Held May 8, 2024

FANCL CORPORATION
FY Mar/2024 Financial Results Briefing
Q&A session summary

1. What is the expected impact of Kobayashi Pharmaceutical's "beni-koji" red yeast rice supplement issue on FANCL's business performance of in FY Mar/2025?

⇒ Although we use red yeast rice extract in our product *Anti-Cholesterol Support*, we do not use any of Kobayashi Pharmaceutical's red yeast rice ingredients. Immediately after news reports of the issue on March 22, the number of subscription cancellations temporarily increased, but since mid-April, the situation has calmed down and returned to the previous level. Our belief is that media coverage has peaked, and we have communicated our structure for ensuring the quality and safety of our products through our e-mail newsletter and app, etc., and our customers understand the situation. We also saw a temporary decline in POS in the wholesale channel, but now it is on a recovery trend.

The impact of this issue on the current fiscal year's performance is expected to be limited to a reduction of around ¥400 million in supplement sales in Q1. (Online and catalogue: -¥0.15 bn; direct stores: -¥0.05 bn; wholesale: -¥0.20 bn)

In the previous fiscal year, company-wide efforts to expand sales of *Anti-Cholesterol Support* led sales to grow to ¥900 million yen (+130% YoY) in FY Mar/2024. Although further advertising was planned for Q1 of the current fiscal year, the timing of implementation of this advertising has been revised, resulting in a reduction in expenses, and therefore operating income is not expected to be significantly affected.

2. How realistic is your new three-year Medium-Term Management Plan?

⇒ We consider the plan to be reasonable, neither conservative nor a stretch. Domestic sales (excluding inbound sales) are expected to grow 4% per year, and direct store sales are expected to grow just under 1% per year. This is not an unreasonable plan given the many new product launches planned for the next three years for both Cosmetics and Supplements.

Online and catalogue sales are forecast to grow at a slightly higher rate than other channels, at just over 5% per year, and this is reasonable given that online and catalogue sales on our own platforms are beginning to show results from marketing aimed at deepening connections with existing customers, and that growth of just over

8% per year is achievable on external online platforms.

Inbound sales for FY Mar/2027 are planned at ¥6.6 billion, just over 50% of the peak level of FY Mar/2019. In addition to the possible increase in group tours and the easing of regulations on visa applications for visiting Japan, growth is expected in supplements, reflecting the growing recognition of supplements in China compared to pre-pandemic times.

Overseas, we are targeting an annual growth rate of 12.1%. In the previous fiscal year, China Supplements and Attenir cross-border e-commerce sales were significantly affected by the release of treated water from the nuclear power plant, but we expect to see growth again this fiscal year as the impact of the release will be reduced.

3. What is the breakdown of overseas sales plan in the new Medium-Term Management Plan?

⇒ We are targeting an increase in overseas sales of approximately ¥4 billion over the next three years, with Cosmetics up ¥1.5 billion, and Supplements up ¥2.5 billion. In Cosmetics, this consists of a ¥1.5 billion increase in Attenir sales, and a ¥500 million increase in BRANCHIC sales. In supplements, we plan an increase of ¥2.0 billion through initiatives with Sinopharm international, and an increase of ¥500 million through business unrelated to Sinopharm International and new developments such as our expansion into Vietnam and other ASEAN markets.

4. How do you plan to achieve an operating margin in the 16% range for Cosmetics and Supplements in FY Mar/2027

⇒ Our businesses have a high marginal profit ratio, and increases in sales have a significant effect on improving the operating margin. Currently, the research, production, and product planning departments for both Cosmetics and Supplements are working in unison to reduce costs, and we expect the cost ratio to improve in the future.

In addition, our overseas business is mainly focused on wholesale sales, which is a highly profitable model for the Company, so increasing overseas sales will lead to an improvement in the operating margin of the overall business.

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