

FANCL

正直品質。

FANCL Group Financial Results Briefing

For the period April 1, 2020 to June 30, 2020

2020/8/4

Financial Highlights

Results by segment

FANCL

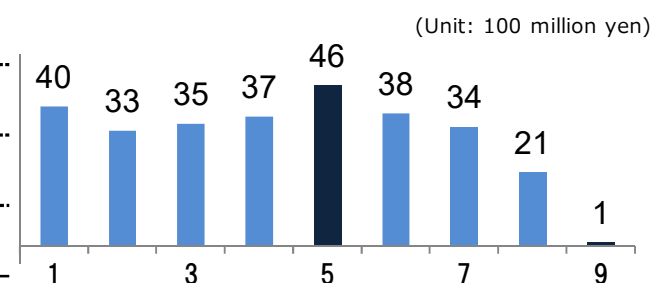
正直品質。

(Millions of yen)	Q1 of FY to March 2020	Q1 of FY to March 2021	Change YoY
Sales	32,544	26,298	(19.2%)
<i>Cosmetics</i>	19,528	14,716	(24.6%)
<i>Nutritional supplements</i>	11,365	9,093	(20.0%)
<i>Other</i>	1,650	2,488	+50.7%
<i>Hatsuga Genmai</i>	479	531	+10.9%
<i>Kale Juice</i>	581	583	+0.3%
Operating income	4,377	2,445	(44.1%)
Ordinary income	4,382	2,507	(42.8%)
Net income	2,609	1,476	(43.4%)

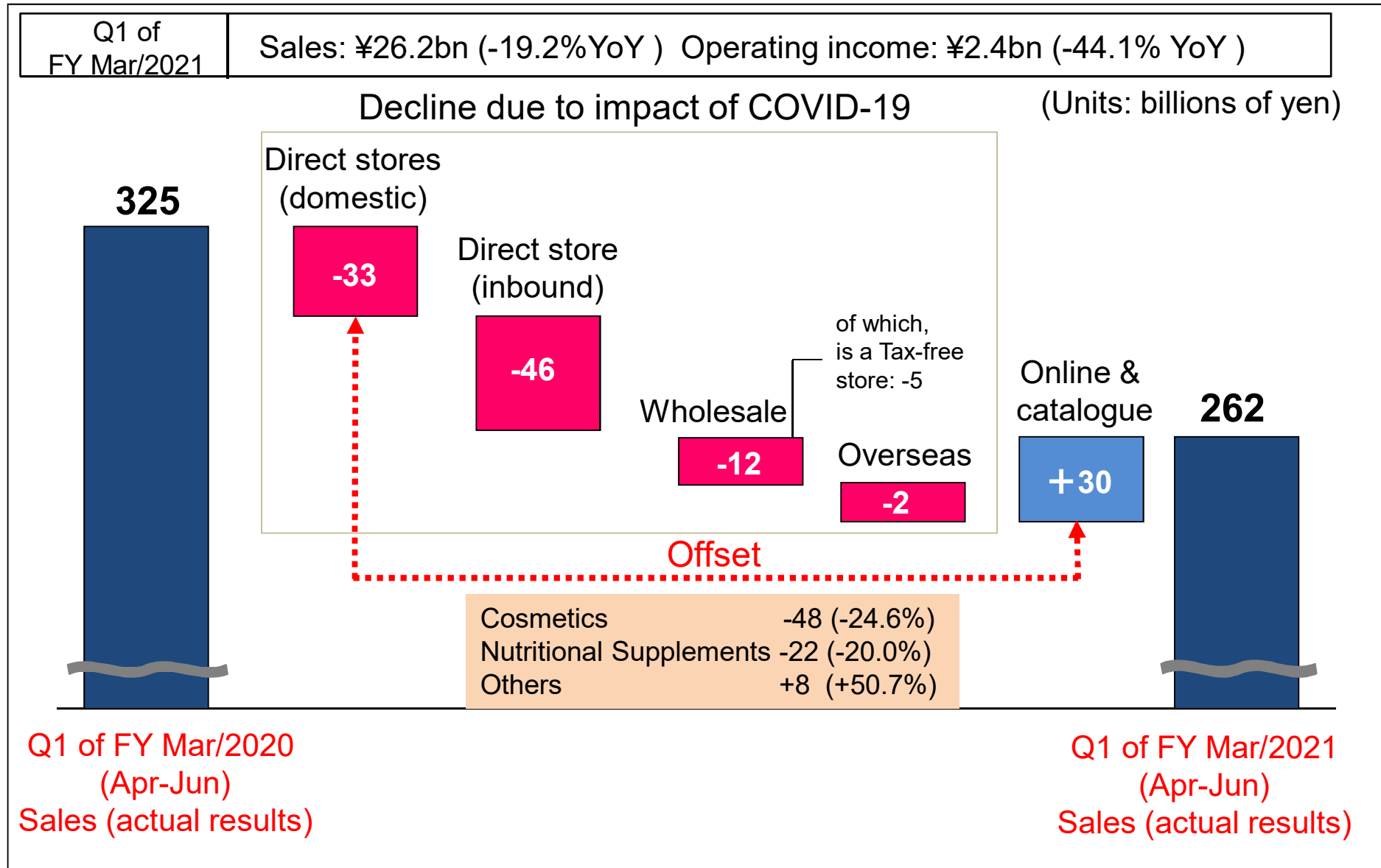
Sales breakdown

Results by cosmetics brand	<i>FANCL</i>	11,115	-29.7% (Domestic:-30.0% , Overseas:-25.8%)
	<i>ATTENIR</i>	2,978	-4.7%
	<i>boscia</i>	425	+7.2%
Nutritional supplements		9,093	-20.0% (Domestic: -20.0% , Overseas: -20.0%)

Direct Store Inbound sales



Q1 sales (compared to previous year)

