

FANCL

正直品質。

FANCL Group Financial Results Briefing For the period April 1, 2023 to December 31, 2023

February 6, 2024

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Financial Highlights

Results by segment

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(Millions of yen)	Q3 of FY to March 2023 (Oct.-Dec.)	Q3 of FY to March 2024 (Oct.-Dec.)	Change YoY
Sales	28,315	29,338	+ 3.6%
<i>Cosmetics</i>	15,481	15,991	+ 3.3%
<i>Nutritional supplements</i>	11,194	11,670	+ 4.3%
<i>Other</i>	1,638	1,675	+ 2.2%
<i>Hatsuga Genmai</i>	507	480	(5.3%)
<i>Kale Juice</i>	567	548	(3.3%)
Operating income	3,092	3,993	+ 29.2%
Ordinary income	3,100	4,033	+ 30.1%
Net income	1,704	2,636	+ 54.7%
※1 EBITDA	4,197	5,022	+ 19.7%
※2 EBITDA margin	14.8%	17.1%	+ 2.3%

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

【Inbound sales (Direct store sales)】

¥640M (¥180M in previous comparable period)

Sales breakdown (3-month period)			
Region		Amount	Change YoY
Domestic		27,412	+ 6.6%
Overseas		1,925	(26.3%)
Cosmetics		Amount	Change YoY
FANCL	Domestic	10,951	+ 5.2%
	Overseas	684	(25.1%)
	Total	11,635	+ 2.8%
ATTENIR	Domestic	3,934	+ 11.7%
	Overseas	52	(66.8%)
	Total	3,987	+ 8.3%
boscia		177	(9.3%)
Nutritional supplements		Amount	Change YoY
Domestic		10,662	+ 8.2%
Overseas		1,008	(24.8%)
Total		11,670	+ 4.3%

Results by segment

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(Millions of yen)	Nine-month period of FY to March 2023	Nine-month period of FY to March 2024	Change YoY
Sales	78,954	83,415	+ 5.6%
<i>Cosmetics</i>	44,176	45,877	+ 3.9%
<i>Nutritional supplements</i>	30,060	33,065	+ 10.0%
<i>Other</i>	4,717	4,472	(5.2%)
<i>Hatsuga Genmai</i>	1,503	1,370	(8.9%)
<i>Kale Juice</i>	1,531	1,472	(3.9%)
Operating income	6,442	10,051	+ 56.0%
Ordinary income	7,277	10,396	+ 42.9%
Net income	4,358	6,952	+ 59.5%
※1 EBITDA	9,691	13,017	+ 34.3%
※2 EBITDA margin	12.3%	15.6%	+ 3.3%

