Held November 4, 2022

# FANCL CORPORATION
# FY Mar/2023 Interim Financial Results Briefing
# Q&A session summary

1. Regarding the revisions to the forecasts, please explain the upside potential and downside risk.

⇒H1 sales increased 1.5% YoY, and H2 sales are planned to increase 5% YoY. Overseas sales declined by ¥1.2 billion in H1, but are projected to be slightly higher YoY in H2.

Regarding domestic sales, I think we appear a little conservative with the Cosmetics business forecast and somewhat bullish on the Supplements business forecast. The reason that we have been conservative with the Cosmetics business forecast is that our core product *MILD CLEANSING OIL* underwent a renewal in H2 of the previous fiscal year, and the absence of such renewal during this year’s H2 is expected to have some impact. We also expect the impact of the drop in store sales to remain to a greater degree in the Cosmetics business. In Supplements, we hope to achieve significant growth by strengthening *Calolimit* in addition to *Naishi Support* and *Enkin*.

2. H1 domestic sales of FANCL Cosmetics were strong, growing 5% YoY, but the full-year forecast is for a 3% increase, despite current growth in customer numbers. Do you expect a slowdown in H2?
   Meanwhile, Attenir sales seem to have slowed in Q2, but the full-year forecast is for a 5.1% increase. Do you expect sales to pick up from Q3 onward?

⇒Our view is that the H2 plan for Cosmetics is somewhat low.

You pointed out that the 1.5% increase in FANCL Cosmetics sales in H2 is perhaps slightly low compared to the growth achieved in H1. However, we have kept the plan conservative to take into account the fact that in H2 of the previous year, sales shifted to a recovery trend as a result of the renewal of core products *Enrich+* and *MILD CLEANSING OIL*, and such factors are absent in H2 of this year.

Attenir Q2 domestic sales were in line with our plan. The reason why sales were flat YoY was that, for reasons relating to profitability, the summer marketing campaigns that we had implemented until the previous period were not implemented this period, as the high discount rates on offer had resulted in a surge in demand. We expect sales to recover in H2, as the factors that occurred in H1 are absent.

3. Regarding the downward revision of operating income, please provide a breakdown for H1 and H2 and describe the factors behind the revision.

⇒We downwardly revised operating income for the full year by ¥600 million, which includes the shortfall of ¥250 million that occurred in H1, and ¥350 million in H2. Although lower gross profit from lower sales is expected to reduce operating income for H2 by ¥890 million, by curbing ¥540 million of our SG&A expenses we expect the decrease in operating income to be around ¥350 million. We plan to reduce SG&A expenses through a reduction of over ¥200 million in advertising expenditure, ¥100 million in sales promotion expenses, and ¥100 million in personnel expenses. Advertising expenditure will be streamlined by reducing some brand advertisements that do not contribute to sales and overseas advertisements that are not expected to be effective, and by reducing the planned buffer amount in H2 and otherwise largely sticking to our original plan.

4. In light of consumption trends in the U.S. and China, there would appear to be risks to the overseas business in Q4. What do you think?

⇒We expect boscia to remain weak in Q4 and have lowered our forecast by just over ¥200 million.

China supplement sales grew 38% from January to September, and we do not think the situation will deteriorate rapidly. However, there may be some uncertainty around Attenir cross-border e-commerce.

5. I think the sales plan of ¥120 billion for the next fiscal year is a high hurdle. Can you really achieve it? In particular, how feasible is ¥15 billion in operating income?

⇒This plan was made at a time when we did not think the COVID-19 pandemic would be so prolonged, and it is true that it is a high hurdle. At the time of the Q1 results, we explained that we may lower advertising expenditure in the next fiscal year to prioritize profits. However, many investors have asked us whether it is a good idea to step on the brakes at this point when we have seen a steady increase in customers. With this in mind, we would like to reconsider advertising expenditure for the next fiscal year.

Ends