

FANCL

正直品質。



FANCL Group Financial Results Briefing

For the period April 1, 2020 to December 31, 2020

2021/1/28

株式会社ファンケル

Financial Highlights

Results by segment

FANCL

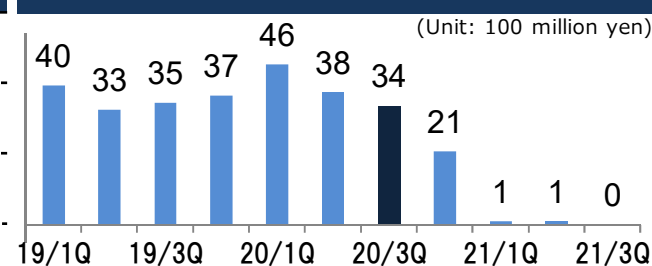
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(Millions of yen)	Nine-month period of FY to March 2020	Nine-month period of FY to March 2021	Change YoY	Q3 of FY to March 2020 (Oct.-Dec.)	Q3 of FY to March 2021 (Oct.-Dec.)	Change YoY
Sales	98,716	86,095	(12.8%)	32,512	31,830	(2.1%)
<i>Cosmetics</i>	58,635	48,133	(17.9%)	18,732	17,783	(5.1%)
<i>Nutritional supplements</i>	34,841	31,329	(10.1%)	11,879	11,844	(0.3%)
<i>Other</i>	5,239	6,632	+26.6%	1,901	2,202	+15.9%
<i>Hatsuga Genmai</i>	1,529	1,622	+6.1%	557	563	+1.1%
<i>Kale Juice</i>	1,840	1,867	+1.5%	650	682	+4.9%
Operating income	12,472	8,686	(30.4%)	3,576	3,807	+6.5%
Ordinary income	12,610	8,844	(29.9%)	3,626	3,858	+6.4%
Net income	8,662	6,159	(28.9%)	2,790	2,585	(7.3%)

Sales breakdown (9-month period)

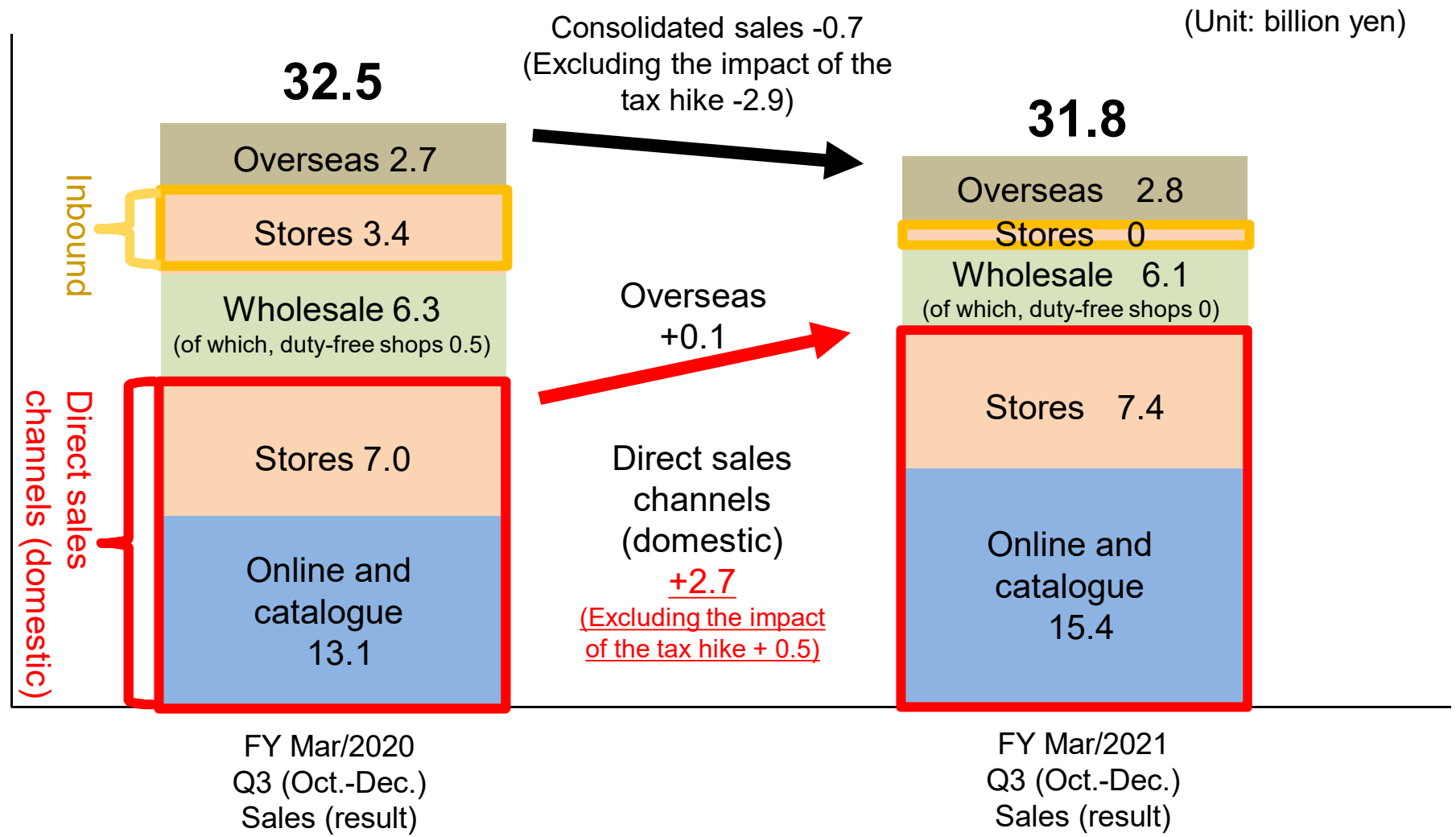
Results by cosmetics brand	<i>FANCL</i>	36,539	-22.2% (Domestic-21.4%, Overseas-30.8%)
	<i>ATTENIR</i>	9,316	-4.4%
	<i>boscia</i>	1,767	+32.9%
Nutritional supplements		31,329	-10.1% (Domestic-12.0%, Overseas+19.7%)

