

FANCL

正直品質。

FANCL Group Financial Results Briefing

For the period April 1, 2021 to December 31, 2021

2022/1/28

Financial Highlights

Results by segment

(After adoption of revenue recognition standard)

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(Millions of yen)	Q3 of FY to March 2021 (Oct.-Dec.)	Q3 of FY to March 2022 (Oct.-Dec.)	Change YoY	Nine-month period of FY to March 2021	Nine-month period of FY to March 2022	Change YoY
Sales	29,261	29,039	(0.8%)	79,163	78,916	(0.3%)
<i>Cosmetics</i>	16,246	16,366	+0.7%	43,975	44,611	+1.4%
<i>Nutritional supplements</i>	10,940	10,813	(1.2%)	28,935	29,273	+1.2%
<i>Other</i>	2,074	1,859	(10.3%)	6,252	5,031	(19.5%)
<i>Hatsuga Genmai</i>	537	516	(3.9%)	1,544	1,526	(1.2%)
<i>Kale Juice</i>	626	621	(0.8%)	1,726	1,601	(7.2%)
Operating income	3,807	3,255	(14.5%)	8,686	8,426	(3.0%)
Ordinary income	3,858	3,329	(13.7%)	8,844	8,888	+0.5%
Net income	2,585	2,421	(6.3%)	6,159	6,492	+5.4%

Sales breakdown (Millions of yen)		3Q (3-month period)		Sales breakdown (9-month period)	
Results by cosmetics brand	<i>FANCL</i>	12,164	+0.3% (Domestic-0.3%, overseas+7.6%)	32,436	-0.8 % (Domestics-1.7%, Overseas+9.4%)
	<i>ATTENIR</i>	3,579	+7.2%	10,583	+15.9%
	<i>boscia</i>	265	-56.3%	794	-51.2 %
Nutritional supplements		10,813	-1.2% (Domestics-5.9%, Overseas+44.0%)	29,273	+1.2 % (Domestics-2.9 %, Overseas+43.6%)

Q3 sales analysis, and status of new customer acquisitions

Q3 (Oct.-Dec.) Domestic consumer sales

*Domestic consumer sales=Japan domestic sales excluding sales to inbound tourists.

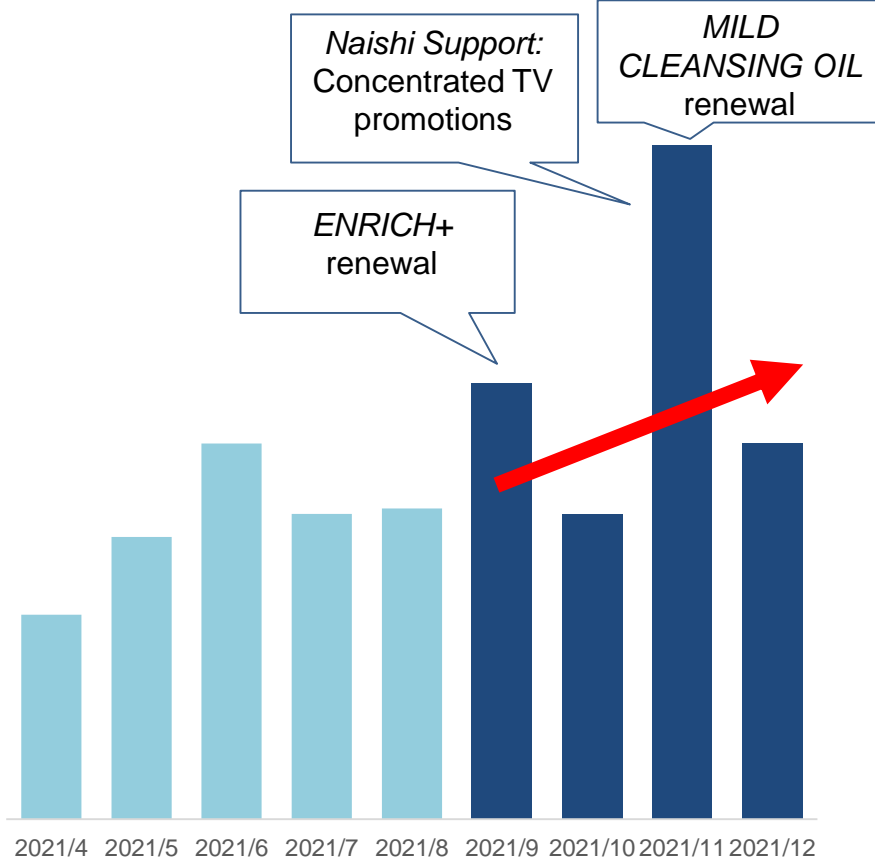
*FY Mar/2020 impact of sales tax hike factored in

