

FANCL

正直品質。

FANCL Group Financial Results Briefing

For the period April 1, 2017 to September 30, 2017

October 30, 2017

Financial Highlights

Results by segment

FANCL

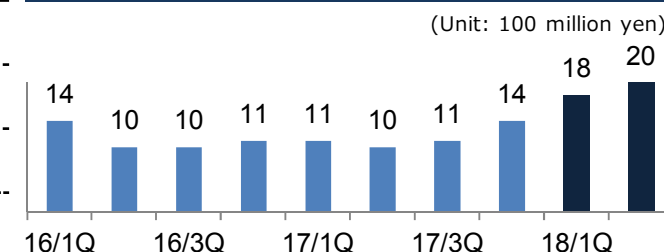
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(Millions of yen)	H1 of FY ending March 2017	H1 of FY ending March 2018	Change YoY
Sales	46,164	51,857	+ 12.3%
<i>Cosmetics</i>	27,132	31,424	+ 15.8%
<i>Nutritional supplements</i>	15,431	17,049	+ 10.5%
<i>Other</i>	3,600	3,383	(6.0%)
<i>Hatsuga Genmai</i>	1,251	1,121	(10.4%)
<i>Kale Juice</i>	1,367	1,285	(6.0%)
Operating income	(601)	3,736	—
Ordinary income	(541)	3,843	—
Net income	3,873	2,485	(35.8%)

Sales breakdown (6-month period)

Results by cosmetics brand	<i>FANCL</i>	24,142	+12.1% (Domestic:+12.9%, Overseas:+5.1%)
	<i>ATTENIR</i>	5,290	+27.0%
	<i>boscia</i>	1,562	+58.5%
Nutritional supplements		17,049	+10.5% (Domestic: +10.1%, Overseas: +18.7%)

Inbound sales(estimated)



Analysis of change in Operating income

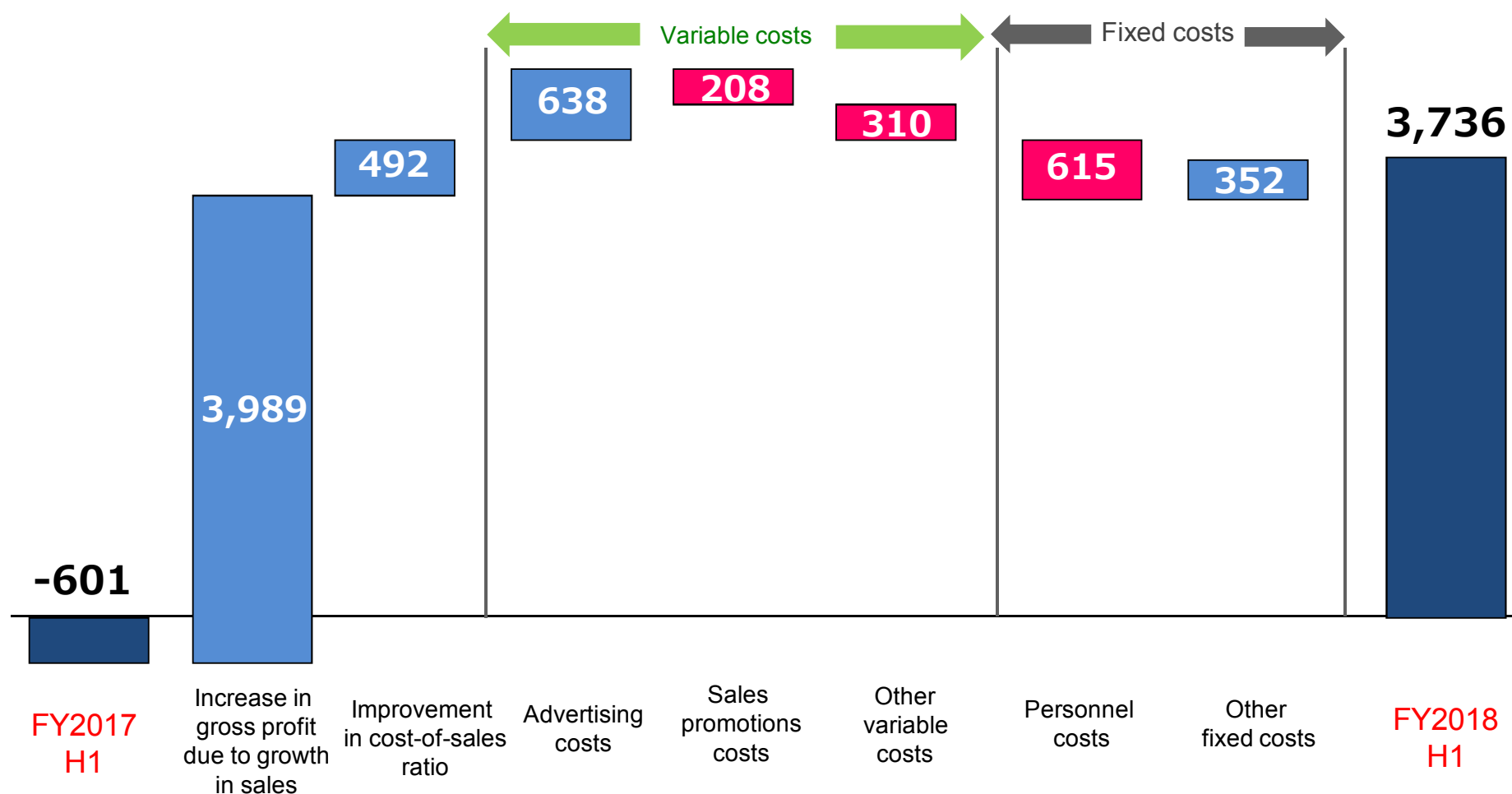
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Results