Direct Store Inbound sales (estimated)



Q3 (October-December) sales analysis

Two successive quarters of sales growth via Direct channels (domestic) and Overseas



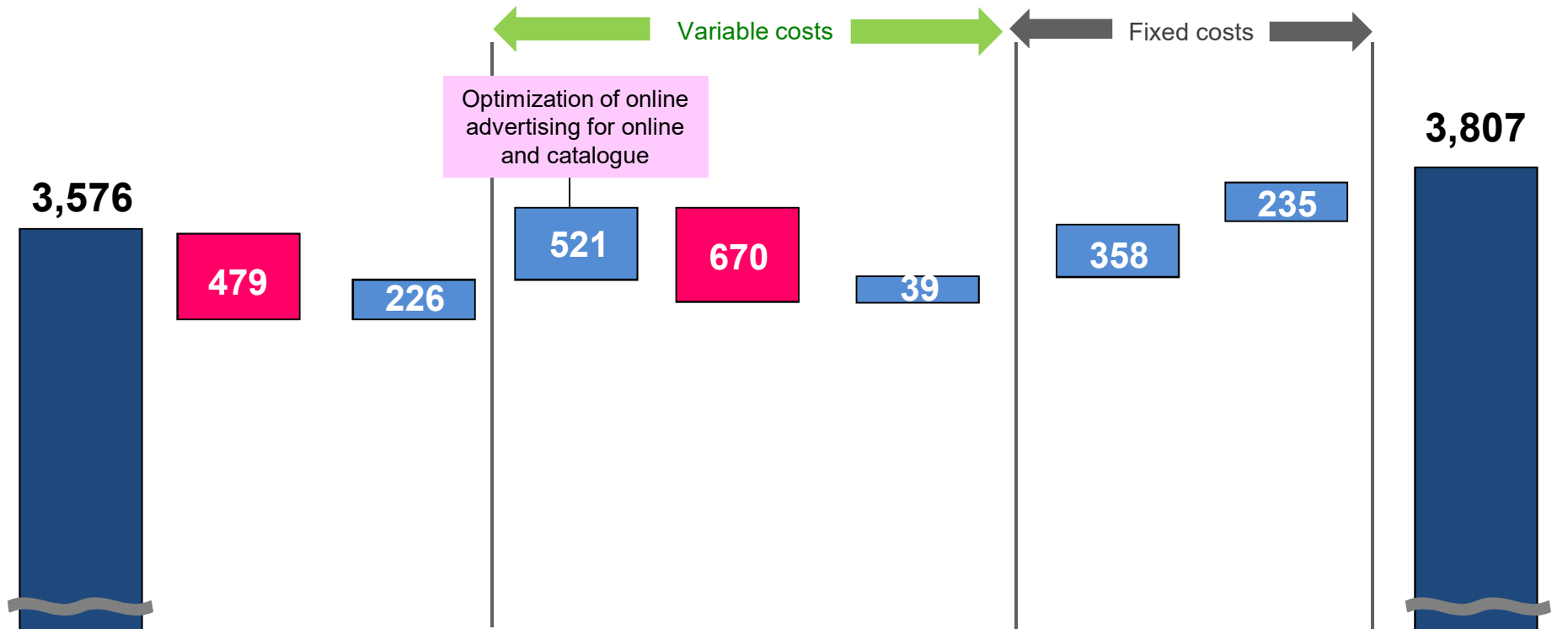
Q3 (October-December) Analysis of change in Operating income **FANCL**

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Results

Positive factors Negative factors

(Millions of yen)