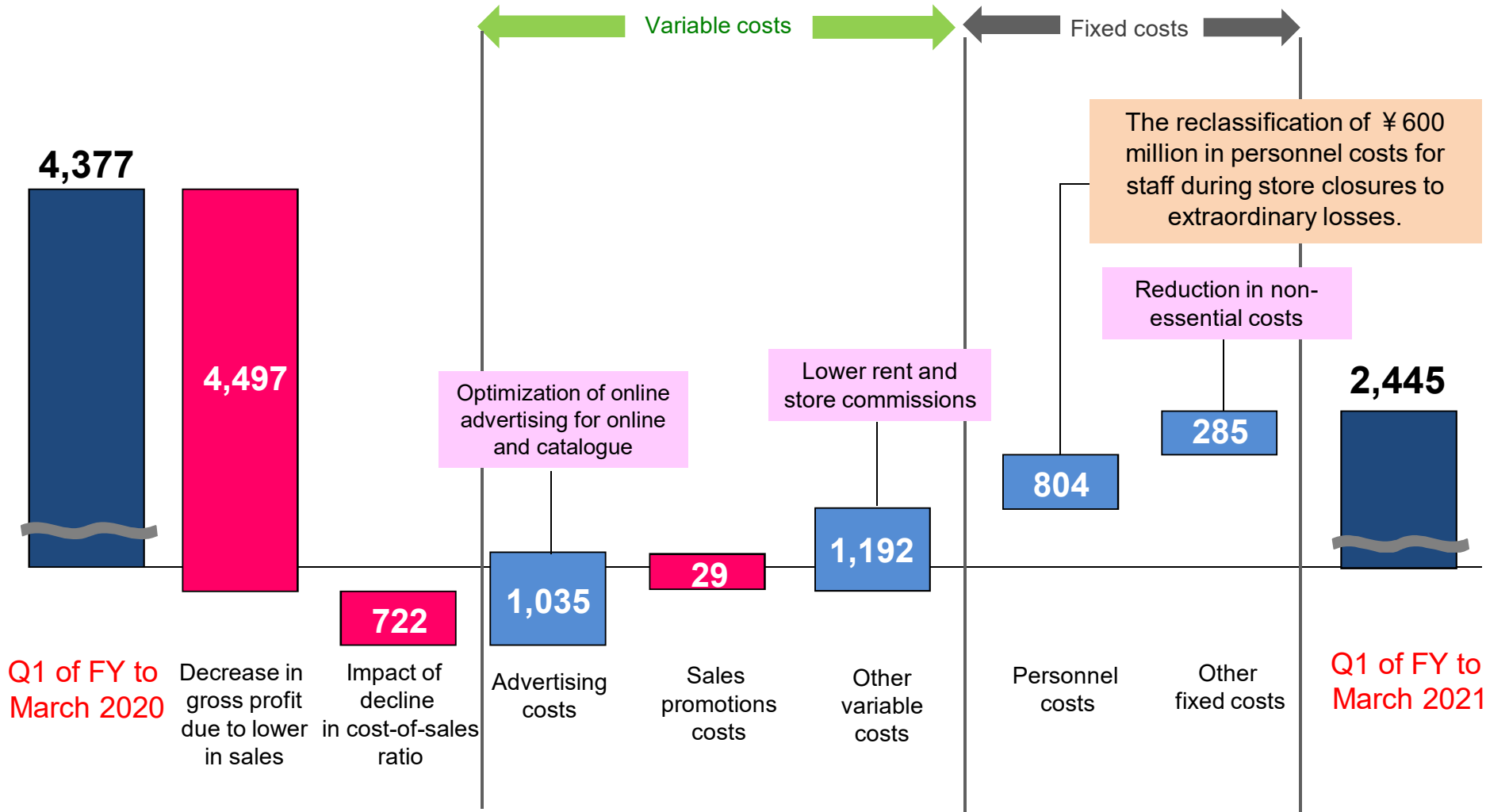


Q1 Analysis of change in Operating income

Results



(Millions of yen)



Outlook for first half / full year

Forecast assumptions

As it is difficult to reasonably assess the overall impact of COVID-19 at this time, the full year forecasts for FY/March 2021 remain unchanged from initial forecasts.

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Domestic	×	×	△	△	△	○	○	○	○	○	○	○
Inbound	×	×	×	×	×	×	△	△	△	○	○	○

Quarter		Assumptions
Q1	External environment	<ul style="list-style-type: none"> Domestically, economic activity is greatly restricted by the declaration of emergency. <u>Ongoing restraint.</u> Inbound <u>significantly down due to travel restrictions.</u>
	FANCL	<ul style="list-style-type: none"> Direct stores closed until May. <u>Operations resume by June, though a full recovery in sales is yet to be seen.</u> <u>Wholesale sales begin to gradually recover from June, though a full recovery is yet to be seen.</u>
Q2	External environment	<ul style="list-style-type: none"> Domestic economic activity begins to gradually recover. Inbound <u>remains significantly down due to travel restrictions.</u>
	FANCL	<ul style="list-style-type: none"> Domestic sales <u>gradually recover</u> in both direct stores and wholesale.
Q3 onwards	External environment	<ul style="list-style-type: none"> Domestic <u>economic activity returns to normal.</u> Inbound begins to gradually recover as travel restrictions are lifted.
	FANCL	<ul style="list-style-type: none"> Domestic sales in both direct stores and wholesale <u>recover to levels above the previous year.</u> Inbound <u>gradually recovers as flights resume, making a full recovery in Q4.</u>

Forecast revisions

Past and current focus initiatives			
Area	Q1	Q2	
Environment	Decline in inbound demand and continued restraint from going out in Japan		
Sales	Online and Catalogue	Directed customers from stores to external online and catalogue platforms	Strengthen initiatives on external online and catalogue platforms
	Stores	Rolled out store-only campaigns	Roll out additional campaigns
	Wholesale	Strengthened <i>Support</i> series	Offer private brand cosmetics through retailer managed e-commerce platforms
	Overseas	Strengthened Attenir, China supplements via cross-border e-commerce	Strengthen cross-border e-commerce, and boscia sales via e-commerce platforms
Costs	Lower fixed costs through effective use of online advertising for online and catalogue, controls on mid-career employment, etc.		



H1 forecasts revised upwards; no change to full-year forecasts as we are unable to forecast when inbound demand will recover

H1 (¥ mn)	Initial plan	Revised plan	Difference	Full year (¥ mn)	Initial plan	Revised plan	Difference
Sales	53,850	54,500	+ 650	Sales	127,000	127,000	0
Operating income	3,000	4,300	+ 1,300	Operating income	14,500	14,500	0

Outlook for H1 of FY to March 2021

FANCL

正直品質。

(Millions of yen)	H1 of FY ending March 2021	H1 of FY ending March 2021 (Revised plan)	Change	Change YoY
Sales	53,850	54,500	+650	(17.7%)
<i>Cosmetics</i>	31,550	31,250	(300)	(21.7%)
<i>Nutritional supplements</i>	18,750	19,100	+350	(16.8%)
<i>Other</i>	3,550	4,150	+600	+24.3%
<i>Hatsuga Genmai</i>	1,050	1,050	0	+8.1%
<i>Kale Juice</i>	1,150	1,200	+50	+0.9%
Operating income	3,000	4,300	+1,300	(51.7%)
Ordinary income	3,050	4,350	+1,300	(51.6%)
Net income	1,800	2,600	+800	(55.7%)

Sales breakdown (H1)

<i>Results forecasts by cosmetics brand</i>	<i>FANCL</i>	23,410	-27.1% (Domestic:-26.4%,Overseas:-35.1%)
	<i>ATTENIR</i>	6,340	-1.4%
	<i>boscia</i>	1,100	+18.1%
	<i>Nutritional supplements</i>	19,100	-16.8% (Domestic:-19.0%, Overseas:+20.8%)

【Assumptions behind the plan】
Inbound sales:0.2bn
(The previous fiscal year 8.4bn)

