

# FANCL

正直品質。

## **FANCL Group Financial Results Briefing For the period April 1, 2022 to June 30, 2022**

August 5, 2022

---

## Contents

03

### First Period Results

1Q Results /Analysis of change in operating income

06

### Outlook for first half / full year

Outlook for first half / full year /  
Analysis of change in operating income

10

### Effects of advertising

Status of new customer acquisitions /  
Effects of advertising for core products

13

### Cosmetics Business

FANCL Cosmetics / Attenir

16

### Health Business

Domestic / Overseas

19

### Channel

OMO unique to FANCL/  
Online and catalogue

22

### ESG

Sustainability Progress

# **Financial Highlights**

# Results by segment

FANCL

正直品質。

(Millions of yen)	Q1 of FY to March 2022	Q1 of FY to March 2023	Change YoY
Sales	25,176	25,610	+ 1.7%
<i>Cosmetics</i>	14,506	14,885	+ 2.6%
<i>Nutritional supplements</i>	8,988	9,182	+ 2.2%
<i>Other</i>	1,682	1,541	(8.4%)
<i>Hatsuga Genmai</i>	519	493	(5.0%)
<i>Kale Juice</i>	494	466	(5.7%)
Operating income	3,010	1,737	(42.3%)
Ordinary income	3,242	1,956	(39.6%)
Net income	2,227	1,168	(47.5%)
※1 EBITDA	3,967	2,786	(29.8%)
※2 EBITDA margin	15.8%	10.9%	(4.9%)

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

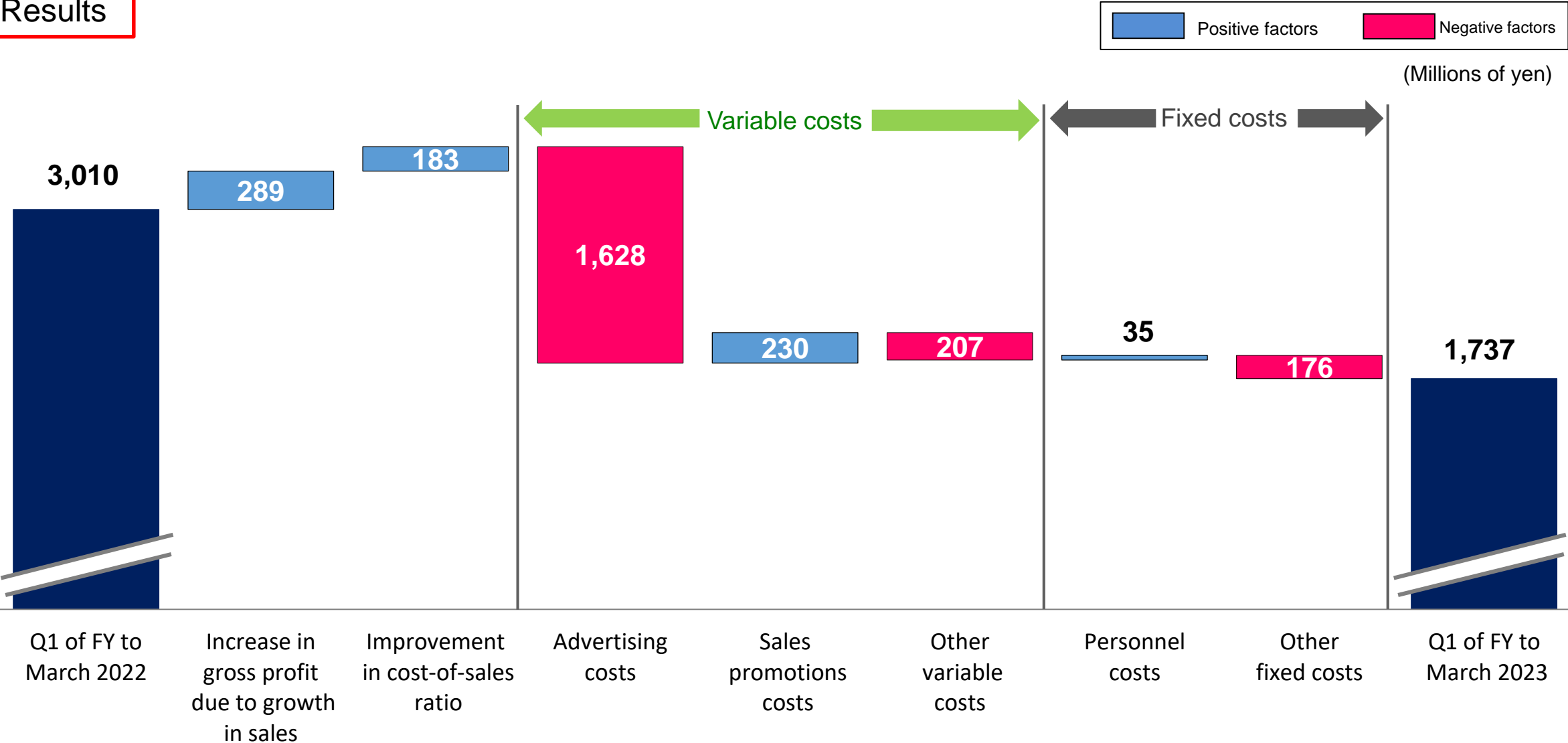
\*3 Negative impact of China lockdown

Sales: Approx ¥300 mn, Operating income: ¥200 mn

Sales breakdown (1Q)			
Region		Amount	Change YoY
Domestic		23,391	+ 4.0%
※3 Overseas		2,218	(17.2%)
Cosmetics		Amount	Change YoY
FANCL	Domestic	10,014	+ 4.7%
	Overseas	868	(7.8%)
	Total	10,882	+ 3.6%
※3 ATTENIR	Domestic	3,127	+ 5.4%
	Overseas	341	(30.0%)
	Total	3,469	+ 0.4%
boscia		233	(27.2%)
Nutritional supplements		Amount	Change YoY
Domestic		8,409	+ 4.3%
Overseas		773	(16.5%)
Total		9,182	+ 2.2%

