

FANCL

正直品質。

FANCL Group Financial Results Briefing

For the period April 1, 2021 to September 30, 2021

2021/10/28

Financial Highlights

Results by segment

(After adoption of revenue recognition standard)

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(Millions of yen)	H1 of FY to March 2021	H1 of FY to March 2022	Change YoY
Sales	49,902	49,876	(0.1%)
<i>Cosmetics</i>	27,729	28,244	+1.9%
<i>Nutritional supplements</i>	17,995	18,460	+2.6%
<i>Other</i>	4,178	3,171	(24.1%)
<i>Hatsuga Genmai</i>	1,007	1,010	+0.3%
<i>Kale Juice</i>	1,100	980	(10.9%)
Operating income	4,878	5,171	+6.0%
Ordinary income	4,986	5,558	+11.5%
Net income	3,573	4,070	+13.9%

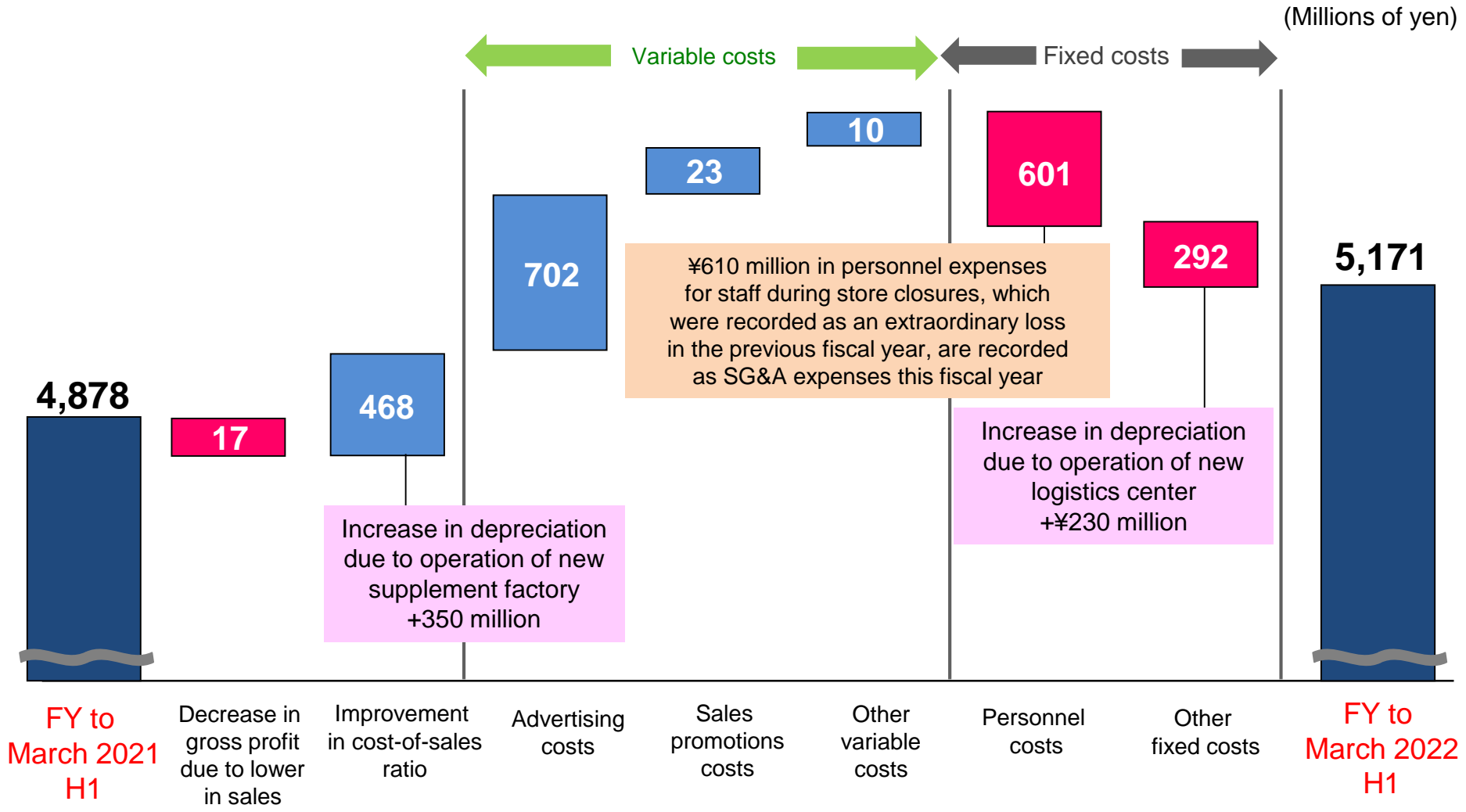
Sales breakdown (6-month period)