Positive factors Negative factors

(Millions of yen)



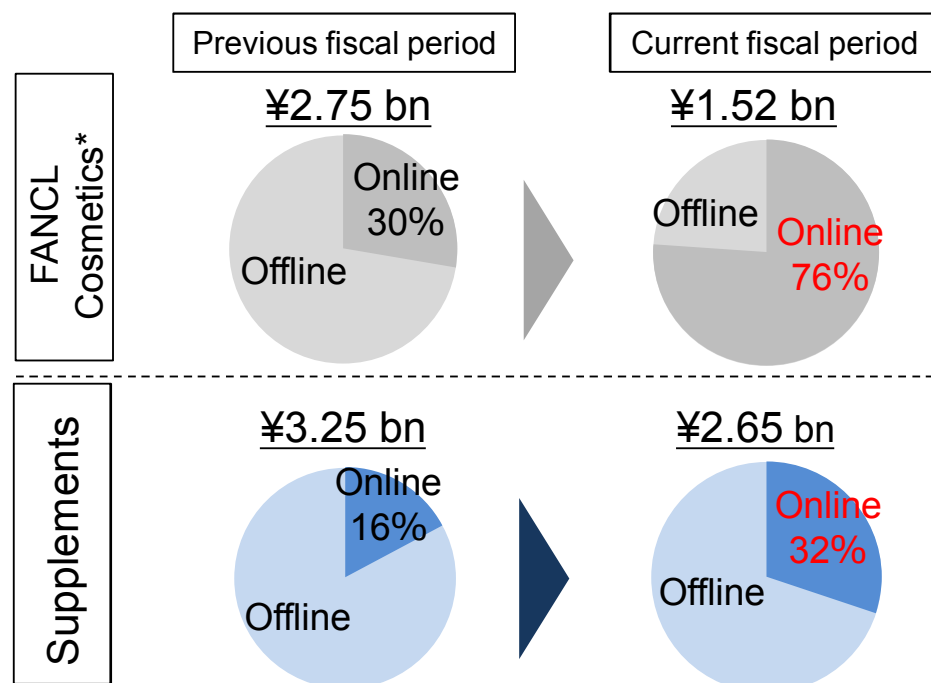
Results of Advertising

■ Shift to online advertising

<New customer acquisitions>

	YoY	
FANCL Cosmetics*	113%	*Excluding Beauty BOUQUET
Supplements	100%	
Total	105%	

<Advertising expenses (product advertising only) >



■ Use of integrated web media

Awareness building



×

Acquisition

Direct response advertisements
(network advertisements, listing advertisements, etc.)