FY Mar/2020
Q3 (Oct.-Dec.)
Operating income

Decrease in
gross profit
due to lower
in sales

Improvement
in cost-of-sales
ratio

Advertising
costs

Sales
promotions
costs

Other
variable
costs

Personnel
costs

Other
fixed costs

FY Mar/2021
Q3 (Oct.-Dec.)
Operating income

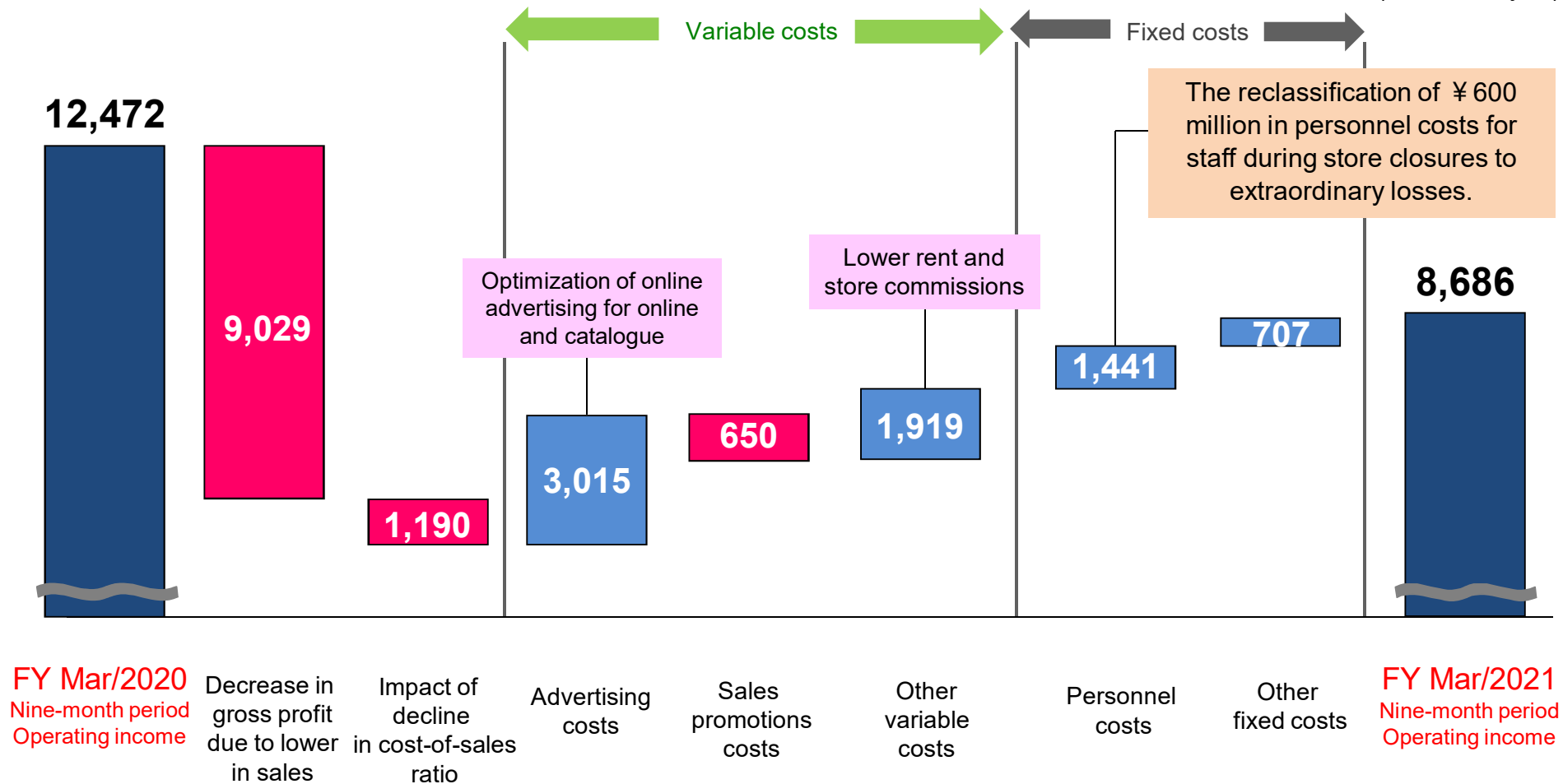
Q3 cumulative(April-December) Analysis of change in Operating income **FANCL**

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Results



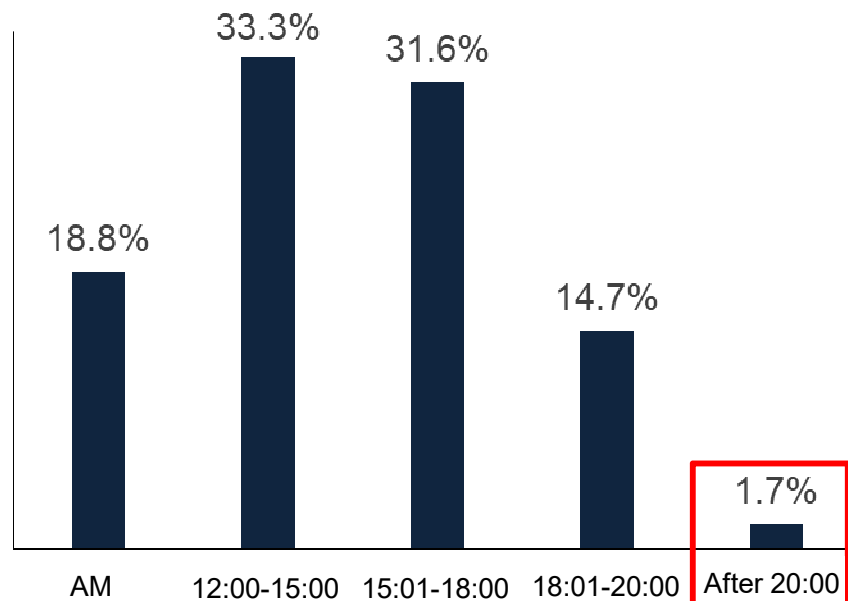
(Millions of yen)