Outlook of FY to March 2021

FANCL

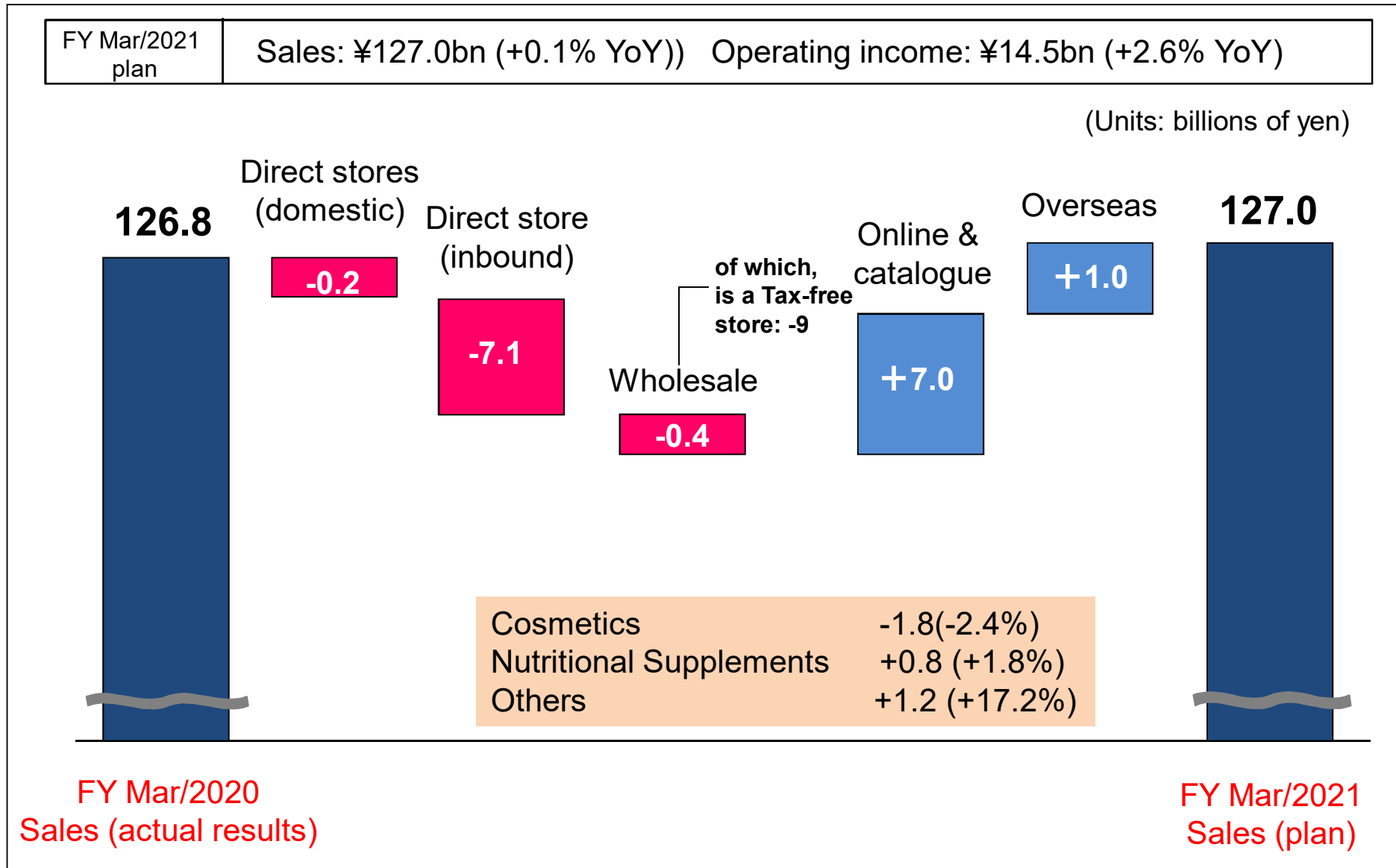
正直品質。

(Millions of yen)	FY to March 2020	FY to March 2021	Change YoY
Sales	126,810	127,000	+0.1%
<i>Cosmetics</i>	75,891	74,100	(2.4%)
<i>Nutritional supplements</i>	44,006	44,800	+1.8%
<i>Other</i>	6,911	8,100	+17.2%
<i>Hatsuga Genmai</i>	2,031	2,100	+3.3%
<i>Kale Juice</i>	2,420	2,550	+5.4%
Operating income	14,125	14,500	+2.6%
Ordinary income	14,313	14,600	+2.0%
Net income	9,985	10,000	+0.1%

Sales breakdown

Results forecasts by cosmetics brand	<i>FANCL</i>	55,570	-6.6%(Domestic: -5.3%, Overseas: -21.3%)	【Assumptions behind the plan】 Inbound sales:6.8bn (The previous fiscal year 13.9bn)
	<i>ATTENIR</i>	14,250	+12.4%	
	<i>boscia</i>	3,200	+13.8%	
<i>Nutritional supplements</i>	44,800	+1.8%(Domestic: -0.9%, Overseas: +45.2%)		

FY Mar/2021 plan (compared to previous year)