Results forecasts by cosmetics brand	<i>FANCL</i>	20,271	-1.5%(Domestic:-2.5%,Overseas:+10.5%)
	<i>ATTENIR</i>	7,004	+20.9%
	<i>boscia</i>	529	-48.2%
Nutritional supplements	18,460	+2.6%(Domestic:-1.1%,Overseas:+43.3%)	

H1 Analysis of change in operating income (After adoption of revenue recognition standard)

Results

Positive factors
 Negative factors



Full year outlook

Outlook of FY to March 2022

(After adoption of revenue recognition standard)

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(Millions of yen)	FY to March 2021 (Previous plan)	FY to March 2022 (Revised plan)	Change	Change YoY
Sales	109,000	106,500	(2,500)	+1.3%
<i>Cosmetics</i>	60,790	59,420	(1,370)	+0.3%
<i>Nutritional supplements</i>	41,060	40,330	(730)	+6.5%
<i>Other</i>	7,150	6,750	(400)	(16.4%)
<i>Hatsuga Genmai</i>	1,930	2,025	+95	(1.7%)
<i>Kale Juice</i>	2,150	2,055	(95)	(9.5%)
Operating income	12,000	12,000	0	+3.7%
Ordinary income	12,200	12,200	0	+3.5%
Net income	8,100	8,100	0	+1.0%

Sales breakdown (full year)

Results forecasts by cosmetics brand	<i>FANCL</i>	43,480	-1.5%(Domestic:-1.7%,Overseas:+0.2%)
	<i>ATTENIR</i>	13,770	+14.1%
	<i>boscia</i>	1,300	-42.4%
Nutritional supplements		40,330	+6.5%(Domestic:+2.8%,Overseas:+48.3%)

Assumption

FY Mar/2022 inbound sales are not expected

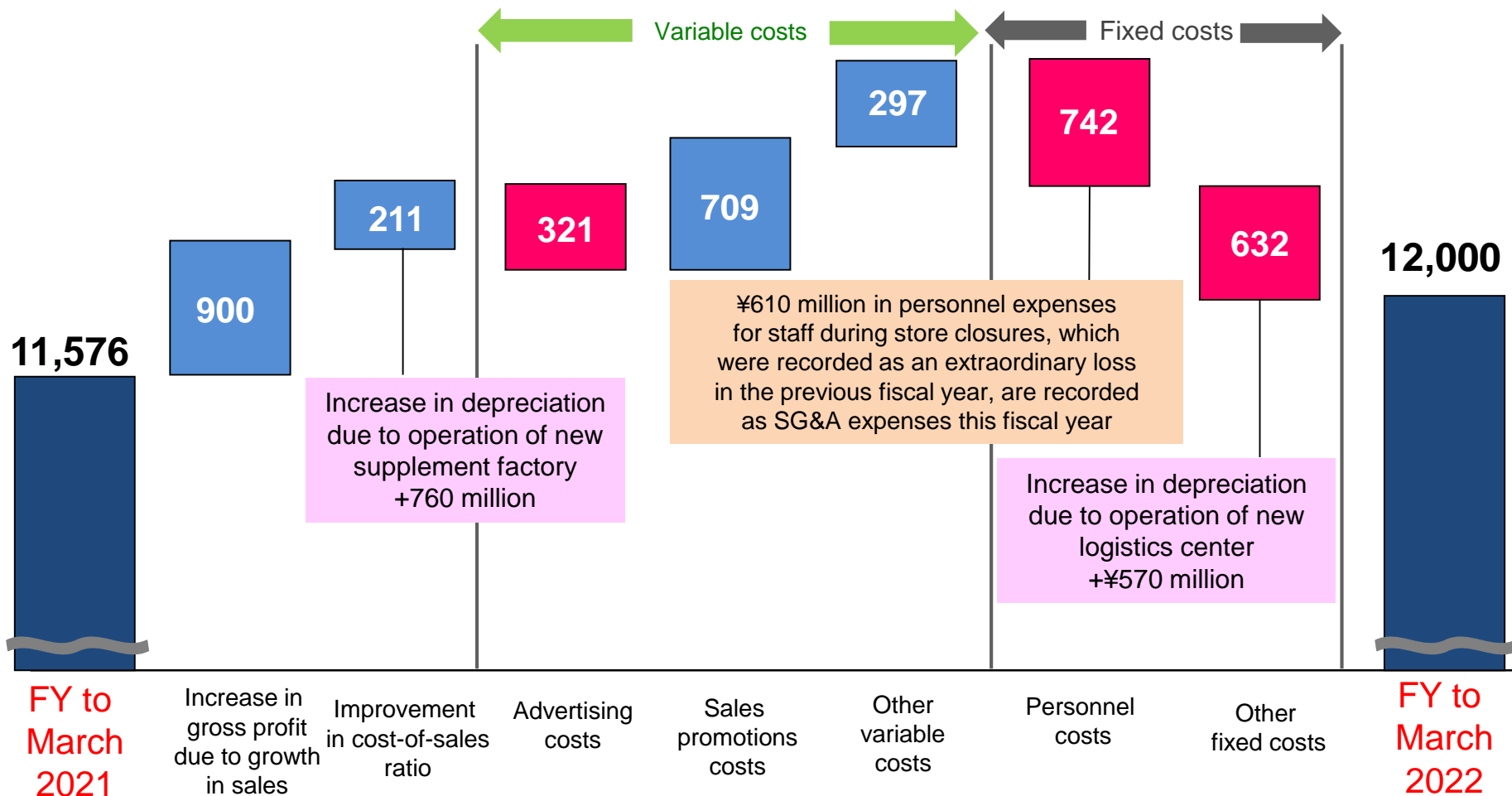
FY Mar/2022: Analysis of change in operating income

