

FANCL

正直品質。

FANCL Group Financial Results Briefing

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

November 4, 2020

Financial Highlights

Results by segment

FANCL

正直品質。

(Millions of yen)	H1 of FY ending March 2020	H1 of FY ending March 2021	Change YoY
Sales	66,203	54,265	(18.0%)
<i>Cosmetics</i>	39,903	30,349	(23.9%)
<i>Nutritional supplements</i>	22,962	19,485	(15.1%)
<i>Other</i>	3,337	4,429	+32.7%
<i>Hatsuga Genmai</i>	971	1,058	+9.0%
<i>Kale Juice</i>	1,189	1,185	(0.4%)
Operating income	8,896	4,878	(45.2%)
Ordinary income	8,983	4,986	(44.5%)
Net income	5,872	3,573	(39.1%)

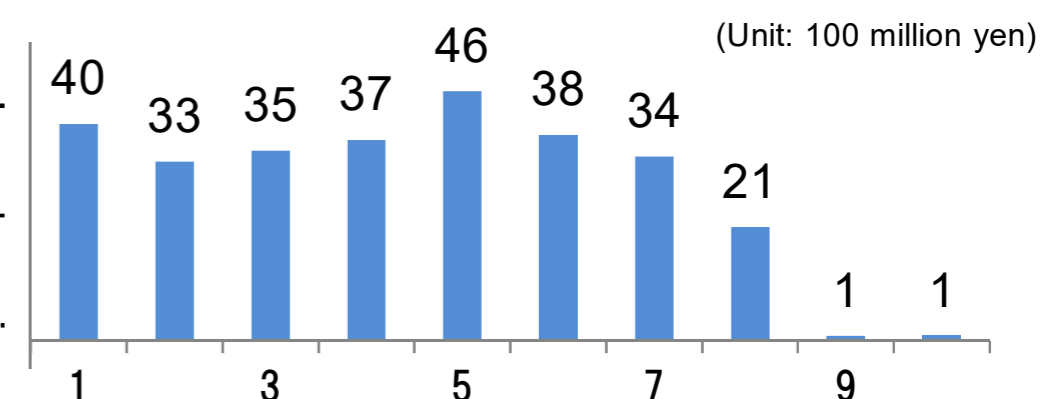
(Reference) *Excluding impact of last-minute demand prior to the consumption tax hike

H1 of FY ending March 2020*	H1 of FY ending March 2021	Change YoY
64,003	54,265	(15.2%)
38,103	30,349	(20.3%)
22,562	19,485	(13.6%)
3,337	4,429	+32.7%
971	1,058	+9.0%
1,189	1,185	(0.4%)
7,796	4,878	(37.4%)
—	4,986	—
—	3,573	—

Sales breakdown(6-month period)

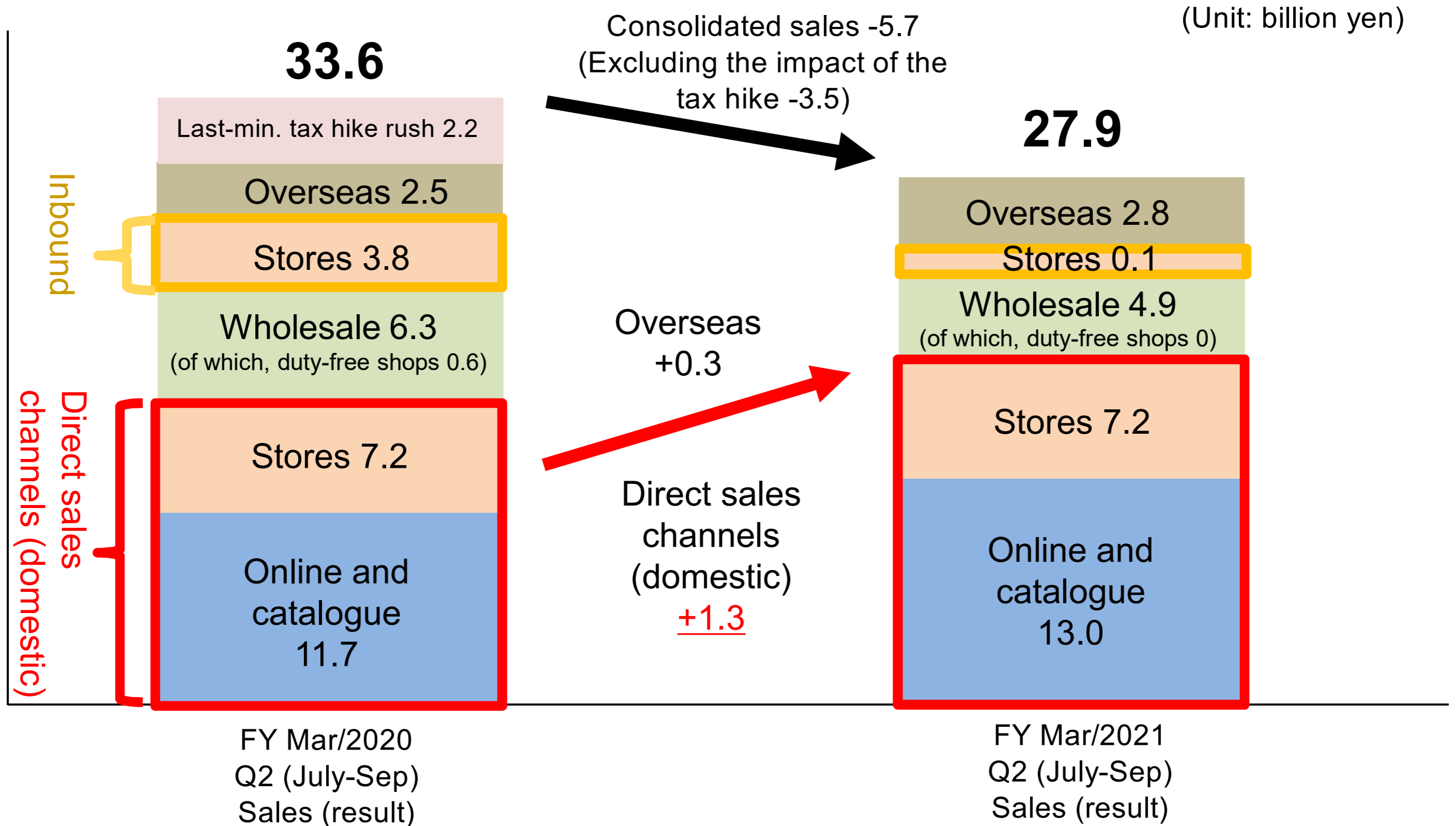
Results by cosmetics brand	<i>FANCL</i>	22,986	-28.4%(Domestic:-28.0%、Overseas:-33.1%)
	<i>ATTENIR</i>	5,905	-8.2%
	<i>boscia</i>	1,121	+20.4%
Nutritional supplements		19,485	-15.1%(Domestic:-17.2%、Overseas:+20.4%)

