Held August 4, 2021

# FANCL CORPORATION
# FY Mar/2022 Q1 Financial Results Briefing
# Q&A session summary

1. Please explain your sales and income figures for Q1 compared to the plan.

⇒Sales fell short of our target by about ¥500 million. The breakdown of this is as follows: Cosmetics sales were approximately ¥100 million short, Supplements sales were ¥250 million short, and Other sales were ¥150 million short of our target.

By business, ATENNIR sales were strong in Japan and overseas, however Japan sales were slow in the FANCL Cosmetics and Supplements businesses.

By sales channel, online and catalogue sales fell ¥500 million short of the plan, direct store sales exceeded the plan by ¥300 million, wholesale sales fell approximately ¥500 million short, and overseas sales exceeded the plan by approximately ¥200 million. At the beginning of the period, our expectation was that the state of emergency declaration to last until the end of May in the Tokyo metropolitan area and Kansai region, however it was extended until June 20. Our view is that direct store sales would have grown more if the state of emergency was not in place.

About ¥1 billion planned for SG&A expenses was unused. Half of this is due to shift in timing and the other half was due to increased efficiency. We did not use about ¥500 million of advertising expenses from the plan because it was difficult to launch response advertising for the online and catalogue channel due to the COVID-19 pandemic. We are preparing to renew our core *Enrich* and *Naishi Support (Weight and body fat care)* products in Q2, and judged that it would be more effective to use the advertising budget for that purpose.

2. Is it correct to say that you have been able to acquire new customers in the online and catalogue channel?

⇒In Q1 we did not seek to acquire new customers in this channel. We thought it would be more efficient to shift this budget to Q2 and conduct response advertising, as the spread of COVID-19 has lowered consumer confidence and we are preparing for the renewal of some of our core products in September.

3. Overseas sales of supplements increased by approximately 93% in Q1 compared to the same quarter of the previous year. How did cross-border e-commerce and general trade sales each contribute to sales?

⇒Most of this growth was from cross-border e-commerce.

We also made shipments of products for general trade sales, but they are still only being placed as initial deliveries in some high-end department stores and high-end supermarkets. Currently, we have obtained sales licenses for five products, but are in the process of obtaining sales licenses for seven additional products, and will launch our base supplements as a series in the general market.

4. With regard to your profit margin for cross-border e-commerce, there is a view that other companies are facing difficulties. How about FANCL?

⇒ATTENIR's cross-border e-commerce business is still in the start-up phase, and therefore it is not at the stage where we can expect to seek revenue. Our priority is to invest in advertising, boost awareness, and increase the scale of sales to a certain extent.

We have not been affected by the increase in the unit price of promotions which has been talked about recently. We are accelerating the promotion of the supplements that we are working on with China Sinopharm International Corporation, with FANCL covering some of the costs, but there is no problem with the profit margin of the business itself.

5. It seems your full-year sales and income plans have not changed, but have you made revisions across sales channels?

⇒The first-half plan was formulated based on the assumption that the shortfall in Q1 would be covered in Q2. Q2 sales have been increased by about ¥500 million from the initial plan. No specific revisions have been made for H2, so the revision for Q2 is reflected in the full year plan.

The main revisions to the Q2 plan include a ¥200 million decrease in Cosmetics sales, a ¥600 million increase in Supplements sales, and an increase of just under ¥100 million in Other businesses.

As for supplements, we have high expectations for the renewal of *Naishi Support (Weight and body fat care)*.

Operating income was up in Q1, but the plan was revised based on the assumption that expenses will be used in Q2. However, some expenses may end up unused.

Ends