	Versus FY Mar/2020	Versus FY Mar/2021
Domestic consumer sales	101%	98%
Direct sales	102%	100%
Online & Catalogue	106%	99%
Store	95%	102%
Wholesale sales	95%	90%

Previous period impacted by:
 (1) Implementation of point program
 (2) First year of sales of *CORE EFFECTOR*

Achieved same levels as FY Mar/2020, prior to the spread of COVID-19

Trend in new customer numbers



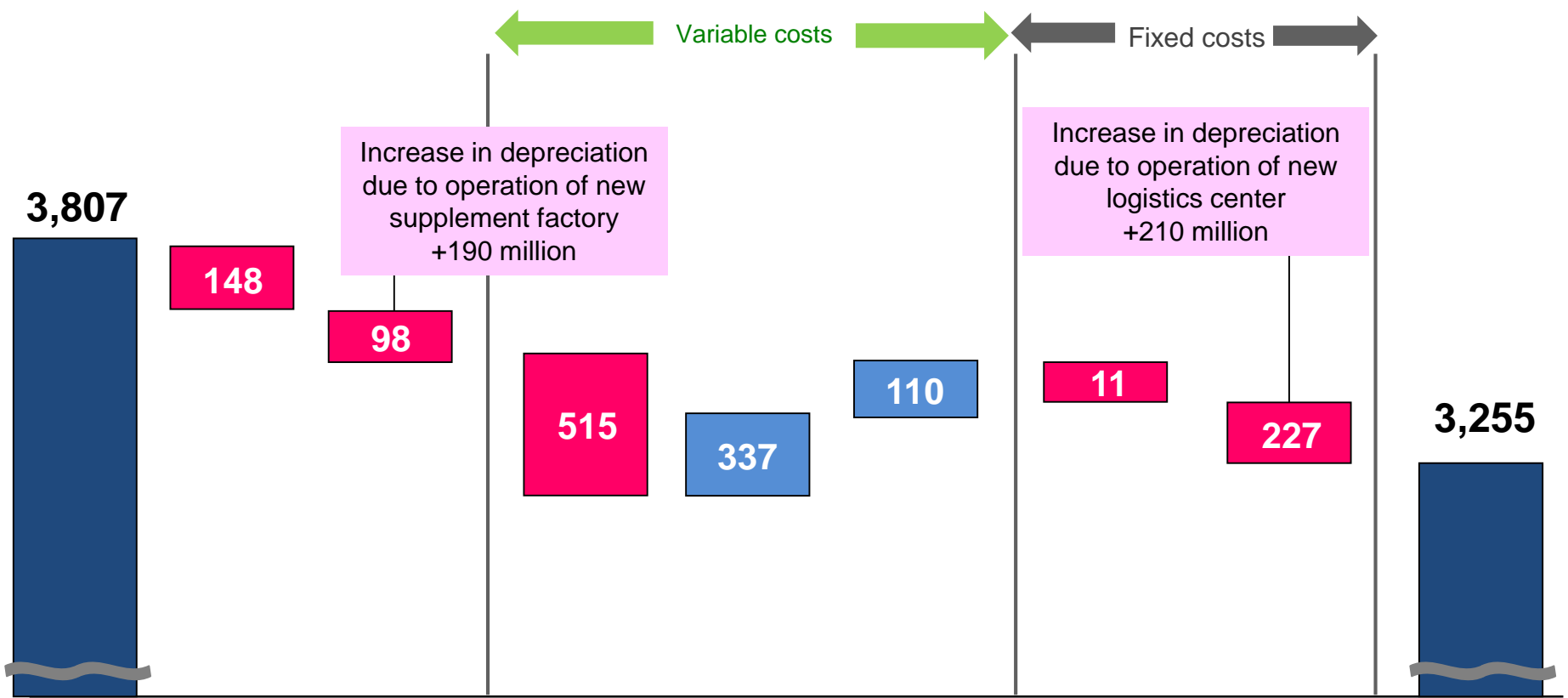
Shift to positive growth from September onwards
 120% compared to the average for Apr.-Aug.