Proactive adoption of new methods that leverage third party evaluations

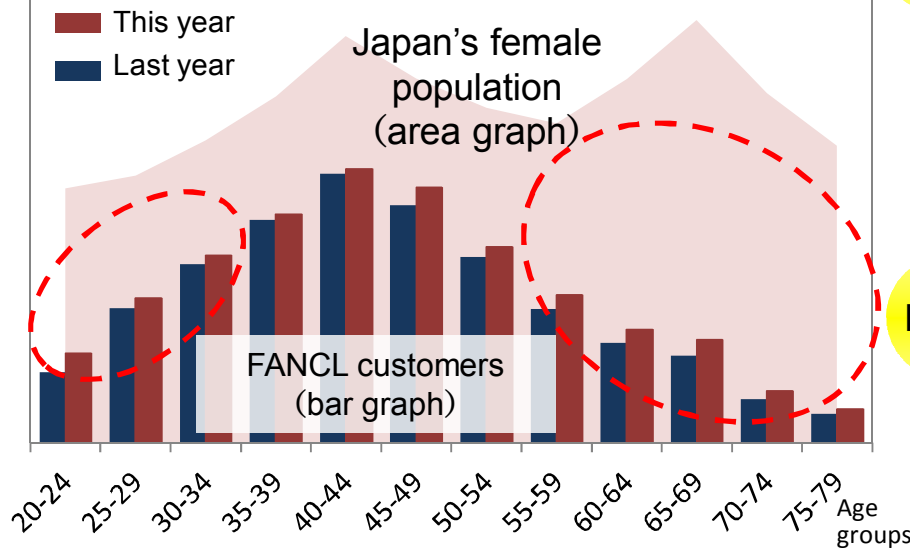
(Ref.) Existing customer trends (YoY)

		2015				2016				2017		
		Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
FANCL Cosmetics	Mail Order	100%	97%	97%	99%	102%	106%	107%	106%	105%	103%	101%
	Retail Store	96%	93%	93%	94%	96%	100%	101%	102%	102%	102%	101%
Supplements	Mail Order	92%	96%	102%	107%	115%	123%	129%	133%	130%	123%	116%
	Retail Store	87%	90%	94%	97%	101%	102%	102%	103%	102%	103%	105%
Attenir		94%	92%	94%	94%	98%	106%	113%	122%	125%	125%	125%

*Existing customers who have made a purchase in the past 4 months
(12-month moving average)

Cosmetics Business

Customer age groups



NEW

Younger age group (late 20s to early 30s)

- Positioning *Active Conditioning Basic*, *Acne Care* as strategic products and implement online-focused marketing.
- New customers aged 34 and under (in H1): +53%

NEW

Mature age group

- Strengthen *Beauty BOUQUET*
H1 sales in line with plan
- Full launch via mail order, retail stores from April
Testing in Shizuoka with view for expansion in drugstores

Main user segment (late 30s to 40s)

- Focus on expanding users of basic skin care core product, *Active Conditioning EX*
Net sales for H1 +19%

Roll out campaign from September celebrating two years since product launch

Drugstore testing

- 80% of customers from target age group
- Smooth transition from trial set to regular product
- POS daily targets achieved

Look towards expansion of test areas within the year.
Aim to expand nationwide in the next fiscal year.