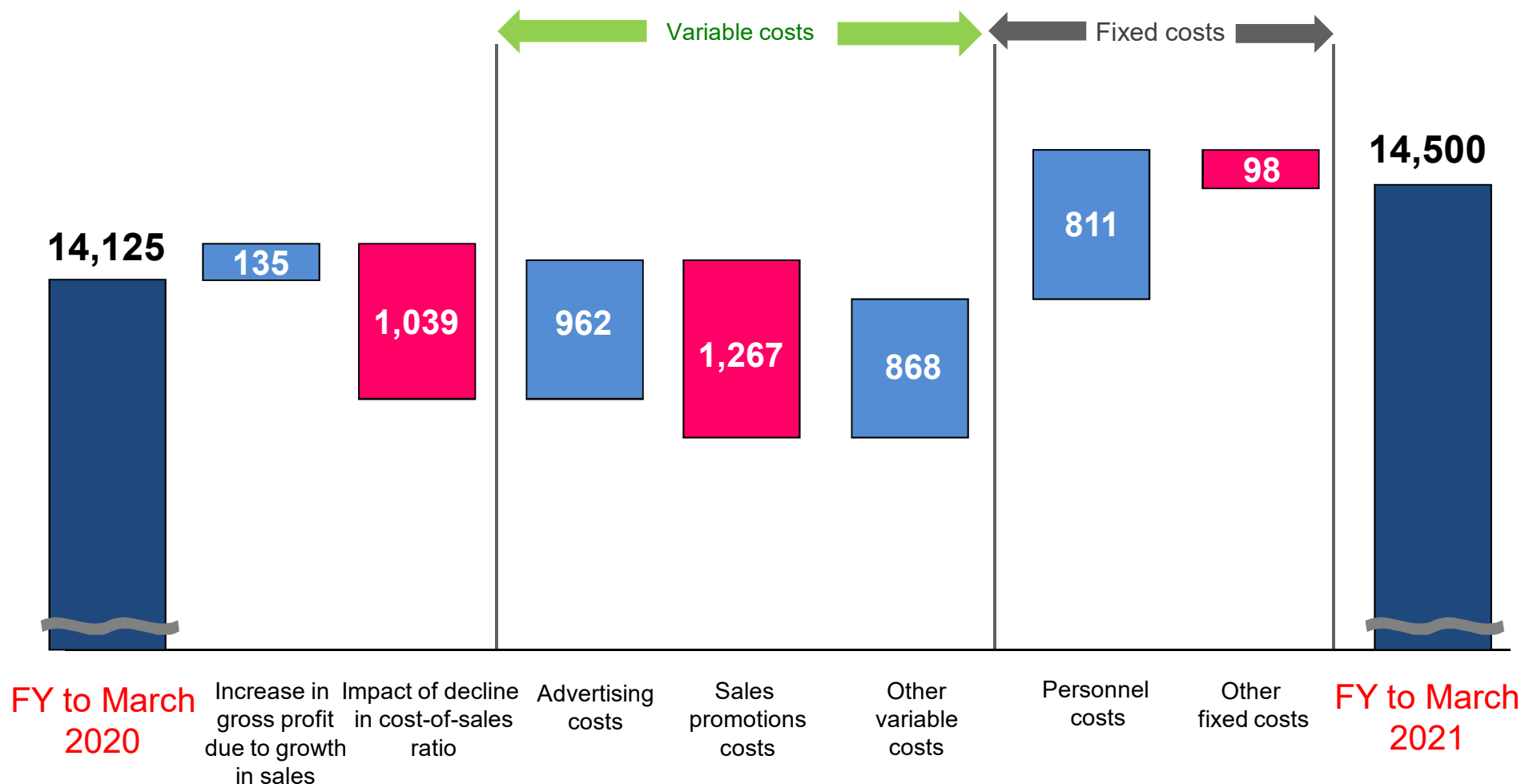


FY Mar/2021: Analysis of change in operating income

Plan

Positive factors Negative factors

(Millions of yen)



(Ref.) Existing customer trends (YoY)

FANCL

正直品質。

		2018				2019				2020	
		Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Mar.
FANCL Cosmetics	Online and catalogue	102%	104%	104%	104%	102%	99%	101%	102%	102%	107%
	Direct store	100%	101%	105%	110%	113%	113%	110%	106%	101%	93%
Supplements	Online and catalogue	105%	103%	102%	103%	102%	102%	103%	102%	101%	102%
	Direct store	106%	106%	108%	111%	112%	112%	108%	104%	100%	92%
Attenir		121%	118%	112%	108%	105%	104%	103%	101%	101%	100%

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

The strengths of FANCL's Online and catalogue channel

Infrastructure

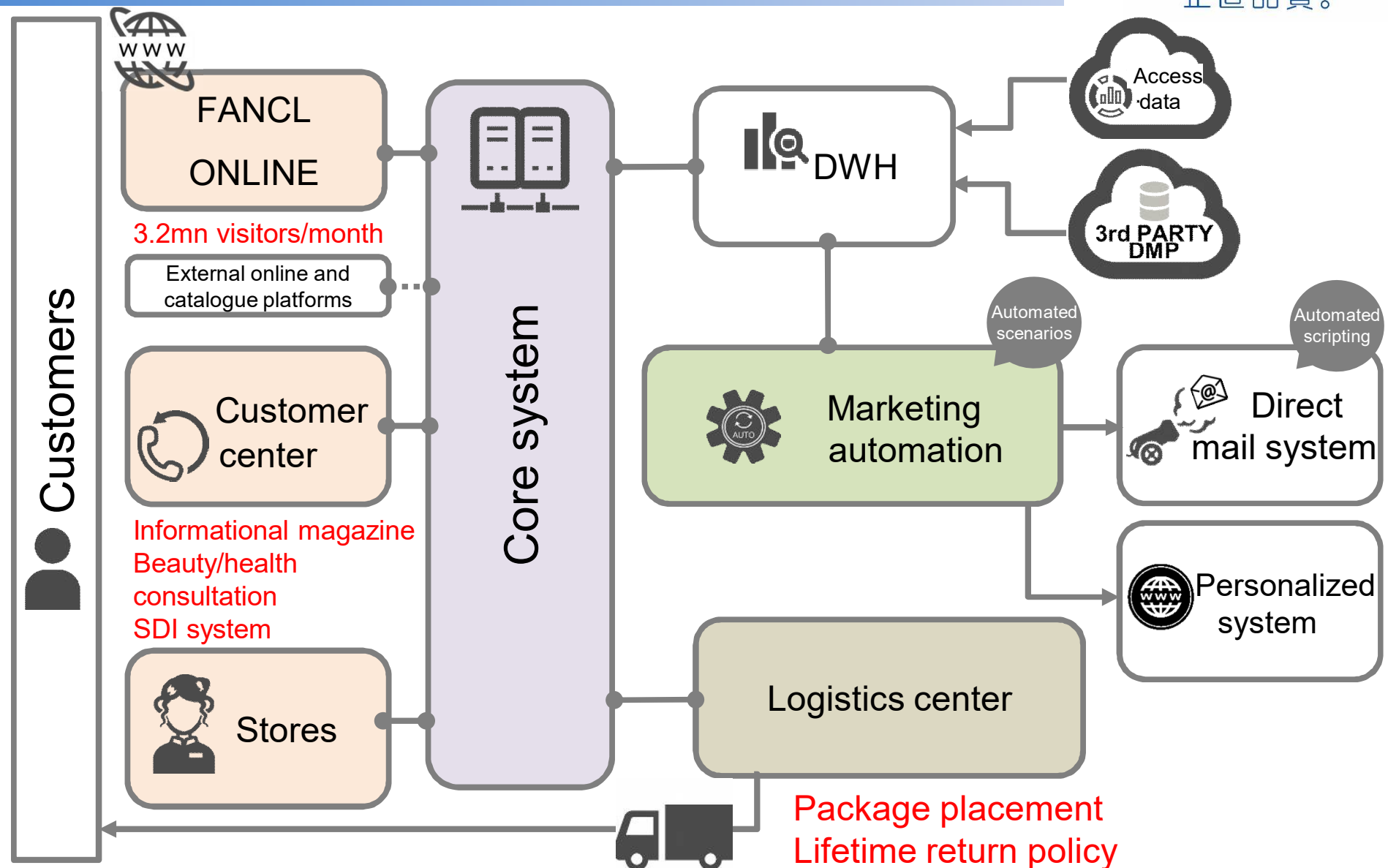
- 1 Directly managed site with high traffic (3.2 million visitors/month)
- 2 In-house customer service center offering comprehensive support
- 3 Unique core IT system (FIT) developed in-house
- 4 Logistics center capable of servicing multiple channels, centered on online and catalogue

Knowhow

- 1 Unique CRM strategy
- 2 Unique services (lifetime returns, SDI System, Package Placement, etc.)
- 3 Knowhow spanning ordering through to payment
- 4 Human resources (marketing, call center, information systems)