Q3 (October-December) Analysis of change in operating income (After adoption of revenue recognition standard)

Results

Positive factors
 Negative factors

(Millions of yen)



FY Mar/2021
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

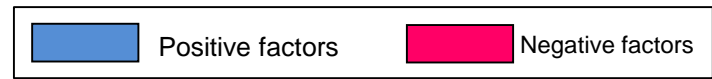
Personnel costs

Other fixed costs

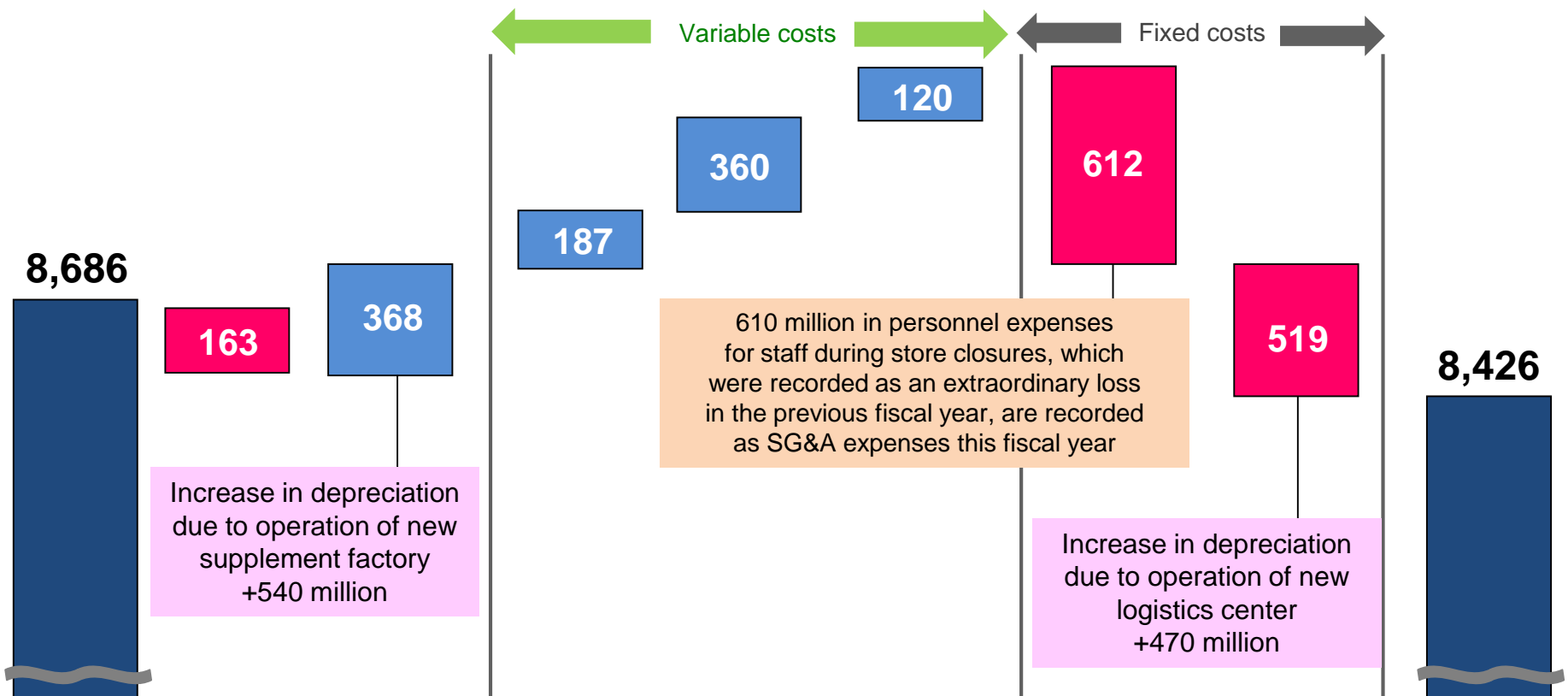
FY Mar/2022
Q3 (Oct.-Dec.)
Operating income

Q3 cumulative (April-December) Analysis of change in Operating income (After adoption of revenue recognition standard)

Results



(Millions of yen)



FY Mar/2021 **Nine-month period Operating income** 8,686
 Decrease in gross profit due to lower in sales -163
 Improvement in cost-of-sales ratio +368
 Advertising costs -187
 Sales promotions costs -360
 Other variable costs +120
 Personnel costs -612
 Other fixed costs -519
FY Mar/2022 **Nine-month period Operating income** 8,426

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	FY to March 2022 (Plan)	Change YoY
Sales		105,146	106,500	+1.3%
Cosmetics		59,221	59,630	+0.7%
Nutritional supplements		37,854	40,120	+6.0%
Other		8,071	6,750	(16.4%)
	Hatsuga Genmai	2,059	2,035	(1.2%)
	Kale Juice	2,270	2,115	(6.8%)
Operating income		11,576	12,000	+3.7%
Ordinary income		11,784	12,200	+3.5%
Net income		8,016	8,100	+1.0%