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

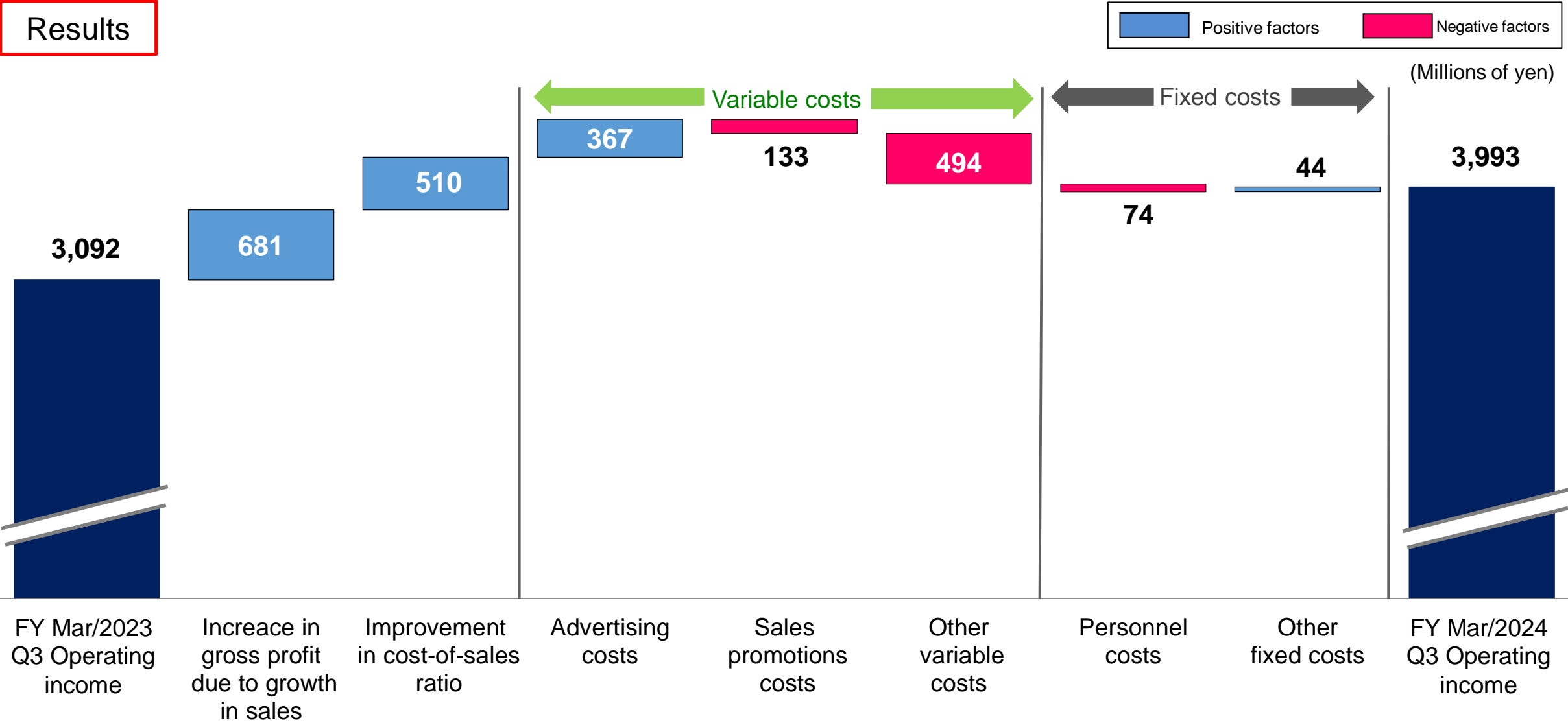
【Inbound sales (Direct store sales)】

¥1.73B (¥220M in previous comparable period)

