sales



## Operating income/Operating margin



## Research and development expenses/ Ratio of research and development expenses to sales



participation in industry-government-academia collaboration projects. The Company maintains a total complement of 200 researchers, many of whom have acquired PhDs in such fields as agriculture, pharmacy and science.

Furthermore, FANCL launched a joint research project with the R&D Division of Kirin Holdings Company Limited in accordance with

## Capital Investment

FANCL undertook capital investment including intangible fixed asset investment totaling ¥11,208 million in the fiscal year under review. By segment, we newly launched the Kansai Logistics Center while opening new and renovating existing stores as a common activity across all businesses. In the Cosmetics business, we invested in the opening of a facility to focus specifically on the production of *Mild Cleansing Oil*. In the Nutritional Supplements business, we channeled funds to the opening of a new supplement production facility. Looking at the amount of capital investment by segment, FANCL allocated funds of ¥5,664 million, ¥5,098 million, ¥214 million, and ¥231 million to the Cosmetics, Nutritional Supplements, Other businesses, and Other, respectively. Meanwhile, the Company did not dispose of or sell

## Financial Position and Cash Flows

Assets increased ¥14,171 million from the end of the previous fiscal year, to ¥94,478 million, primarily due to an upswing of ¥6,607 million in current assets and an increase of ¥7,563 million in fixed assets. Major movements in current assets were a ¥9,355 million increase in cash and cash equivalents, and a ¥3,465 million decrease in notes and accounts receivable. The primary factor contributing to the growth in fixed assets was a ¥7,798 million increase in tangible fixed assets.

Liabilities increased ¥7,949 million from the end of the previous fiscal year, to ¥27,339 million. The major movements included a decrease of ¥2,216 million in current liabilities and a ¥10,165 million increase in long-term liabilities. Factors contributing to the decrease in current liabilities included downturns of ¥1,212 million in accrued income taxes and ¥993 million in accrued liabilities. Factors contributing to the increase in long-term liabilities included a ¥10,200 million increase in convertible bonds with stock acquisition rights.

Net assets increased ¥6,221 million to ¥67,138 million. Principal movements included a ¥9,985 million increase in retained earnings due to the recording of net income attributable to owners of the parent, and a ¥3,840 million decrease in retained earnings due to dividend payments.

As a result, the shareholders' equity ratio declined 4.4 percentage points compared with the end of the previous fiscal year, to 70.4%.

Cash and cash equivalents ("funds") as of March 31, 2020 were ¥27,991 million, ¥9,355 million higher than at the end of the previous fiscal year.

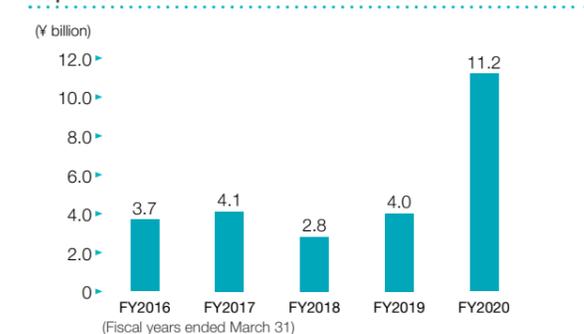
The main contributing factors to cash flows during the fiscal year ended March 31, 2020 were as follows:

## Cash Flows from Operating Activities

Net cash provided by operating activities during the fiscal year under review was ¥14,380 million, compared with ¥8,731 million in the

the capital and business alliance agreement concluded with that company in August 2019. FANCL and Kirin will share technologies in each of their respective areas of research, and pursue joint projects in a number of wide-ranging fields including cosmetic development as well as brain function and intestinal environment research in a bid to secure additional research results.

## Capital investment



previous fiscal year. Factors increasing operating cash flow included income before income taxes of ¥14,187 million, a decrease in accounts receivable of ¥3,462 million, and depreciation of ¥3,307 million. Factors decreasing operating cash flow included income taxes paid of ¥5,077 million.

## Cash Flows from Investing Activities

Net cash used in investing activities during the fiscal year under review was ¥11,309 million, compared with ¥3,160 million in the previous fiscal year. This was primarily due to outlays of ¥10,533 million for acquisitions of tangible fixed assets, and ¥699 million for acquisitions of intangible fixed assets.

## Cash Flows from Financing Activities

Net cash provided by financing activities during the fiscal year under review was ¥6,292 million, compared with net cash used in financing activities of ¥23,559 million in the previous fiscal year. Factors increasing financing cash flow included inflows of ¥10,205 million for the issue of convertible bonds with stock acquisition rights, and factors decreasing financing cash flow included ¥3,834 million for dividend payments.