Full year outlook

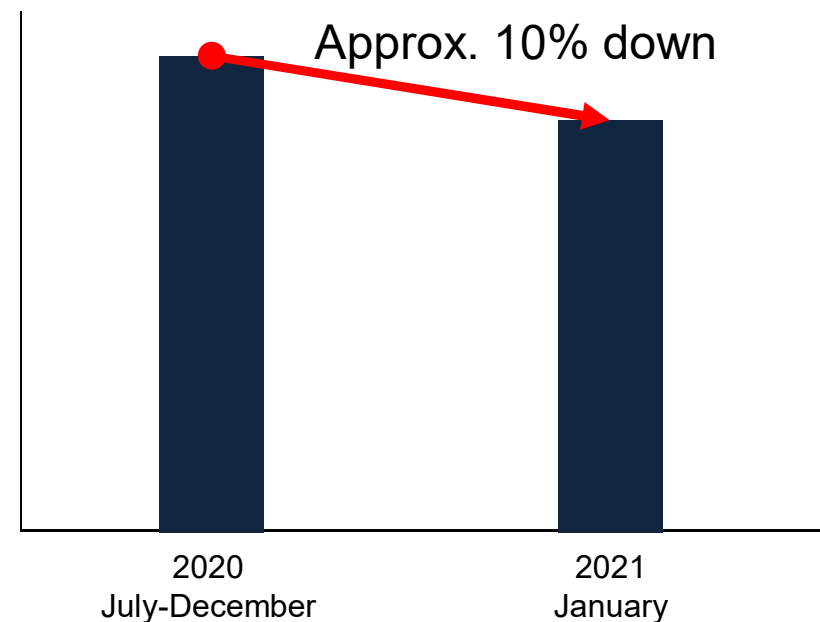
Impact of state of emergency declaration

Direct store sales by time slot (2020)



Sales after 20:00 less than 2% of total

Direct store: Purchases per day (nationwide)



Decreased by about 10% due to stay-at-home requests

Conditions expected to remain weak during Q4.

Anticipating decrease in opportunities to use cosmetics, decline in consumer sentiment, and an impact on large-scale sales at commercial facilities due to stay-at-home requests.

Full-year outlook to March 2021

(Millions of yen)	FY to March 2021	FY to March 2021 (Revised plan)	Change	Change YoY
Sales	120,000	115,000	(5,000)	(9.3%)
Cosmetics	67,800	64,500	(3,300)	(15.0%)
Nutritional supplements	43,450	41,950	(1,500)	(4.7%)
Other	8,750	8,550	(200)	+23.7%
Hatsuga Genmai	2,300	2,170	(130)	+6.8%
Kale Juice	2,450	2,500	+50	+3.3%
Operating income	13,000	11,500	(1,500)	(18.6%)
Ordinary income	13,200	11,700	(1,500)	(18.3%)
Net income	9,000	8,000	(1,000)	(19.9%)

Sales breakdown

Results forecasts by cosmetics brand	FANCL	49,110	-17.4%(Domestic:-17.3%、Overseas:-18.5%)
	ATTENIR	12,290	-3.0%
	boscia	2,400	-14.6%
Nutritional supplements		41,950	-4.7% (Domestic:-6.3%、Overseas:+20.3%)

