

# FANCL

正直品質。

## FANCL Group Financial Results Briefing

For the period April 1, 2021 to March 31, 2022

May 10, 2022

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# Financial Highlights

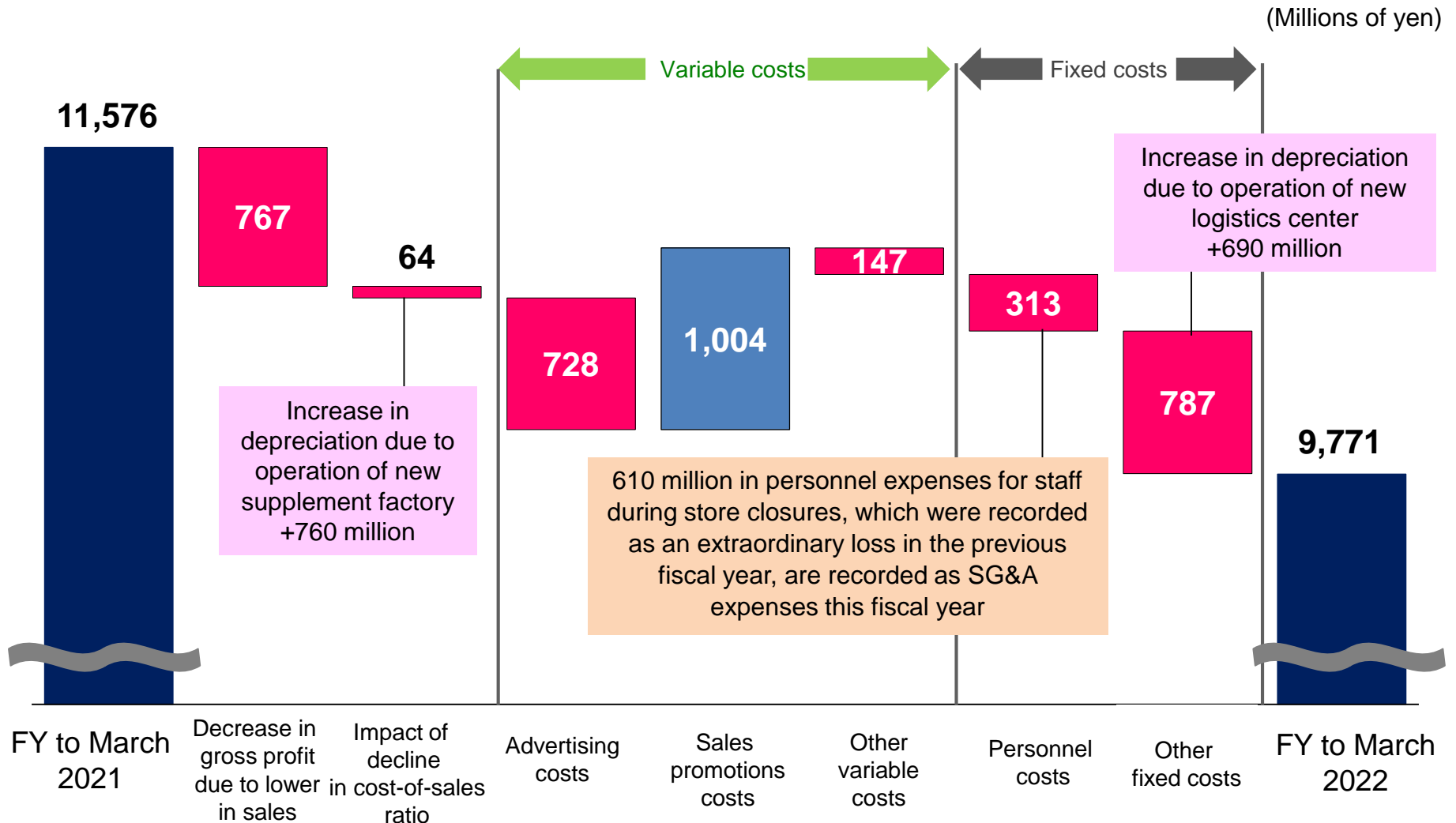
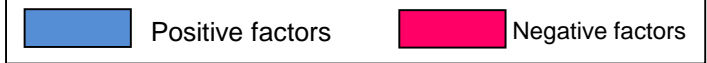
(Millions of yen)	FY to March 2021	FY to March 2022	Change YoY
Sales	105,146	103,992	(1.1%)
<i>Cosmetics</i>	59,221	58,809	(0.7%)
<i>Nutritional supplements</i>	37,854	38,471	+1.6%
<i>Other</i>	8,071	6,710	(16.9%)
<i>Hatsuga Genmai</i>	2,059	2,056	(0.1%)
<i>Kale Juice</i>	2,270	2,110	(7.0%)
Operating income	11,576	9,771	(15.6%)
Ordinary income	11,784	10,401	(11.7%)
Net income	8,016	7,421	(7.4%)