# Q1 Analysis of change in operating income

Results



## **Outlook for first half / full year**

# Outlook for H1 of FY to March 2023

FANCL

正直品質。

(Millions of yen)	H1 of FY to March 2022	H1 of FY to March 2023 (plan)	Change YoY
Sales	49,876	51,160	+ 2.6%
Cosmetics	28,244	29,060	+ 2.9%
Nutritional supplements	18,460	18,940	+ 2.6%
Other	3,171	3,160	(0.4%)
Hatsuga Genmai	1,010	1,000	(1.1%)
Kale Juice	980	990	+ 1.0%
Operating income	5,171	3,600	(30.4%)
Ordinary income	5,558	4,100	(26.2%)
Net income	4,070	2,700	(33.7%)
※1 EBITDA	7,288	5,697	(21.8%)
※2 EBITDA margin	14.6%	11.1%	(3.5%)

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

\*3 Negative impact of China lockdown

Sales: Approx ¥1,600 mn, Operating income: ¥700 mn

Amount revised from plan announced in May
(1,600)
(500)
(940)
(160)
(40)
(30)
(700)
(270)
(300)

Sales breakdown (half year)		
Region	Amount	Change YoY
Domestic	46,740	+ 5.8%
※3 Overseas	4,420	(22.4%)
Cosmetics		Change YoY
Amount		
Domestic	19,760	+ 7.0%
Overseas	1,530	(14.9%)
Total	21,290	+ 5.0%
Domestic	5,960	+ 3.1%
Overseas	770	(36.9%)
Total	6,730	(3.9%)
boscia	400	(24.4%)
Nutritional supplements		Change YoY
Amount		
Domestic	17,230	+ 5.6%
Overseas	1,710	(20.2%)
Total	18,940	+ 2.6%

※3

※3

FANCL

※3

ATTENIR

※3

# Outlook of FY to March 2023

FANCL

正直品質。

(Millions of yen)	FY to March 2022	FY to March 2023 (plan)	Change YoY
Sales	103,992	109,400	+ 5.2%
<i>Cosmetics</i>	58,809	61,280	+ 4.2%
<i>Nutritional supplements</i>	38,471	41,070	+ 6.8%
<i>Other</i>	6,710	7,050	+ 5.1%
<i>Hatsuga Genmai</i>	2,056	2,140	+ 4.1%
<i>Kale Juice</i>	2,110	2,240	+ 6.1%
Operating income	9,771	10,400	+ 6.4%
Ordinary income	10,401	11,000	+ 5.8%
Net income	7,421	7,450	+ 0.4%
※1 EBITDA	14,335	14,700	+ 2.5%
※2 EBITDA margin	13.8%	13.4%	(0.3%)

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

【Assumption】

Inbound sales (Direct store sales) not expected in FY Mar/2023

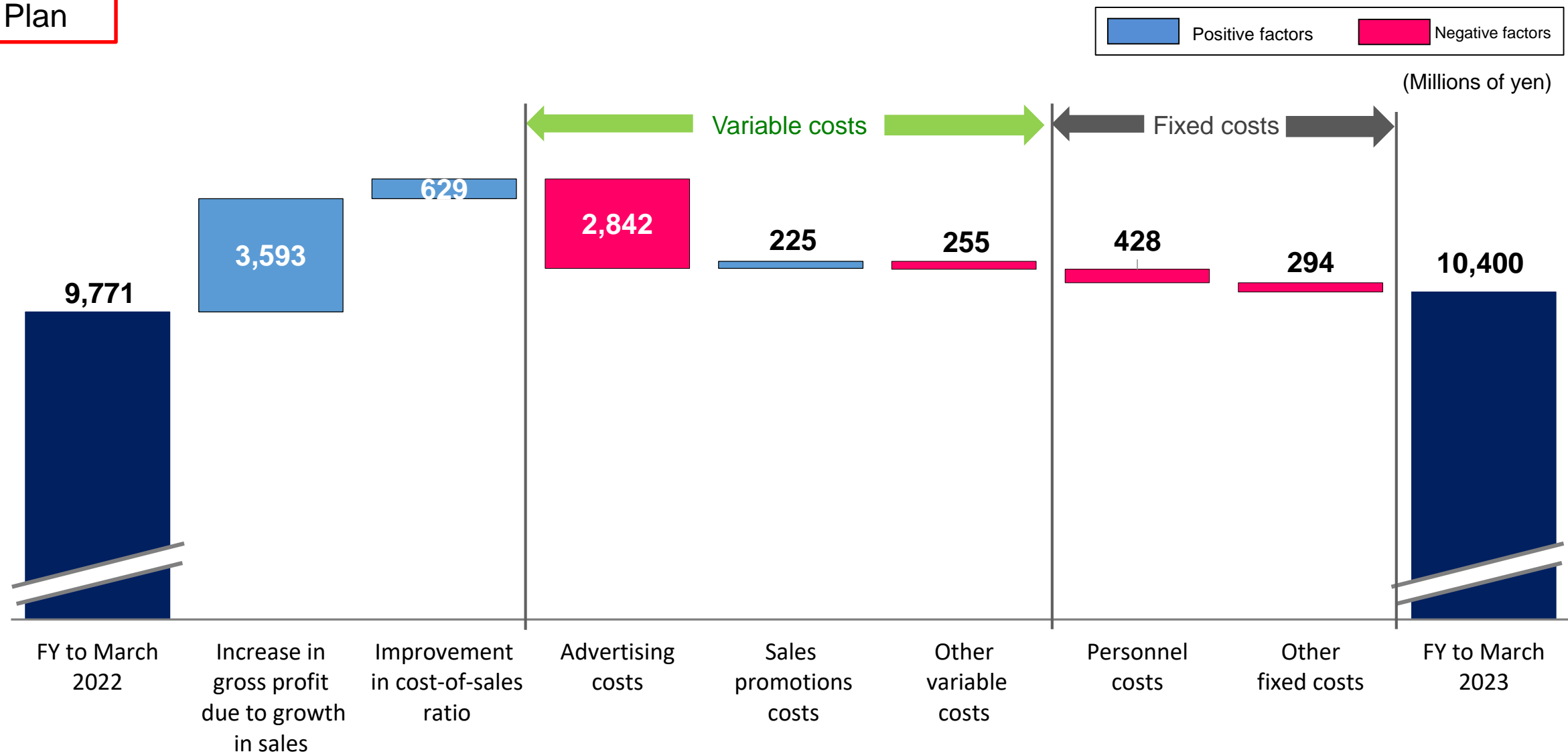
Amount revised from plan announced in May
(1,600)
(500)
(940)
(160)
(40)
(30)
(700)
(250)
(250)