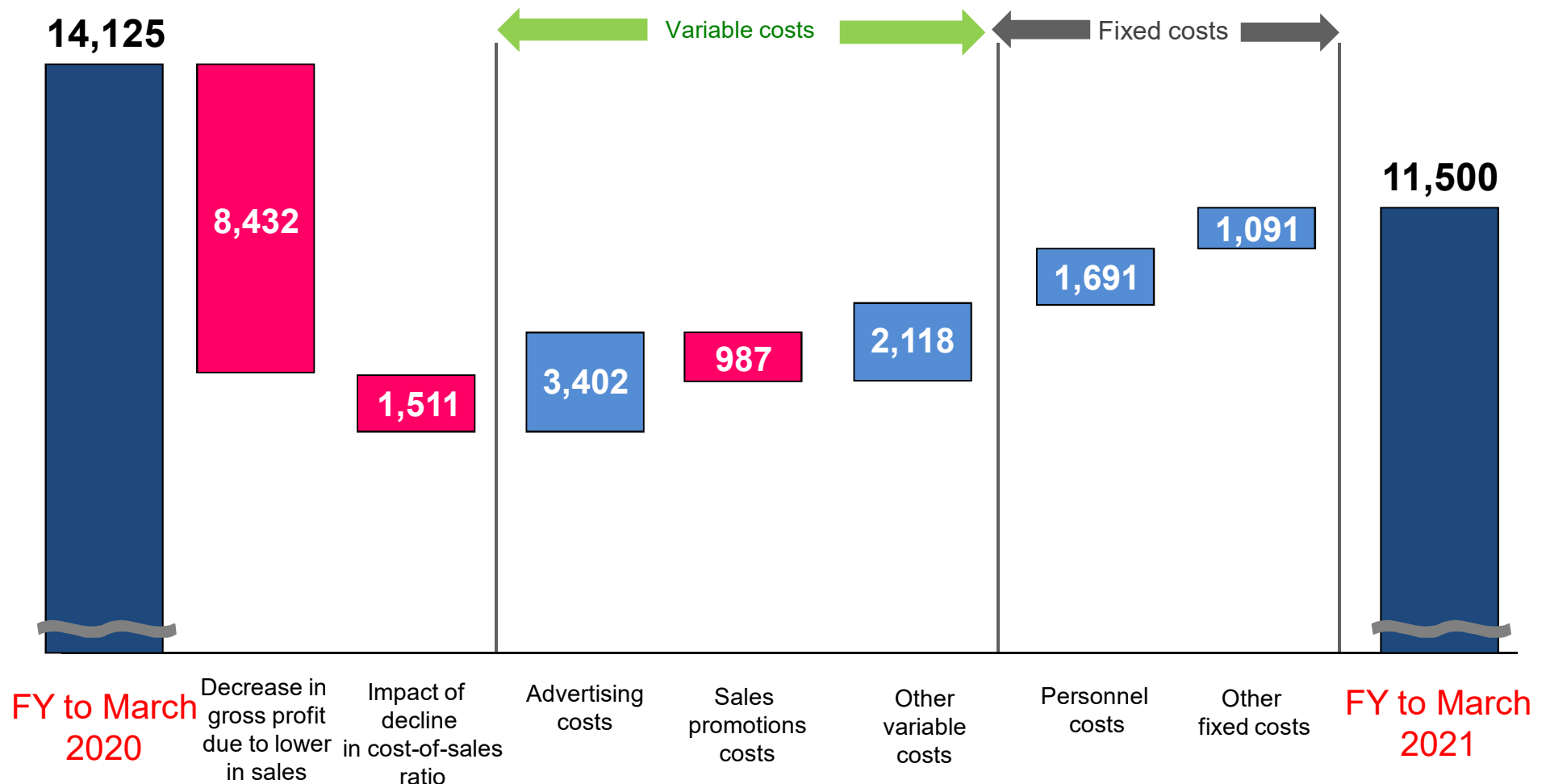
【Assumptions behind the plan】
Inbound sales:0.2bn
(The previous fiscal year 13.9bn)

FY Mar/2021: Analysis of change in operating income

Plan

Positive factors Negative factors

(Millions of yen)



(Ref.) Existing customer trends (YoY)



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		2018				2019				2020			
		Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
FANCL Cosmetics	Online and catalogue	102%	104%	104%	104%	102%	99%	101%	102%	102%	107%	109%	110%
	Direct store	100%	101%	105%	110%	113%	113%	110%	106%	101%	93%	84%	77%
Supplements	Online and catalogue	105%	103%	102%	103%	102%	102%	103%	102%	101%	102%	103%	105%
	Direct store	106%	106%	108%	111%	112%	112%	108%	104%	100%	92%	85%	80%
Attenir		121%	118%	112%	108%	105%	104%	103%	101%	101%	100%	98%	97%

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

Cosmetics Business

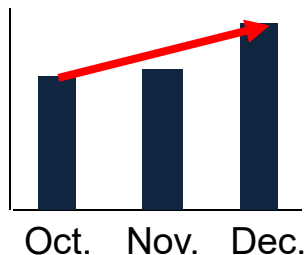
■ The FANCL

CORE EFFECTOR

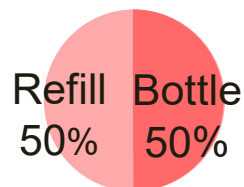
Received Best of the Best Award at MAQUIA Best Cosmetics 2020 second half



New customer acquisitions



Ratio of sales of original bottle vs refill



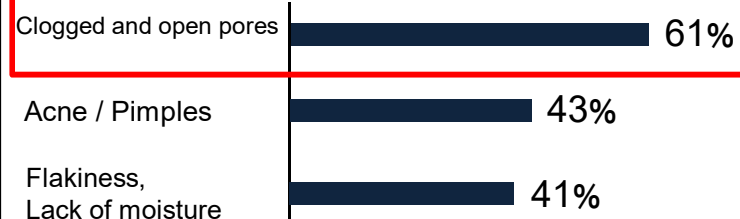
Price: ¥8,030 (incl. tax)
(Refill: ¥7,480)

Planning to launch large scale sampling, etc. in Q4

DEEP CLEAR WASHING POWDER

1st in Face Wash category of @cosme Best Cosmetics Awards 2020

(Ref.) What skin problems have you experienced during the COVID-19 pandemic?



