Held March 23, 2018

# FANCL CORPORATION
## Medium Term Management Plan – ACTION 2020 – Presentation
## Q&A session summary

Previous Medium-Term Management Plan (FY2016 to FY2018)

1. Looking at customer growth rates over the past three years, there was a high rate of growth in Supplements (+51%), and ATTENIR (+52%). Were these above expectations?

⇒ Based on advertising effectiveness, FANCL Cosmetics performed well. We generated revenue by acquiring new customers and retaining them as regular customers. In Supplements, our sales grew, but we believe our advertising effectiveness and profitability is still insufficient. In ATTENIR, we shifted into the black with an increase in sales from growth in customer numbers, however, we believe we have yet to reap the full benefits of our efforts.

2. How do you rate your performance in the wholesale and store channels in the previous Medium-Term Management Plan period?

⇒In the wholesale channel, we were successful in the expanding the number of stores carrying our products, as well as expanding our product line up. However, going forward it will not be possible to significantly increase the number of stores carrying our products, so we will focus our efforts on improving product positioning and visibility within stores, placing products in multiple locations throughout single stores, and implementing promotions in conjunction with sales campaigns at major chain stores. We will also invest in a certain amount of advertising.

We initially announced a plan to reach 350 directly managed stores but changed that to 200 stores midway through the medium-term period. In the future, we plan to carefully select new stores for opening, at a rate of around five per year.

New Medium-Term Management Plan (FY2019 to FY2021)

3. For the next three-year period you have set the average annual growth rate for FANCL Cosmetics at +4%, ATTENIR at +11%, and boscia at +14%. Tell me your thoughts behind the slight increase in inbound.

⇒We don’t expect significant growth in FANCL Cosmetics, but we do think there is still room for growth with ATTENIR. We are forecasting a slight increase in inbound, with an annual growth rate of 5-6%. Conditions are positive over the short term, so our forecasts may be slightly modest. However, considering the fact that there are extremely large elements of change, we are taking a conservative view.

4. Based on the results of the previous Medium-Term Management Plan (FY2016 to FY2018), the forecasts for the new Medium-Term Management Plan seem to be quite modest. Are you taking special circumstances into account?

⇒Although it is relatively simple to make improvements in areas where we have been performing badly, it becomes more difficult when we are working to make further improvements to areas where we are already performing well.

There are no plans to increase advertising expenditure. We will maintain the same level, at around ¥15.0 billion. The key will be how effectively we utilize this advertising expenditure, and how successful we are in developing strong products in our Cosmetics and Supplements businesses. We may have been slightly over-cautious with our inbound forecasts.

5. In three years’ time, you have set the sales composition of FANCL Cosmetics at over 90% *The FANCL*, and just below 10% *NEO FANCL*. What is the current sales composition? In monetary terms, which of these is expected to achieve growth? How much will the new brand contribute?

⇒At present, the only item included in *NEO FANCL* is *Beauty BOUQUET*, with sales of ¥1.0 billion. We hope to approximately double our sales of *Beauty BOUQUET* in three years.

In terms of monetary amount, *The FANCL*’s contribution will have a large impact. We are planning for ¥2.0 billion in sales from the new brand.

6. Regarding the diversification of FANCL Cosmetics, FANCL is good at selling its brand to the mass market, but can you really reach the prestige market?

⇒While I cannot speak in detail at this time, I can tell you that in FANCL Cosmetics we already have the BC line which is close to the high-end market. Above that we have *Skin Solution,* which tests the skin’s stratum corneum and provides personal solutions tailored for each customer. With these at the core, and as a symbol of our technology, we will place a focus on product lines above the current basic skin care products. We also plan to look into placing products at certain counters in department stores.

7. What are your plans for the development of *Naishi Support* and other existing star products such as *Enkin* and *Calolimit*?

⇒Last year we launched online advertising for *Naishi Support*, and received an extremely good response, so in an effort to acquire new customers, in Q4 we made an additional investment in advertising.

Next fiscal year we will continue to strengthen our mass-market advertising. This is a product which is steadily attracting new customers, and the retention rate is high, so we believe we can achieve growth to the same level as *Enkin*.

We hope to achieve slight growth in *Enkin* and *Calolimit*, and also aim to develop other star products and semi-star products. For example, our plan is to make *Deep Charge Collagen*, which we launched on March 20, into the next semi-star product.

8. How do you plan to start leveraging your alliance with China Sinopharm International Corporation?

⇒We first need to apply for approvals. China's supplement regulations are extremely strict, and it is said to take 2 years to acquire approval. At present, we are working with China Sinopharm International Corporation to decide what products to sell in the Chinese market. Applications for approval will be submitted after that.

Sales will start via e-commerce. Following that, we are considering sales through flagship stores and hospitals.

9. Regarding quantitative targets in VISION2030, what is your target sales ratio between Cosmetics and Supplements in 2030, and how much of that will be overseas sales?

⇒We are forecasting a ratio of around 50:50 between the Cosmetics and Supplements businesses. We believe that Supplements will have a higher growth rate. Overseas sales are expected to account for 25%.

10. Many cosmetics companies are announcing plans to enhance production. Can FANCL cover necessary enhancements within its ¥10.5 billion + α investment plan?

⇒We are planning capital expenditure of ¥4.5 billion over the three-year period. Although there have been slight supply pressures with some products in both the

Cosmetics and Supplements businesses, in the next three years we have no plans to build new factories. Instead, we believe it will be possible to address these challenges through the automation and speeding-up of existing facilities, as well as installing new equipment.

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