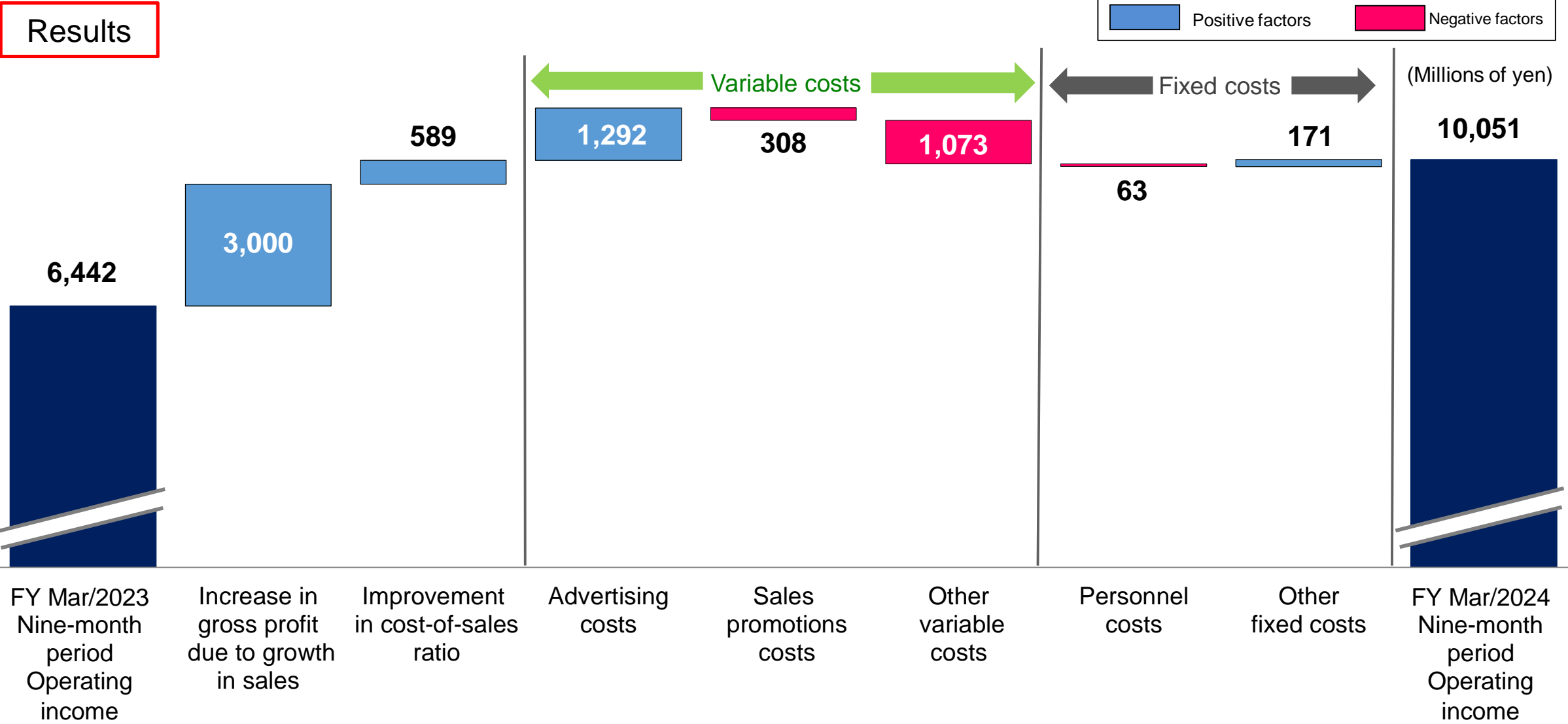
Sales breakdown (9-month period)			
Region		Amount	Change YoY
Domestic		76,503	+ 6.4%
Overseas		6,912	(1.8%)
Cosmetics		Amount	Change YoY
FANCL	Domestic	31,205	+ 4.7%
	Overseas	1,861	(23.3%)
	Total	33,066	+ 2.6%
ATTENIR	Domestic	10,391	+ 9.4%
	Overseas	1,270	+ 36.8%
	Total	11,662	+ 11.9%
boscia		535	(9.8%)
Nutritional supplements		Amount	Change YoY
Domestic		29,829	+ 10.6%
Overseas		3,235	+ 5.0%
Total		33,065	+ 10.0%

Q3(October-December) Analysis of change in operating income

Results



Q3 cumulative(April-December) Analysis of change in operating income



Outlook for full year

Outlook of FY to March 2024

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(Millions of yen)	FY to March 2023	FY to March 2024 (plan)	Change YoY	Amount revised from plan announced in Nov.
Sales	103,595	111,500	+7.6%	+500
Cosmetics	57,448	60,870	+6.0%	(780)
Nutritional supplements	39,871	44,560	+11.8%	+1,100
Other	6,276	6,070	(3.3%)	+180
Hatsuga Genmai	1,985	1,860	(6.3%)	(40)
Kale Juice	2,005	1,970	(1.8%)	+20
Operating income	7,843	12,500	+59.4%	+500
Ordinary income	8,557	12,850	+50.2%	+650
Net income	4,970	8,500	+71.0%	+500
※1 EBITDA	12,220	16,500	+35.0%	
※2 EBITDA margin	11.8%	14.8%	+3.0%	