## Sales breakdown (full year)

Results by cosmetics brand	<i>FANCL</i>	42,758	-3.2% (Domestic:-3.7%, Overseas:+2.2%)
	<i>ATTENIR</i>	13,797	+14.3%
	<i>boscia</i>	1,161	-48.5%
Nutritional supplements	38,471	+1.6% (Domestic: -2.6%, Overseas: +48.5%)	

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

## Results



# Advertising expenditure and customer acquisitions

Online and Catalogue channel: Trends in advertising expenditure and customers from FY Mar/2021 onwards (YoY Change)

	①			②
	FY Mar/2021 H1	FY Mar/2021 H2	FY Mar/2022 H1	FY Mar/2022 H2
Advertising expenditure	68% ↓	82% ↓	72% ↓	122% ↑
New customer acquisitions	90% ↓	71% ↓	69% ↓	123% ↑
Overall customer numbers	108% ↑	99% ↓	85% ↓	107% ↑

- ① Unable to advertise aggressively due to COVID-19 pandemic, resulting in decrease in number of new customers acquired.
- ② Aggressive investment in advertising to coincide with renewal of core products and launch of new products.  
Increase in number of new acquisitions led to increase in overall number of customers

# Full year outlook

# Outlook of FY to March 2023

# FANCL

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(Millions of yen)	FY to March 2022	FY to March 2023 (Plan)	Change YoY
Sales	<b>103,992</b>	<b>111,000</b>	<b>+6.7%</b>
<i>Cosmetics</i>	<b>58,809</b>	<b>61,780</b>	<b>+5.1%</b>
<i>Nutritional supplements</i>	<b>38,471</b>	<b>42,010</b>	<b>+9.2%</b>
<i>Other</i>	<b>6,710</b>	<b>7,210</b>	<b>+7.4%</b>
<i>Hatsuga Genmai</i>	<b>2,056</b>	<b>2,180</b>	<b>+6.0%</b>
<i>Kale Juice</i>	<b>2,110</b>	<b>2,270</b>	<b>+7.5%</b>
Operating income	<b>9,771</b>	<b>11,100</b>	<b>+13.6%</b>
Ordinary income	<b>10,401</b>	<b>11,250</b>	<b>+8.2%</b>
Net income	<b>7,421</b>	<b>7,700</b>	<b>+3.8%</b>

## Sales breakdown (full year)

Results by cosmetics brand	<i>FANCL</i>	<b>44,310</b>	+3.6%(Domestics+3.6%, Overseas+3.7%)
	<i>ATTENIR</i>	<b>14,770</b>	+7.0%
	<i>boscia</i>	<b>1,510</b>	+30.0%
Nutritional supplements		<b>42,010</b>	+9.2%(Domestics+7.5%, Overseas+21.6%)