(After adoption of revenue recognition standard)

Plan

Positive factors Negative factors

(Millions of yen)



The Third Medium-Term Management Plan
FORWARD 2023 – Progress update
(FY Mar/2022 to FY Mar/2024)

FORWARD 2023 – Progress update

正直品質。

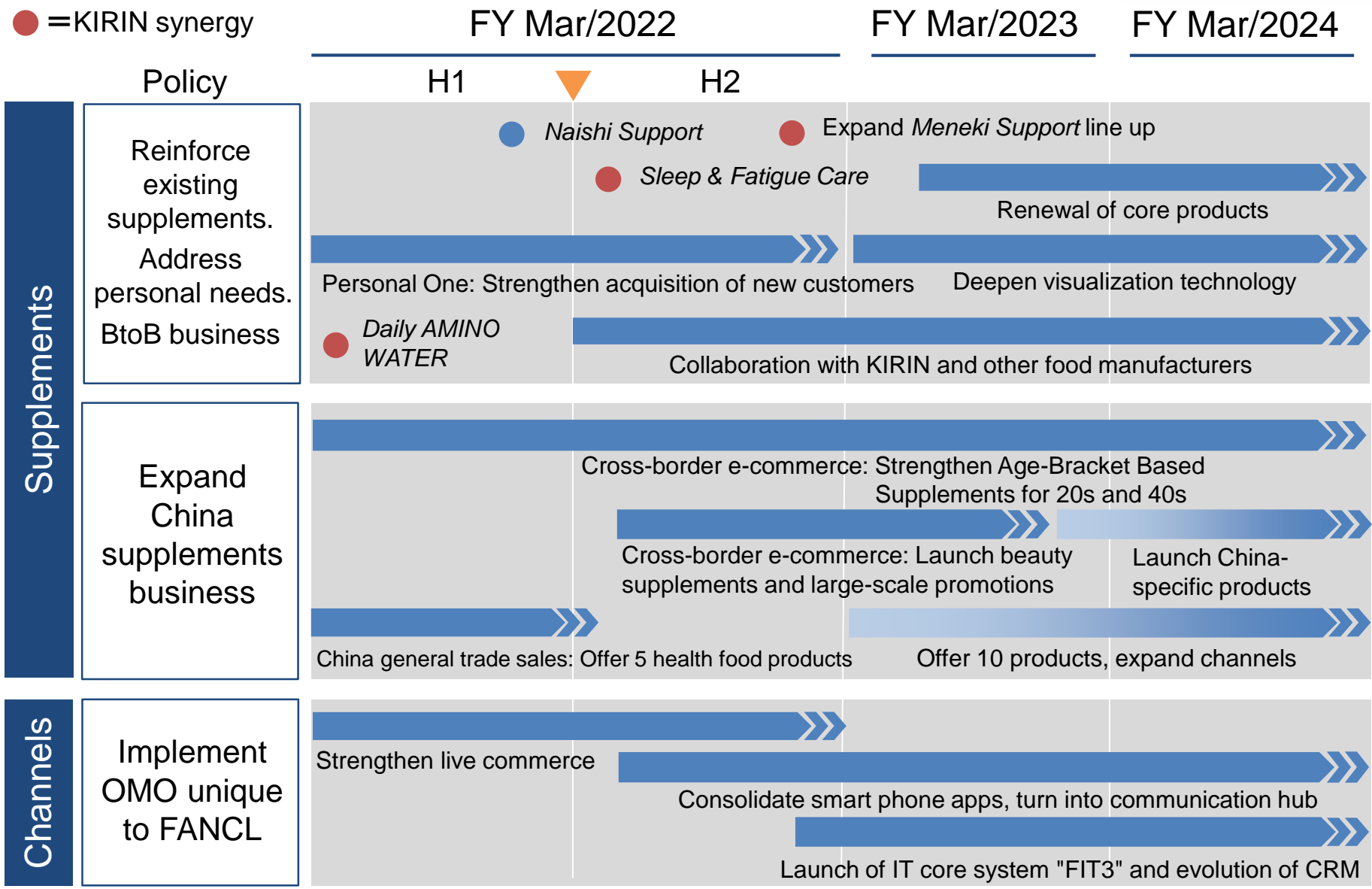
● =KIRIN synergy

		FY Mar/2022		FY Mar/2023	FY Mar/2024
Policy		H1	H2		
FANCL Cosmetics	Brand diversification		<ul style="list-style-type: none"> ● BRANCHIC ● Beauty BOUQUET 		Launch BRANCHIC on cross-border e-commerce
	Launch highly effective products	● ENRICH+	<ul style="list-style-type: none"> ● MILD CLEANSING OIL ● SIGNS EFFECTOR 		Renewal of one Basic Skin Care line per year
ATTENIR	Shift from domestic to global brand	● Dress snow			
			Expand basic skin care users		
			Cross-border e-commerce: Launch products that meet overseas needs		Start of China general trade sales
bocssia	Growth in U.S. and other overseas markets		U.S.: Redesign of owned e-commerce site		
			Strengthen presence in Europe, Australia	Strengthen digital marketing	
			Open China Tmall flagship store		
				Strengthen initiatives with leading retailers in each country	

FORWARD 2023 – Progress update

正直品質。

● =KIRIN synergy



Cosmetics Business