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

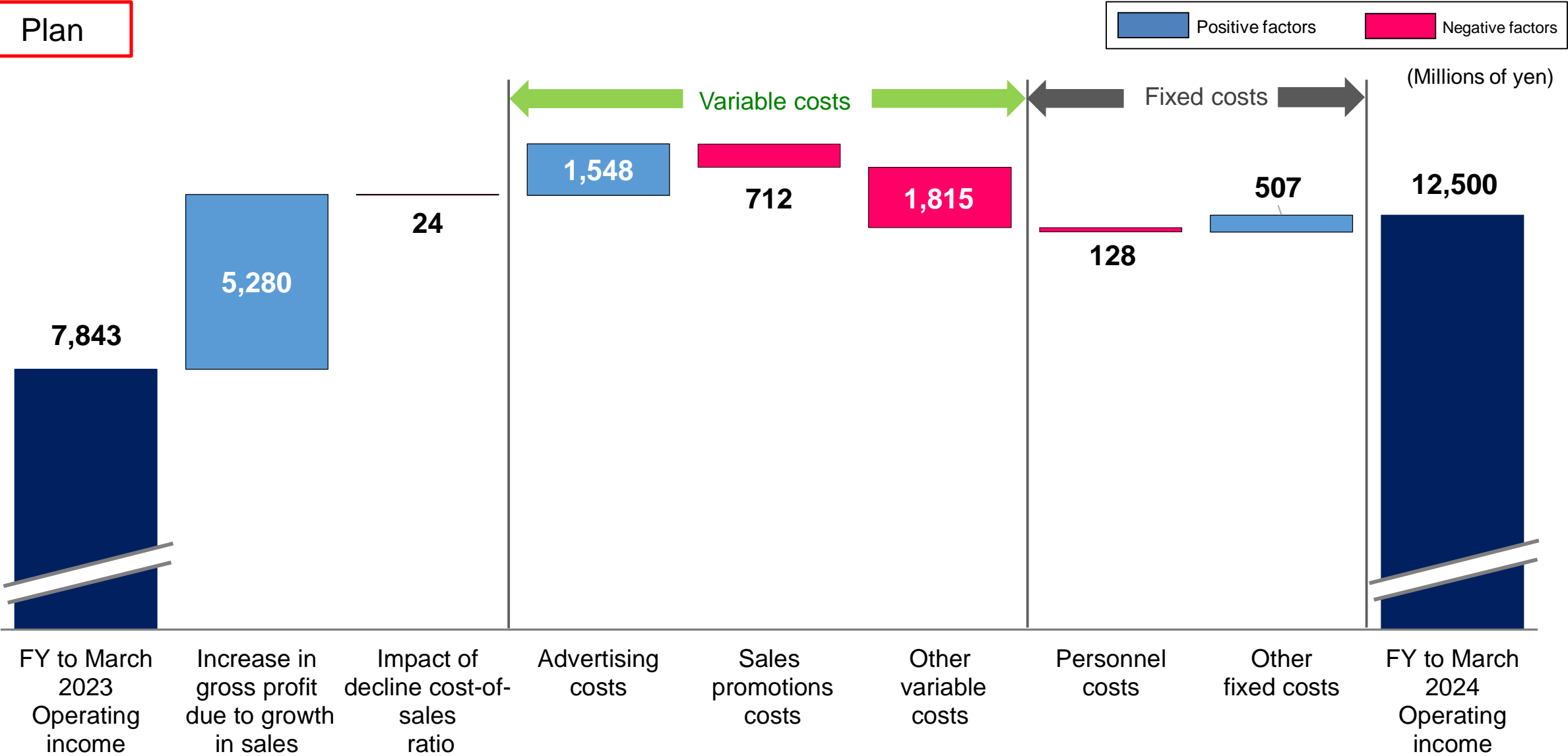
【Inbound sales (Direct store sales)】

¥2.8B (¥440M in previous comparable period)

Sales breakdown (Full year)			
Region		Amount	Change YoY
Domestic		101,060	+7.7%
Overseas		10,440	+7.0%
Cosmetics		Amount	Change YoY
FANCL	Domestic	40,845	+6.1%
	Overseas	3,550	(1.3%)
	Total	44,395	+5.4%
ATTENIR	Domestic	13,645	+9.9%
	Overseas	1,460	+40.9%
	Total	15,105	+12.3%
boscia		670	(14.5%)
Nutritional supplements		Amount	Change YoY
Domestic		39,810	+12.0%
Overseas		4,750	+9.8%
Total		44,560	+11.8%

FY Mar/2024: Analysis of change in operating income

Plan



Q3 summary

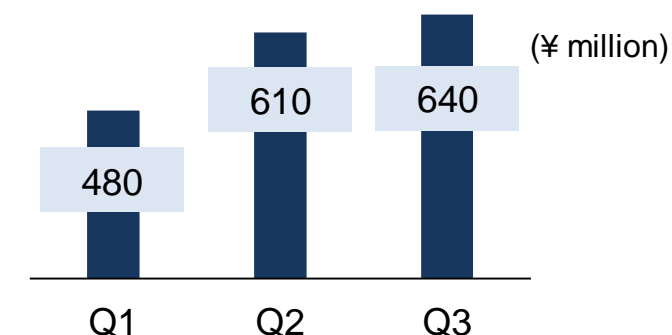
Progress with FY Mar/2024 plan

Japan sales (excl. inbound) reached record high. Average daily inbound sales at highest levels post-pandemic, but fell short of plan