Direct Store Inbound sales



Q2 (July-September) sales analysis

Sales via direct sales channels (domestic) and overseas sales channels increased, demonstrating multi-channel strengths

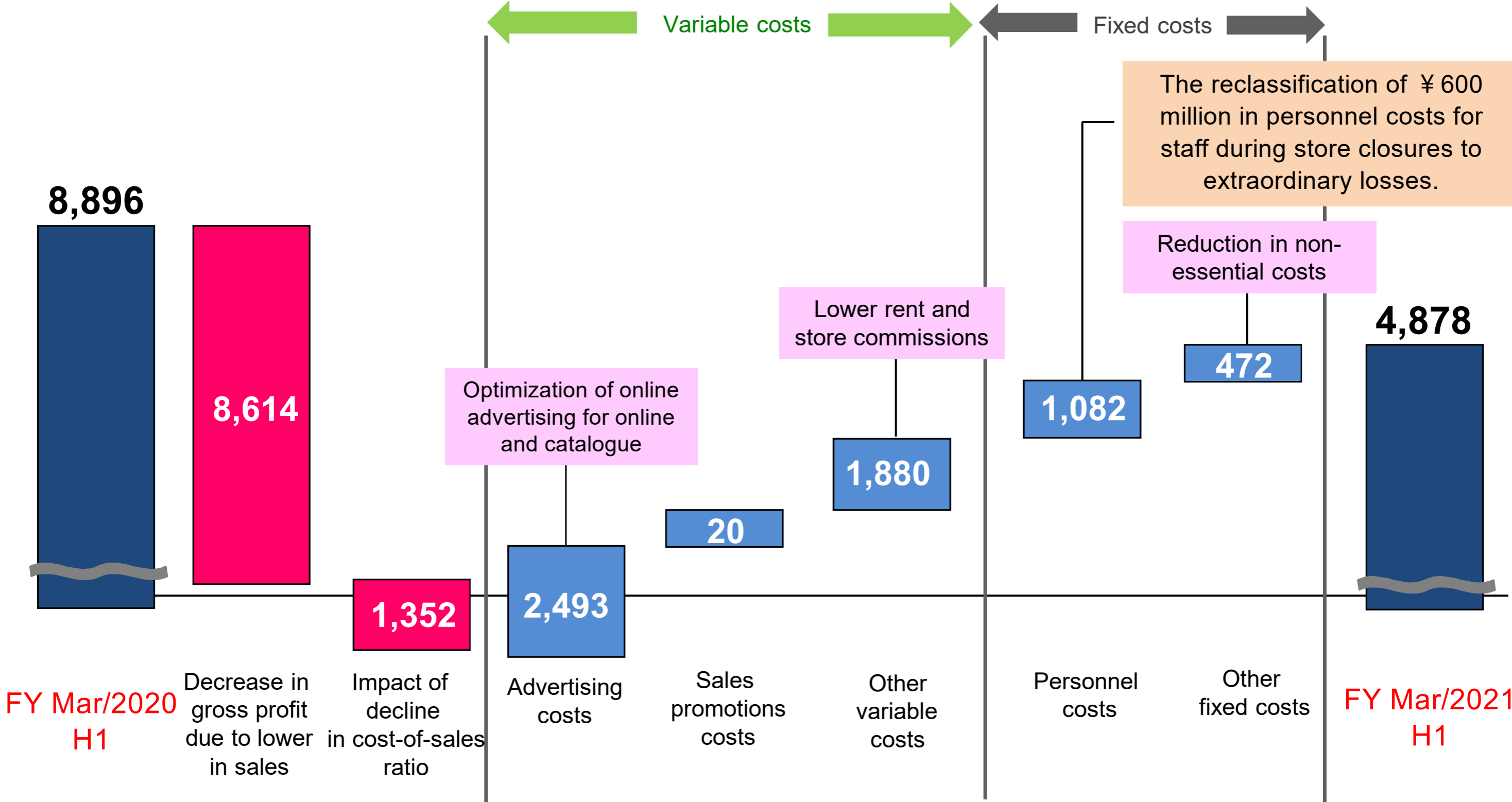


Analysis of change in Operating income

Results

Positive factors
 Negative factors

(Millions of yen)