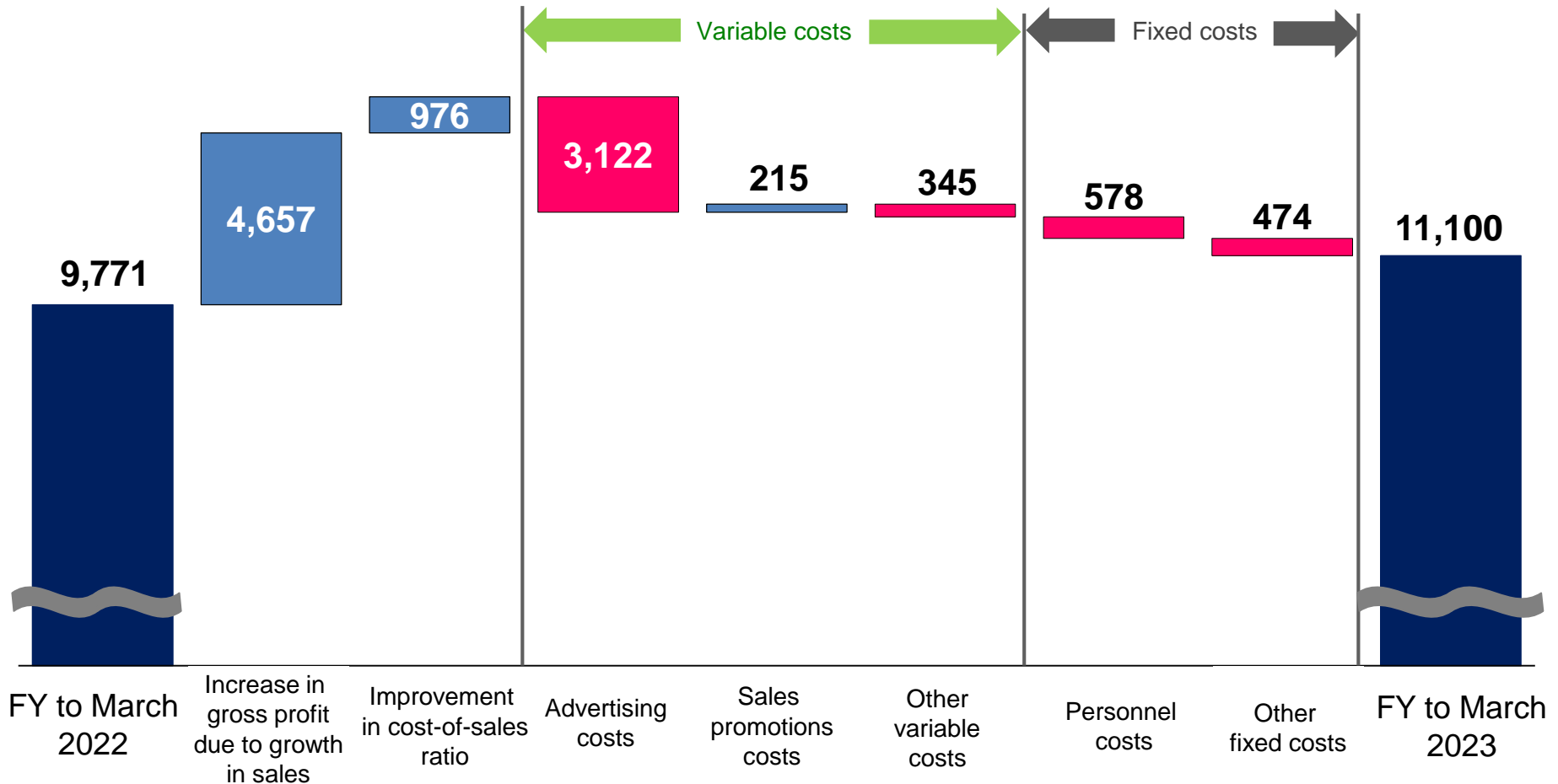
**【Assumption】**  
FY Mar/2023 inbound sales are not expected

## FY Mar/2023: Analysis of change in operating income

Plan

Positive factors Negative factors

(Millions of yen)





# Medium-Term Management Plan First year Summary

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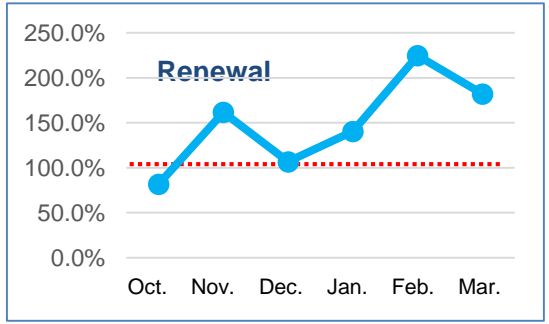
## Summary

- Results were less than favorable, impacted by a slower-than-expected recovery in the external environment, and due to being unable to implement aggressive advertising through to H1.
- However, from Q3 we have been able to accelerate advertising with the launch of renewed products and new products, and we are seeing certain results.

## Results

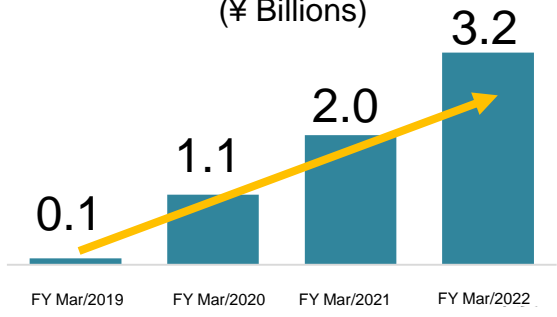
**FANCL**  
Mild Cleansing Oil

Number of new customers by month (YoY comparison)