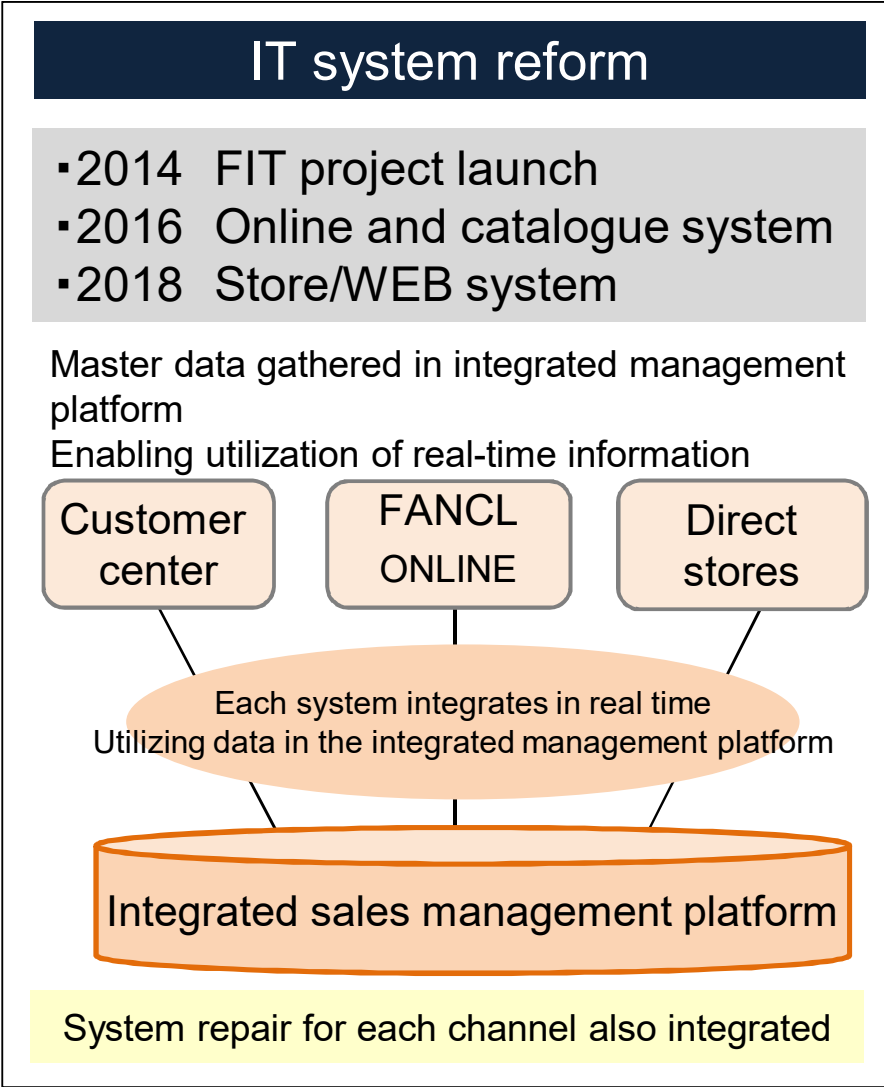
(Ref) Overview of online and catalogue infrastructure **FANCL**