Free cash flow, which is the sum of cash flow from operating activities and cash flow from investment activities came to ¥3,071 million in FY Mar/2020.

The Company's cash requirements are primarily due to the purchase of raw materials for the manufacture of its products, and to cover its ongoing operations including manufacturing, selling, general and administrative expenses. Operating expenses comprise mainly advertising and other marketing expenses, with the majority of research and development costs for quality improvement being recorded as expenses. In addition, FANCL issued Euro Yen convertible bonds due in 2024 to finance capital investments in April 2019.

## Consolidated Balance Sheet

(¥ million)	As of March 31, 2020	As of March 31, 2019	(¥ million)	As of March 31, 2020	As of March 31, 2019
<b>ASSETS</b>			<b>LIABILITIES</b>		
<b>I. Current assets</b>			<b>I. Current liabilities</b>		
Cash and cash equivalents	27,991	18,635	Notes and accounts payable	2,918	3,253
Notes and accounts receivable	12,114	15,580	Lease obligations	62	63
Merchandise and products	5,602	5,244	Accrued liabilities	5,476	6,470
Work in progress	—	26	Accrued expenses	759	969
Raw materials and supplies	6,579	6,185	Accrued income taxes	2,387	3,600
Others	1,274	1,189	Allowance for bonuses	1,306	1,512
Allowance for doubtful accounts	(264)	(171)	Allowance for points	1,918	1,676
<b>Total current assets</b>	<b>53,296</b>	<b>46,689</b>	Allowance for directors'	4	—
<b>II. Fixed assets</b>			Asset retirement obligations	116	—
<b>Tangible fixed assets</b>			Others	786	406
Buildings and structures	30,380	28,082	<b>Total current liabilities</b>	<b>15,735</b>	<b>17,951</b>
Accumulated depreciation and accumulated impairment loss	(16,983)	(16,321)	<b>II. Long-term liabilities</b>		
Buildings and structures (net)	13,396	11,760	Convertible bonds with stock acquisition	10,200	—
Machinery and transport equipment	11,503	9,467	Lease obligations	101	98
Accumulated depreciation and accumulated impairment loss	(7,863)	(7,421)	Retirement benefit liabilities	777	738
Machinery and transport equipment (net)	3,639	2,045	Asset retirement obligations	434	412
Furniture, tools and fixtures	8,886	8,800	Allowance for directors' bonuses	—	64
Accumulated depreciation and accumulated impairment loss	(7,509)	(7,384)	Others	90	123
Furniture, tools and fixtures (net)	1,377	1,416	<b>Total long-term liabilities</b>	<b>11,604</b>	<b>1,438</b>
Land	14,143	11,839	<b>Total liabilities</b>	<b>27,339</b>	<b>19,390</b>
Lease assets	294	256	<b>NET ASSETS</b>		
Accumulated depreciation and accumulated impairment loss	(141)	(106)	Shareholders' equity		
Lease assets (net)	152	150	Common stock	10,795	10,795
Construction in progress	2,616	314	Capital reserve	11,706	11,706
<b>Total tangible fixed assets</b>	<b>35,324</b>	<b>27,526</b>	Retained earnings	64,260	58,902
<b>Intangible fixed assets</b>			Treasury stock	(19,938)	(21,160)
Other intangible fixed assets	2,246	2,229	<b>Total shareholders' equity</b>	<b>66,823</b>	<b>60,243</b>
<b>Total intangible fixed assets</b>	<b>2,246</b>	<b>2,229</b>	<b>Other comprehensive income</b>		
<b>Investments and other assets</b>			Foreign currency translation adjustment	52	67
Investment securities	226	176	Total adjustments related to retirement benefits	(329)	(261)
Long-term loans	—	100	<b>Total other comprehensive income</b>	<b>(277)</b>	<b>(193)</b>
Deposits and guarantee money	1,157	1,051	Warrants	592	866
Long-term prepaid expense	121	136	<b>Total net assets</b>	<b>67,138</b>	<b>60,916</b>
Deferred tax assets	1,965	2,263	<b>Total Liabilities and Net Assets</b>	<b>94,478</b>	<b>80,307</b>
Others	165	158			
Allowance for doubtful accounts	(26)	(24)			
<b>Total investments and other assets</b>	<b>3,609</b>	<b>3,862</b>			
<b>Total fixed assets</b>	<b>41,181</b>	<b>33,617</b>			
<b>Total assets</b>	<b>94,478</b>	<b>80,307</b>			