FANCL Launch plans for H2

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Renewal of Mild Cleansing Oil
Addition of new function to reduce the clogging of pores



Launch: November 17

**More
powerful**

Completely removes
make-up and stains

**More
powerful**

Retains
moisture

NEW

Reduces clogged
pores, a cause of
skin aging

Price: ¥1,836 (including tax)

Sales channels: Mail order, retail stores, wholesale

In addition to TV commercials, heighten
product recognition and increase contact
opportunities through tie-ups with review sites
and SNS utilization.

Complete renewal of *BOTANICAL FORCE*, jointly
developed with Seven & i Holdings Co., Ltd.

Launch: December 4

Works quickly to achieve beautiful skin!
Uses the power of plant fermentation and
Mutenka formulations for supple,
moisturized skin



Price: ¥259 - ¥1,350 (including tax)
Scheduled for release at SEVEN-ELEVEN
JAPAN CO., LTD. and Ito-Yokado Co., Ltd.

Plan to increase customers by offering
product in convenient volume and at
accessible purchase price

Attenir Aiming for record-high sales

Innovative products



Unique communication model utilizing the web

Results for
H1

Record high number of new
acquisitions (+28% YoY)

Record high customer numbers
(broke FY2008 record)



Price: ¥5,000 (including tax)
Sales channels: Mail order, retail stores

Attenir LIFT GENESIS: For resilient skin free from the influence of gravity
Launched on October 17

This unique GENESIS approach changes the quality of collagen before it is created.
Lift care beauty essence, which leads to firm, resilient skin

Aiming to break record-high sales of FY2008 this period. Expected to return to black in H2.

Health Business

■ Calolimit Series

Net sales (H1): +15% YoY



Foods with Function Claims

Calolimit
Launched in September 2016

Calorie Limit for the Mature Aged
Launched in June 2017

H2 Campaign

New product

For taking at particular times,
such as when having a
calorific meal

Future

Normalization
continual and habitual
use of Calolimit

Plan to launch promotion through
new TV commercial



"Calorilimit Refined Green Tea Plus"
Jointly developed with DyDo;
Launched on October 20, 2017

■ Enkin series

Net sales (H1): -4% YoY

Causes

- Absence of large campaign held in Q1 FY2017
- **Decline in freshness of TV commercial**

Solution

Develop cross-media measures linking
advertisements with PR, and boost brand
recognition from new TV commercial

目の筋肉は、
歳をとる。
Eye muscles
weaken with age.

手元の
ピンツ調節力に。

Advertisement

TV commercials,
transportation
advertisements,
newspaper
advertisements,
web tie-ups

×

PR

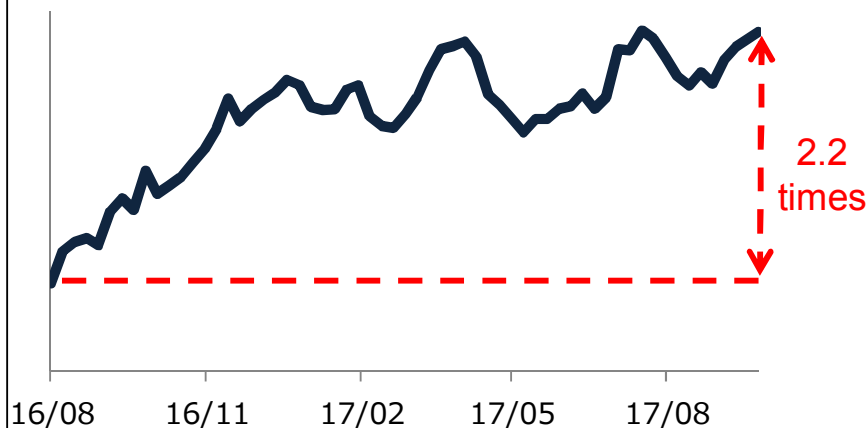
Events:
commercial launches,
"be kind to eyes"
days, couples days

■ Age Bracket-Based Supplements

Sales (H1): +26% YoY

Sales growth due to product simplicity, ease of choice, and improvement in product awareness

Drugstore POS results



Source: True Data Inc. Drugstore ID-POS System "Eagle Eye"