Sales breakdown (full year)

Results by cosmetics brand	FANCL	43,490	-1.5%(Domestics-1.9%, Overseas+2.6%)
	ATTENIR	13,920	+15.3%
	boscia	1,170	-48.1%
Nutritional supplements		40,120	+6.0%(Domestics+2.2%, Overseas+48.3%)

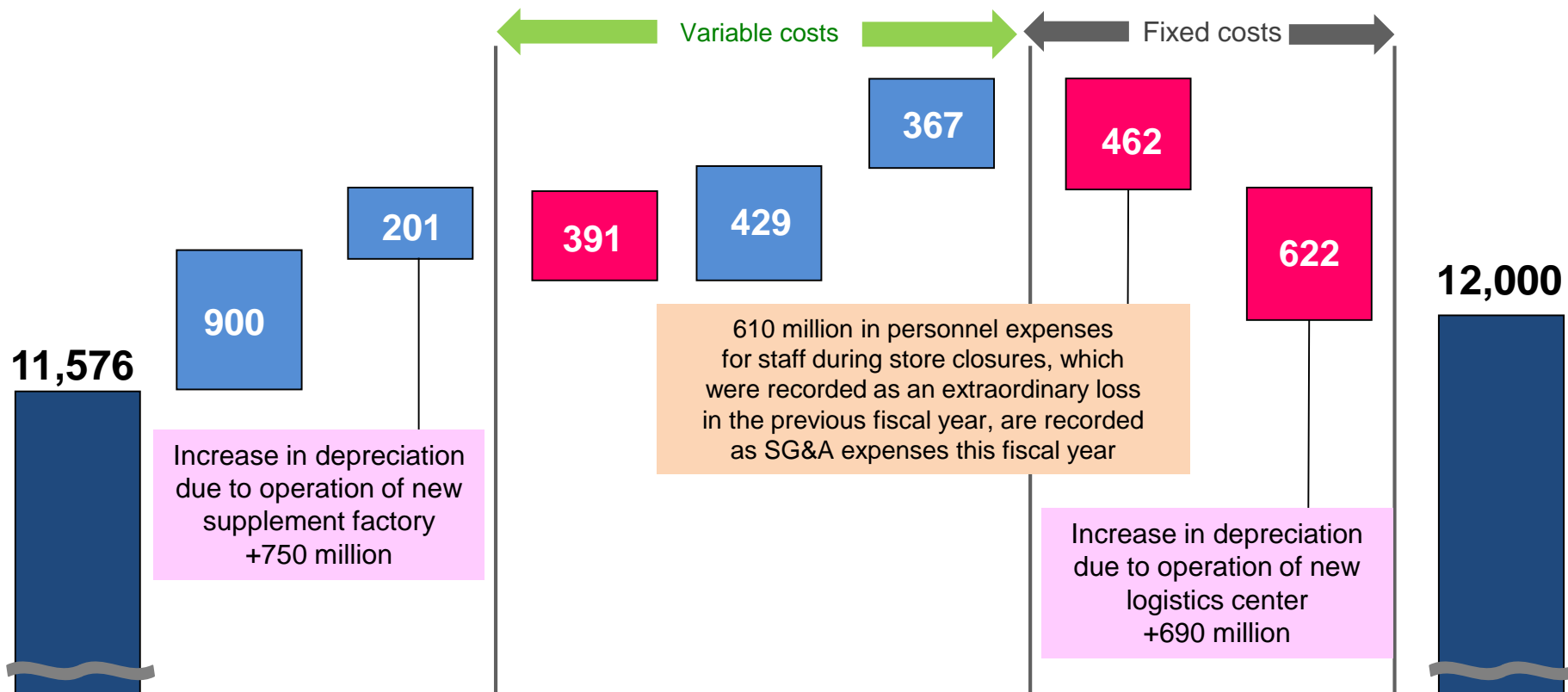
Assumption
FY Mar/2022 inbound
sales are not expected

FY Mar/2022: Analysis of change in operating income (After adoption of revenue recognition standard)

Plan

Positive factors
 Negative factors

(Millions of yen)