(Source: FANCL survey N=520)

DEEP CLEAR WASHING POWDER + MILD CLEANSING OIL promotional pack: No. 1 set

■ Beauty BOUQUET

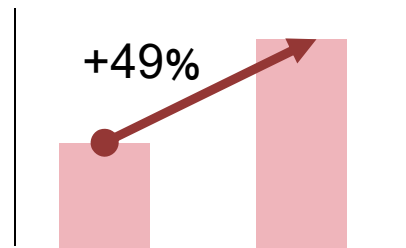
- Stable increase in subscription-based customers.
- Aiming to strengthen services to make it easier to join and continue subscription-based services

■ AND MIRAI

- Highly rated in user reviews
- Expanding *Skin Up Gel Cream* as strategic marketing product

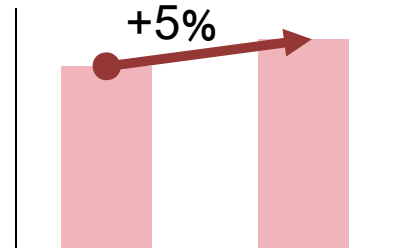
ATTENIR

Basic Skin Care
Dress Lift
customer numbers



Dec. '18 Dec '20

Skin Care users'
unit purchase price
(Basic + special care)



FY19 Q3 FY21 Q3

*Comparisons made with figures from two years ago in order to exclude impact of consumption tax hike

Unit price per purchase increased through cross selling of special care products

Cross-border e-commerce: W11 results

- *Skin Clear Cleanse Oil*
On T-mall Global: Ranked 2nd in cleansing category
No. 1 among Japanese manufacturers



Introducing new cream type this spring with aim of strengthening cleansing category line

boscia

Q3

Secured higher sales with shift towards e-commerce including Amazon and own site (boscia.com), and greater focus on Costco

FY

Revising sales plan downwards as the spread of COVID-19 in the U.S. and Europe has once again forced cosmetics specialty stores and department stores to close

NEW Strong start at U.S. chain Walgreens

Launched sales in Prestige Cosmetics section of 3,000 stores in October



Offering 10 popular items including *Cactus Water*, *Luminizing Charcoal Mask*, etc.

Health Business

TV ad aired nationwide from Jan. 15

Online & Catalogue

- ✓ Response advertising
- ✓ Ads on external online malls
- ✓ Search-linked advertising

Stores

- ✓ Chosen as a priority product. Strengthened promotion at stores nationwide.
- ✓ Health events, seminars

Wholesale

Distributed to about 17,000 drugstores and convenience stores.
First shipment achieved just over ¥300 million in sales

- ✓ Stimulation of in-store sales through transport advertising linked to TV commercials
- ✓ Strengthening in-store sales promotions
- ✓ Displayed in multiple locations



Aiming to exceed full-year sales plan of ¥1 billion

Kirin

Kirin co-developed products off to a good start

Flavored water
BASE Peach & Pomegranate



Sold at major 3 convenience stores. Even popular among male customers

Non-alcoholic chu-hi
Hyo-Rei Calolimit



Highly popular among females in their 40s

Stage 2: Focus on maintaining physical health

Daily AMINO Water



Launch	April 6, 2021
Price	¥138 (+sales tax)
Concept	A new amino acid drink for maintaining daily physical condition, mainly targeting busy men and women in their 30s and 40s

Nestle Japan



Enjoy superfoods easily at home with this new type of smoothie

- Target: Working women aged 30-50
- Product: Base: 3 varieties, Superfoods: 6 varieties *5 varieties per pack
- Price: Base: ¥540, Superfood: ¥1,080 (incl. tax)
- Launched: December 17, 2020
- Channels: Online and catalogue, stores, Nestle e-commerce platforms

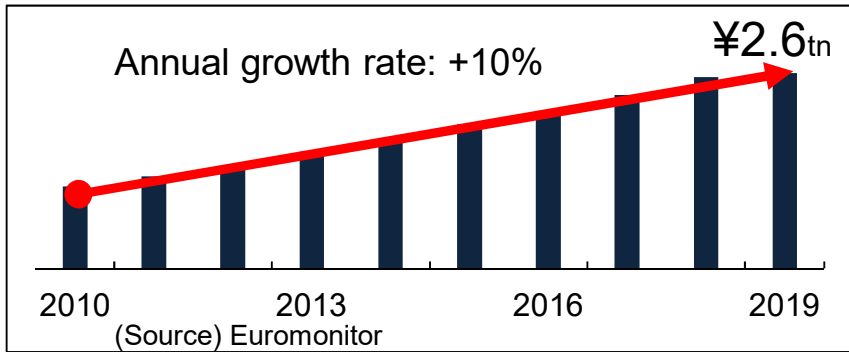


Aiming for sales of ¥1 billion in medium term

China Supplement Business

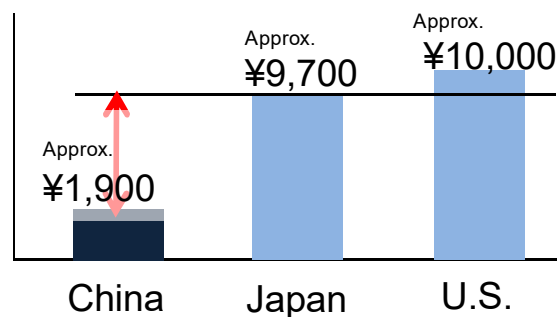
Growth of China supplement market

China supplement market



Market scale is 2~3 times Japan's at ¥2.6 trillion

Annual expenditure per capita on supplements



(Source) Euromonitor

Per capita spending is one-fifth that of Japan

National strategy "Healthy China 2030" serving as tailwind for market

A policy announced in 2016 as a medium- and long-term strategy for the health sector