In wholesale channel, sales have grown to a level only behind that of Calolimit and Enkin. Plan to continue expansion to more retailers

■ Food with Function Claims: *Naishi Support* (Weight and body fat care)

Sales (following launch): +78% versus plan



Functionality confirmed in clinical trials

Equip your intestinal environment to **lose weight and body fat**

Uses proprietary technology to deliver living bifidobacteria to the gut

Launched June 20, 2017

Price: ¥3,888 (including tax)

Sales channels: Mail order, retail stores, wholesale

Positive results in new customer acquisition tests.
Considered for potential next-generation star product

Nestle Japan and FANCL have launched a joint project aimed at offering solutions to nutritional and health problems

Project No. 1

Joint development of capsule products for “Nestle Wellness Ambassador”
(Total: 8 products) Sales launched October 12 on Nestle Japan website

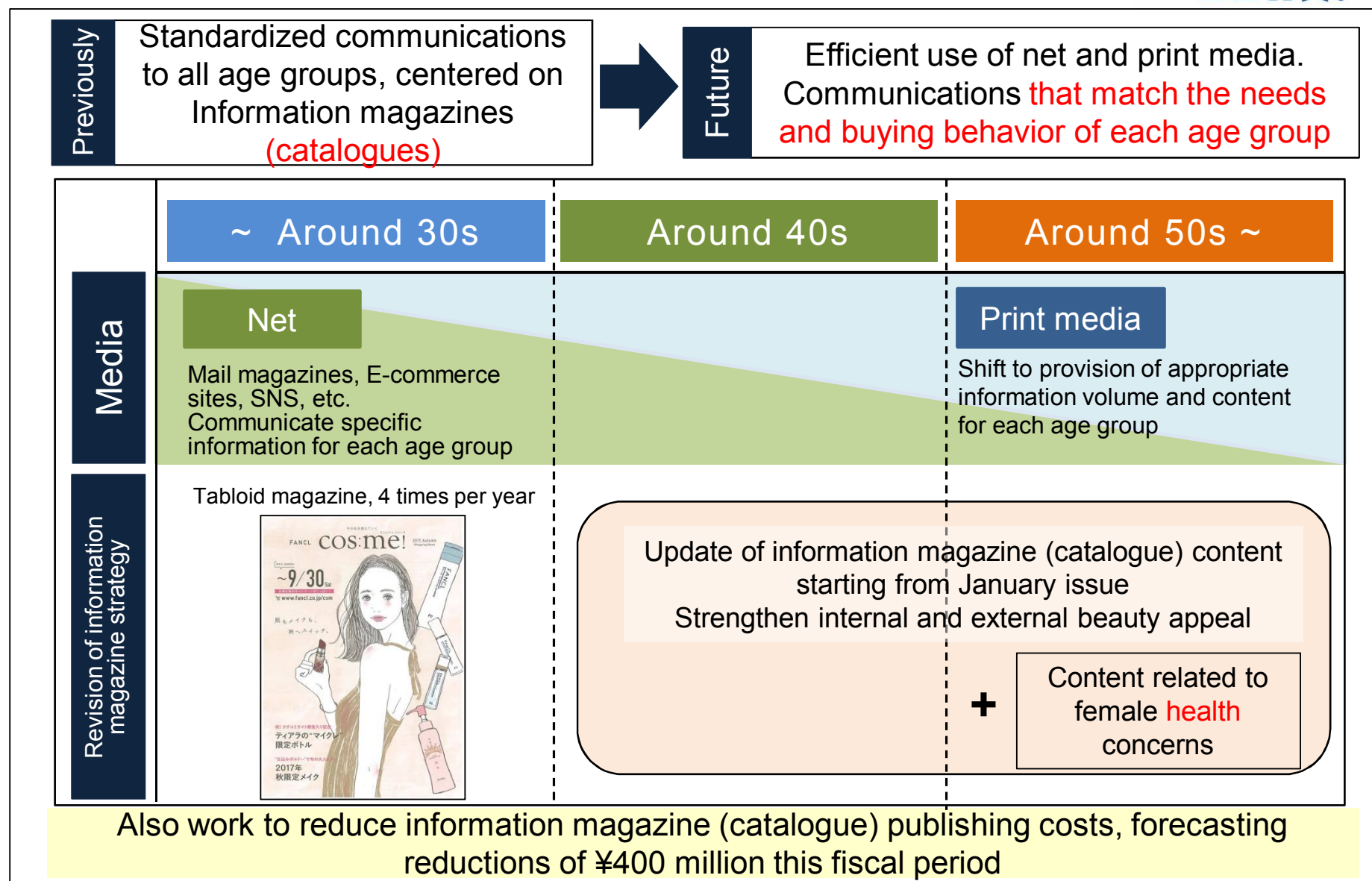


Photo (from left): Nestle Wellness Matcha Yellow, Nestle Wellness Matcha Calolimit®, and Nestle Wellness Latte Daily Beauty Support (Blended with HTC® Collagen)
Price: 15 piece pack ¥1,350 (excluding tax)

Offering a new way to take supplements, enabling an approach to a new demographic previously uninterested in supplements

Channel

Mail Order: Information communication reform



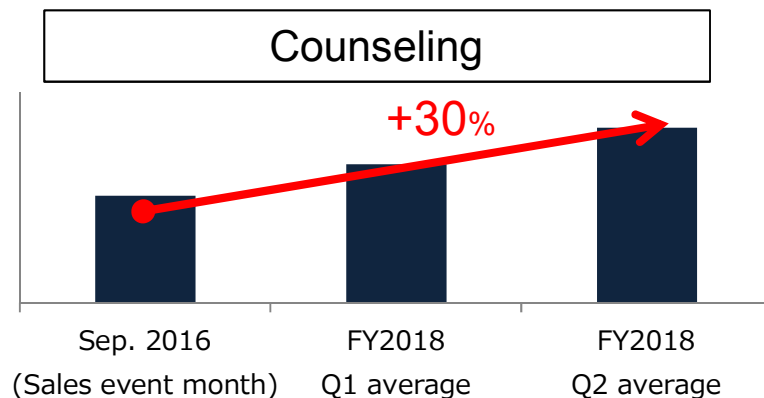
Retail stores: Customer development, Wholesale : multi-location placement

Retail stores: Efforts to achieve customer retention

New customer numbers (H1): +13% YoY

Customer retention initiatives

(1) Strengthening of counselling



(2) Renewal of smartphone member app

Enhanced functions

Distribution of information according to customer gender, age, and purchase history