FY to March 2021

Increase in gross profit due to growth in sales

Improvement in cost-of-sales ratio

Advertising costs

Sales promotions costs

Other variable costs

Personnel costs

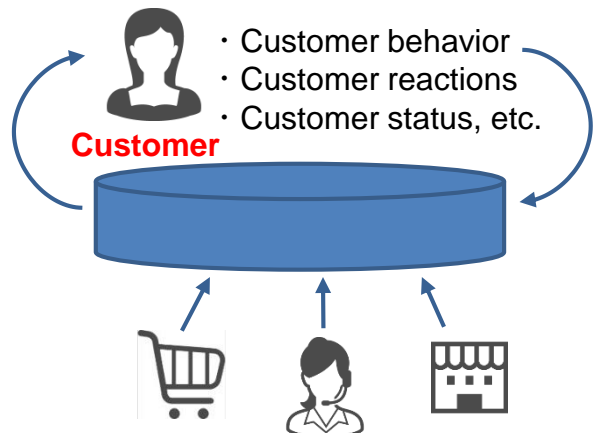
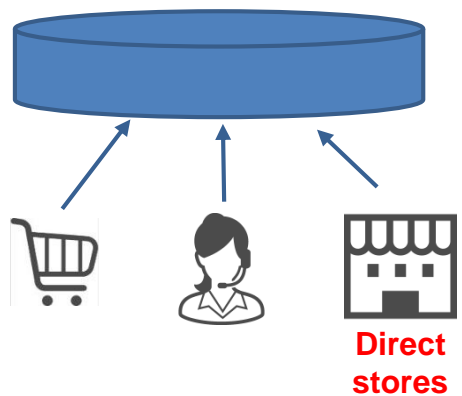
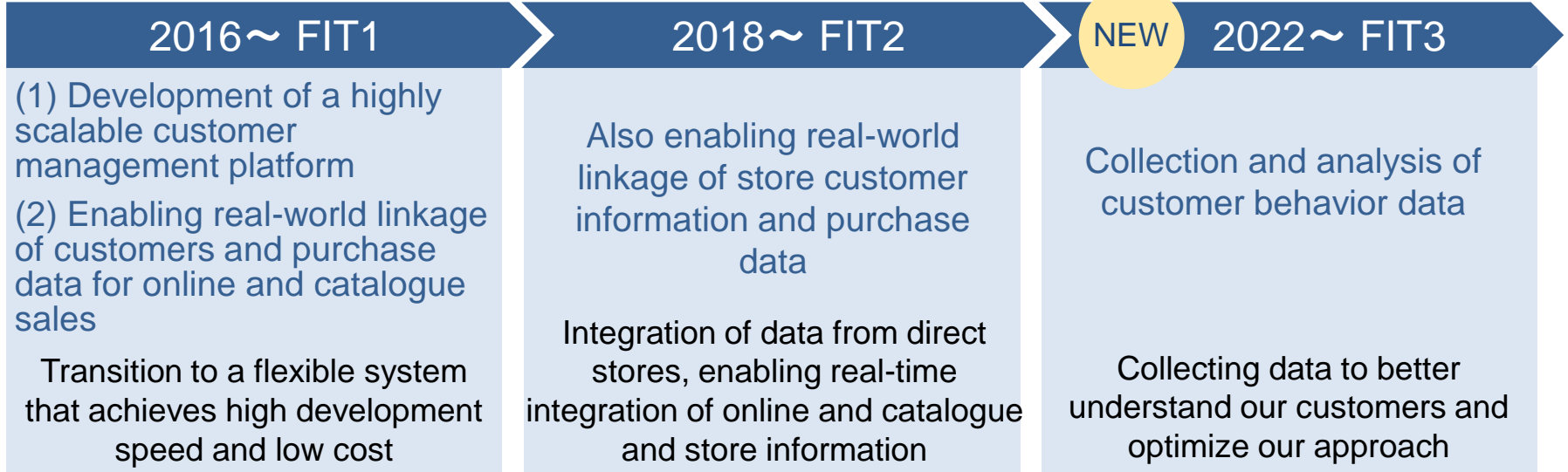
Other fixed costs