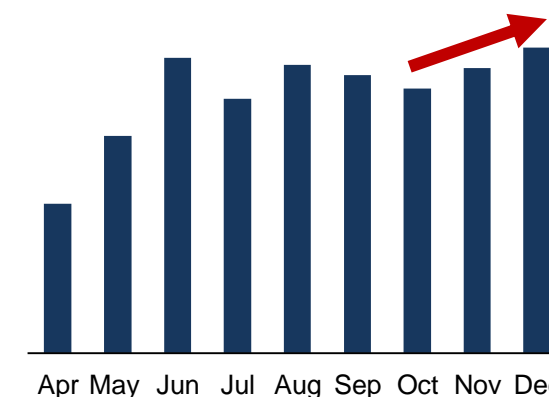
Plan	Progress	Achievements and key points going forward	
Expand sales through effective marketing	◎	<ul style="list-style-type: none">■ Reduced response advertising on owned online and catalogue platforms, but increased focus on advertising on external platforms to achieve efficient acquisitions■ Low reliance on big discount sales events on external online platforms - 70% of sales occurred during regular periods Controlled discount rates to both expand sales and maintain/improve profitability Sales on external platforms (Oct-Dec):129% YoY of previous year's level	
Rebuild store channels	○	<ul style="list-style-type: none">■ Strong cross-selling of special care products such as <i>CORE EFFECTOR</i> and internal and external care proposals Existing store sales (Oct-Dec; Excluding inbound): 104% YoY	
Accelerate globalization	△	China Supplements	Switching Japanese marine-derived raw materials to foreign products Shipments exceeding initial plan Impact on full year results: 1.5B → 1.1B
		Attenir	KOL promotions taking time to return to normal Impact on full year results: 500M → 700M

Inbound sales

Chinese visitor numbers to Japan were less than expected, and sales fell short of plan



Inbound average daily sales



Cosmetics Business

- Strong cross-selling of core cleansing and beauty essence products. Launching *toiro*, a new skin care product for younger consumers in April

Continue to bolster *MILD CLEANSING OIL*



- MILD CLEANSING OIL* – *BLACK & SMOOTH* – continues to drive strong sales
- MILD CLEANSING OIL* series Q3 cumulative sales **up 20% from previous period**
- Scented *MILD CLEANSING OIL*** on sale from February 16 in limited quantities (COMFORT CITRUS)



Encourage repeat purchases

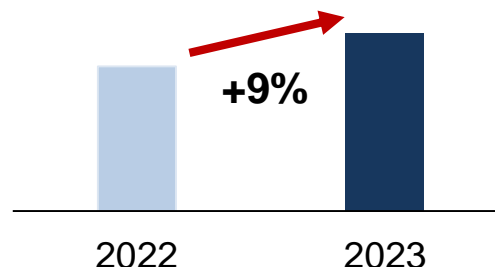
- Launching sales of **refill-type** through wholesale channel from April

Solidify position as No. 1 cleansing brand

Promote cross-selling



Number of *CORE EFFECTOR* purchasers



Renew make-up, special care, and sunscreen products, and strengthen cross-selling



Nuance Contrast Eyes
(February)



INTENSIVE SKIN BOOSTER
(February)

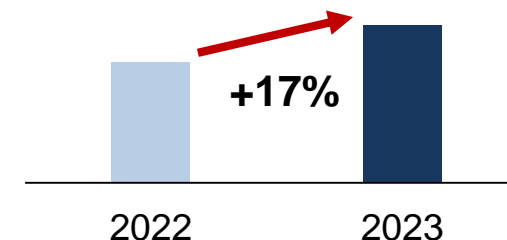


SUNGUARD 50+ PROTECT UV
(March)