Wholesale: Multi-location placement in drugstores



Enkin
in the eye care
section

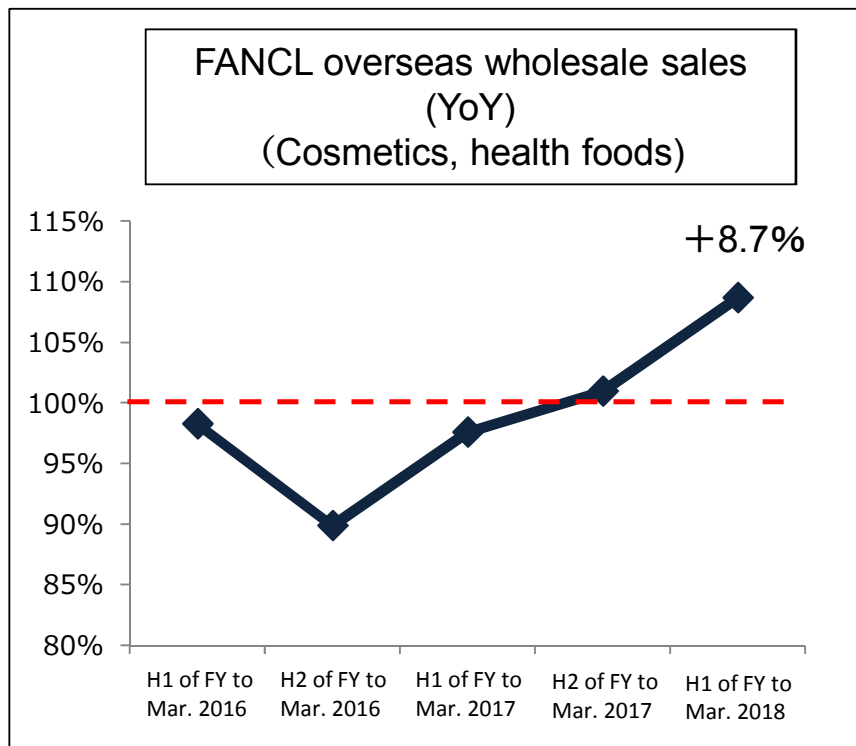


Calolimit in the snack
section, diet section

Expansion of sales points beyond the supplement section, with aim of expanding per-store sales

Overseas: FANCL brand

■ Recovery in sales through proactive local marketing activities



Promote value of Mutenka with key phrase of
“Non-polluted Beauty ※”



Launch of new brand ambassador

A scene from the media
announcement



※To protect your skin from invisible pollutions, opt for
FANCL's fresh skincare made without preservatives.

Status of initiatives with China Sinopharm International Corporation

- Began development of China-specific product formulation in preparation for sales launch in FY2020
- Beginning to develop Chinese version of Supplement & Drug Interaction (SDI) database (an independent system which answers questions regarding the mixing of supplements and pharmaceutical products)

Overseas: *boscia* brand



Botanical **Sci**ence **A**dvanced technology

Strong partnership with Sephora,
the world's largest cosmetics
retailer



Revolutionary and speedy
product development
capabilities

Black Series



Black Mask

Launched in August 2010



NEW

*Charcoal Jelly Ball
Cleanser*

Launched in May 2017

Tsubaki Series



NEW

*Luminizing PINK
Mask*

Launching November
2017



NEW

Tsubaki Jelly Ball Cleanser

Launching November
2017

Charcoal Jelly Ball Cleanser, launched in May has become a major hit with customers.
Launching two new products in the *Tsubaki* Series in time for the holiday season.
Aiming to attract younger customers

Full year outlook

Full-year outlook to March 2018

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(Millions of yen)	FY to March 2017	FY to March 2018	Change YoY
Sales	96,305	105,000	+ 9.0%
Cosmetics	56,926	63,300	+ 11.2%
Nutritional supplements	32,085	34,800	+ 8.5%
Other	7,294	6,900	(5.4%)
Hatsuga Genmai	2,490	2,250	(9.7%)
Kale Juice	2,711	2,600	(4.1%)
Operating income	2,244	6,000	+ 167.3%
Ordinary income	2,385	6,100	+ 155.7%
Net income	5,146	4,000	(22.3%)

Sales breakdown

Results by cosmetics brand	FANCL	48,540	+ 7.9% (Domestic: + 8.2%, Overseas: + 5.2%)
	ATTENIR	10,960	+ 23.6%
	boscia	3,120	+ 38.2%
Nutritional supplements		34,800	+ 8.5% (Domestic: + 7.8%, Overseas: + 20.4%)