FY to March 2022

OMO Unique to FANCL

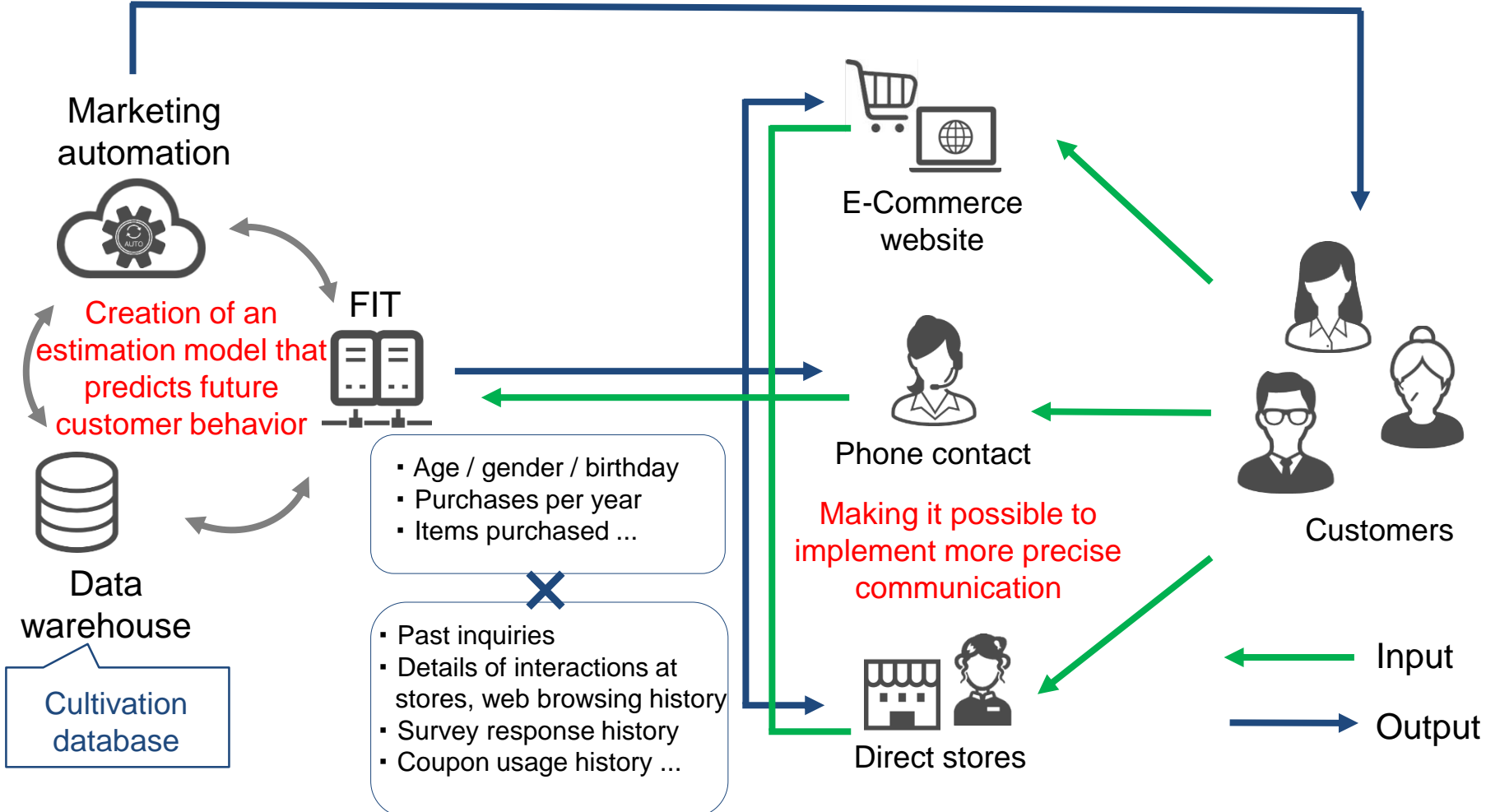
FIT concept

Implement a system to collect and utilize necessary data to better understand our customers



Accumulation of customer data at all points of contact to build strong connections

Enabling the right approach to be made at the right time



Cosmetics Business

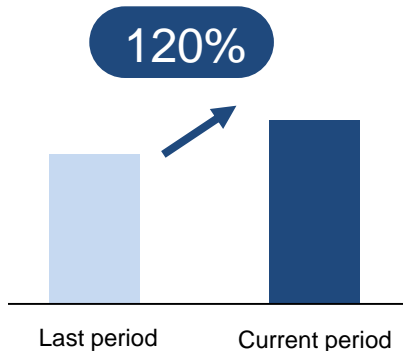
Focusing marketing investment on basic and cleansing products in H2

ENRICH+

Renewed
September 16



Number of new customers



Positive feedback on clear statements, i.e. "quasi-drugs" and "anti-wrinkle"

Strong growth among both new and existing customers

MILD CLEANSING OIL

Renewed November 18



Post renewal sales
124% YoY



Target

- Women in their 20s to 30s
- People concerned about their pores
- People who want effective skincare functions in their cleansing products

Promotion plan

- Promoting product understanding through spread of user testimonies via hashtag "#MyCleanserBareSkinTransformation"

Q4: TV commercial on air

Ongoing promotion to increase awareness and sales

Strong sales in Japan and overseas, with November the highest sales month on record