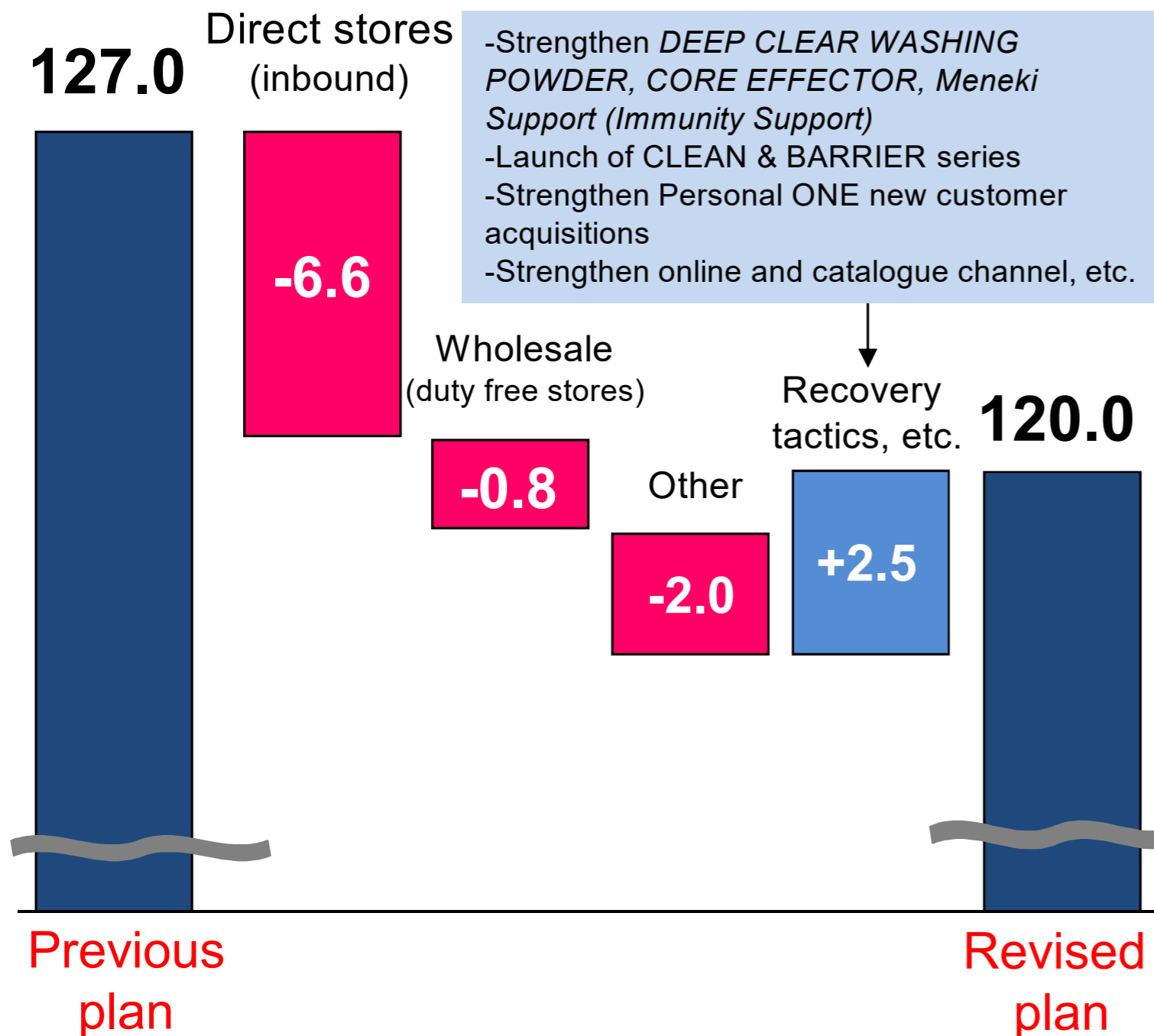


Full year outlook

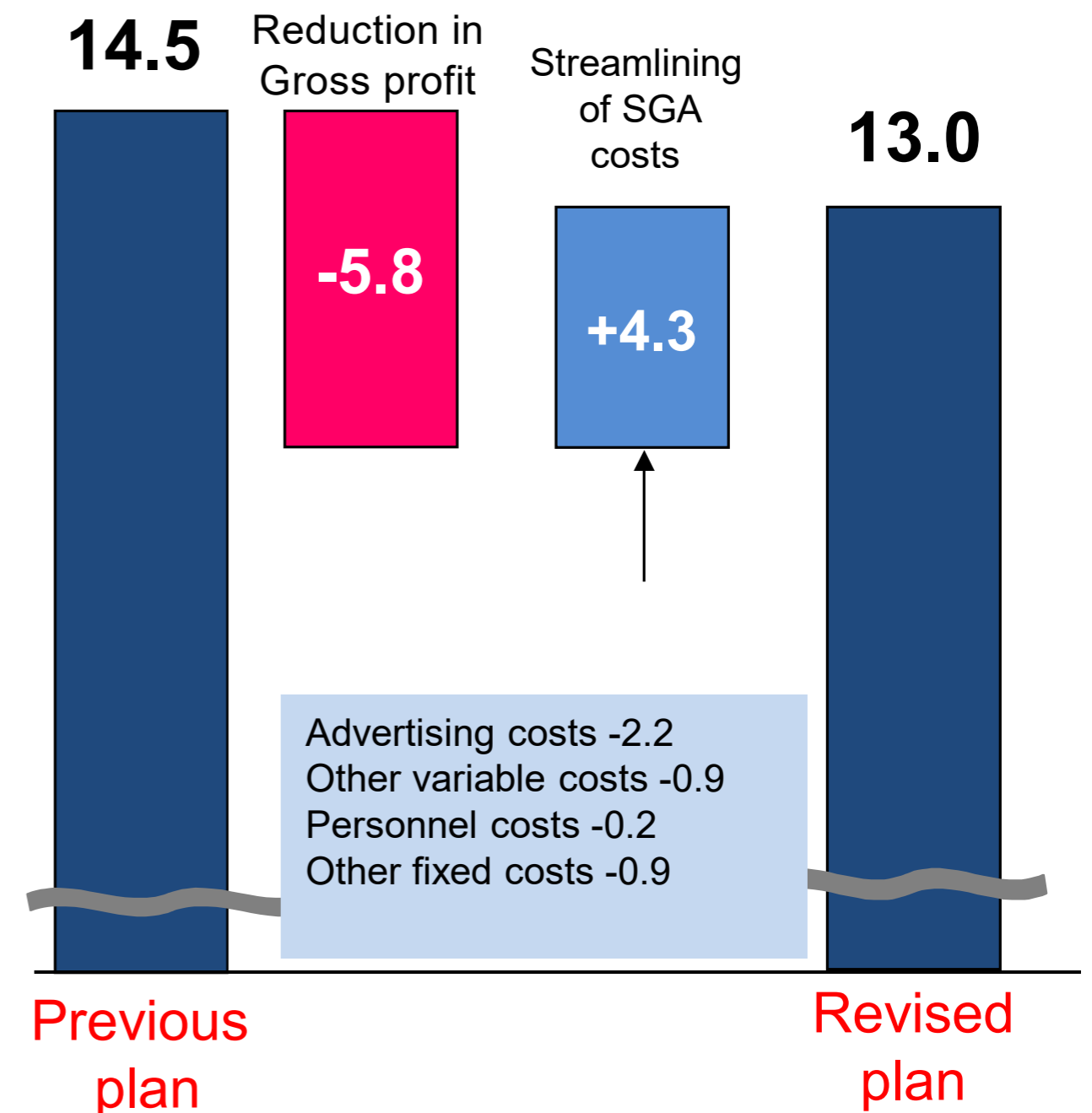
Full-year forecast revisions

(Units: billions of yen)

Sales



Operating income



Full-year outlook to March 2021

(Millions of yen)	FY to March 2021	FY to March 2021 (Revised plan)	Change	Change YoY
Sales	127,000	120,000	(7,000)	(5.4%)
<i>Cosmetics</i>	74,100	67,800	(6,300)	(10.7%)
<i>Nutritional supplements</i>	44,800	43,450	(1,350)	(1.3%)
<i>Other</i>	8,100	8,750	+650	+26.6%
<i>Hatsuga Genmai</i>	2,100	2,300	+200	+13.2%
<i>Kale Juice</i>	2,550	2,450	(100)	+1.2%
Operating income	14,500	13,000	(1,500)	(8.0%)
Ordinary income	14,600	13,200	(1,400)	(7.8%)
Net income	10,000	9,000	(1,000)	(9.9%)