Sales breakdown (Full year)			
Region		Amount	Change YoY
Domestic		97,640	+ 5.5%
Overseas		11,760	+ 2.6%
Cosmetics		Amount	Change YoY
FANCL	Domestic	40,760	+ 4.8%
	Overseas	3,770	(2.7%)
	Total	44,530	+ 4.1%
ATTENIR	Domestic	12,640	+ 5.0%
	Overseas	1,530	(13.1%)
	Total	14,170	+ 2.7%
boscia		1,390	+ 19.7%
Nutritional supplements		Amount	Change YoY
Domestic		36,020	+ 6.5%
Overseas		5,050	+ 8.5%
Total		41,070	+ 6.8%



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

Plan

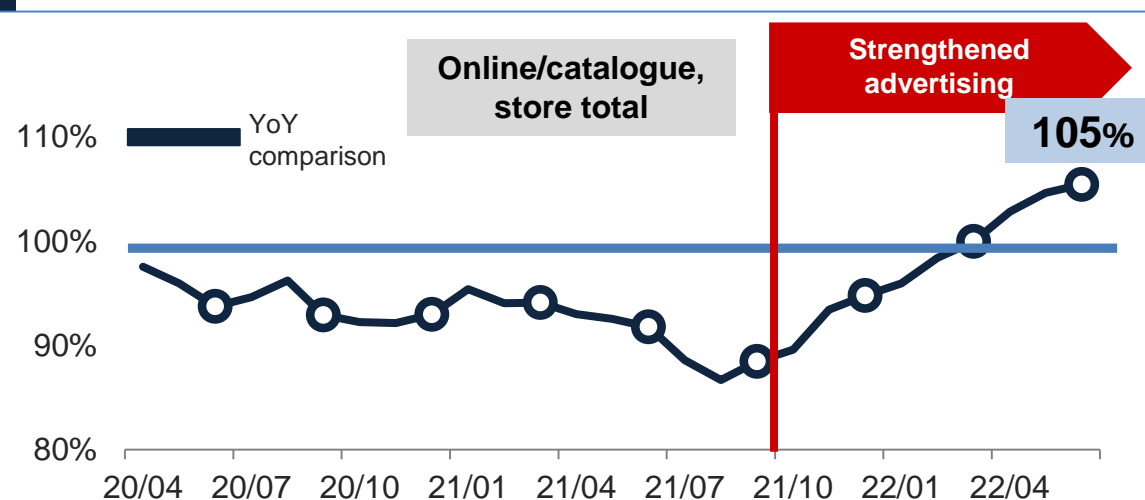


# **Effects of advertising**

# Status of new customer acquisitions

- > Customer numbers from March 2022 onward recovered to level higher than previous year due to effects of advertising. Particularly strong in online and catalogue channel

Number of Customers



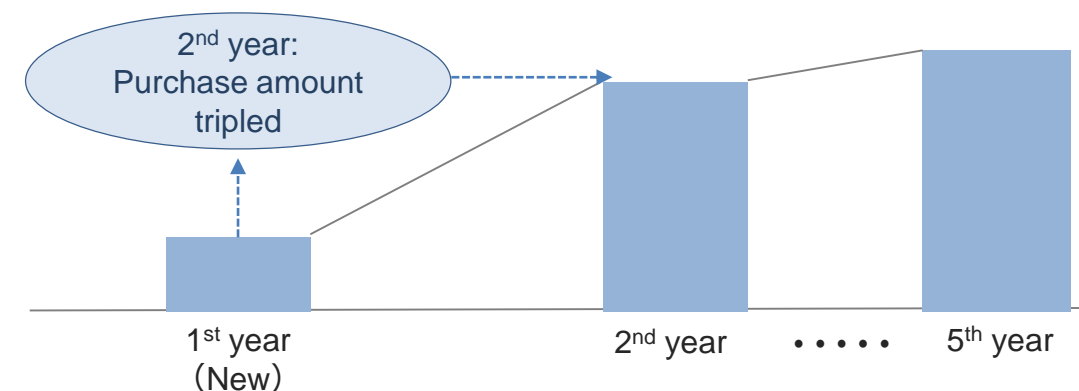
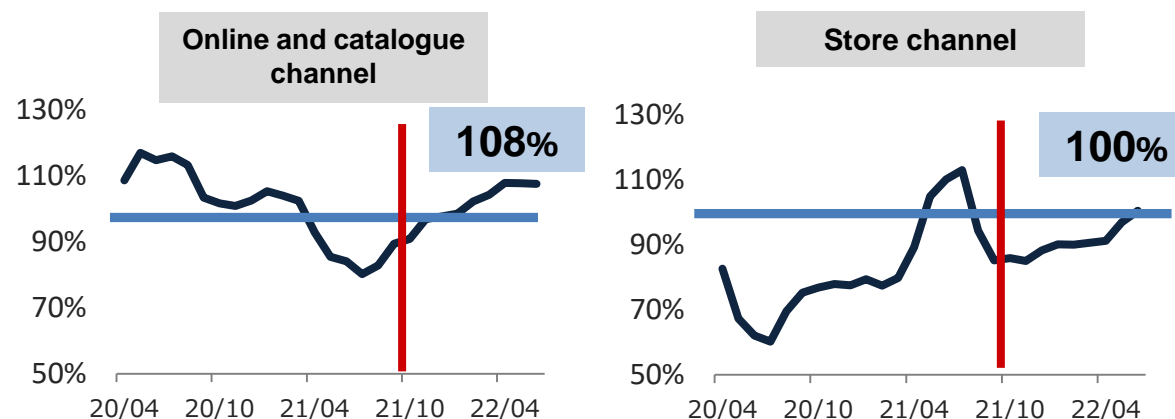
Advertising expenditure and new customer acquisitions