Japan

Trends in customer numbers

New customers

115%

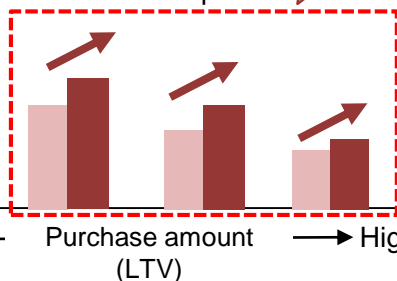
Last period Current period



Customers by value range

Last period Current period

Increase in high LTV customers



Launch of EYE WRINKLE SERUM



Launch: February 16, ¥3,740 (incl. sales tax)

Focusing on wrinkles in the outer corners of the eyes

A quasi-drug serum for the eye area that improves wrinkles

Overseas

W11

W11 special edition pack



Tmall Global Ranking

No. 1

(2 years running)

* Cleansing oil category

Future initiatives



▲ February launch of Chibi Maruko-chan collaboration bottle



▲ Develop eye area serum into second pillar

Health Business

Naishi Support

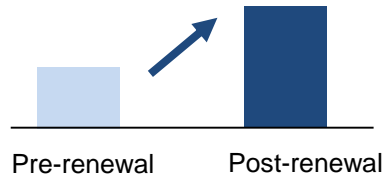
Strong new customer acquisitions
Improved retention rate



TV commercial on air

New customer numbers

160%

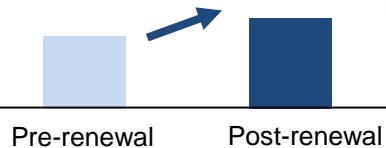


Target

- Men and women in 40s to 60s
- People busy with work and/or household chores who want to implement measures to improve their health.

Retention rate

+4%



Clearly stated claims of "reducing belly fat" and high rate of effectiveness

Increased retention rate

Sleep & Fatigue Care

More than 90% intend to continue
High rate of subscription based customers

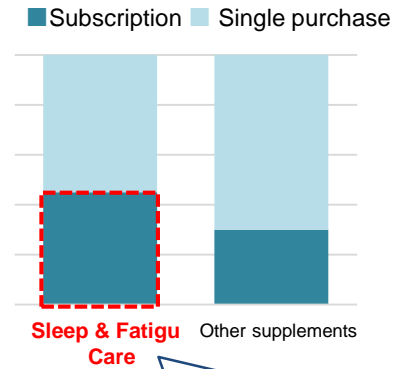
Purchaser survey



Those who wish to continue use
92%

(FANCL survey n=169)

Subscription rate at time of second purchase



Many users shift to subscription from their second purchase

Promotions



Launch of public transport ads and WEB videos

BRAINS

Effective in preventing brain function decline due to old age, and mental alertness



Launch: January 17
¥4,980 (incl. sales tax)

Bacopasaponin

- Helps middle-aged and older adults to maintain memory function

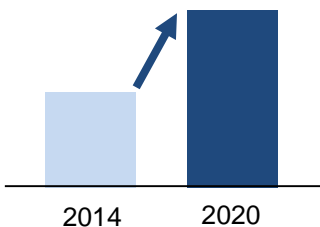


Matured hop bitter acids

- Helps maintain alertness, which tends to decline with age
- Temporarily relieves anxiety

Brain function supplement market

Doubled



- Higher growth rate than the overall supplement market
- Products that promote active lifestyles for seniors are expected to grow in the future

Meneki Support

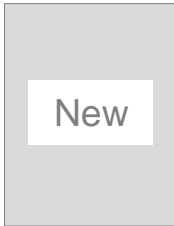
Expanded line up
Addressing a wide range of customer needs



Drink type
Launch: January 17
¥248 per bottle
(including sales tax)

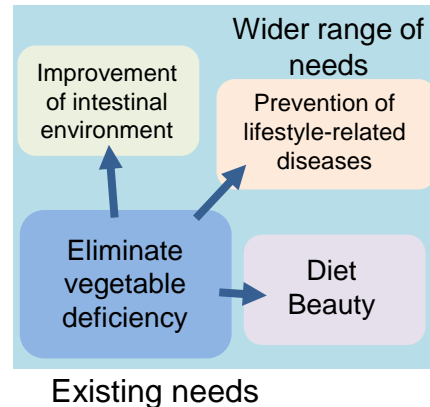
Japan's first!*
Addresses both **Immune function** and **Intestinal environment**.
Different dosage form type To be launched in March

*Based on research by FANCL
The first to be approved under food with functional claims system as effective for both "immune function" and "intestinal environment"



Kale Juice

Newly added health functions to expand Kale Juice users



Launch: February 17
30 pack
¥3,600
(incl. sales tax)



Launch: February 17
30 pack
¥4,200
(incl. sales tax)