**FANCL**  
ヘルスサイエンス

Sales to Sinopharm International (¥ Billions)



## Advancing OMO

- Full launch of FIT3
- Integration of smartphone apps
- Launch of FANCL CLIP
- Live commerce
- Online counselling

**FY Mar/2023**  
**Priority Theme**  
(2<sup>nd</sup> year of Medium-Term Management Plan)

**Reinforcement of domestic foundations and acceleration of global expansion**








- Increase advertising spend and expand customer base. Maximize advertising effectiveness through careful selection of products and media
- Accelerate growth of China supplements and ATTENIR, launch BRANCHIC cross-border e-commerce sales

# Cosmetics Business

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# Basic strategy: Brand diversification

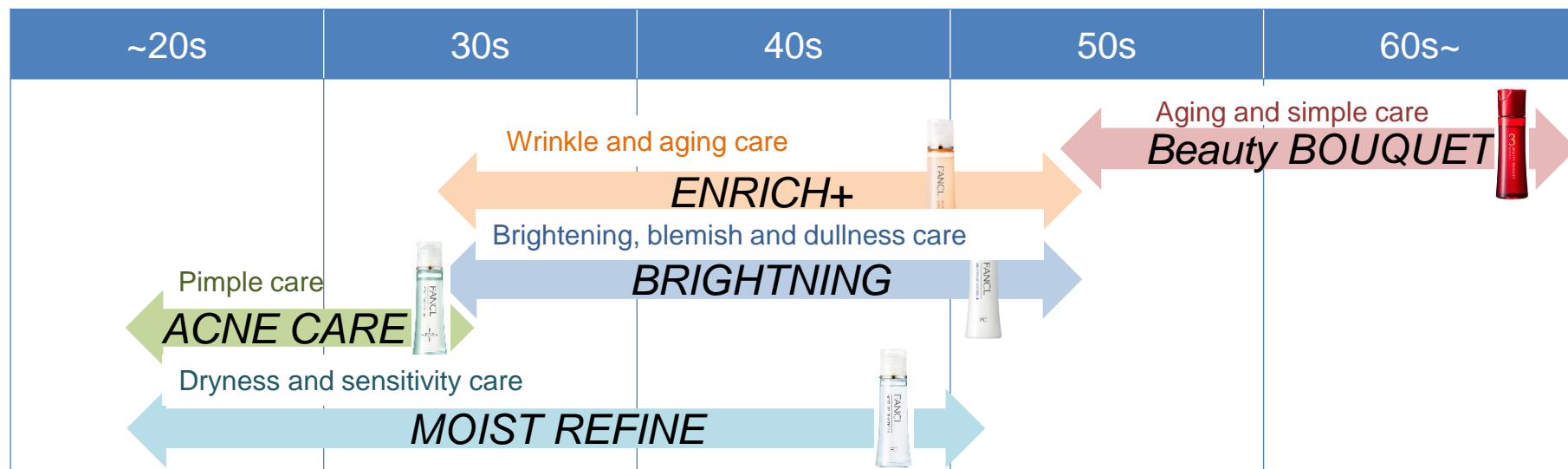
Clarify targets according to age group and price range, proceed to promote brand diversification

Price range	Appeal	~20s	30s	40s	50s	60s~	
High price range	High functionality						
Mid-price range	Simple, focus on quality						
	Age-related concerns, lifestyle						
							
							
Low-to-mid price range	Diverse needs						

## Focus marketing investments on basic skin care, face wash and cleansing products

### Basic skincare

Acquire new customers by dividing targets according to age group and points of concern



### Face wash New release: *CLAY GEL FACIAL WASH*



Refreshingly removes dirt and roughness from pores

Launch: May 18  
¥1,320 (incl. tax)



### Cleansing

Strengthen promotion throughout the year



## Pursue overseas growth and strengthen domestic platform by expanding basic skin care user base

Increase in highly consistent skin care users



2019

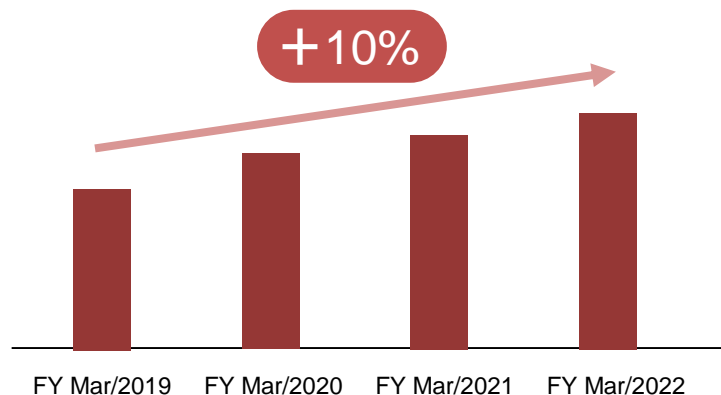
Dress Lift



2021

Dress Snow

Annual purchase value per person (LTV)