(YoY comparison)

	Advertising expenditure	New acquisitions	Overall customer numbers
Cosmetics	209%	134%	110%
Supplements	172%	111%	100%
Total	189%	123%	106%

(Note) Results of FANCL

Average annual purchase amount per customer (Online and catalogue)



# Q1: Effects of advertising for core products

- > Continued investment in advertising in Q2 onwards, as effects of advertising for both cosmetics and supplements are beginning to show

## Cosmetics

(YoY comparison)

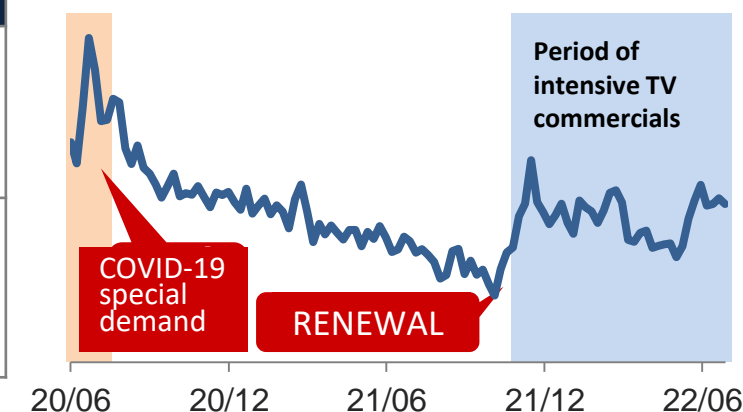
Product	New customer acquisitions	Sales	Key points
<b>ENRICH+</b>	<b>221%</b>	<b>113%</b>	<ul style="list-style-type: none"> <li>• <b>Strong performance due to new customer acquisition measures</b> linked to TV commercials and purchase promotions targeting existing customers.</li> <li>Customer numbers: <b>128%</b> compared to same period of previous year due to strengthened advertising since H2 of previous FY</li> </ul>
<b>Mild Cleansing Oil</b>	<b>155%</b>	<b>104%</b>	<ul style="list-style-type: none"> <li>• <b>Strong new customer acquisitions</b> in online and catalogue and store channels</li> <li>Customer numbers: <b>115%</b> compared to same period of previous year due to strengthened advertising since H2 of previous FY</li> <li>• Wholesale channel regained users from other companies through continued advertising</li> </ul>

## Supplements

(YoY comparison)

Product	New customer acquisitions	Sales	Key points
<b>Calolimit</b>	<b>112%</b>	<b>96%</b>	<ul style="list-style-type: none"> <li>• <b>Strong new customer acquisitions</b> in online and catalogue and store channels</li> <li>Attracted young customers in their 20s and 30s with <i>CaloLimit</i></li> </ul>
<b>Naishi Support</b>	<b>123%</b>	<b>118%</b>	<ul style="list-style-type: none"> <li>• Continuous TV commercials to raise awareness of the company's products have led to <b>steady acquisition of new customers</b> in the online and catalogue and store channels.</li> <li>• <b>POS in the wholesale channel increased</b></li> </ul>