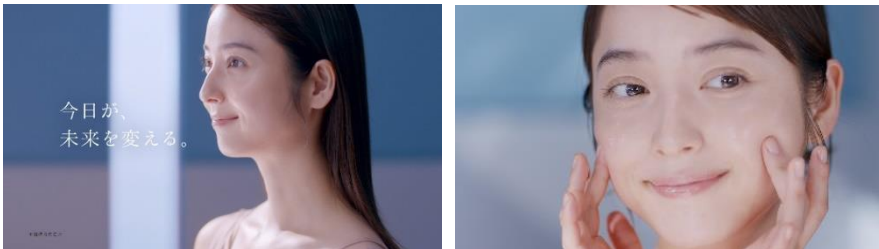
ENRICH+

Leverage renewal to strengthen promotion



TV ad

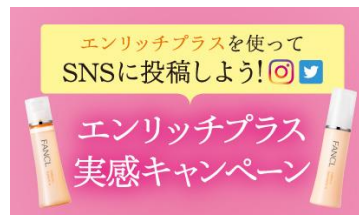
New TV ad airing nationwide from September 16



“Even on busy days, even with sensitive skin, this is a product I can keep using.”

Review post campaign

- Generating interest and buzz through real customer reviews



SIGNS EFFECTOR

Aim to increase serum users



On sale Dec. 16
¥7,480 (incl. sales tax)



A Mutenka serum that improves wrinkles
Focused approach to the key elements of the skin's elasticity

◀ The second in a series of highly functional products following *CORE EFFECTOR*

SIGNS COMPLEX

Focused approach to the key elements of elasticity that support the skin

Niacinamide

Improves wrinkles

Firming formulation

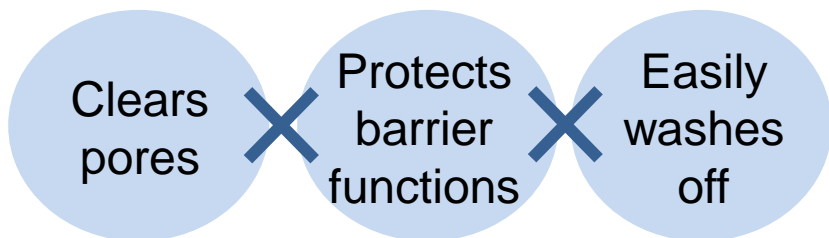
Provides moisture and elasticity

"The ultimate in skincare cleansing", combining removal and protection.



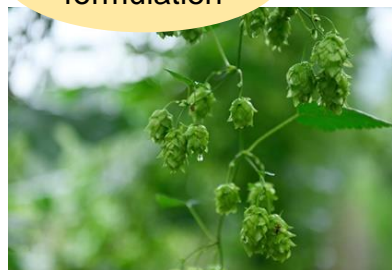
On sale Nov. 18 ¥1,870 (incl. sales tax)

Key points of renewal



Joint research with KIRIN

New formulation



よろこびがつなぐ世界へ



Succeeded in converting Kirin's "Matured Hop Extract" into a cosmetic raw material through joint research (patent pending)

