Held August 5, 2022

FANCL CORPORATION
FY Mar/2023 Q1 Financial Results Briefing
Q&A Session Summary

1. What were the factors behind the difference between the initial plan and the actual results for Q1?

⇒In Q1, sales fell short of the plan by approximately ¥400 million and operating income by approximately ¥250 million. The breakdown of the sales shortfall was ¥300 million for Attenir cross-border e-commerce due to the impact of the China lockdown, and ¥100 million for domestic supplements and other businesses. Operating income was short by approximately ¥250 million, mainly due to the impact of Attenir.

2. Although you were able to acquire new customers, the number of supplements customers has remained at the same level as last year. Does that mean existing customers are leaving?

⇒Regarding customer numbers, we believe that the difference was due to the fact that the strengthened advertising that has been carried out since H2 of the previous fiscal year has had a quicker effect on the cosmetics business. Customer numbers had been declining during the period that we were not carrying out advertising due to the COVID-19 pandemic, but customer numbers have since recovered to a level exceeding that of the previous year due to the strengthened advertising.

3. Domestic sales are steady compared to other companies. Considering the amount of shortfall, was it really necessary to revise the full-year plan? For example, could you not make up the shortfall in overseas sales at W11 in H2 of this year? What are the reasons for the revision in Q1? Were you taking into account the recent increase in COVID-19 cases in Japan?

⇒We were hesitate to revise the forecasts because it was still Q1, however since the Chinese supplement results have been delayed by three months, we have already seen the figures for the half year. We will do our best to make up for this in domestic sales, but for now we have lowered our forecast for the foreseeable period.

4. Are you concerned about the current spread of COVID-19 in Japan?

⇒We are slightly concerned. Particularly, current direct store sales are slightly weak. Meanwhile, online and catalogue sales are strong, and this is making up for customers not buying at direct stores. If the flow of people recovers again from September onwards, we believe we will be able to recover.

5. We are currently in the seventh wave of COVID-19. Is it safe to assume that there is no drastic act as a tail wind for online and catalogue sales as we have seen in the past?

⇒Although online and catalogue sales are strong, since there are no pandemic related social restrictions in place at this time, we are not using large-scale measures to direct our store customers to online and catalogue platforms like we did in the previous two fiscal years.

Ends