Sales breakdown

Results forecasts by cosmetics brand	<i>FANCL</i>	51,910	-12.7%(Domestic:-11.9%、Overseas:-22.6%)
	<i>ATTENIR</i>	12,290	-3.0%
	<i>boscia</i>	2,800	-0.4%
Nutritional supplements	43,450	-1.3% (Domestic:-3.9%、Overseas:+40.6%)	

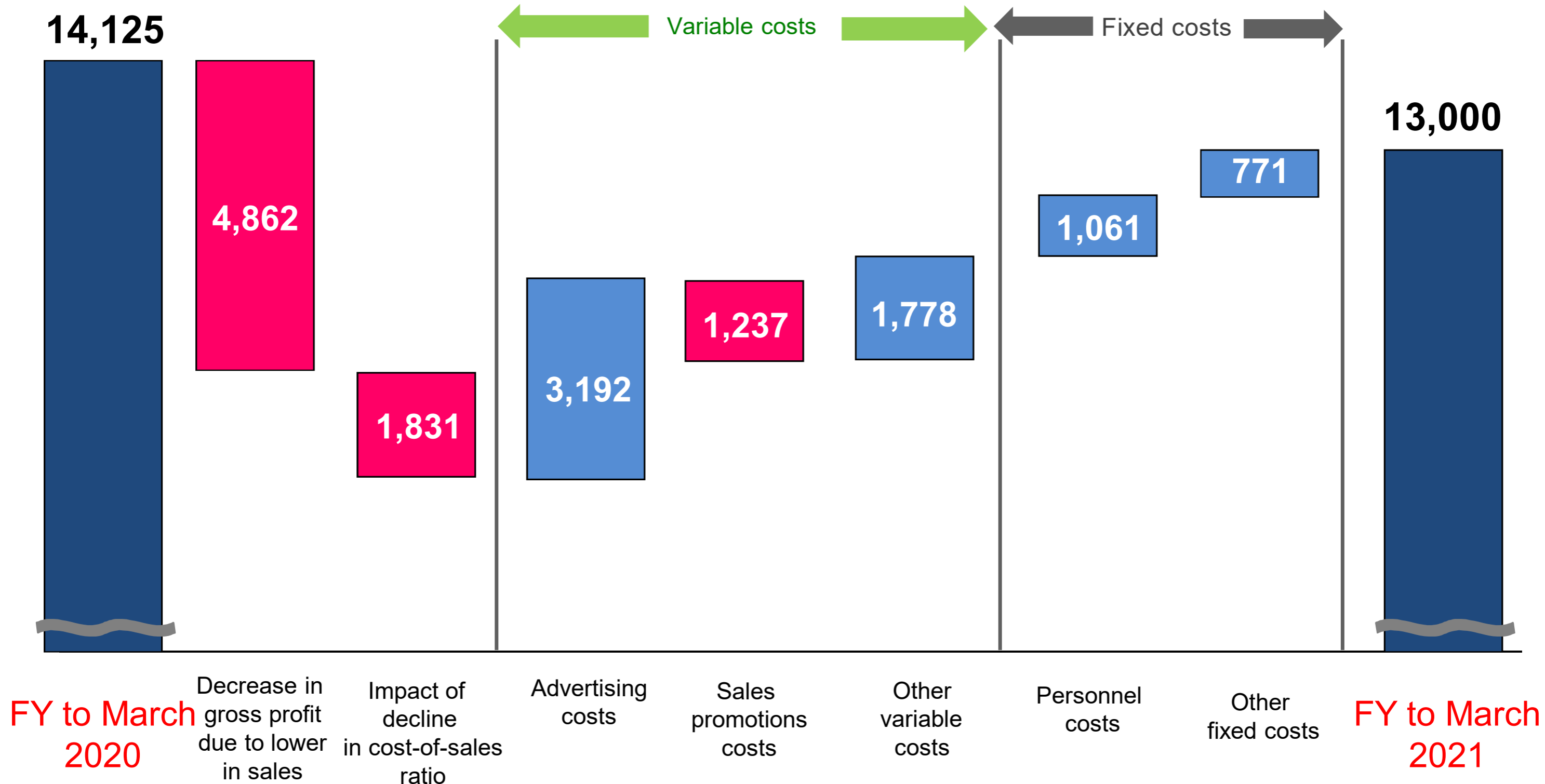
【Assumptions behind the plan】
Inbound sales:0.2bn
(The previous fiscal year 13.9bn)

FY Mar/2021: Analysis of change in operating income

Plan

Positive factors Negative factors

(Millions of yen)



(Ref.) Existing customer trends (YoY)

		2018				2019				2020		
		Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
FANCL Cosmetics	Online and catalogue	102%	104%	104%	104%	102%	99%	101%	102%	102%	107%	109%
	Direct store	100%	101%	105%	110%	113%	113%	110%	106%	101%	93%	84%
Supplements	Online and catalogue	105%	103%	102%	103%	102%	102%	103%	102%	101%	102%	103%
	Direct store	106%	106%	108%	111%	112%	112%	108%	104%	100%	92%	85%
Attenir		121%	118%	112%	108%	105%	104%	103%	101%	101%	100%	98%

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

Cosmetics Business

Since our launch in 1980, we've been supported for our ability to eliminate our customers' "negatives."



A wide range of changes amid the COVID-19 pandemic

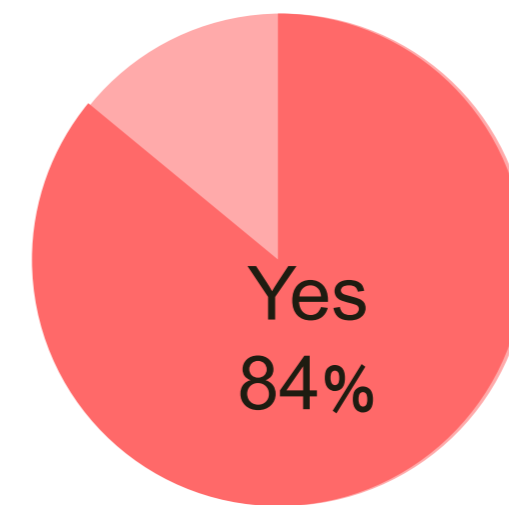
Skin issues caused by masks, and stress caused by changes in lifestyle and living environment



Eliminating "negatives" with Mutenka cosmetics. Eliminating customers' "negatives" through our products