Expand customer base for basic skin care

Increased LTV through promotion of subscriptions

Basic Skin Care purchases per customer on online and catalogue channels



New skincare product *toiro*



Launch: Apr 2024

- Targeting younger consumers aged around 30** with concerns about skin issues
- First increase in volume in 22 years** (from 30mL to 120mL) to capture a new customer demographic

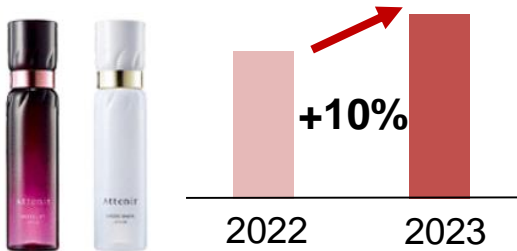
- > Focus on further growth as business approaches 35th anniversary. Overseas, sales are set to begin at a major specialty cosmetics store.

Domestic

Post-renewal sales

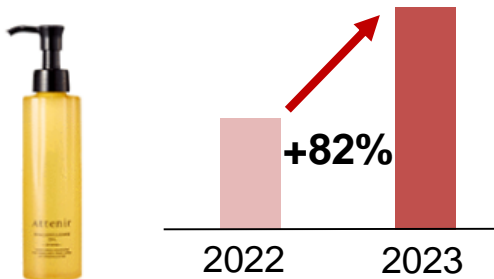
Dress lift, Dress snow

Renewed September 19, 2023



SKIN CLEAR CLEANSE OIL

Renewed November 15, 2023



35th anniversary of Attenir (Feb 2024~)

Steer towards accelerated growth trajectory through new product offerings and core product renewals

Dress snow Facial Wash



Launch: March 2024

- Recommend use with toner and emulsion from **same product line**
- Aiming to **attract new customers** using face wash as a gateway

Prima Moist - basic skin care for 30s



Renewal: May 2024

- Stop the chain of dryness that triggers aging
- Aim to **attract future core target group (40s)**

Overseas

Status of China cross-border e-commerce

- Q3 (Local retail) were 67% of previous period, however, no local boycott sentiment was seen
- **High quality and price range comparable to Chinese brands**, making it highly competitive
⇒ Aiming to regain ground during 'Queen's Day' festivities in March

General trade sales

- Planning to sign exclusive sales agreement with a **major specialty cosmetics store**
- Focusing on **basic skin care product sales** in China from FY Mar/2025

Aiming to expand recognition as an "anti-aging care brand" and grow sales

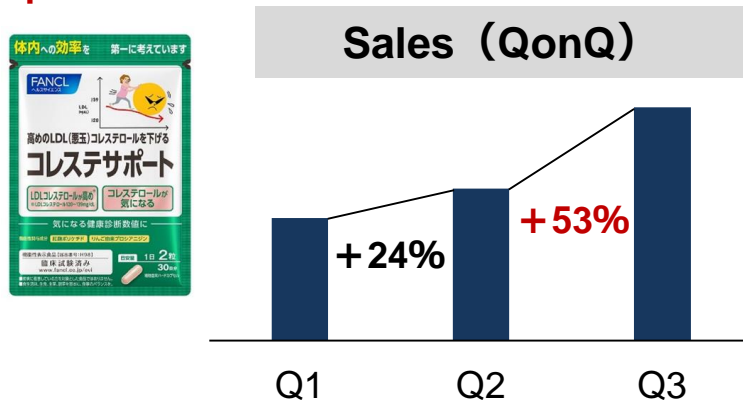
Health Business

> Development of future star products on track

Pursue further growth as we approach the 30th anniversary of our health food business

Grow *Anti-Cholesterol Support* into star product

Significant sales increase after October area-specific commercials

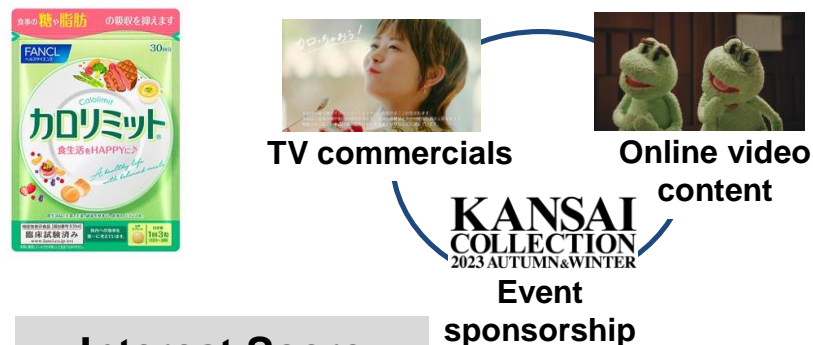


- From January: Expanding target regions and **reinforcing area-specific promotions** (Hokkaido, Tohoku, Shizuoka **+ Kansai, Tokai**)