正直品質。



Unique core IT system developed in-house

Developing hundreds of services each year based on the core IT system



High flexibility

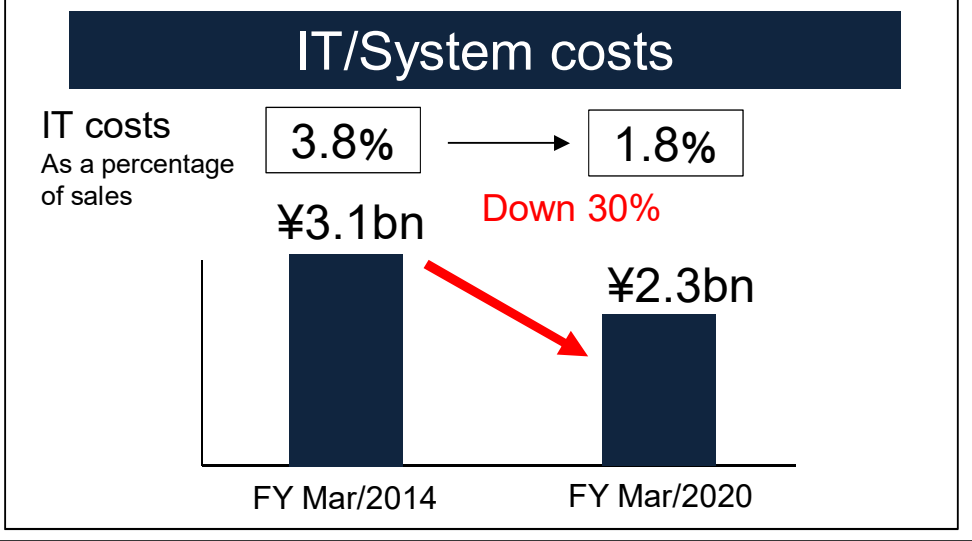
Speed

Low cost

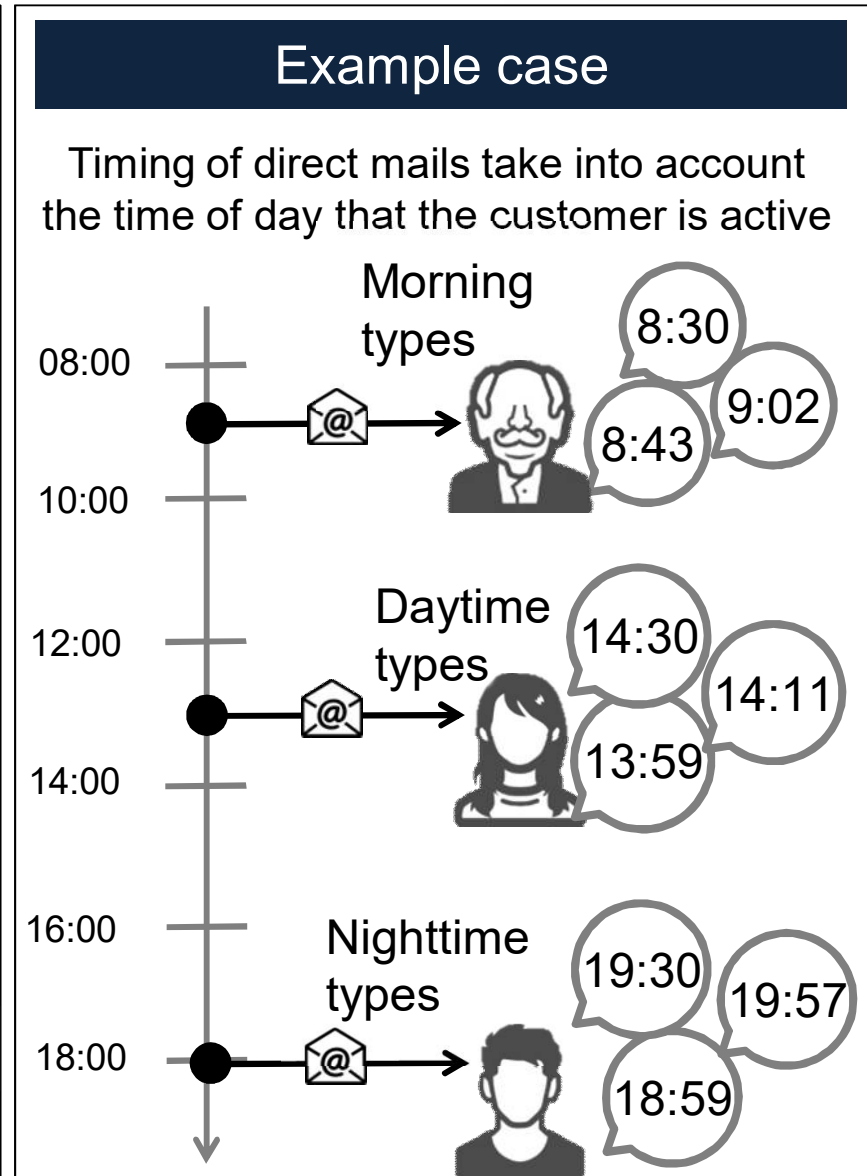
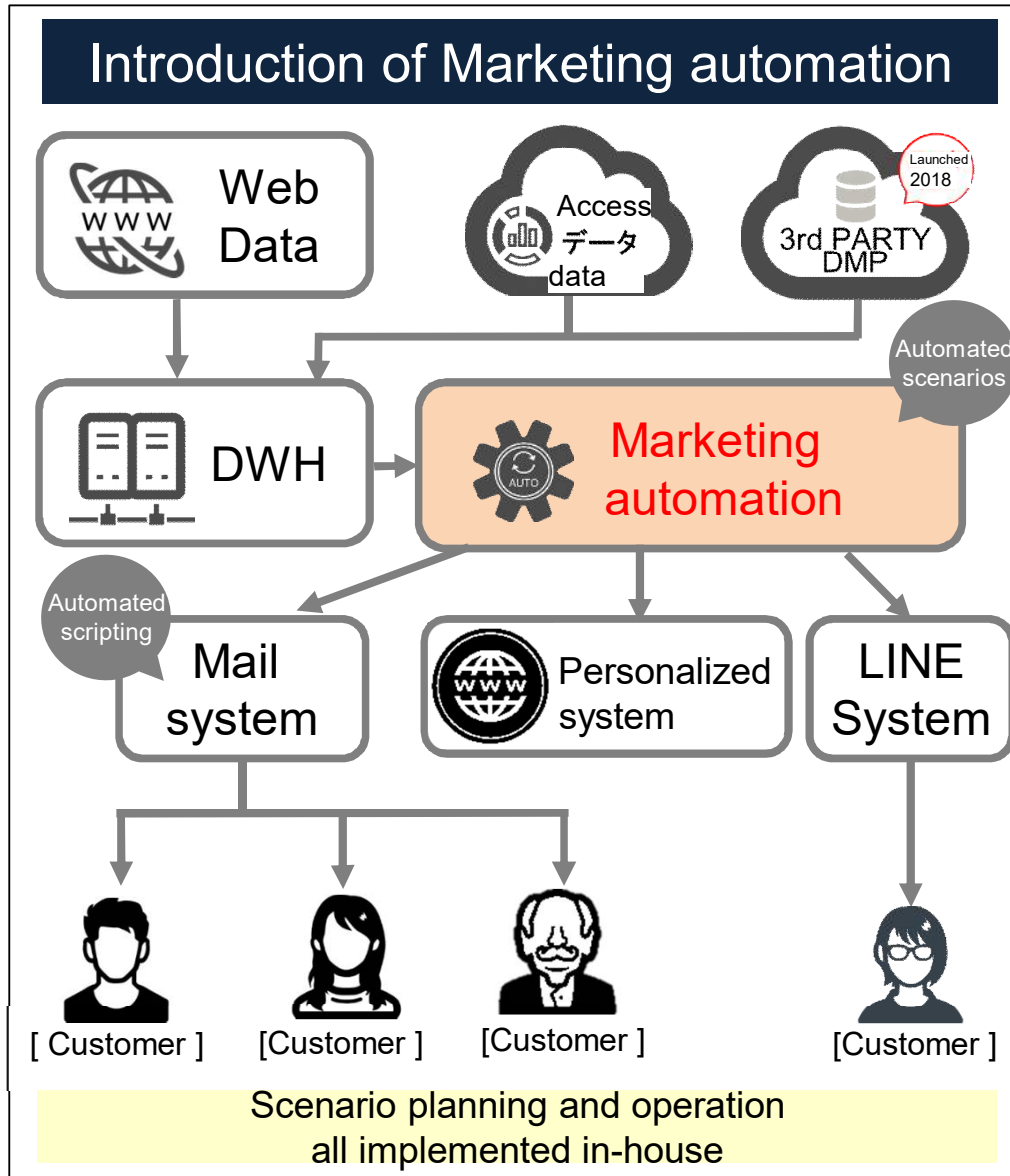
Example case: Addition of online shopping function to store member app

Time to develop:
Just 10 days

[Store member app]
Installed by approx. 500,000 customers as alternative to physical point card



Unique CRM strategy



Kanto Logistics Center



- Approx. 3,000 item varieties handled (Breakdown)

Cosmetics: Approx. 1,000 items

Supplements: Approx. 600 items

Undergarments: Approx. 1,000 items

Other: Approx. 400 items

- Approx. 11 million items handled / month

Online & Catalogue: 4.3 million

Stores: 3.8 million, Overseas: 0.6 million,

Wholesale: 2.2 million

Unique features of the center

(1) Central management of inventory for multiple channels

- Warehouse Management System (WMS) developed by FANCL and vendor
→ Inventory visualization
Product freshness management

(2) Minimum 1 hour from order to shipment

- Orders received by early evening are shipped same day

(3) High quality logistics

- POS inspections carried out on all items
Shipment error rate less than 0.01%
(One-fifth of the rate of other online and catalogue firms)
- Using FANCL-spec WMS, achieved **operation without relying on skilled personnel**
-Streamlined picking process, etc.

Responding to changes
in the business and social environment

Measures to direct customers to online and catalogue channel

March	April	May	June

Online shopping on the store member app



Current situation with customers

The number of direct store customers who used our online and catalogue platforms for the first time (as newly registered users) increased by 6.5 times in Q1 (April June) YoY

Initiatives at direct stores

Plan for new store openings

223 stores by end of current fiscal year
(212 opened by end of previous fiscal year)

No change to store opening plan, but revising schedule with focus on when demand will recover

Roll-out of store-only campaigns

Sale of "Summer Set" bags (not possible last year)

NEW 数量限定 **HAPPY SUMMER SET**
ファンケルショップ限定
(お一人様各5セット、1回限り)

Offering original UV damage care kit

<p>素肌美セット</p> <p>合計 10,340円税別</p>	<p>青汁詰め合わせセット</p> <p>合計 7,663円税別</p>	<p>プレミアム美容セット</p> <p>合計 30,736円税別</p>
-----------------------------------	--------------------------------------	---------------------------------------

Responding to new needs and value perceptions

Points of sale built around the themes of health and hygiene



A section for health products addressing needs associated with having to stay home and a lack of exercise, etc.