Efficient and thorough pore cleansing

Before

Works effectively on **skin sebum**, **one of the elements** that clogs pores

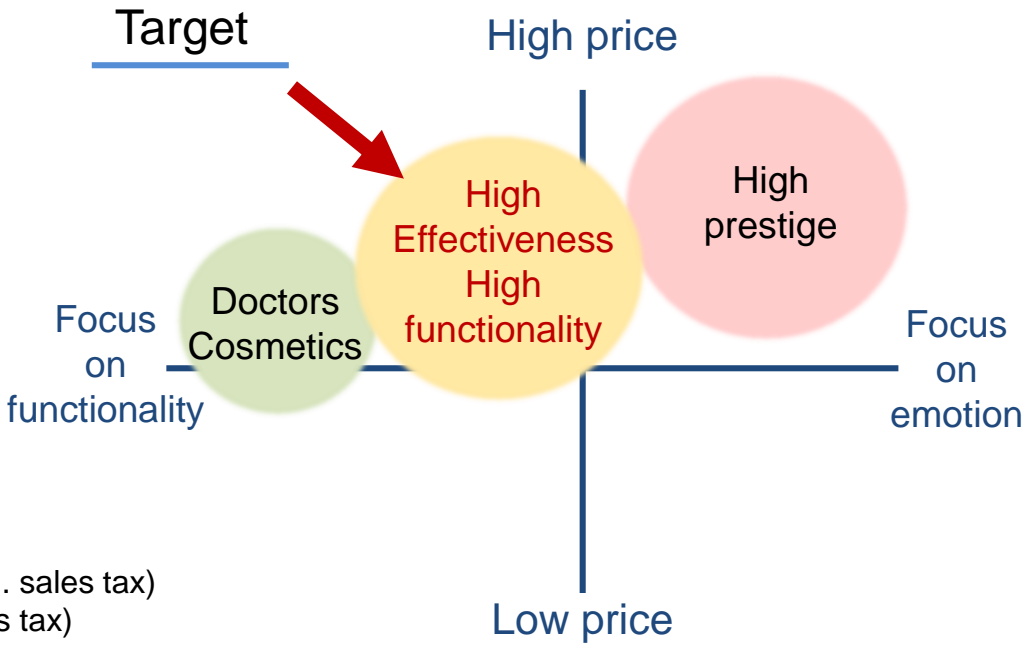
After renewal

Works effectively on **keratin**, the **main element** that clogs pores

Promotion

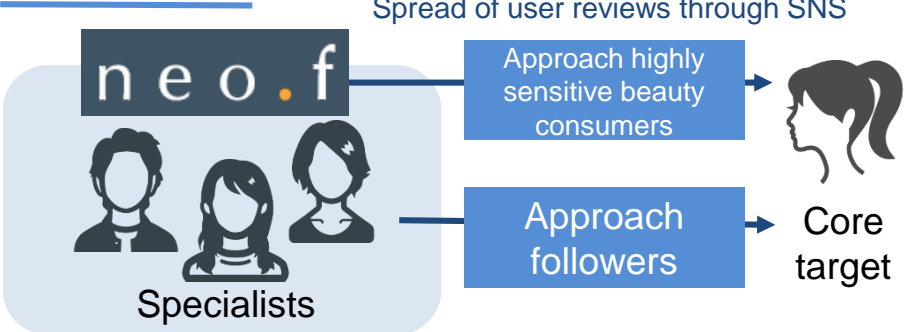
TV ads, and promotions utilizing influencers

World's first anti-aging product based on Merkel Cell activation



- On sale Oct. 1
- SWITCH MAXIMIZER (Facial cleanser) ¥5,060 (incl. sales tax)
 - SWITCH SHOT (Beauty Serum) ¥18,150 (incl. sales tax)

Promotion



Sales channels

- Domestic: E-commerce (focused on subscriptions)
- Overseas: FY Mar/2023 and beyond: Planning expansion into China cross-border e-commerce

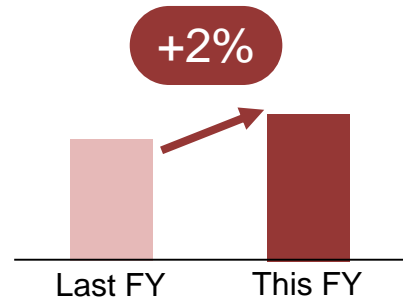
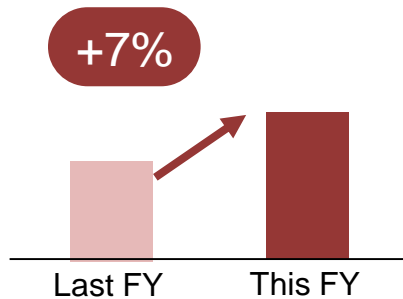
Domestic *Dress snow* performing strongly.
Basic skin care usage rate up 7%



Launched April 2021
A "dual-effect" skincare line that simultaneously achieves **brightening** and **wrinkle improvement**

Basic skin care usage rate

Purchase amount (LTV)



Future initiatives

Aiming to further increase basic skin care usage rates, focusing on *Dress snow* and *Dress lift* (anti-aging care line).