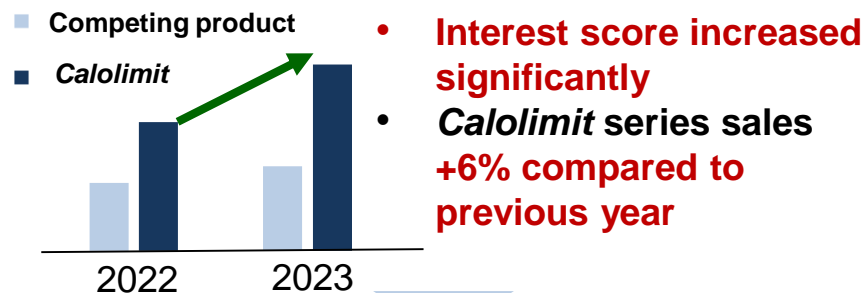
Creating a new market for **cholesterol management with supplements** that show results in **4 weeks**

Strengthen *Calolimit* brand

Diverse promotions throughout year



Interest Score



Aim to maintain position as **No.1 diet supplement** next fiscal year and onwards, and enhance product awareness

30th anniversary of health food business

30th anniversary of health food business in Feb 2024



30th Anniversary initiative: Vol.1

Expand offering of iron supplements, commonly deficient in female customers



Iron & Folic acid
<Limited edition package>
Launch: February 16, 2024

FY Mar/2025 ~

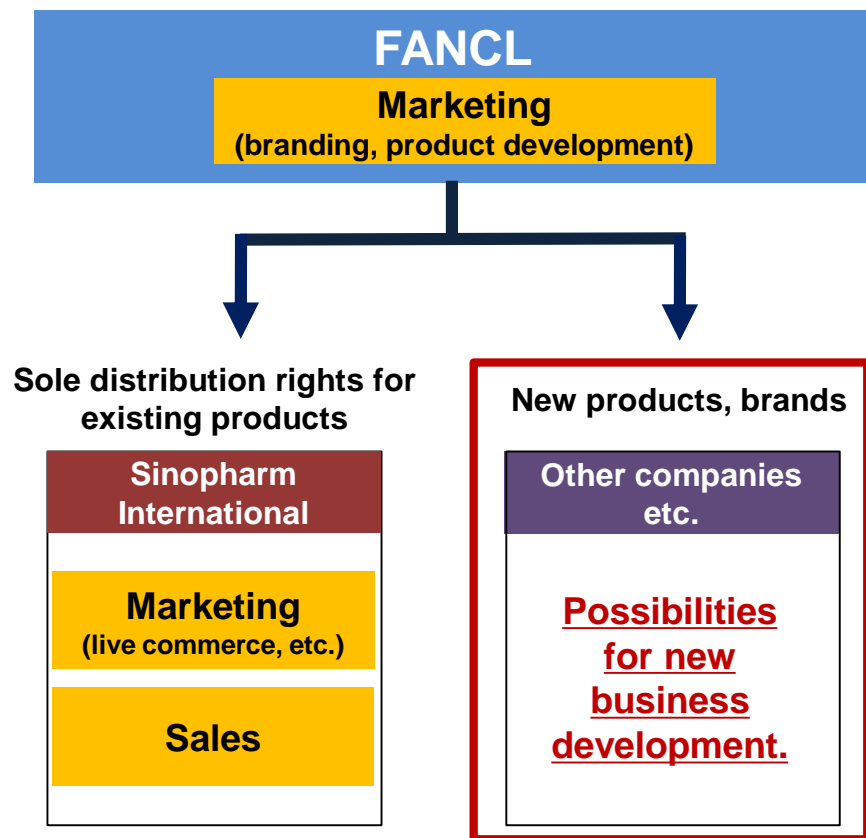
- Revitalize core products
- Launch major new products