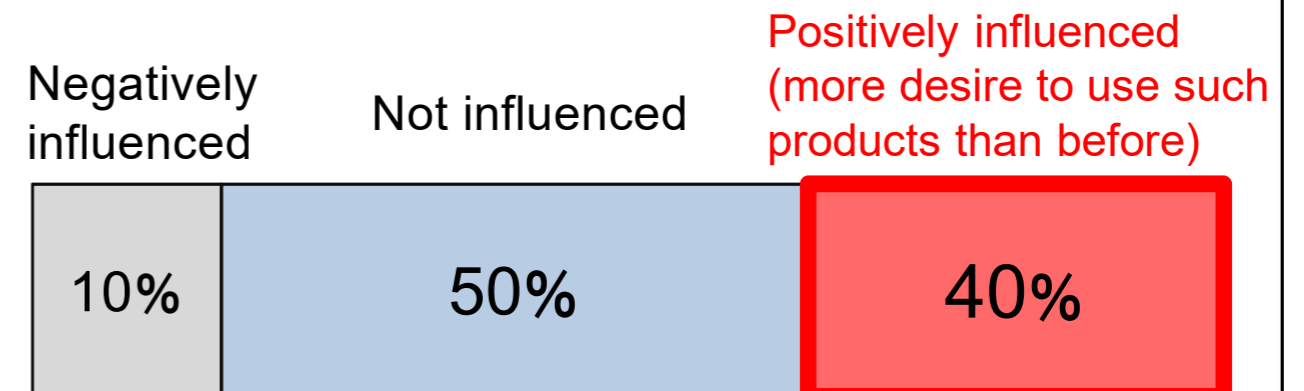
(Reference) Skin care awareness survey

Q: Have you experienced skin issues within the last 2-3 months?



N=618

Q: Have environmental changes such as those stemming from the COVID-19 pandemic influenced your desire to use products that are safer for your skin?



N=600

Survey period: July 31-Aug 2

■ DEEP CLEAR WASHING POWDER

- Strong sales driven by its ability to address cleanliness and pore care needs
H1 sales: +25% YoY
- Launch planned campaign products, strengthen sales promotions for external online and catalogue platforms, expand wholesale customers

■ CLEAN & BARRIER Series (Oct. 2020)

A new series that supports a "clean and healthy daily life"



From left, *FACIAL BARRIER MIST*
HAND SANITIZER MIST 300 (Quasi-drug in Japan)
HERBAL CLEAN SPRAY

■ CORE EFFECTOR (Aug. 2020)



An advanced aging care serum that is the fruit of FANCL's Mutenka research over the 40 years since it's founding

Price: ¥8,030 (tax included) (refill ¥7,480)

Buyer breakdown

Existing serum users

New serum users

70%

30%

New serum users account for 30%.
Aiming to double originally planned sales

Beauty BOUQUET

- Strong acquisition of new customers. Hair tonic released in February accounted for 30%
- Plans to cross-sell with skin care and grow brand into a second business pillar

Sales expected to increase by about 15% YoY

AND MIRAI

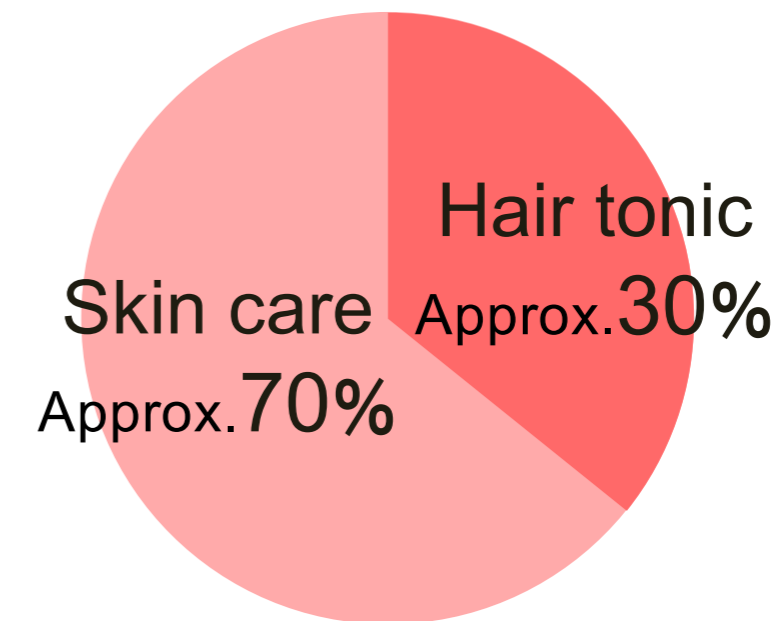
- H1 sales decreased 42% due to slowdown of inbound demand
- Plan to strengthen advertising on external online malls, and boost information dissemination via social media

Sales expected to fall by approximately 30% YoY

Prestige

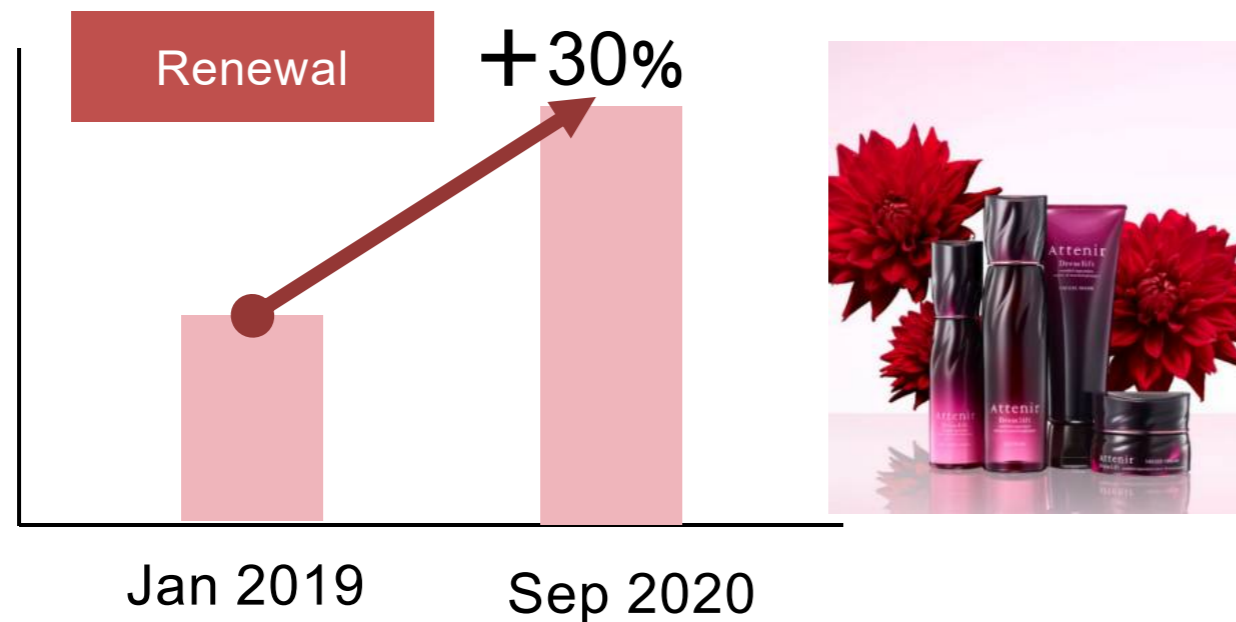
- Launch originally scheduled for Mar. 2021, will be revised due to changes in consumer environment and customer mentality amid COVID-19
- Plans to reconsider brand concept and sales channels

