

FANCL CORPORATION FY Mar/2022 Q3 Financial Results Briefing Q&A Session Summary

1. How were market conditions in Q3 (October to December)? Can you please tell us about January as well.?

⇒Retail stores showed signs of recovery, particularly in the second half of November, with strong sales of our renewed *MILD CLEANSING OIL*. This upward trend continued into December, but sales have weakened with the emergence of Omicron and introduction of quasi-state of emergency restrictions. We expect stores will continue to face difficulties for some time. We launched a free shipping policy for online and catalogue channels in mid-January and hope to make up for the decline in store sales through these channels.

2. ATTENIR is performing steadily. Do you have any plans to focus on ATTENIR to further strengthen business performance?

⇒ATTENIR is experiencing rapid growth this fiscal year. In addition to the success of *Dress snow* and the strong performance of external online and catalogue platforms, cross-border e-commerce sales grew 70% year-on-year in Q3 and are expected to reach ¥1.7 to ¥1.8 billion for the full year. We will continue to strengthen investment in this area.

3. I understand that you will be allocating marketing spending in Q4 with priority on increasing sales, however do you intend to achieve your full-year operating profit target of ¥12 billion yen through controlling costs?

⇒We would like to achieve our full-year operating profit target. We will continue to strengthen advertising and promotion as we saw some positive signs with strengthened advertising and promotion in Q3 and we do not believe it is the right time to relax these efforts.

4. Since July, we have heard that other companies are not able to advertise as much as they would like due to revisions to the Specified Commercial Transactions Act and Pharmaceutical and Medical Device Act. How does this affect the online and catalogue business?

⇒There is no impact at all. We have set up a committee to evaluate the current situation in regard to advertising, with a focus on supplements. Even as laws and regulations become stricter, we are not experiencing any issues.

5. What are the growth drivers for the next fiscal year?

⇒In the Cosmetics business, we continue to have high expectations for ATTENIR. FANCL Cosmetics experienced growth through our wholesale channel this fiscal year making further growth challenging, but we hope to make up for this with new products that we can proactively expand. This fiscal year boschia's sales dropped to half of the previous fiscal year's level but are expected to turn positive in the next fiscal year. In supplements, we expect our wholesale channel to recover as the impact of advertising carried out in H2 will become apparent in the upcoming fiscal year. We also expect China cross-border e-commerce will continue to grow through promotions centered on social media platforms such as Weibo and WeChat.

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