

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

1. Q4 (January to March) cosmetics sales were down 10% year-on-year. While this is partially because you were running various campaigns during the same quarter last year, it seems conditions have been tough.

There have been new product launches and product renewals since last September. What is your analysis of the factors behind the slow sales?

⇒ In Q4, overall Cosmetics sales decreased by ¥1 billion year on year, with FANCL Cosmetics sales down by ¥1.1 billion, Attenir sales up by ¥270 million, and boschia sales down by ¥250 million.

Domestic sales suffered severely due to the spread of the Omicron variant of the coronavirus, and also due to the absence of powerful promotional initiatives which were carried out during Q4 of the previous fiscal year.

2. Is it correct to understand that this sales decrease is not owing to structural issues such as a decline in market share?

Sales performance doesn't seem to reflect the effects of new product launches nor newly gained customers.

How do you plan to increase sales during this fiscal year?

⇒ We believe the weak sales performance of FANCL Cosmetics during Q4 was only temporary. Though new customer acquisition was very strong amid strengthened advertising efforts for *ENRICH+* and *MILD CLEANSING OIL* during H2, the resulting contribution to overall sales was minor, as this was not necessarily expected new customers to contribute largely to new sales. As Q4 sales were not necessarily low as compared to other quarters, we believe the situation to have been a temporary one.

3. You plan to increase advertising expenses by ¥3.1 billion this fiscal year. Please provide a breakdown for both domestic and overseas.

⇒ We will allocate an additional ¥2.3 billion toward domestic advertising, and an additional ¥800 million toward overseas advertising.

In Japan, we plan to increase advertising expenses for FANCL Cosmetics by ¥800 million and for Supplements by ¥1.4 billion. Looking back, admittedly our advertising initiatives for Supplements during H2 of the previous fiscal year were weak, and we hope to strengthen advertising for Supplements in the current fiscal year. Overseas,

the additional ¥800 million will be used on advertising for Attenir, boscia, and with Sinopharm International, and also for BRANCHIC, which we are offering through cross-border e-commerce in China.

4. Regarding your strategy for this fiscal year, you mentioned that you'll increase advertising expenses for FANCL Cosmetics in Japan by ¥800 million. What specific initiatives are you planning? Similarly, with Supplements, will you choose to focus on existing mainstay products rather than proceeding to launch new ones?

⇒For cosmetics, we plan to strengthen our advertising efforts centered on *ENRICH+*. For cleansing products, we will focus on mass advertising, and for facial wash, we will conduct mainly web-based promotional efforts. This is largely unchanged from the promotional efforts we began in H2 of the previous fiscal year.

5. Next fiscal year will be the final year of your Medium-Term Management Plan, but you are a long way from fulfilling this year's goals. How do you plan to accomplish them?

⇒There has been no change in our policy of aiming to achieve the targets laid out in the Medium-Term Management Plan. The main reason for the current difficulties seen in our sales performance is the weakening of our customer base due to our inability to carry out advertising from the second half of FY Mar/2021 and into FY Mar/2022. We have been strengthening our advertising efforts since the second half of last fiscal year, and by continuing to work toward a recovery and expansion of our customer base, we aim to achieve sales of ¥120 billion and operating income of ¥15 billion next fiscal year.

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