## Consolidated Statement of Income

(¥ million)	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Net sales	126,810	122,496
Cost of sales	36,266	35,118
<b>Gross profit</b>	<b>90,543</b>	<b>87,378</b>
<b>Selling, general and administrative expenses</b>		
Sales promotion expenses	14,542	13,430
Packing and transport expenses	5,375	5,306
Advertising expenses	15,402	15,919
Sales commission fee	9,315	8,971
Communications expenses	1,934	1,921
Directors remuneration	677	798
Salaries and bonuses	12,089	11,683
Provision for accrued bonuses	1,057	1,286
Retirement benefit expenses	316	323
Compulsory welfare expenses	1,829	1,843
Welfare expenses	371	291
Depreciation	2,062	1,866
Research and development expenses	1,229	1,348
Rent expenses	1,545	1,307
Provisions for allowance for bad debt	93	56
Other	8,574	8,635
<b>Total selling, general and administrative expenses</b>	<b>76,417</b>	<b>74,990</b>
<b>Operating income</b>	<b>14,125</b>	<b>12,387</b>
<b>Non-operating income</b>	<b>272</b>	<b>189</b>
<b>Non-operating expenses</b>	<b>85</b>	<b>228</b>
<b>Ordinary income</b>	<b>14,313</b>	<b>12,348</b>
<b>Extraordinary income</b>	<b>36</b>	<b>316</b>
<b>Extraordinary expenses</b>	<b>162</b>	<b>315</b>
<b>Income before income taxes</b>	<b>14,187</b>	<b>12,349</b>
<b>Income taxes</b>	<b>3,874</b>	<b>3,878</b>
<b>Adjustment for income taxes</b>	<b>328</b>	<b>(178)</b>
<b>Total income before income taxes</b>	<b>4,202</b>	<b>3,700</b>
<b>Income before minority interests</b>	<b>9,985</b>	<b>8,649</b>
<b>Net income</b>	<b>9,985</b>	<b>8,649</b>

## Consolidated Statement of Comprehensive Income

(¥ million)	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019
Income before minority interests	9,985	8,649
<b>Other comprehensive income</b>		
Foreign currency translation adjustment	(15)	(21)
Adjustments related to retirement benefits	(67)	(17)
<b>Total other comprehensive income</b>	<b>(83)</b>	<b>(39)</b>
<b>Comprehensive income</b>	<b>9,901</b>	<b>8,610</b>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of the parent company	9,901	8,610
Comprehensive income attributable to minor interests	—	—

## Consolidated Financial Statements

### Changes in Shareholders' Equity during the Period

(¥ million)	April 1, 2019 to March 31, 2020				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,795	11,706	58,902	(21,160)	60,243
Changes of items during period					
Dividends of surplus	—	—	(3,840)	—	(3,840)
Net income attributable to owners of the parent company	—	—	9,985	—	9,985
Purchase of treasury shares	—	—	—	(1)	(1)
Disposal of treasury shares	—	—	(786)	1,223	437
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	5,358	1,221	6,580
Balance at end of current period	10,795	11,706	64,260	(19,938)	66,823
	Other comprehensive income				
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income	New share warrants	Total net assets
Balance at beginning of current period	67	(261)	(193)	866	60,916
Changes of items during period					
Dividends of surplus	—	—	—	—	(3,840)
Net income attributable to owners of the parent company	—	—	—	—	9,985
Purchase of treasury shares	—	—	—	—	(1)
Disposal of treasury shares	—	—	—	—	437
Net changes of items other than shareholders' equity	(15)	(67)	(83)	(274)	(358)
Total changes of items during period	(15)	(67)	(83)	(274)	6,221
Balance at end of current period	52	(329)	(277)	592	67,138

(¥ million)	April 1, 2018 to March 31, 2019				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,795	11,706	54,796	(2,338)	74,959
Changes of items during period					
Dividends of surplus	—	—	(3,754)	—	(3,754)
Net income attributable to owners of the parent company	—	—	8,649	—	8,649
Purchase of treasury shares	—	—	—	(20,004)	(20,004)
Disposal of treasury shares	—	—	(790)	1,183	393
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	—	4,105	(18,821)	(14,715)
Balance at end of current period	10,795	11,706	58,902	(21,160)	60,243
	Other comprehensive income				
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income	New share warrants	Total net assets
Balance at beginning of current period	89	(243)	(154)	791	75,597
Changes of items during period					
Dividends of surplus	—	—	—	—	(3,754)
Net income attributable to owners of the parent company	—	—	—	—	8,649
Purchase of treasury shares	—	—	—	—	(20,004)
Disposal of treasury shares	—	—	—	—	393
Net changes of items other than shareholders' equity	(21)	(17)	(39)	74	35
Total changes of items during period	(21)	(17)	(39)	74	(14,680)
Balance at end of current period	67	(261)	(193)	866	60,916

