

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

1. Your overall sales were below the H1 target, but online and catalogue sales, which are thought to be not impacted by the COVID-19 pandemic, were also below their target. Can you explain this situation?

⇒Sales fell short of the plan by just under ¥1 billion. We had expected the impact of COVID-19 to be a little more subdued, but there was a significant decrease in opportunities to use cosmetics due to calls for restraint from going out. In addition, there was a greater impact than expected from customers' reluctance to buy *Enrich* and *Naishi Support* prior their renewals.

2. You explained the reason for the decline in H1 sales was due to people holding back from purchasing certain products before their renewal. How are sales going after these renewals?

⇒It was expected that sales of those products would slow prior to their renewal, but the recovery from that slowdown has been weak, which is something that we need to reflect on.

Regarding *Enrich*, we believe that we have created a very good product. We have already launched TV commercials and large-scale promotions, and are starting to see a good response from that.

We have completed our renewal of *Naishi Support*, but large-scale promotions are not launching until November, so we have high expectations for a recovery starting from then. The TV personality who we are using for the TV commercials is very well liked, and we feel we have made a great commercial.

MILD CLEANSING OIL is our biggest selling product. Sales during H1 were difficult due to the lack of promotions, but we plan to invest in advertising in H2 and have high expectations for sales.

3. Is it correct to assume that in H2 you will maintain the policy of investing in necessary advertising while managing expenses, as you did in H1?

⇒Sales conditions may be somewhat tough depending on changes in the environment. However, for advertising in particular, we plan to use ¥1.8 billion more in H2 than in

H1, and ¥1.0 billion more than the previous fiscal year, and our intention is to generate a profit by leveraging this advertising.

4. Regarding the China supplement business, you said that there have been difficulties with applications for nine additional health food products, making it difficult to launch them within this year. Despite this, you have upwardly revised the sales plan for the China supplement business for the full year. Can you explain the background to this?

⇒While we would like to significantly increase health food product sales, there is still room for expansion of cross-border e-commerce sales. In addition to *Age-Bracket Based Supplements* and *Collagen*, we believe that *Calolimit*, *Enkin*, and *Naishi Support*, which are selling well in Japan, have the potential to sell even better. By working hard to boost their sales, even if we are unable to achieve the level of health food product sales that we had originally planned, three years from now we hope to exceed our plan of reaching ¥6 billion in sales for the China supplement business, and we are working hard towards this goal together with Sinopharm International.

5. What are the reasons behind the strong performance of cross-border e-commerce sales of ATTENIR products and China supplements?

⇒ATTENIR's core product, *SKIN CLEAR CLEANSE OIL*, performed extremely well, and we also saw growth in the water-based formulation *SKIN CLEAR CLEANSE AQUA*, which was launched in May. We have been using high profile KOLs to strengthen promotions on social networking services such as WeChat. In addition, we saw success in sales of limited edition sets unique to China during the 6.18 and W11 sales periods.

In supplements, successful collaboration with China Sinopharm International has led to the establishment of a system in which we are actively involved in marketing, such as producing TikTok videos for the W11 sale from here in Japan and providing them to the local market.

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