Communication

Providing information on beauty routines etc.



NEW

Roll out "live commerce"



Airing Aug. 4 (Tue) at 20:00!
"Calolimit - Perfectly Slim!"
View it here!



■ Cosmetics

Proactive release of private label and exclusive products for convenience stores and drugstores

Planning release for multiple chain stores including drugstores

Sales on online stores directly operated by drugstores and other retailers



Kirindo online store

Launching with 20 chains this FY

■ Supplements

Responding to heightened health awareness

(1) Health *Support* Series products on highly visible second shelf

Drugstore shelf image



(2) Offer a lineup that includes products that boost immunity, and those that address demand for remote working needs and drinking at home. Developed a hanging fixture that can be installed on the end or next to the cash register, launching from July.

Area	Details
<p>Cosmetics Undergarments Sundries</p>	<ul style="list-style-type: none"> ▪ Strengthening the face wash category, in accordance with recommendations in Japan government’s “New Lifestyle” guidelines ▪ Establishing new Green Category Developing products that disinfect and clean the skin Launching a line of cosmetics and sundries with unified design Releasing five items from this fall ▪ This fall, releasing a mask that moisturizes the skin just by wearing it <div style="text-align: right;">  <p>House Clean Spray</p> </div>
<p>Health foods</p>	<p>Strengthening communications around dietary and other supplements to address lifestyle-related diseases, and Kale Juice and Hatsuga Genmai</p> <ul style="list-style-type: none"> ▪ Launching supplement for heat stroke (limited quantity, from July) ▪ Supplements and kale juice products utilizing KIRIN proprietary ingredients, launching this fall <div style="text-align: right;"> <p>Heat stroke supplement</p>  <p>Summer Salty Lemon Sachet</p> </div>

Cosmetics Business

■The FANCL

Strengthening the facewash category (from Jul 2020)

- Launch of face wash campaign
- *DEEP CLEAR WASHING POWDER*
Launch of web-centric promotion

Launch of *CORE EFFECTOR* (Aug. 2020)



Advanced aging care beauty serum born from 40 years of Mutenka research

Price: ¥8,030 (incl. sales tax)
(Refill: ¥7,480)

■Beauty BOUQUET

- Up 7% in Q1
Driven by new customer acquisitions for hair tonic product Fermented Wakan Hair Essence <Quasi drug in Japan>
- Working on initiatives to achieve cross selling with skincare products



■AND MIRAI

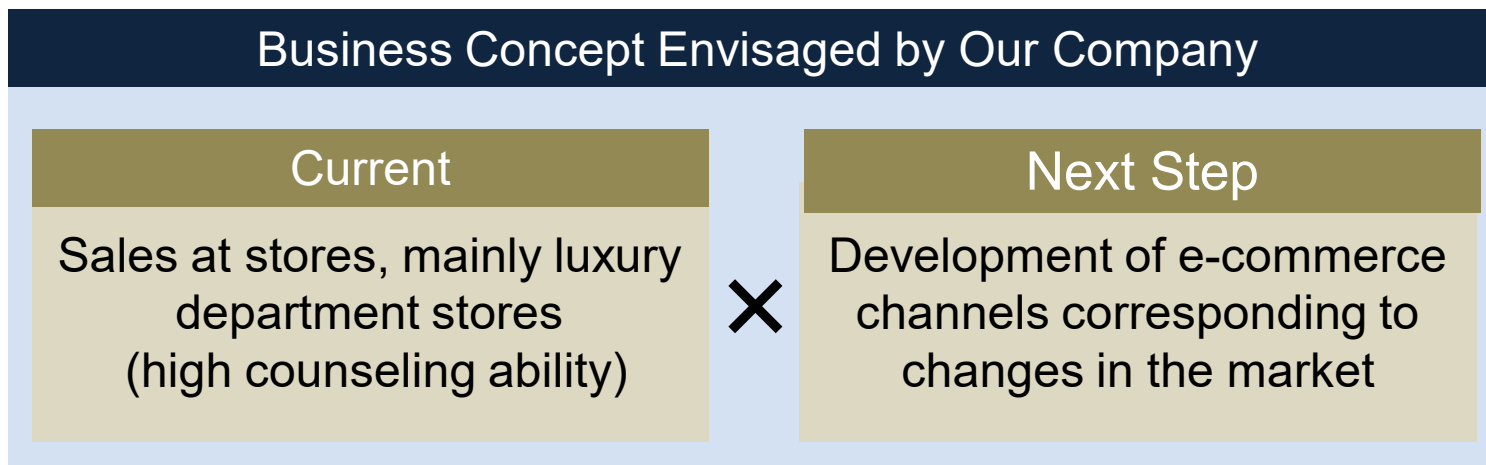
- Down 53% in Q1 due to drop in inbound demand
- Strong sales of Protect UV EX sunscreen, launched in Feb.
- Now looking to strengthen sales on external online and catalogue platforms



■ Status of Progression of China Business

Our company considers that early commencement of e-commerce development including the utilization of smartphone app is an effective strategy, towards responding to changes in the cosmetics market including the effects of COVID-19. However, it has not been initiated yet.

Business Concept Envisaged by Our Company



We will continuously discuss about the timing and means of e-commerce development with the distributor.

Attenir

Strengthening online sales and communication

Sales

- Online and catalogue: Reinforce external platform sales in addition to own platforms
- Store openings: Amazon (Oct. 2019), LOCAHO (Feb. 2020), Rakuten (Jun 2020)

Communication

- Video-based marketing and make-up demonstrations by store staff
- Online events with make-up artists



Make up lesson with TORU NISHIMURA

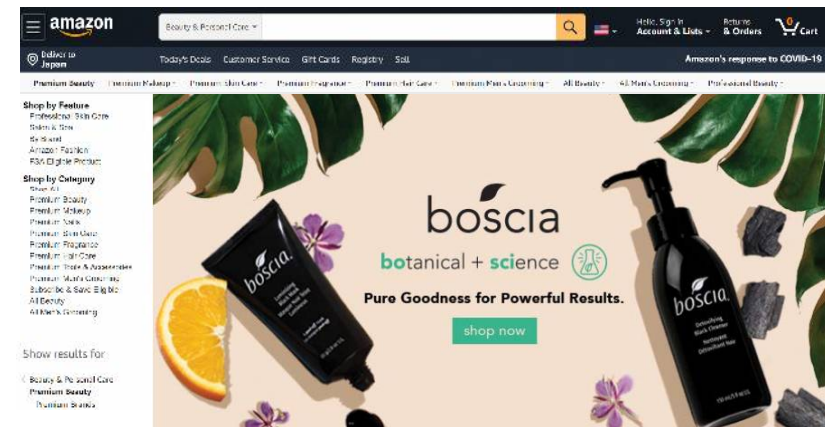
Overseas

(cross-border e-commerce)