Beauty BOUQUET: Products purchased by newly acquired customers



Product/sales strategy

Basic skin care *Dress lift* customers



Following the product's renewal, customers have continued to increase

Strengthening cross-selling of basic skin care products

PRIMER SHOT



Sep. 2020

INNER EFFECTOR



Oct. 2020

Moist Effector



Nov. 2020

Communication strategy

Work to gain online-based fans



Store staff, information dissemination

Online fan meetings

Online events

Work towards enabling digital-based customer service by store staff in future

Overseas (cross-border e-commerce)

- Information dissemination by popular actresses and top KOLs ahead of W11
- Expansion of sales channels to include independent online malls

Targeting ¥1bn in sales, exceeding initial plan (previous FY was ¥500mn)



Botanical Science Advanced

H1

The recovery of physical stores including specialty shops and department stores has been weak amid the impact of COVID-19, but the shift toward e-commerce sites like Amazon and the strengthening of Costco's performance have helped boscia reach greater results than last year.

Launches centered on "Clean Beauty" theme

NEW

Walgreens

Major U.S. drugstore
(Initially being sold at 3,000 stores)

boscia products being deployed as Walgreens' first "Clean Beauty" brand in its "Prestige Cosmetics" section

ULTA

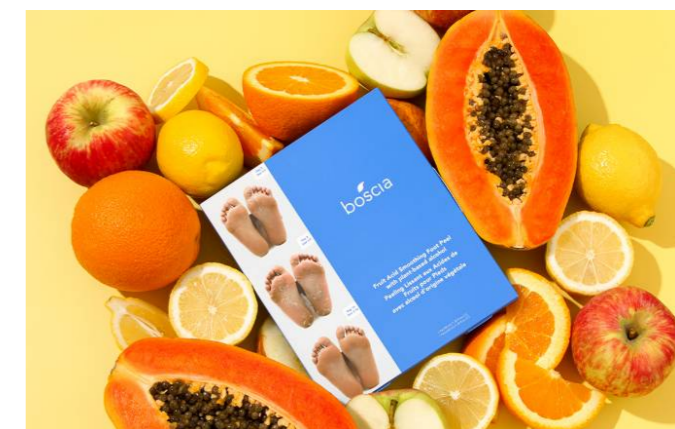
The largest U.S. cosmetics chain (being sold at all 1,200 stores)

boscia products to be rolled out at all stores via ULTA's "Conscious Beauty" (Clean Beauty) section starting this autumn

Innovative products



boscia Hand Sanitizer



Fruit Acid Smoothing Foot Peel with plant-based alcohol

Health Business

In addition to basic nutritional items such as vitamins, there is a growing need to address lack of exercise, prevent lifestyle-related diseases, boost immunity and improve personal health. FANCL aims to eliminate such negatives and grow its business in the process.

Shifts in products being purchased amid COVID-19 (online and catalogue, H1 results)

Growing sense of personal responsibility for one's health

Product	Growth rate (YoY)	Category
<i>Ketsuatsu Support</i> (Blood Pressure Support)	+50%	Supplements for lifestyle-related diseases
<i>Calolimit</i>	+31%	Diet
Vitamins	+28%	Essential nutrients
Hatsuga genmai (germinated brown rice)	+17%	Essential nutrients (food)
Age Bracket-Based Supplements	+17%	Essential nutrients
<i>Naishi Support</i> (Weight and body fat care)	+17%	Supplements for lifestyle-related diseases
Kale juice	+11%	Essential nutrients (food)
(Reference) All online and catalogue-ordered supplements	+12%	-



■ Food with Function Claims

Ketsuatsu Support (Blood Pressure Support)

- Sales following the August renewal rose 28% YoY
- TV commercials to start airing in November



(Reference) The blood pressure market
Approx. 40 million people experience high blood pressure due to high-salt diets, obesity and stress

Aiming to expand sales of *Naishi Support (Weight and body fat care)* and all other products across the entire *Health Support Series* by expanding online PR activities

■ Food with Function Claims

Meneki Support (Immunity Support)

Launching Dec. 17, 2020



「translation for reference」
Supports maintenance of the immune system in healthy individuals

A synergistic product that combines the capabilities of both KIRIN and FANCL

Price: ¥3,100 (inc. sales tax)