Background

Increase in patients with lifestyle-related diseases due to industrialization, urbanization, and aging population

Main initiatives

- Strengthen health education of public
- Promote voluntary actions (healthy diet and exercise)
- Prevent serious diseases
- Provide high quality medical services
- Strengthen health-related services

Health Service Industry Market Size	2020	2030
	Over 8 trillion yuan	16 trillion yuan

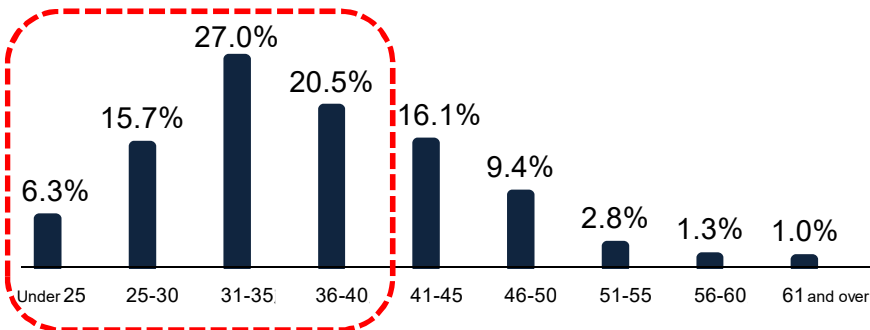
(Source) "Health China 2030" Project Network (China State Council)

Aiming for health standards comparable to those of developed countries

China supplement market (age brackets, top-selling products, channels) **FANCL**

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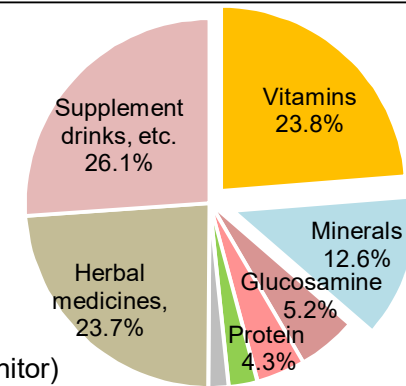
Health food product users (by age bracket)



(Source) iResearch Inc. NMN ingredient supplements consumer research report 2020

Widespread use among younger consumers in their 20s and 30s

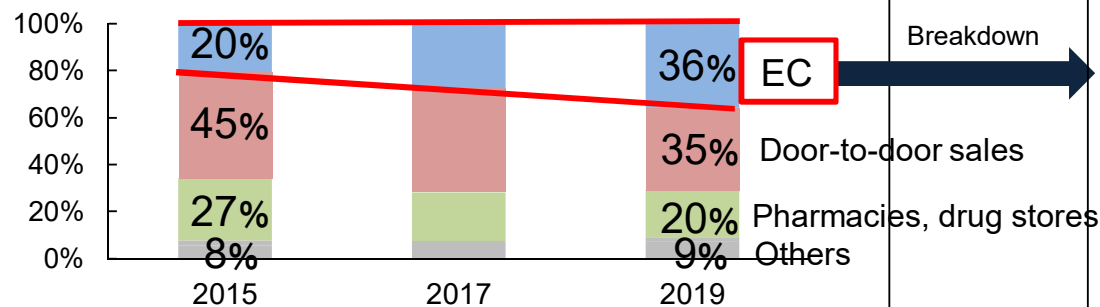
Share by product category



(Source: Euromonitor)

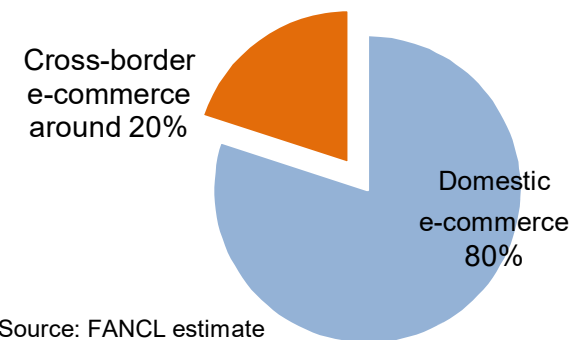
Basic supplements are best sellers

Trends by sales channel



(Source: Euromonitor)

Breakdown of e-commerce market



Source: FANCL estimate

FANCL has been developing only cross-border e-commerce business, but with the acquisition of health food product licenses, we can now cover the market as a whole.

