Held May 9, 2023

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

1. What was the reason for poor domestic sales of FANCL Cosmetics in Q4?

⇒Domestic sales of FANCL Cosmetics declined 5.9% year on year due to having 26 fewer stores than in the previous year, along with the high bar in online and catalogue sales set in the previous year as a result of aggressive investment in advertising. In wholesale, were also significantly impacted by the restrained shipments of *MILD CLEANSING OIL – BLACK & SMOOTH* prior to its launch in April. Excluding these factors, domestic cosmetics sales trended steadily.

2. For the fiscal year ended March 2023, what was the breakdown of Cosmetics versus Supplements for inbound sales to tourists visiting Japan? And can you describe the trend with respect to the increase in Chinese tourists that began in February and March?

⇒Inbound sales in the previous year were ¥440 million, with a roughly 50:50 split between Cosmetics and Supplements. In 2019, prior to the COVID-19 pandemic, the ratio of Cosmetics to Supplements sales was 2:1, but supplement sales have been growing with the increased local market recognition gained since launching the Chinese supplement business with Sinopharm International in 2018.

Monthly inbound sales doubled in February and March compared to October last year. April saw further growth, and sales continue to grow steadily. Chinese customers accounted for about 50% of inbound sales last October, but this figure has now risen to 60%.

3. What is the breakdown for the ¥12 billion operating income planned for the year ending March 2024? If sales do not reach target, do you have a cost-management buffer that will enable you to reach that ¥12 billion operating income amount?

⇒The company plans to increase operating income by ¥2 billion each for both cosmetics and health food, through an increase in gross profit from higher sales. We believe that achieving operating income of ¥12 billion is a must, and will manage expenses while monitoring sales trends. In addition, although inbound sales are planned at ¥3 billion, we believe there is a possibility of increasing this somewhat.

4. Other companies are increasing their marketing expenditure, but for this year FANCL is not. What is your rationale for this approach?

⇒We have been investing aggressively in advertising for a year and a half since the second half of FY Mar/2022, ahead of competitors, and have been able to expand our customer base to a certain degree. This fiscal year, we will reduce response advertising expenses for direct online and catalogue sales, where efficiency is deteriorating, but will increase advertising expenses for external online and catalogue sales, where acquisition rates are good. Moreover, there are no plans to significantly reduce mass advertising such as TV commercials. We plan to reduce advertising expenses by about ¥750 million in a balanced manner, but will increase sales promotion expenses by ¥500 million to promote the continuation of existing customers, thus maintaining a robust level of advertising and sales promotion expenditure overall.

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