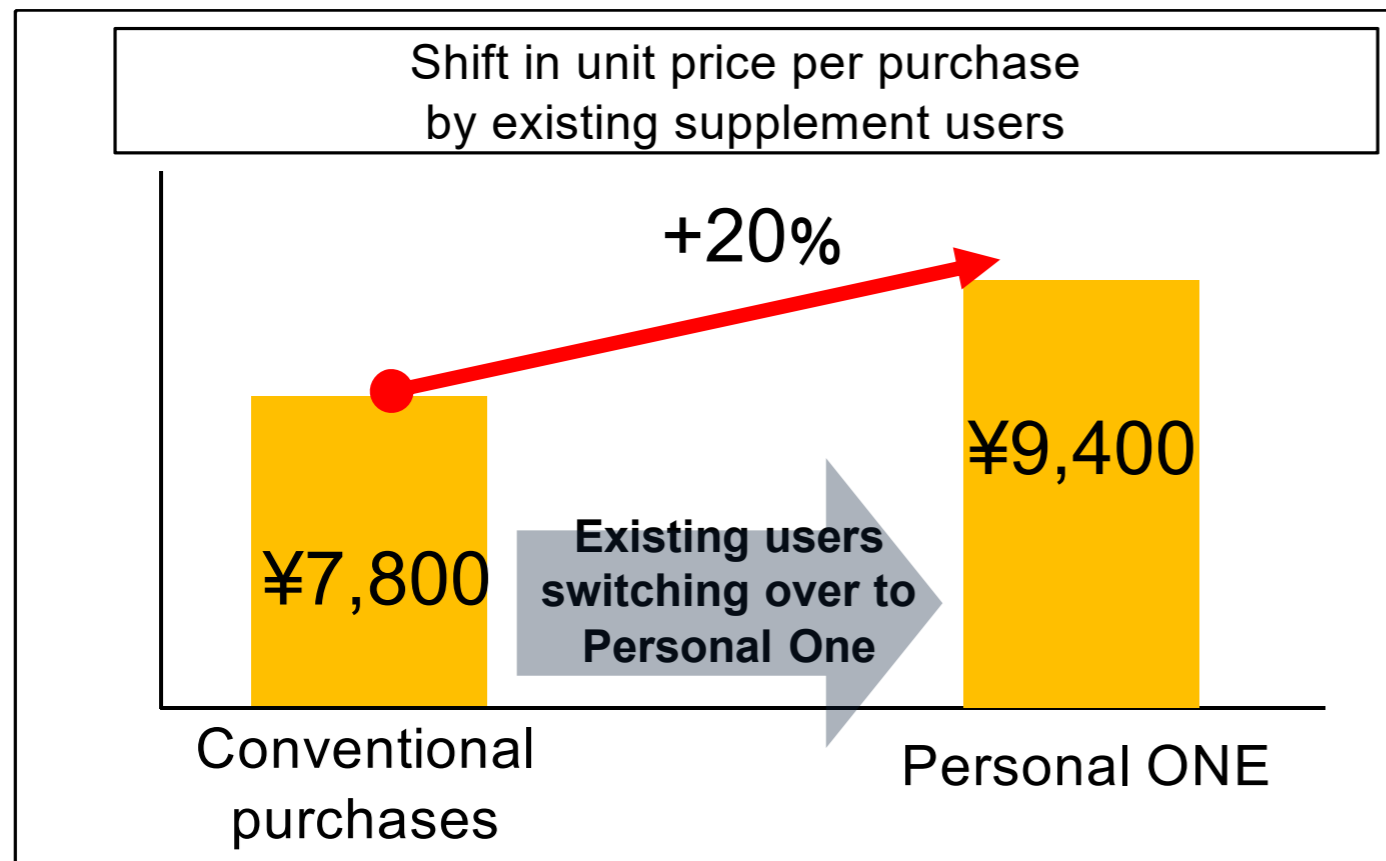
Features

- Contains 100 billion units of Lactococcus lactics strain Plasma
- Contains vitamin C and D
- Chewable foam tablet leaves mouth feeling hydrated
- Delicious, long-lasting yogurt flavor

Develop into a star product through planned promotions including the use of mass advertising

Personal ONE (launched Feb.2020)

H1 results exceeded plan



	H1 of 2020	H2 of 2020
Positioning	Solidified the foundations	Full-scale launch
Initiatives	Revised, strengthened operations	Develop structure for increased production (triple production capacity)
	<ul style="list-style-type: none"> In-list expansion Began offering at stores 	<ul style="list-style-type: none"> Strengthen new customer acquisitions Expand stores offering the product (50 stores by end of FY)

BtoB business

Launch Oct. 2020

Kirin Beverage

Kirin Beer



Flavored water
BASE Peach & Pomegranate



Non-alcoholic chu-hi
Hyo-Rei Calolimit

Nestle

- Plan for release of new powdered beverage concept product

- Offer health food products that meet the needs of office workers



Conceptual image of the product in an office environment

H1 sales tripled year on year due to increased brand awareness through aggressive marketing activities.

On T-Mall Global: 13th in overseas health food rankings, No. 1 among Japanese manufacturers (Sep.)

Launch of *DEEP CHARGE COLLAGEN*

From December, three different variations of *DEEP CHARGE COLLAGEN* (pill, powder, jelly) to be sequentially launched



Promote FANCL's Inner Body Effectiveness

Launch of Inner Body Effectiveness video advertisement, created to target women in their 20s and 30s



Launch of *Meneki Support* (Immunity Support)



Launching sales of *Meneki Support* (Immunity support) from Jan. 2021

Collaboration with ride hailing app DiDi



App screenshot

Several vitamins and minerals received approval as health food
Planning launch on domestic e-commerce platforms such as T-Mall in near future

	Phase 1	Phase 2	Phase 3
Period	Near future	Summer 2021~	FY Mar/2023~
License applications	<p>Approved products</p> <p>Several vitamins and minerals</p>	<p>Approved products</p> <p>Expand to 15 vitamins and minerals</p>	<p>Licensed products</p> <p>Functional supplements (e.g. supplements for lifestyle-related diseases, etc.)</p>

Debut at the 3rd China International Import Expo (Nov. 5-10, 2020)



Rendering of booth

- Health check experience section, offering vascular age checker, etc.
- Research & technology introduced by researchers
- Remote counseling by Japan based counselors

Channel

Build a new digital-based communication and sales model that seamlessly utilizes the features and strengths of each channel, across online and catalogue and direct stores.

Information dissemination and seminars

PR by employee influencers

Promoting appeal of products and services



Online events/seminars

Seminars linking stores with laboratories



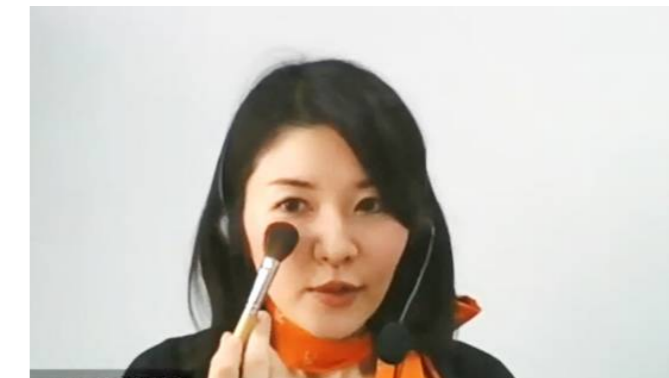
Make-up seminars



Counselling

Online one-on-one counselling

Counseling by call center and in-store staff



Sales

Live commerce



Enabling e-commerce sales on store app



Diagnosis app launch (store app)