### Consolidated Statement of Cash Flows

(¥ million)	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2019
<b>I. Cash flows from operating activities</b>		
Income before income taxes	14,187	12,349
Depreciation	3,307	3,057
Impairment loss	40	12
Stock compensation expense	161	207
Increase (decrease) in allowance for doubtful accounts	93	15
Increase (decrease) in allowance for bonuses	(206)	169
Increase (decrease) in allowance for directors' bonuses	51	64
Increase (decrease) in allowance for points	242	100
Increase (decrease) in retirement benefit related obligation	(59)	9
Interest and dividend income	(52)	(4)
Loss (gain) from foreign exchange	2	9
Loss (gain) from sale of fixed assets	1	(299)
Loss on disposal of fixed assets	16	201
Loss on store closures	100	93
Bond issue expenses	44	—
Insurance proceeds	(46)	—
Gain on reversal of subscription rights to shares	—	(17)
Decrease (increase) in accounts receivable	3,462	(1,793)
Decrease (increase) in inventories	(732)	(3,165)
Decrease (increase) in other current assets	(121)	(173)
Decrease (increase) in other fixed assets	5	(51)
Decrease (increase) in accounts payable	(335)	230
Increase (decrease) in other current liabilities	(708)	(603)
Increase (decrease) in other fixed liabilities	(33)	(61)
Others	(11)	141
Sub-total	19,409	10,492
Interest and dividends received	2	4
Income taxes paid	(5,077)	(1,598)
Others	46	(166)
Net cash provided by (used in) operating activities	14,380	8,731
<b>II. Cash flows from investing activities</b>		
Payment for acquisition of tangible fixed assets	(10,533)	(2,916)
Income from sale of tangible fixed assets	1	0
Payment for acquisition of intangible fixed assets	(699)	(766)
Income from sale of intangible fixed assets	—	300
Payment for acquisition of investment securities	(49)	(49)
Payments of loans receivable	100	100
Other payments	(209)	(42)
Other proceeds	81	215
Net cash used in investing activities	(11,309)	(3,160)
<b>III. Cash flows from financing activities</b>		
Proceeds from issuance of convertible bonds with stock acquisition rights	10,205	—
Proceeds from disposal of treasury stock	0	277
Payment for purchase of treasury stock	(1)	(20,004)
Cash dividends paid	(3,834)	(3,749)
Others	(77)	(83)
Net cash used in financing activities	6,292	(23,559)
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	(8)	(17)
<b>V. Net increase in cash and cash equivalents</b>	9,355	(18,006)
<b>VI. Cash and cash equivalents at the beginning of the period</b>	18,635	36,641
<b>VII. Cash and cash equivalents at end of period</b>	27,991	18,635

## Stock Information

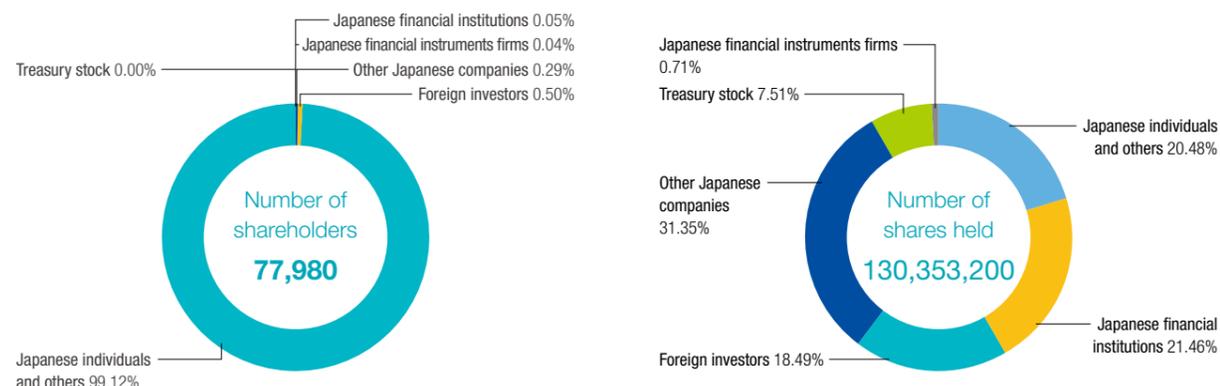
### Share Data (As of March 31, 2020)