Increase in middle-class, high-LTV users

Improvement in quality of customers

Domestic

Improved retention rate of basic skin care users



Improved retention



Eye WRINKLE

SERUM



PRIMER SHOT

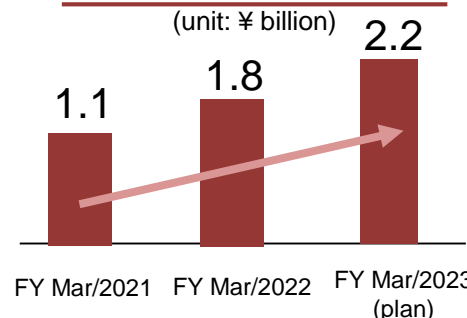
Improve LTV through cross-selling

Dress Snow

Overseas

Improved variety

Cross-border e-commerce sales  
(unit: ¥ billion)



Oil



Water



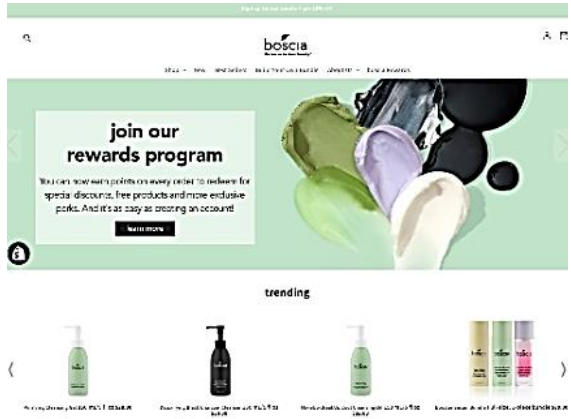
New dosage style

- Aggressive marketing investments
- FY Mar/2024: Plans to expand general trade sales in China

# Restructure business with aim to be a global brand in green beauty

Strengthen EC systems

Renewal of website and launch of membership program  
Going forward: Leverage FANCL's expertise in CRM



**Acquire new customers**

- Direct response advertising
- Leverage influencers...

**Develop quality customers**

- Start membership program
- Promote repeat purchases
- Promote cross-selling
- Keep customers from leaving...



Strengthen position in international market

Boost overseas market growth, centered on Tmall flagship Store in China

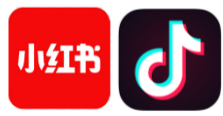


Purifying Cleansing Gel



**Selling points**

- Gel applies easily to skin across face and lathers well
- Removes makeup well and does not make skin feel tight or dry
- Good reviews and high rate of repeat purchases



➔ Focus on leveraging these apps

# Health Business

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Contribute to extending healthy lifespans and reducing medical costs for people around the world

Japan

Achieve growth based on pillars of reinforcement of existing supplement business, personalization, and BtoB business

Social background/ issues to be resolved

Health needs of the elderly

Needs for working longer and healthier

Women-specific needs

Nutritional needs

+

Immune system needs

Health awareness

Improve usability

Target volume

Personalize

Visualization technology

Reinforce existing supplement business

Create trial opportunities through development of food dosage forms (BtoB business)

Inner body effectiveness design

Maximize sales and profits

Overseas

Leverage FANCL's strengths to become No.1 international brand in China



Further accelerate growth  
Cross-border e-commerce



General trade sales

+  
Seek additional application approvals

Cultivate true “star” products and establish stable customer base

*Calolimit* series



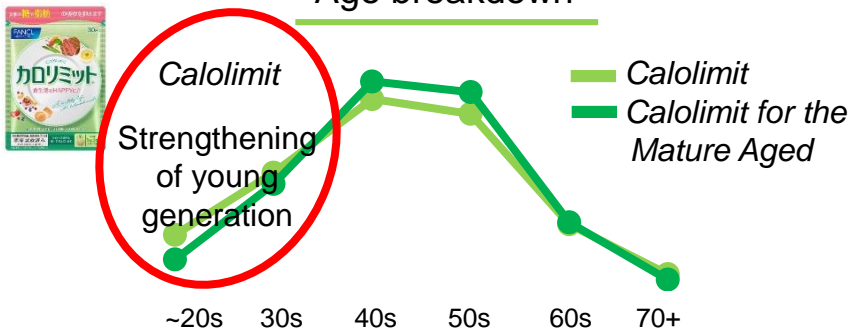
**Market**

- Intensifying competition in diet market
- Changes in attitudes towards food due to COVID-19 pandemic