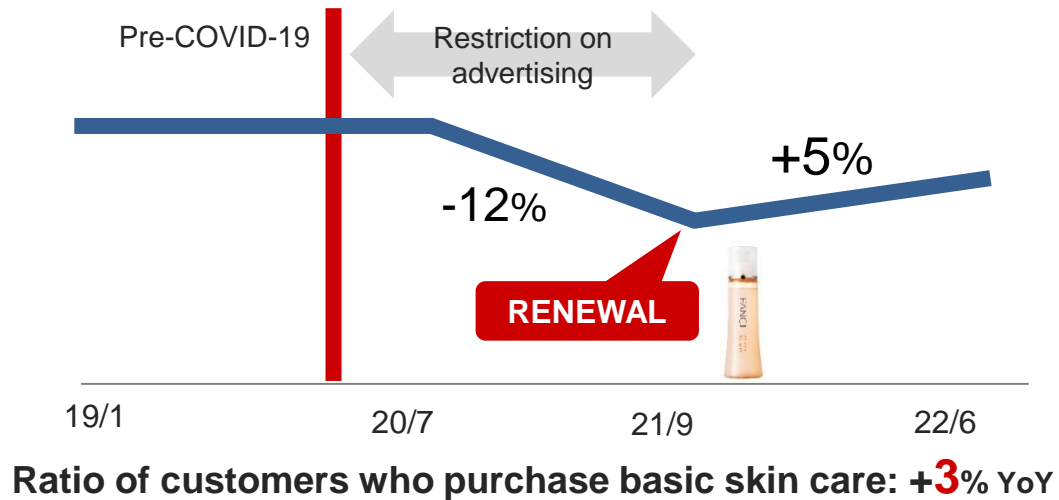
## Naishi Support Drugstore POS



# **Cosmetics Business**

## Expanding basic skin care customers

### Basic skin care customer numbers (Online and catalogue)



### ACNE CARE (Renewed in May 2022)

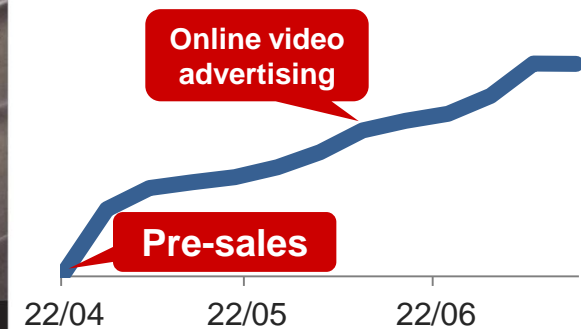
- Target age range: 20s and 30s
- Preventing growing issue of adult acne caused by wearing masks

## Strengthening pore care products



CLAY GEL FACIAL WASH  
(Launched in May 2022)  
Price: ¥1,320

### CLAY GEL FACIAL WASH Drugstore POS



Introduced to **15,000** drug stores ahead of initial plan

## Promoting cross selling to basic skin care customers



**SIGNS EFFECTOR**  
Winner in 2 categories of the  
@cosme Best Cosmetics Awards  
2022 first half Best New Cosmetics

# Attenir Business strategy: Attenir

## Domestic

### Cross selling to basic users

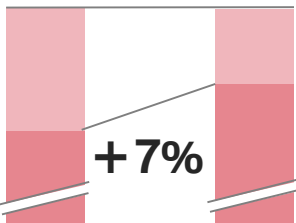


Dress snow



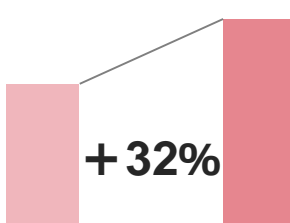
Entry-level serum  
PRIMER SHOT

#### Serum purchase rate by basic users



2021 2022

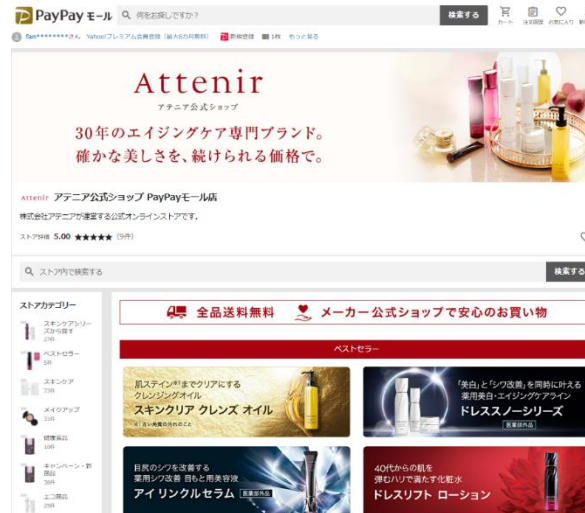
#### Serum customer numbers



2021 2022

### Strengthening external online and catalogue sales

- Initially opened Amazon store in 2019, followed by expansion into LOCAHO and Rakuten
- Opened store on PayPay Mall in May 2022



Sales on external platforms as a percentage of total online and catalogue sales  
Expanded to approximately **15%**

## Overseas

### Strengthening cross-border e-commerce to China

- Although June 18 "618" shopping festival sales were strong, up 116% YoY, the outlook for H1 is challenging due to lockdowns
- September: Launching sale of new cleansing balm, which is in high demand locally



Oil



Water

New



Balm

# **Health Business**



- > Clearly defining targets by product and expanding sales, leveraging the strength of multiple product line-ups

## Calolimit series

- Achieving success in attracting younger customers by segmenting each product

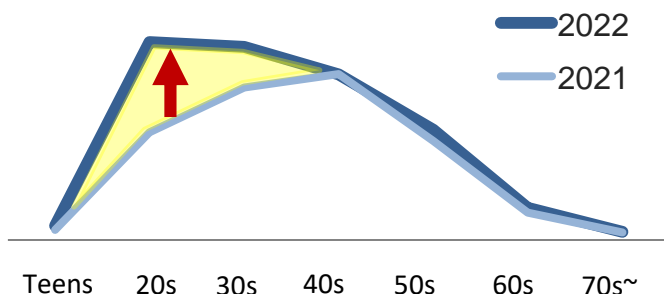


**20s~30**  
Light diet needs



**40s and older**  
Advanced needs

Calolimit series – new customers by age group



New commercials for specific targets scheduled for H2

## Naishi Support



- Strengthening exposure throughout the year. Continued TV commercials in Q2
- Strengthening cross-selling with other lifestyle disease prevention supplements

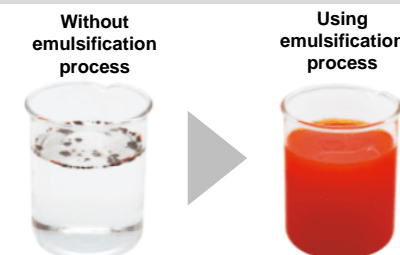
## Enkin

- Promoting product recognition and trial use through mass advertising



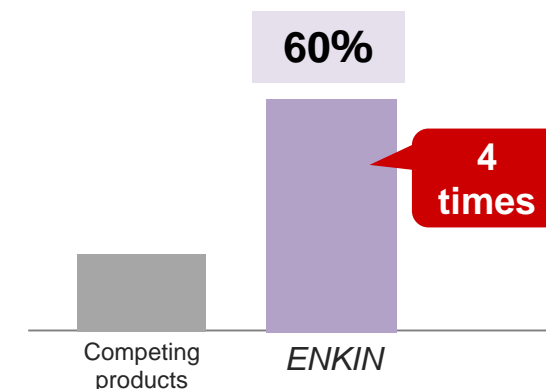
Age group	45 to 70s
Functions	Maintains the ability to adjust the focus of the eyes Relieves blurred vision Protects against light sensitivity <b>Reduces eye fatigue</b>

Unique emulsification process  
Increased absorption



August: Launching TV commercial for first time in 2.5 years

Product recognition rate



## > Local China sales for April-June period: +39% YoY. Cultivating *Calolimit* as second pillar product

### Cross border e-commerce

#### Products: Strengthening development of *Calolimit*

- Promotions using popular actresses, etc.