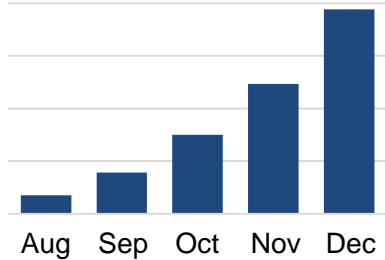
China Supplement Business: Marketing Strategy, Cross-border e-commerce / General trade sales

Marketing strategy Coordination between Japan side and Sinopharm International to strengthen delivery of information

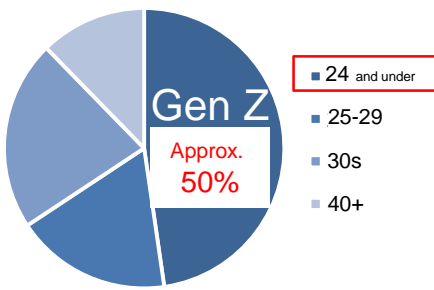
Weibo Japan official account



Trends in follower numbers



Followers by age group



We Chat



Developed mini program

China International Import Expo



Live streaming **89 million** viewers

Cross-border e-commerce Further acceleration of growth

W11

Tmall Global ranking: **7th**
(Last year: 9th)



General trade sales Aiming for earliest possible registration

Current situation and challenges we face

Using formulations for which no precedent exists in China, causing prolonged review times

Simultaneous development of different formulations while waiting for review results

ESG

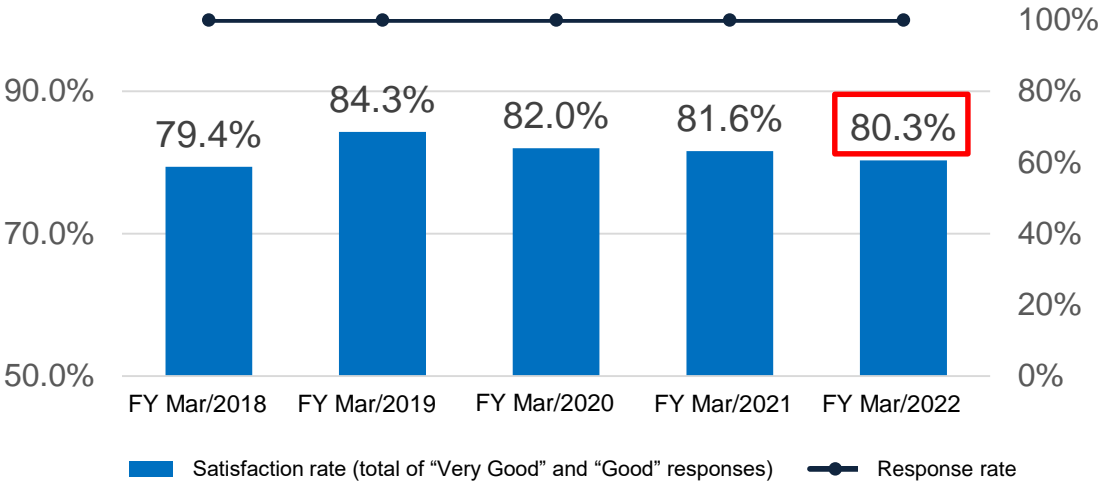
Results of employee engagement survey

Maintained a high satisfaction rate of 80.3% despite prolonged impact of COVID-19 pandemic

Conducted once a year for to monitor management attitudes and employee engagement.

- From the current fiscal year, we have adopted a performance-linked stock based compensation plan as a medium-term incentive in executive compensation, which links compensation to the degree of achievement of non-financial indicators.
- The results of the employee engagement survey (evaluation questionnaire to management-level employees) are set as one of the non-financial indicators.
(The average satisfaction rate for the three years from FY Mar/2022 to FY Mar/2024 was above 80%.)

Results of employee engagement survey



Question themes	
1	Pay
2	Job, division
3	The future of FANCL
4	Working at FANCL
5	Workplace relationships
6	Management team attitudes

Work from the same perspective as our shareholders to realize VISION 2030

Outline of the program

Purpose	Enhance employee benefits and motivation to work on improving corporate value from the same perspective as shareholders.
Target	All employees who are enrolled in the FANCL Employees Share Holding Association
Number of shares to be granted	355,600 shares of common stock of the Company* *Treasury stock held by the Company will be allocated to the Share Holding Association.
Share price	3,000 yen per share (tentative; fixed at the closing price on January 27)
Period of restriction on transfer	Approximately 5 years (June 1, 2027)

Note: "Number of shares granted" is the maximum value and will be determined depending on the number participating in the Share Holding Association and the number who agree to the plan (maximum 3,556 members).