Over-seas Develop *Eye Extra Serum* into second pillar product



◀ **SKIN CLEAR CLEANSE**
Remains strong



◀ **Eye Extra Serum**
Develop into 2nd pillar



- SANTA from INTO1 appointed as Asia ambassador
Contract period: Aug. 24 to Nov. 24, 2021
- Live commerce



- SNS (video content)

Future initiatives

Launch a limited-edition product pack for W11, aiming to achieve product recognition and expansion of sales

Health Business

Naishi Support

Strengthen promotions, with
“Reducing belly fat” as the key message



TV ad New TV ad airing nationwide starting Nov. 1

Aiming to attract new female users



Barrier & Release Manufacturing method

Proprietary technology designed to dissolve each ingredient in the right place in the body (patent pending)

Meneki Support

Develop strategic targets and expand lineup



An immune-specific supplement with *Lactococcus lactics* strain Plasma and vitamin D that works to trigger the immune system into action

Appeal

Supporting daily physical condition management

Strategic target

Financially responsible adults in their 30s to 50s who want to maintain good physical condition and health at all times

Product

Expansion of product line up

Sleep & Fatigue Care

Clear appeal of dual functionality addressing both sleep and fatigue



Crocetin

Reduces fatigue when you wake up



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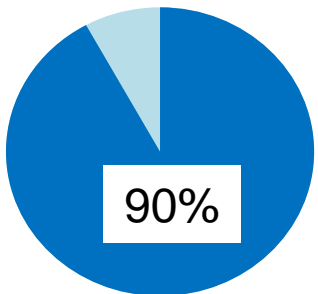


L-Ornithine Monohydrochloride

Improves sleep quality
Developed by KYOWA HAKKO BIO

Launch: Oct. 20
¥3,240 (incl. sales tax)

Fatigue related needs



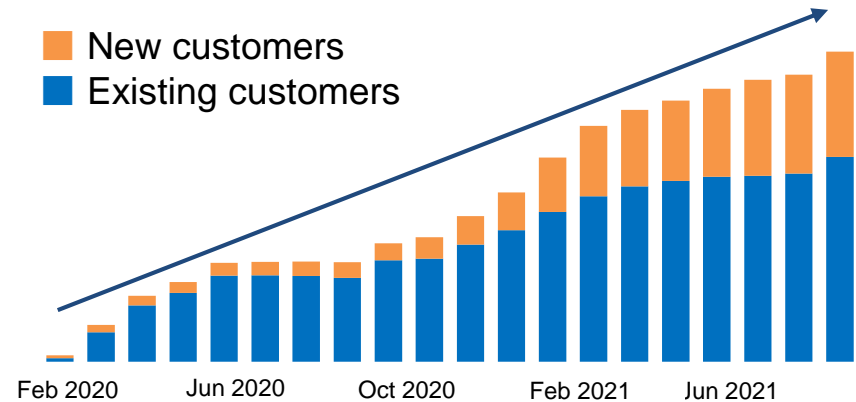
(FANCL survey n=600)

- 90% of survey respondents said they spend at least 2 to 3 days a week feeling tired
- Market size: over ¥80 billion (Always a top need)

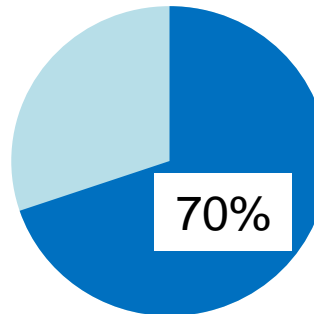
Personal One

Strong new customer acquisitions

Trend in customer numbers (subscription)



Test results for subscription customers



(FANCL survey n=287)

70% saw an improvement in nutrient levels compared to before starting Personal One

China Supplement Business: Growth Strategy

Grow through both cross-border e-commerce and general trade sales, but focus on cross-border e-commerce for the time being