Gulnazar, a popular Chinese actress



"Daily Food Vlogs"

(Cooking videos popular among Gen Z and younger demographic)

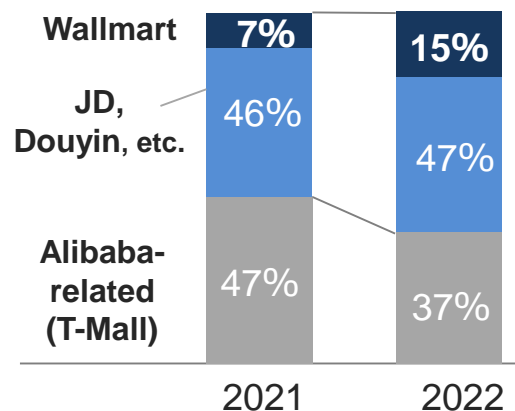
#### Channels: Expanding platforms

- In addition to JD and Douyin, Walmart's "Sam's CLUB" performing particularly well
- Wal-Mart share grew to account for 10% of total



Sam's CLUB app

#### Cross-border e-commerce Share of sales by platform



### General trade

#### License applications

#### Study group discussions

- No discussions were held on rulemaking due to the impact of the lockdown and other factors.

#### Concurrent product development

- FANCL's Research Institute completed formulation development of 9 products in accordance with local rules and regulations
- Working hard to launch sales by end of FY Mar/2024

**Channel**

# OMO unique to FANCL

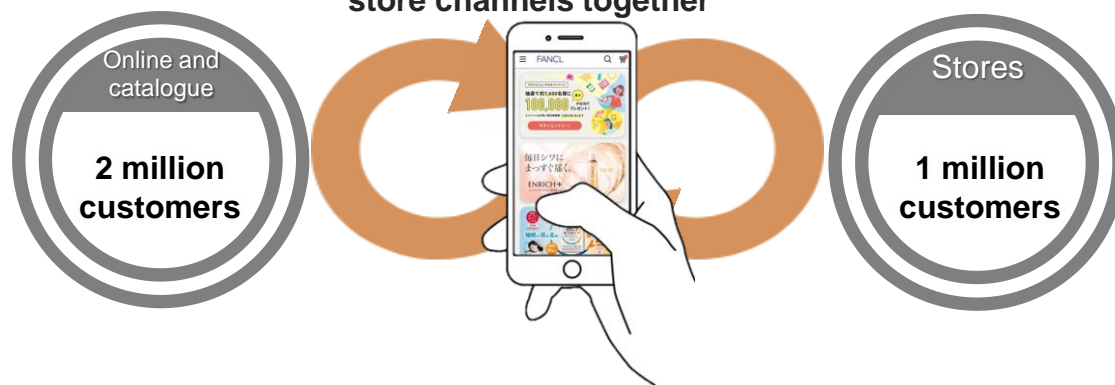
FANCL

正直品質。

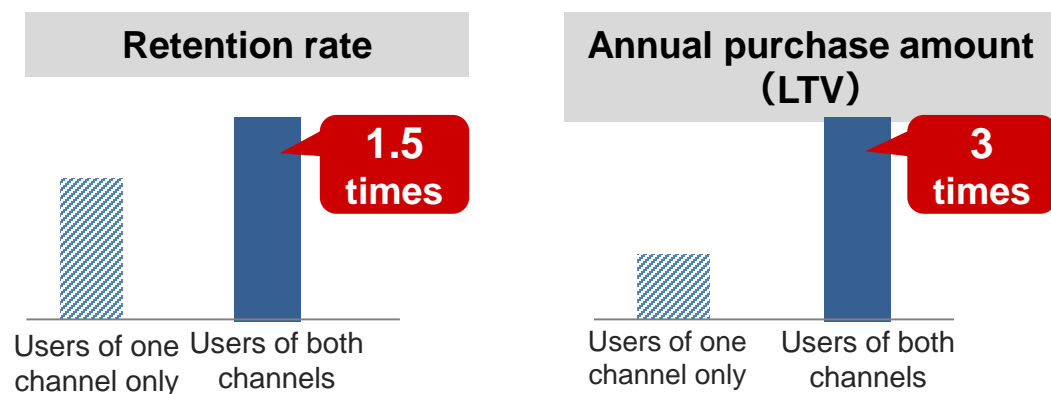
- > Raise “experience value” we offer to customers, and increase number of highly loyal customers, by promoting combined use of both online and catalogue and store channels

## OMO at FANCL

- Increase number of customers who use both online and catalogue and store channels together

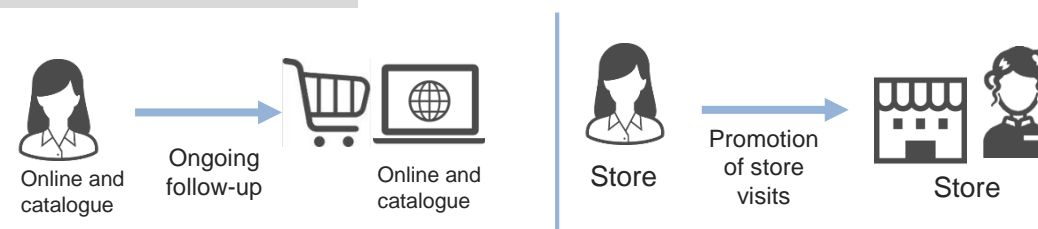


- High retention rate and LTV among customers who use both online and catalogue and store channels