Growth strategy for China supplement business



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Aiming for growth in both cross-border e-commerce and general trade sales

Cross-border e-commerce

Local retail 2020: Expansion to triple previous year

Future strategy

Grow beauty supplements as second pillar

Health



+

Beauty


DEEP CHARGE COLLAGEN
(Capsules, powder, jelly)



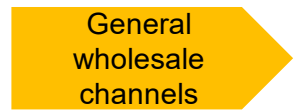

Collagen to launch in January 2021

General trade sales (health food)

Dec. 2020: Launch of sales at duty free stores



Future strategy

	Now	2021
Approved products	Five vitamins and minerals	Expand to 15 vitamins and minerals
Sales channels		
		
		

Aim to launch functional supplements from FY Mar/2023

Hainan Island Sinopharm
International Duty-Free Store
OPENED Dec. 30, 2020



FANCL Store (left and right sides)



FANCL Supplements

Approved Supplement
"Zinc"



Channel

Shift emphasis from new customer acquisitions to advertising methods focused on continuity and LTV (i.e. customers who share our values)

Initiatives

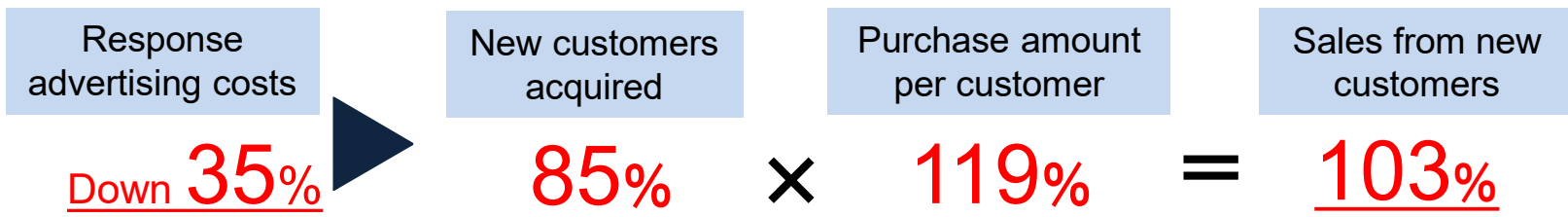
▪ Response advertising: Examine cost-effectiveness in detail by media and by product, and allocate the optimal budget

Focus

- Strengthen the appeal to customers not only with "bargain prices" but also with "high value".
- Stimulate word-of-mouth through SNS
- Strengthen web search measures



Q3 cumulative results (compared to previous period)



While response advertising costs were streamlined by 35%, sales from new customers were 103% of the previous year due to the acquisition of high LTV customers.

Leverage digital to build a stronger fan base by maximizing customer experiences gained from using FANCL products and services

Online counselling (Online and Catalogue and Store channels)

① Personal eyebrow lesson (Zoom)

- Regular lessons twice per month from November



Customer survey



② Reservations made through the "Members' App" for store members

■ Schedule (6 sessions per week)

Reservations available on app from Nov.
Wednesday and Friday 10:00-20:00

■ Menu

- ① Skin Care Advice
- ② Pinpoint Make-up Lesson

In closing

Further promoting our message of “Upholding Quality”

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Since 2016, we have been promoting our message of “Upholding Quality” via TV ads

- ◎Awareness of “Upholding Quality” message: 37% in 2017 → 52% in 2020
- ◎Purchase intentions of those unaware of the TV ads: 28% vs Those aware of the TV ads: 58%

New

October 2020: Launched corporate brand website “**Soko-Made-Yarimasu Channel**”.
A platform for frequent distribution of content that conveys the appeal of the brand.

Commitment to products

Identify the FANCL supplement

Can FANCL employees guess their company's supplements even when blindfolded!?



<https://channel.fancl.jp/>

Corporate stance

FANCL company visits

Children of FANCL employees learn all about the company where their parents work.



Behind the scenes of development and manufacturing

Virtual tour video via the FANCL super drone

The FANCL super drone takes a tour of Ginza Square, FANCL laboratories and production plants.



Embrace change and take on new challenges with an open mind

Major insights amid the COVID-19 pandemic

Recognition of FANCL's strengths

- E-commerce, D2C, and DX know-how and infrastructure in place, offering significant advantages

Deep ties with customers cultivated in the 40 years since our founding

- Reaffirmed our motivation and joy for eliminating negatives for our customers
- Through our ties with customers, employees' attachment and engagement with the company has increased

We rediscovered our origins, strong ties, and hopes for the future

"Trust," "Advance," and "Agility" our shared values to realize VISION 2030

- ① "Trust": Respond to the expectations of all stakeholders, further strengthening trust and ties with them
- ② "Advance": Build on the progress we have carried out to date, and form stronger connections and deeper relationships with customers
- ③ "Agility": Stagnation is regression. Don't fear or hesitate to make change, keep trying

New Medium-Term Management Plan" from April 2021

- Improve the originality of our products and enhance our product development capabilities.
- Promote the merging of online with offline (OMO) in a uniquely FANCL way, and deepen ties with customers
- Successfully implement large-scale investments in logistics, factories, IT, etc., and link them to results
- Promote globalization with ALL-FANCL to realize VISION 2030
- Place a greater focus on people development