A year for growing the health food business

- > Revised exclusive distributorship agreement with Sinopharm International and began new business development

Details of agreement revision

New agreement (Sep. 2023~)



Utilize new distributor to expand health food business

Sales by recommendation on WeChat (from Feb. 2024)



NMN×CoQ10 Price: RMB 1,980 (Approx. ¥40,000)

- **Contains NMN**, an ingredient notable for its anti-aging properties
- **Targeting affluent customers in their 30s~40s** who are highly conscious about health and beauty



Acquire new customer segments with sales methods matched to high-unit-price and high-function products

Channel

Building a customer education model unique to FANCL

- Shift to marketing that drives creation of FANCL fans through communication tailored to each individual customer

Strengthen connections with customers through new services that support and address concerns of those raising children



The Mama & Papa Smile Program (Launched August 17, 2023)

- Service created with the aim of supporting parents raising children
- Open to those who are pregnant or have children under the age of 15
⇒ **15%*** of those able to enroll have done so

*Estimated based on FANCL online and direct store customers aged 20-44

Program details

In-store counselling sessions

Email newsletter for parents raising children

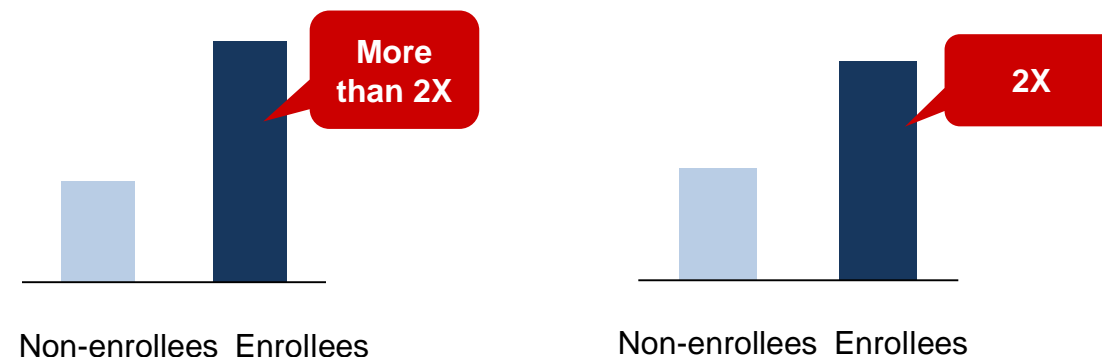
Presents for children visiting direct stores

Emails with special offers on child's birthday

Program enrollees have high rates of combined use of FANCL online and stores, and cosmetics and health food products

Rate of combined use of FANCL online and stores

Rate of combined use of cosmetics and health food products



- **Build long-term connections with customers** by increasing no. of enrollees and expanding services tailored to their needs
- Launch new **program for seniors aged 65 and over** in January. Strengthen ties with customers across diverse generations.

Online and Catalogue: Updates to catalogue magazines

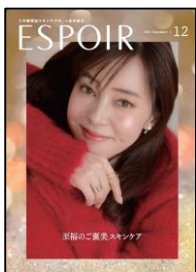
- Connect to customers more deeply and for longer with new magazines, and create FANCL fans

Publish magazines combining both beauty and health content tailored to different customer age group

Until now

Product-oriented content

Cosmetics consumers



ESPOIR

Health food product consumers



Genki Living



January 2024 issues

Customer-oriented content tailored to customers' ages, lifestyles, concerns, etc.

40s and 50s



Fleu:me

Provides useful information related to **health concerns of this generation, not simply beauty content**

Late 60s



Fleu:me+

Provides information tailored to those of this generation who **want to continue living an active life**

Key features of magazine updates:

- **Promote combined sales of cosmetics and health food products** through greater integration of health and beauty information. **Plan to raise combined sales ratio to 1.5 times the current level in three years.**
- Shift away from existing product and promotional campaign-focused magazine to providing more customer-oriented information that **addresses customers' lifestyles and skin/health concerns.**