**FANCL**

- Both products used mainly by 40-50s

Age breakdown



➡ Clarify difference between products and develop brand into one that appeals to wide range of customers

*Naishi Support*



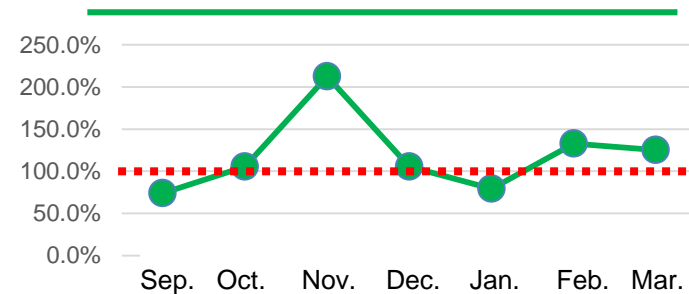
**Market**

- Intensifying competition in diet market
- Further increase in lifestyle-related diseases

**FANCL**

- Steady acquisition of new customers following Sep. 2021 renewal

Monthly new customers acquired (YoY)



➡ Develop interconnected promotional activities with TV commercials as hook in a year-round

Cultivate true “star” products and establish stable customer base

*Enkin*



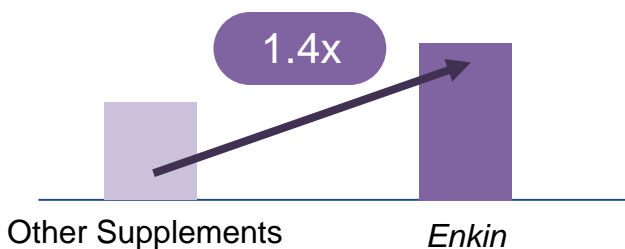
**Market**

- Strong performance in eye care market
- Less competition than in other product categories

**FANCL**

- Brand recognition high despite reduction in TV commercials from FY Mar/2020
- Retention rates high

Retention Rates (e-commerce)



➔ Aim to become No.1 brand in the eye care market by strengthening promotion

*Sleep & Fatigue Care*



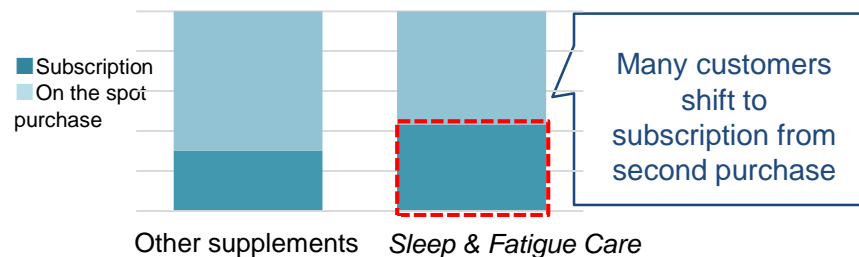
**Market**

- The market for fatigue care is large and still growing

**FANCL**

- Highly rated by consumers, with 97% intending to become repeat customers

Ratio of subscribers at time of second purchase



➔ Offer free monitors to promote more trials  
Consider expanding TV commercials

Expand customer base by developing priority products and strengthening local marketing

## Developing Priority Products

Order of priority	1	2	3	4
Product	Age Bracket Based Supplements 	Calorie Limit Series 	Ukon Kakumei 	Beauty Supplements 
Target	Women (30s – 40s)	Women (20s)	(35 – 45s)	Gen Z

Focus for development

## Expand customer base by strengthening local marketing

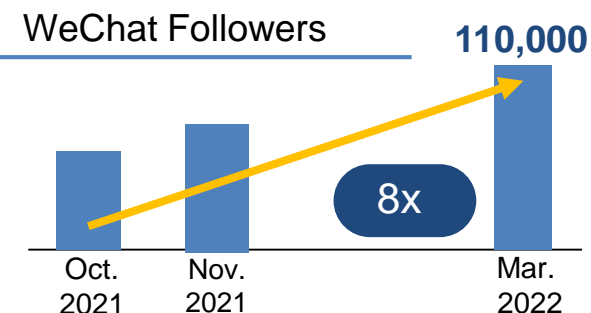
**Past**  
Branding promotion as brand owner