Number of shares authorized ..... 467,676,000      Number of shares issued ..... 130,353,200  
 Number of shareholders ..... 77,980

Name of shareholder	Number of shares held (thousands)	Shareholding ratio
Kirin Holdings Company, Limited	39,540	32.80%
The Master Trust Bank of Japan, Ltd. (Trust account)	9,292	7.71%
Japan Trustee Services Bank, Ltd. (Trust account)	8,316	6.90%
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,650	1.37%
JP MORGAN CHASE BANK 385151	1,129	0.94%
GOLDMAN, SACHS & CO. REG	1,126	0.93%
FANCL Employees Share Holding Association	1,114	0.92%
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	1,108	0.92%
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	1,070	0.89%
Dear Heart Inc.	1,000	0.83%

(Notes) 1. FANCL's holdings of treasury stock (9,795 thousand shares) are excluded from the above list of principle shareholders.  
 2. Shareholding ratios are calculated after deduction of treasury stock (9,795 thousand shares).

### Breakdown of shares by type of shareholders (As of March 31, 2020)



## Corporate Information

### Corporate Overview (As of March 31, 2020)

<b>Company Name</b>	FANCL CORPORATION	<b>Paid-in capital</b>	¥10,795 million
<b>Address</b>	89-1 Yamashita-cho, Naka-ku, Yokohama, Kanagawa-ken	<b>Number of employees</b>	1,055 <small>* The number of employees does not include the area employees (1,146) and the average annual number of temporary workers (564).</small>
<b>Telephone</b>	+81(45)226-1200 (switchboard)	<b>Research Institute</b>	FANCL Research Institute (Totsuka-ku, Yokohama, Kanagawa-ken)
<b>Representative</b>	Kazuyuki Shimada President & CEO, Representative Director	<b>Principal banks</b>	MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.
<b>Established</b>	August 18, 1981		

### Group of Companies (As of April 1, 2020)

Name of Company	Principal Business Activities
ATTENIR CORPORATION [Consolidated subsidiary]	Providing products and services that help our target customers in their 40s feel flawless and beautiful.
FANCL ASIA (PTE) LTD [Consolidated subsidiary]	Overseas sales activities in Asia & Oceania region.
FANCL B&H CORPORATION [Consolidated subsidiary]	Production of cosmetics, quasi-drugs, nutritional supplements and FANCL germinated brown rice.
NICOSTAR BEAUTECH Co., Ltd. [Consolidated subsidiary]	Engages in the sale and contract manufacturing of cosmetics and quasi-drugs.
FANCL LAB Co., Ltd. [Consolidated subsidiary]	Contract manufacturing and sale of cosmetics, quasi-drugs and nutritional supplements in Japan.
FANCL INTERNATIONAL, INC. [Consolidated subsidiary]	Distributes cosmetics and nutritional supplements in the U.S.
boscia, LLC [Consolidated subsidiary]	Expanding cosmetic sales globally.
FANCL SMILE Co., Ltd. [Non-consolidated subsidiary]	<b>(A special subsidiary)</b> Promotes the employment of people with disabilities; undertakes a variety of activities including the setup of various catalogues.
FANCL Insurance Service Corp. [Non-consolidated subsidiary]	Insurance agency, engaged in soliciting insurance contracts and associated operations.
FANCL (Shanghai) Business Consulting Limited [Non-consolidated subsidiary]	Engages in the registration of cosmetics and supplements in China.

## Business site tours in 2019



Chiba Factory

**10,280**



FANCL Ginza Square

**3,154**



Shiga Factory

**985**



Kanto Logistics Center

**907**



FANCL Research Institute

**2,064**



Nagano Factory

**250**



FANCL SMILE

**1,366**



Reference Room

**1,166**

[www.fancl.jp/tour/index.html](http://www.fancl.jp/tour/index.html)



For inquiries about this report:

## FANCL Corporation

89-1 Yamashita-cho, Naka-ku, Yokohama,  
Kanagawa-ken 231-8528, Japan  
Investor Relations Department  
TEL: 81(45)226-1470 FAX: 81(45)226-1442  
E-mail: [4921ir@fancl.co.jp](mailto:4921ir@fancl.co.jp)