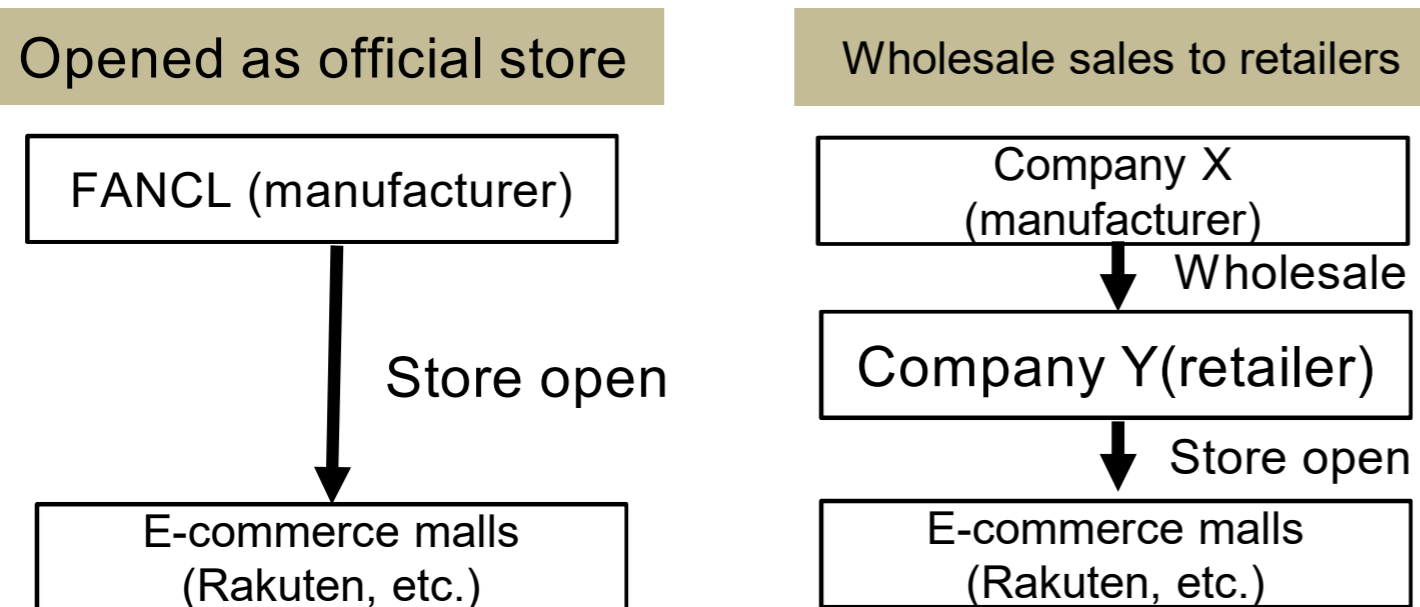
Offer skin care recommendations for each skin type based on diagnosis



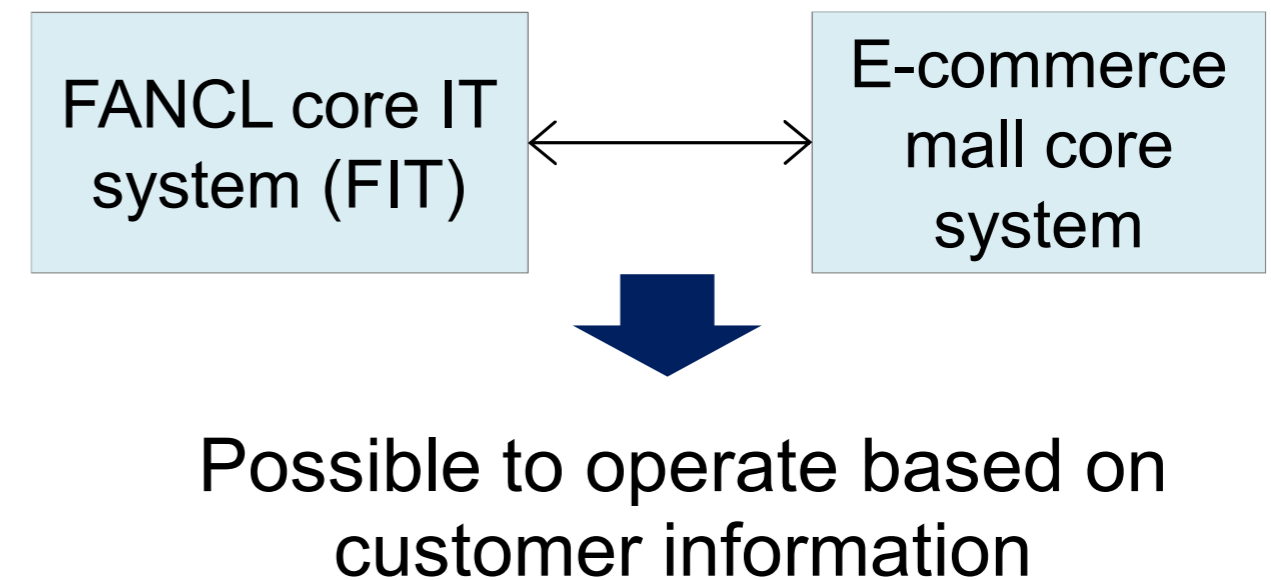
H1 external online and catalogue platform sales +66% YoY
 30% of new online and catalogue customer acquisitions were via external platforms

Strengths lie in FANCL's direct management of external platform sales

① Opened as "official store" = high profitability



② Utilization of Core IT System (FIT) to offer products based on customer information



Key attributes essential to an "official store"

- An **online and catalogue system** that enables simple integration with external platforms
- **Fulfillment** from receiving through to shipping
- **Online and catalogue sales knowhow**, including advertising and promotions

Visualization of customer structure

- Analysis by hierarchical clusters (New, Light ~ Heavy users)



Visualization of product purchases

- Analysis of co-purchased products, etc.

Wholesale New brand / private brand launches

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<p>Product</p>		
<p>Brand name</p>	<p>mogu</p>	<p>cera aQua</p>
<p>Launch date</p>	<p>September 26, 2020</p>	<p>October 14, 2020</p>
<p>Sold at</p>	<p>Lawson, @cosme TOKYO, @cosme SHOPPING</p>	<p>Approx. 2,200 stores across the Tsuruha Group</p>
<p>Features</p>	<p>Cosmetic product formulated with natural ingredients. Developed around the concept of quick and affordable beauty</p>	<p>A skincare brand for sensitive skin types. Formulated with W Ceramide Care and Deep Sea Water, for moisturized and glowing skin</p>
<p>Target</p>	<p>Women in their 20s and 30s</p>	<p>Women with sensitive skin</p>
<p>Price</p>	<p>¥990 (incl. sales tax)</p>	<p>¥550 - ¥3,300 (incl. sales tax)</p>

In closing

Since its founding, FANCL has always maintained a **D2C** business model

- We want to eliminate customers' negative experiences
- We cherish customer connections (we want to connect with customers)
=FANCL has focused on D2C in order to achieve this



Assets unique to FANCL

- Long-term buildup of infrastructure and knowhow for both online and catalogue and physical stores
- Store and call center staff responding sincerely to customer needs
- Customers who trust and support FANCL



Utilizing these unique strengths to the fullest, create new value that the new era demands

- Leverage IT to learn more about and better connect with our customers
- Focus on building fans

Build a stronger fan base by maximizing the customer experience gained from using the products and services