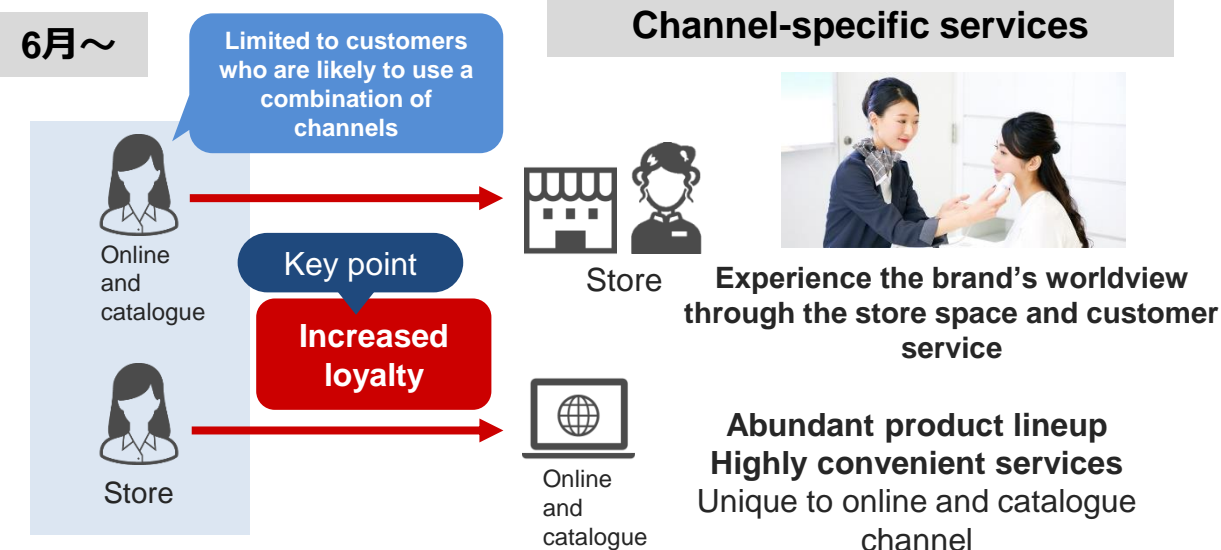


## Mutual customer referrals

### Traditional model

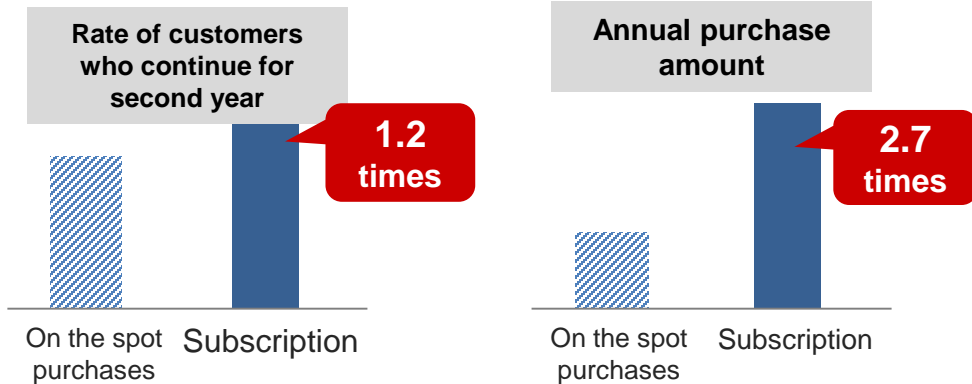


6月~

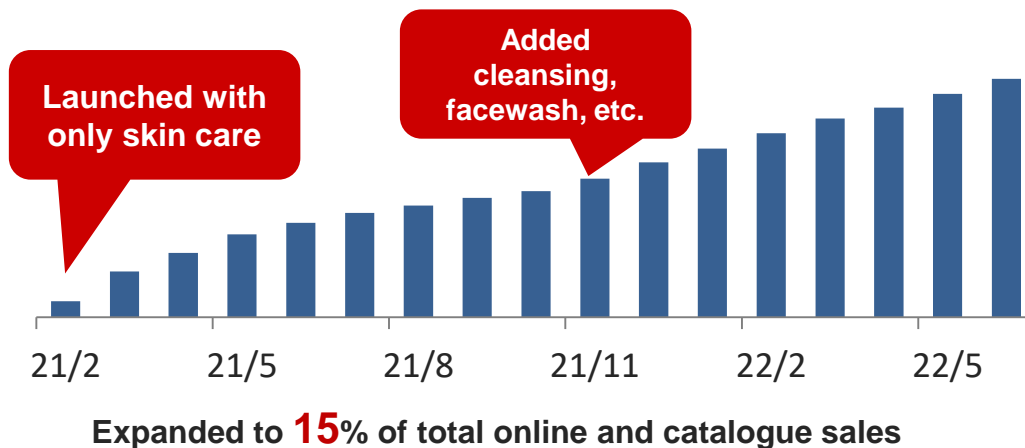


- > Aim to build stable sales base by expanding subscription customers. Further strengthen through use of "FIT3"