General trade sales



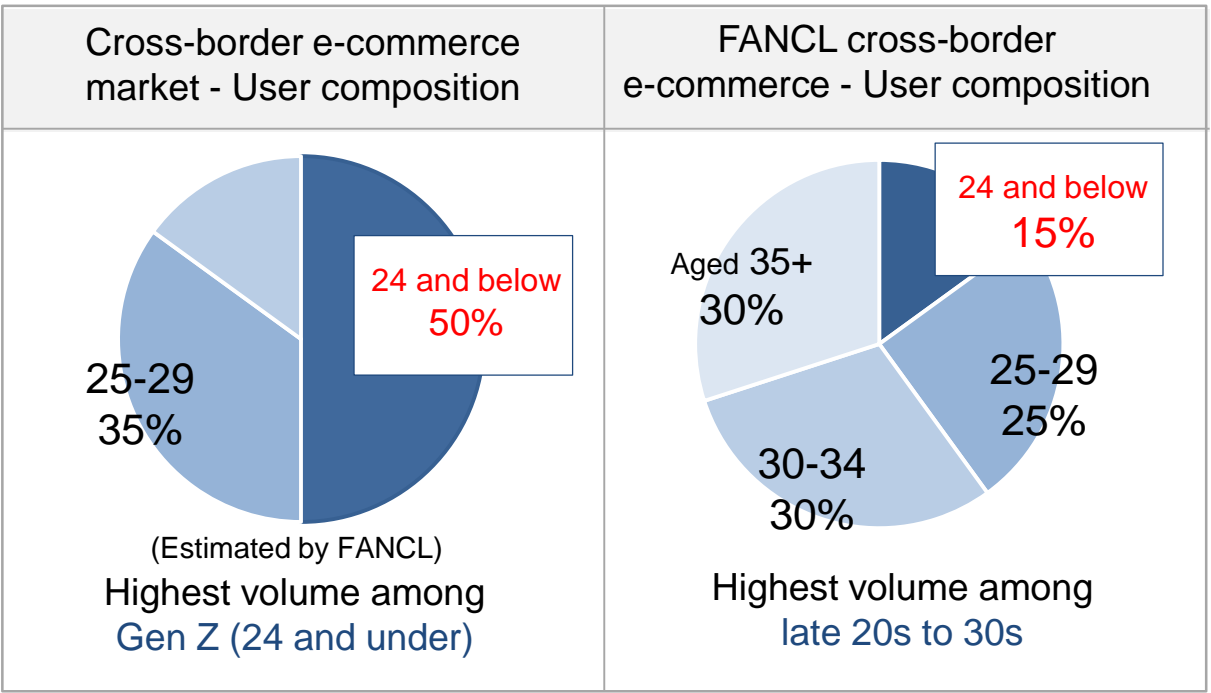
Completed registration of 5 product items
 ▶ Steadily expanding sales channels



Additional 9 products
 ▶ Facing screening difficulties
 Unlikely able to launch sales this year

Cross-border e-commerce

Expand user age range, further accelerate growth



Much more room to grow in Gen Z (24 and under) age group

China Supplement Business: Cross-border e-commerce / marketing strategy

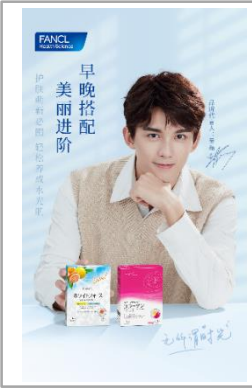
Cross-border e-commerce Expand user age range, further accelerate growth

Marketing strategy Further strengthen cooperation with Sinopharm International

Beauty Supplements



Launched in July 2021
Aimed at acquiring Gen Z customers
▶ Develop into second pillar product



Leo Wu

Approx. 45 million followers on Weibo

- Live streaming on own flagship stores
- Jelly intro video
- Ads on public transport, etc.

Age Bracket-Based Supplements for women in their 40s



Successfully expanded user base through strengthened promotions
▶ Sales +87% YoY

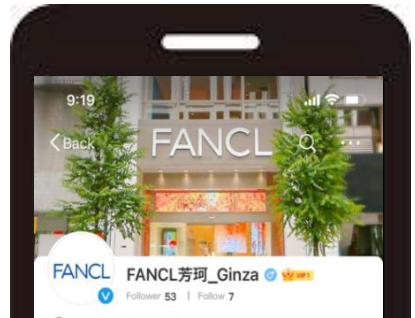
Steps in product development



- Educate public about lesser-known products
- Communication in a style that only we can do as brand owners
▶ Centered on **FANCL**
- Aggressive promotion of products with high recognition and demand in China
▶ Centered on **Sinopharm International**



Weibo Japan official account



Research and technology and commitment to craftsmanship

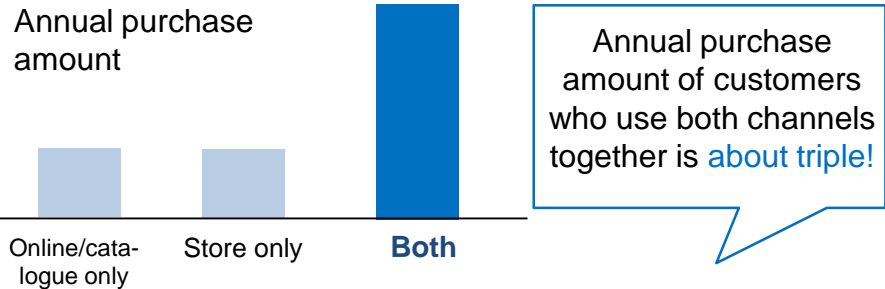
Channel

OMO unique to FANCL

Consolidate smartphone apps for online/catalogue and stores to improve value of customer experience