- Reinforce *Eye Extra Serum* as the next pillar product after *Skin Clear Cleanse Oil*

boscia

E-commerce offset decline in real stores



NEW

Expansion of sales channels

Planning launch in “Prestige Cosmetics” area of major US drugstore this fall

Innovative products

Release of a series of innovative new products that meet current market needs

Health Business

■ **Calolimit**

Food with Function Claims product

Supporting your appetite while you stay home



TVCM

WEB



YouTube

TVer

ABEMA
TV&VIDEO ENTERTAINMENT

Planning sales this FY of ¥8.7 bn
(+3% YoY)

■ **Ketsuatsu Support** (Blood Pressure Support)

Food with Function Claims product

Renewal scheduled for August 20, 2020



Reduces high blood pressure

Tripeptide MKP and GABA effectively suppress elevated blood pressure

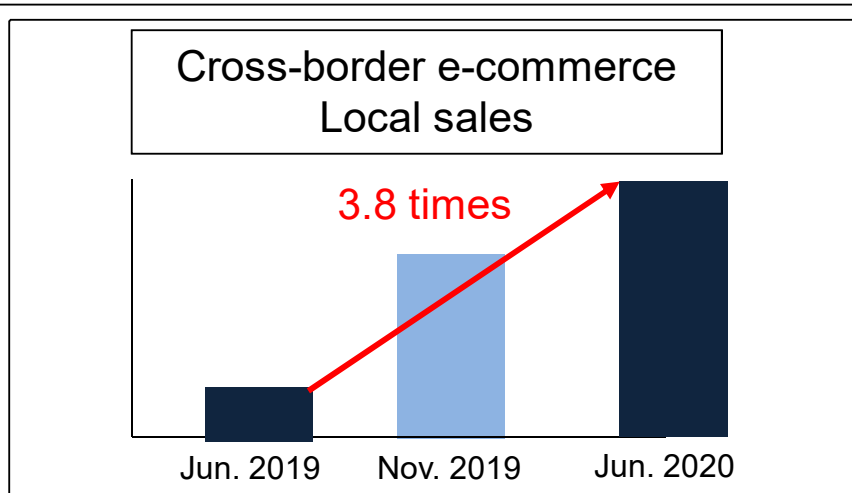
Price: ¥2,376 (incl. sales tax)

Health Support series



Implement PR initiatives for entire Health Support series range

■ Cross-border e-commerce



Expansion of store openings on e-commerce platforms
Launch of initiatives on live commerce, etc.

Age Bracket-Based Supplements Sales (YoY)		Sales by region (YoY)	
20s, 30s	+130%	Coastal	+100%
40s, 50s, 60s	+170%	Inland	+120%
Total	+145%		

* Jan.-Jun. 2020 results (Tmall Global)

■ General trade sale (sales license obtained)

- Vitamin, mineral health foods sales license applications progressing smoothly
- Planning to begin sales mainly centered on e-commerce platforms, following launch at 3rd China International Import Expo, in Nov. 2020

Initiatives With Kirin Holdings

Product development synergies

KIRIN x FANCL launching Oct. 2020

KIRIN Beverage



HTC Collagen Formulation
Supporting women with busy work and housework

Flavored water
BASE Peach & Pomegranate

KIRIN Beer



Non-alcoholic Chu-hi
Hyo-Rei Calolimit

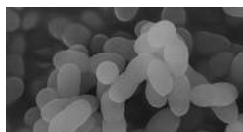
FANCL

Launching fall 2020

•Supplements and Kale Juice made with KIRIN proprietary Lactococcus lactics strain Plasma

Lactococcus lactics strain Plasma

Original ingredient discovered from over 30 years of immunology research by Kirin



Lactococcus lactics strain Plasma

Channel infrastructure synergies

FANCL



Lactococcus lactics strain Plasma
iMUSE



KIRIN Beverage
Vegetable & Fruit Smoothie



Mercian Wine

Mutual customer referrals on online and catalogue platforms

Kyowa Hakko Bio



Kale Juice - Premium
Launched June 2020



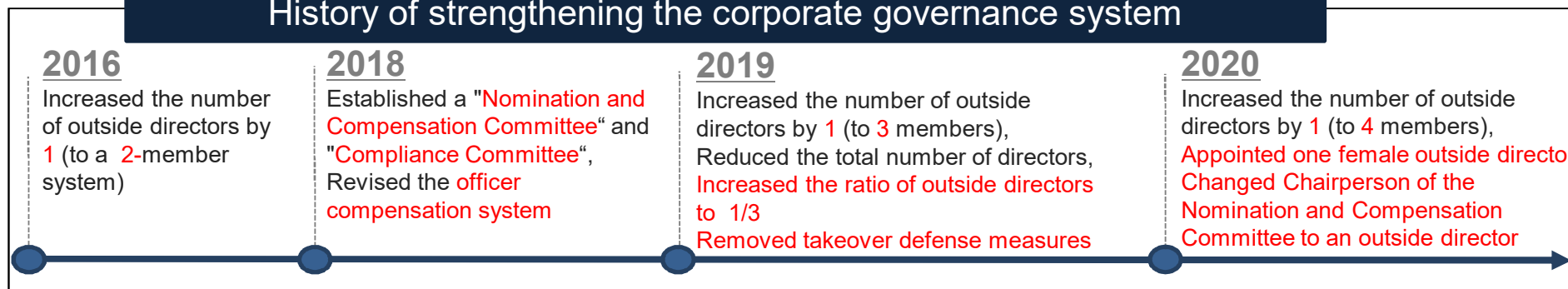
Calolimit for the Mature Aged
Launched July 2020

Successive launch of products targeting middle-aged and older customers

In closing

Strengthening corporate governance

History of strengthening the corporate governance system



Shifting towards a highly transparent governance system that takes minority shareholders into consideration

(1) Composition of board of directors

	FY Mar/2020	FY Mar/2021
No. of directors	9	9
Internal directors	6	5*
Outside directors	3	4*
Of which, are independent directors	3	3
(Ratio of independent directors)	33%	33%
Female directors	0	1

(2) Nomination and Compensation Committee

	FY Mar/2020	FY Mar/2021
Chairperson	President & CEO, Representative Director	Outside director
No. of members	5	5
Internal directors	2	2
Outside directors	3	3

*Four female executive officers

Appointments from Kirin HD: 1 internal director, 1 outside director

■ Developed *Mild Cleansing Oil* refill pack



Lightened bottle (from 2009)

- Initiatives to reduce weight of bottle has so far resulted in a 39% reduction in resin volumes

Launched refill pack (2020)

- Launched refill pack in June 2020
82% less resin volume compared to standard bottle
- Uses sugarcane-derived resin that emits less CO2 when combusted

■ Packaging of products exclusively sold at LAWSON changed from plastic to paper



- From late June, packaging is being gradually changed from plastic to paper produced from managed forests.

- Resulting in a reduction of approximately 6.8 tons of plastic annually