**Future**  
Branding +  
Develop star products  
Turn customers into fans



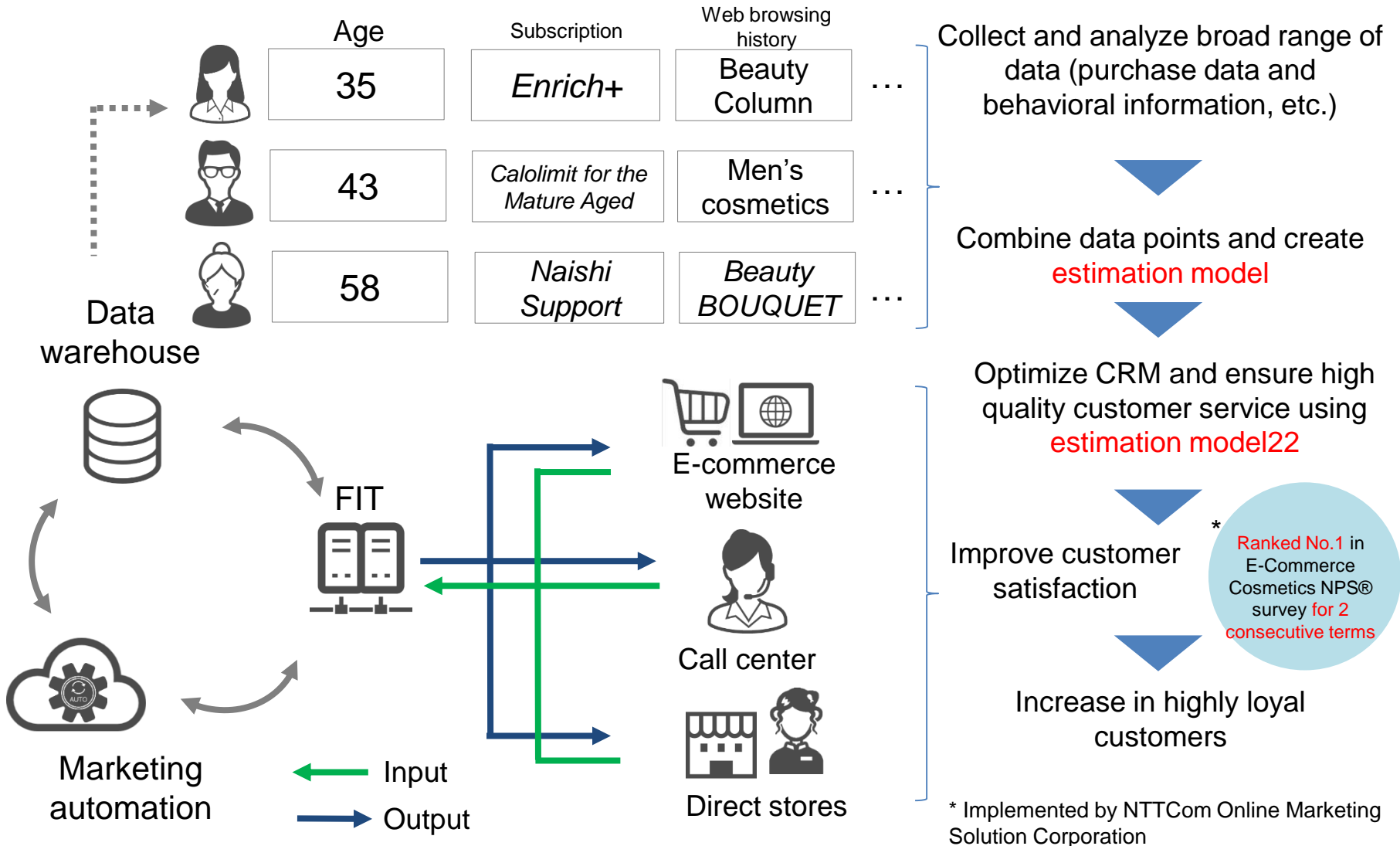
Managed by FANCL Japan



**OMO Unique to FANCL**

## OMO unique to FANCL - progress

Develop FANCL's unique estimation model to improve customer satisfaction



# Initiatives With Kirin Holdings

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## Progress on synergies with Kirin Group