Full-year outlook: Analysis of change in operating income

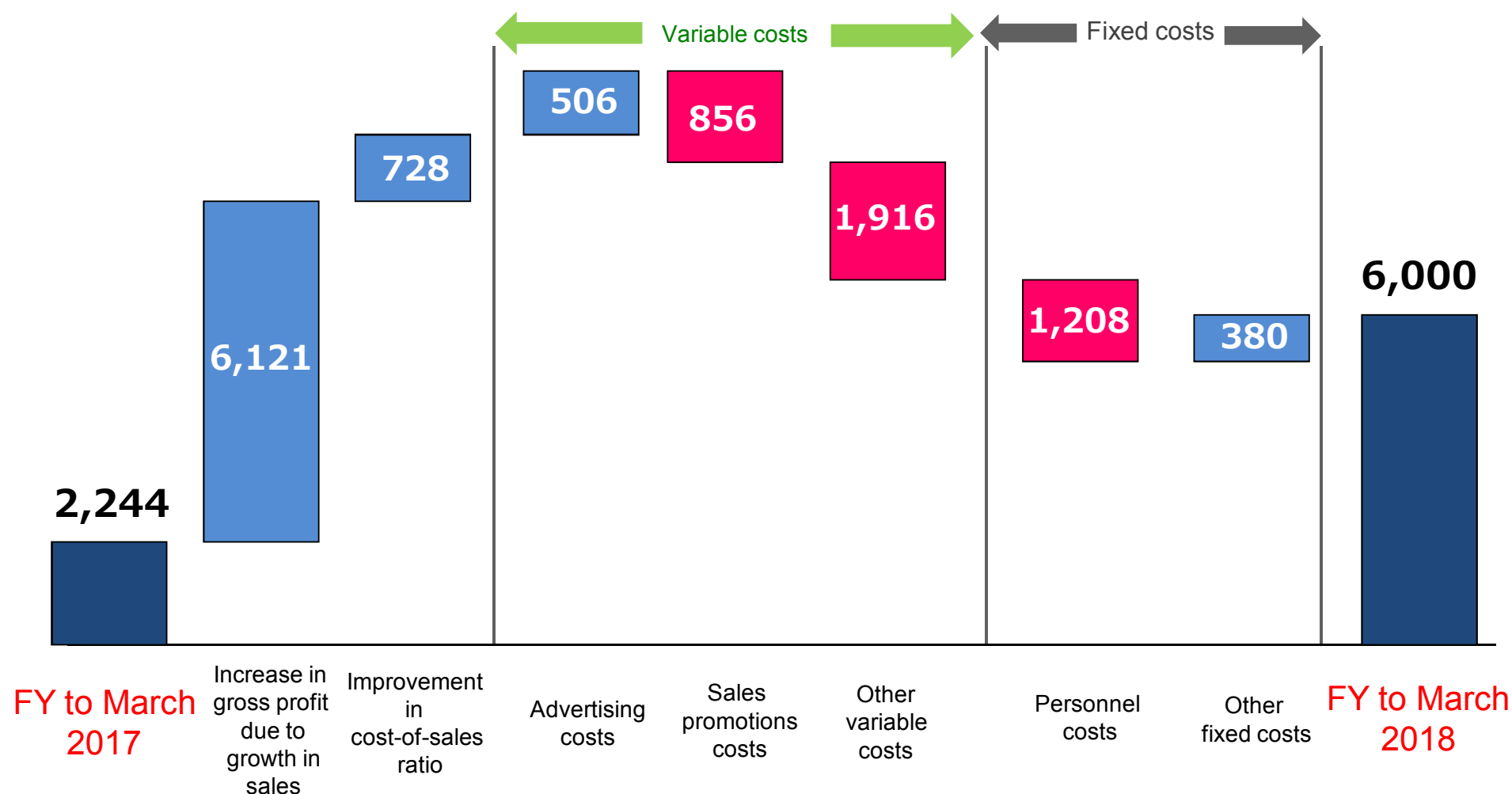
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Plan

Positive factors Negative factors

(Millions of yen)



In closing

ALL-FANCL ONE-FANCL

Combining FANCL's research, manufacturing,
business, and sales functions
to strengthen its ability to generate profit

H1 has started positively, though the third quarter is a key period

- A sense of unity has been fostered across the whole organization, including close coordination between product planning, PR and promotions, research facilities, each channel, and stores nationwide
- Major policy decisions to be made in lead-up to spring announcement of next medium-term management plan.
The specific strategy is currently under consideration.
- In addition to taking on new challenges in Cosmetics, Health Foods, we will work thoroughly on initiatives to address operational issues such as rising logistics costs.