Background of efforts to improve value of customer experience

Annual purchase amount



Annual purchase amount of customers who use both channels together is **about triple!**

Improving value of customer experience is highly important

Consolidation of smartphone apps

Online/catalogue customers' Shopping App



Release: Oct. 20

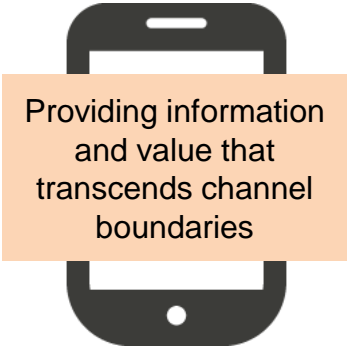
NEW
Consolidated App

Store customers' Members App



Utilize as a new communication hub

Features of new Members App



- Counselling
- AI skin diagnosis
- Live commerce
- Online events
- Co-creation marketing

Improving purchase opportunities through convergence of channels

AI Personal Skin Diagnosis

A non-contact counselling service



Image of analysis results ▶



▲ Service intro page

Featuring attractive new content

Strengthening engagement through speedy web-based information distribution

Newly established
March 2021

FANCL CLIP

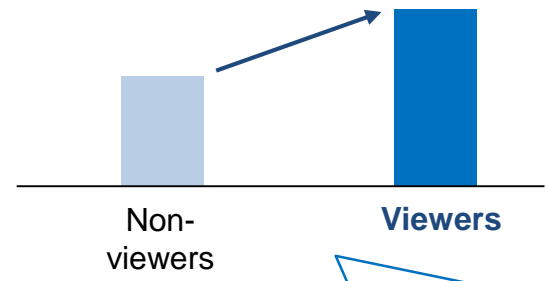
Before Communication was centered on catalogues.
5 months was needed to create a catalogue



Dramatic changes in customer awareness and purchasing behavior amid COVID-19 pandemic

Now Strengthened WEB-based communication
Enabling a fast response to customer changes

Purchase amount (LTV)



Purchase amount of customers who view FANCL CLIP is 1.6 times higher!

Beauty and Health Information



Co-creation and participation

“Win a prize by participating in the survey!”
“Urgent survey on ENRICH+”

Seeking survey respondents



Corporate information

Introducing FANCL's SDGs course with high school students!



SDGs

Establishment of Sustainability Committee

Positioning sustainability at the core of management and responding with a sense of urgency

Three key themes

Environment

- Addressing climate change
- Reducing CO₂ emissions and Energy consumption
- Reducing plastic usage
- Ensuring sustainable procurement

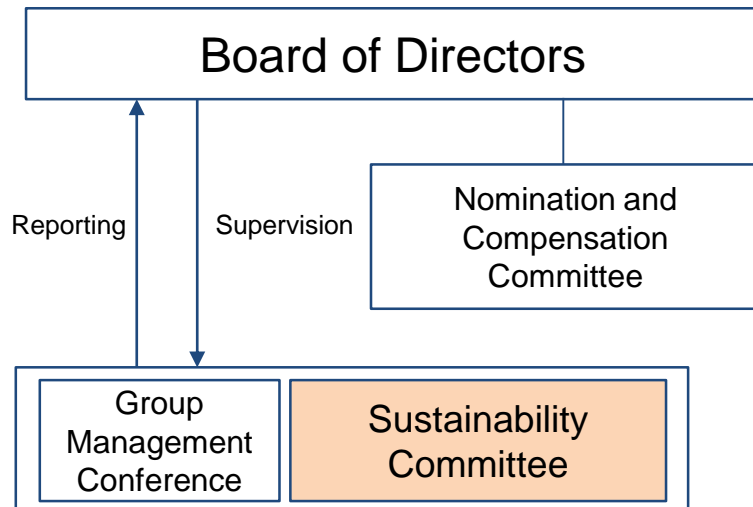
Healthy Living

- Initiatives to extend healthy life expectancy
- Addressing basic nutritional needs
- Initiatives to improve QOL

Local Communities and Employees

- Promoting Diversity and Inclusion
- Contributing to the local community
- Evolve educational seminars on beauty and health

Sustainability Committee structure



- Committee Chairperson
President and Representative Director
- Members
Directors
Audit & Supervisory Board Members
Executive Officers
- Frequency of meetings
About 4 times a year

Future Agenda Items

- Sustainability Policy and overall strategy
- Information disclosure in accordance with TCFD
- Introduction of renewable energy
- Container collection and recycling
- Promotion of diverse human resources etc.