### Product Synergies

Also accelerating product synergies in cosmetics



Numerous products launched  
Collaboration in around 25  
research themes



### Infrastructure Synergies

Mishima Factory



Started consignment production of Kirin Group supplements

Plan to ultimately expand to 15 products

よろこびがつなぐ世界へ  
**KIRIN**

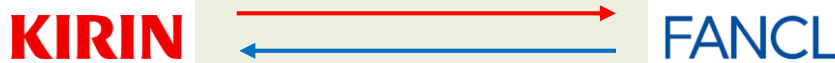


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### SDGs

Launched Kirin collaboration to realize chemical recycling

Provide chemical recycling technology



Supply used cosmetics PET bottles

Realizing bottle to bottle recycling



### Personnel Exchange

- Personnel exchanges across wide range of departments
- Coordinating with Kirin CVC, exploring new sprouts of business

Research Results  
Debriefing  
Announcing synergies with Kirin





**ESG**

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# Progress on three key ESG themes

## Environment

Goal	Progress
Zero CO2 emissions by FY Mar/2051	<ul style="list-style-type: none"> <li>Progress exceeding plan</li> <li>Solar panels installed (expanded from 2 to 4 locations)</li> <li>Completed conversion of 100% of electricity used at domestic sites to renewable energy</li> <li>Full-scale efforts to reduce scope 3</li> </ul>
Employ 4Rs to achieve 100% sustainable packaging by FY Mar/2031	<ul style="list-style-type: none"> <li>End March 2022: 43.0%</li> <li>Substitution of paper materials, gradual adoption of packaging made from plant-based or recycled plastics</li> <li>Expanded area of recycling for packaging</li> </ul>
100% certified palm oil by FY Mar/2024	<ul style="list-style-type: none"> <li>Achieve 100% for FANCL, ATTENIR Cosmetics and Health Foods</li> <li>Increase mass balance ratio in the future</li> </ul>

Solar panels (Mishima Factory)



Recycling box for packaging



Example of product using palm oil



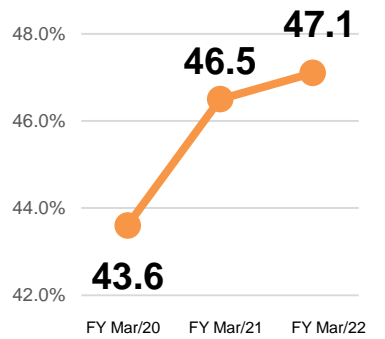
## Progress on three key ESG themes

### Healthy Living

Goal	Progress
<p>By FY Mar/2031, about half of the people in Japan will use supplements and health foods to address health-related issues.</p>	<ul style="list-style-type: none"> <li>• End March 2022: 28%</li> <li>• Continued to offer products and services with a competitive advantage to meet health needs arising from changes in the social environment</li> </ul>



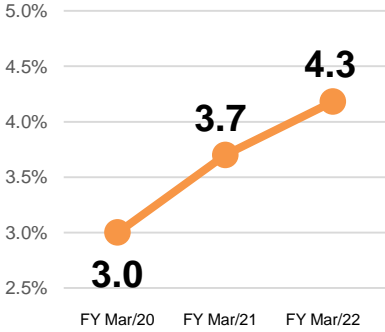
Ratio of Female Managers



### Local Communities and Employees

Goal	Progress
<p>Ratio of female managers: 50% in FY Mar/2024</p>	<ul style="list-style-type: none"> <li>• End March 2022: 47.1%</li> <li>• Implemented women’s leadership program (training women who aspire to management positions)</li> </ul>
<p>Employment rate of people with disabilities: 5% in FY Mar/2031</p>	<ul style="list-style-type: none"> <li>• End March 2022: 4.3% (Legally mandated employment rate: 2.3%)</li> <li>• Expanded activities to include operations at the Kansai Logistics Center, cleaning of recycled cosmetics packaging</li> </ul>

Employment Rate of People with Disabilities



## Our purpose

**Our Founding Philosophy** Eliminate the “Negatives” with a Sense of Justice

**Our Management Philosophy** Can Achieve More

### Sense of Justice

A desire do something for someone else.  
We must do it ourselves

### Eliminate the “Negatives”

Strive to eliminate the "negatives" experienced by people around the world, but just our customers

**Contributing to society** through our beauty and health business

Taking a **uniquely FANCL** approach  
Valuing “**differentiation**” instead of “disparity”

- Manufacturing and unique services
- Thoughtful customer service that puts the customer first
- CRM, DX, SDGs, etc.

Maintain our presence as a **special company**, not an ordinary company.  
We want to be a company that is loved by people all over the world.