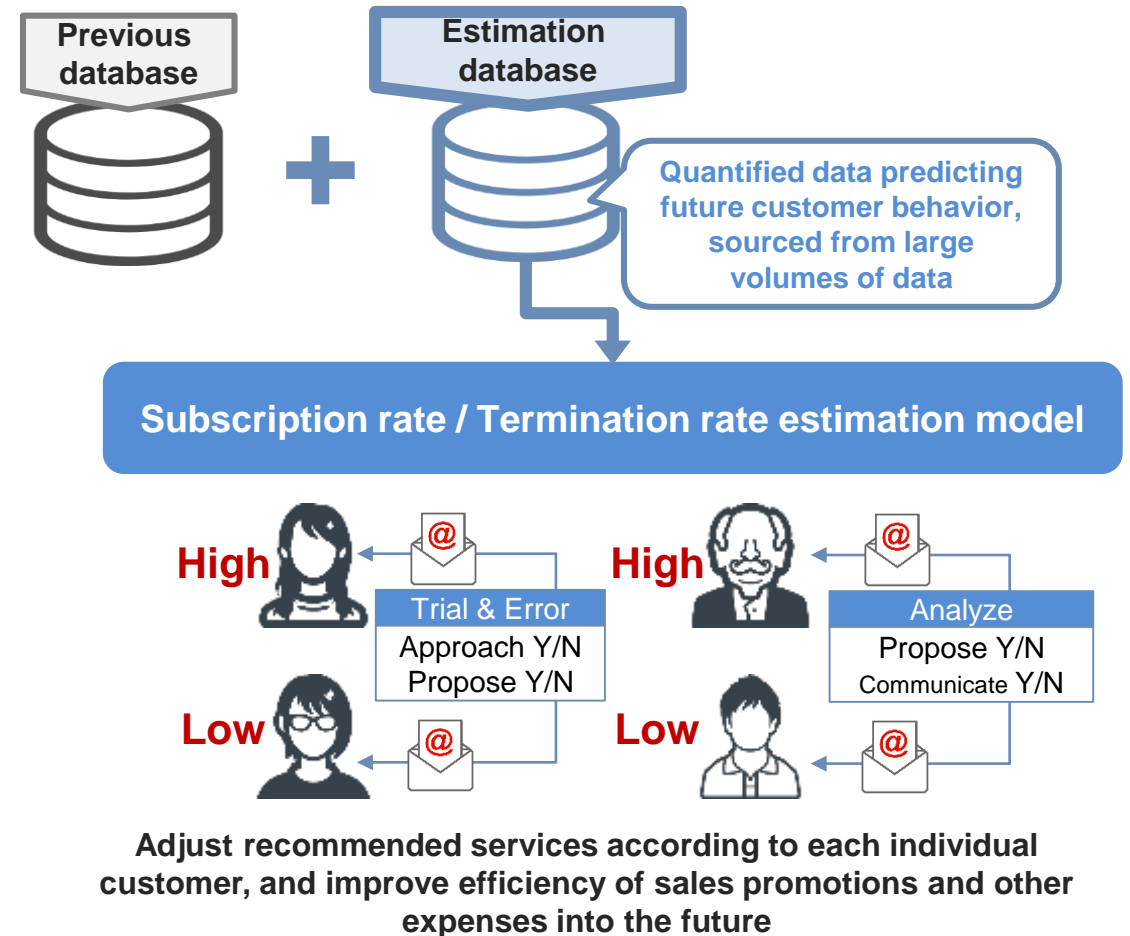
## Characteristics of cosmetics subscription customers



## Number of cosmetics subscription customers in online and catalogue channel



## Utilization of the core system FIT3



**ESG**

---



# Our progress in sustainability

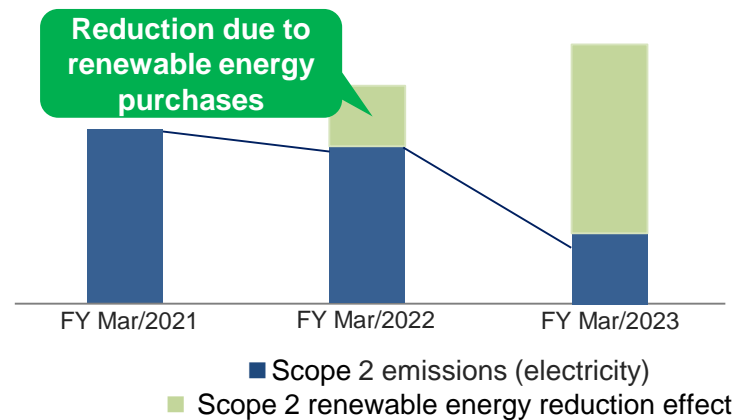
- > Obtained third-party verification of CO<sub>2</sub> emissions data, surveying suppliers on "environment, human rights," etc.

Aiming for net zero CO<sub>2</sub> emissions in FY Mar/2051

**FY Mar/2022** Newly constructed **Mishima Factory and Kansai Logistics Center** installed with solar panels

**April 2022** Converted the electricity usage at **12 sites**, including domestic plants, distribution centers, and our head office, to **100% electricity with net zero CO<sub>2</sub> emissions**

CO<sub>2</sub> (scope 2) reduction effect estimate



Solar panels on the roof of the Mishima Factory

**July 2022** **Obtained Scope 1 and 2 third-party verification** by EY Ernst & Young ShinNihon LLC

For Scope 3, prioritize categories with high CO<sub>2</sub> emissions, aiming to expand the scope of third-party verification

## Sustainable procurement initiatives

**Feb. 2018** Formulated the **FANCL Group Sustainable Procurement Policy**

**Jan. 2021** Formulated Business Partner (Supplier) Guidelines



**Fall 2022** Conduct **questionnaire on compliance with guidelines**

Targeting approximately 500 primary suppliers and some secondary suppliers of main products

Depending on the risk situation based on results of questionnaire, we plan to **conduct interviews** directly with suppliers

Identifying and addressing risks in the supply chain, with the goal of achieving **coexistence and co-prosperity** with suppliers

