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FANCL Group Financial Results Briefing

For the period April 1, 2017 to December 31, 2017

January 30, 2018

Financial Highlights

Results by segment

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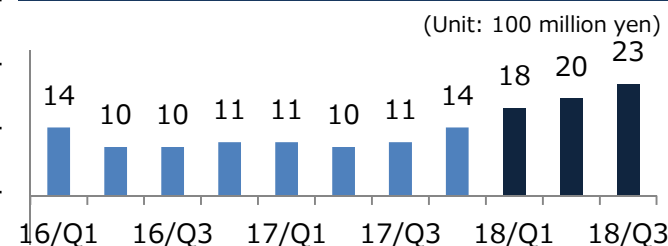
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(Millions of yen)	Nine-month period of FY to March 2017	Nine-month period of FY to March 2018	Change YoY	Q3 of FY to March 2017 (10-12)	Q3 of FY to March 2018 (10-12)	Change YoY
Sales	71,674	81,592	+13.8%	25,510	29,732	+16.6%
Cosmetics	42,228	49,387	+17.0%	15,095	17,963	+19.0%
Nutritional supplements	23,898	26,867	+12.4%	8,467	9,818	+16.0%
Other	5,547	5,337	(3.8%)	1,947	1,953	+0.3%
Hatsuga Genmai	1,902	1,726	(9.2%)	650	605	(7.0%)
Kale Juice	2,067	1,993	(3.6%)	699	707	+1.1%
Operating income	(440)	7,035	—	160	3,298	+1,952.4%
Ordinary income	(331)	7,190	—	210	3,347	+1,493.5%
Net income	4,001	4,839	+21.0%	127	2,354	+1,742.4%

Sales breakdown (9-month period)

Results by cosmetics brand	FANCL	37,931	+14.1% (Domestic: +14.2%, Overseas: +13.0%)
	ATTENIR	8,483	+25.7%
	boscia	2,320	+46.1%
Nutritional supplements		26,867	+12.4% (Domestic: +11.8%, Overseas: +24.5%)

Retail Store Inbound sales (estimated)



Analysis of change in Operating income

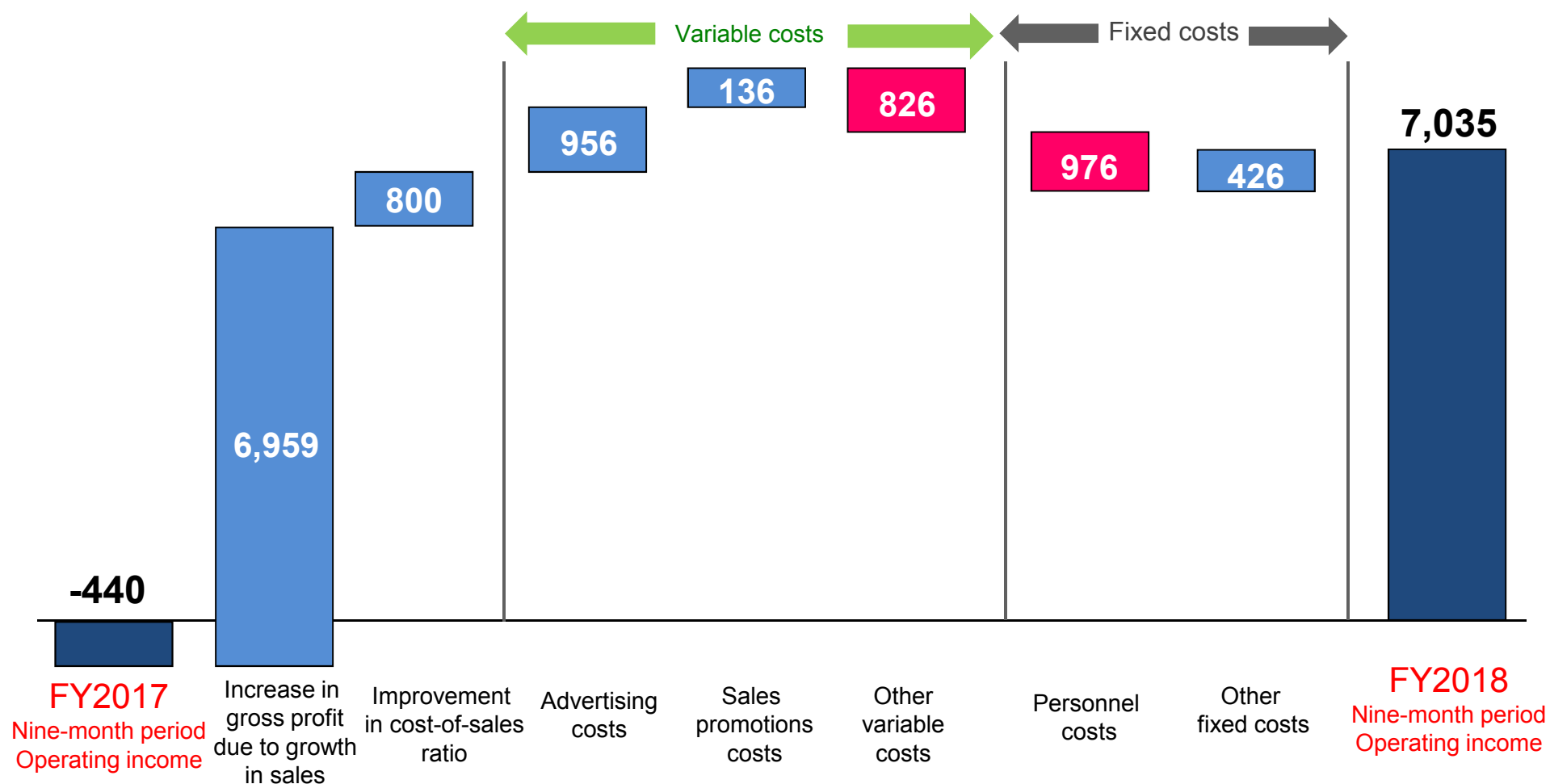
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Nine-month period results

Positive factors Negative factors

(Millions of yen)



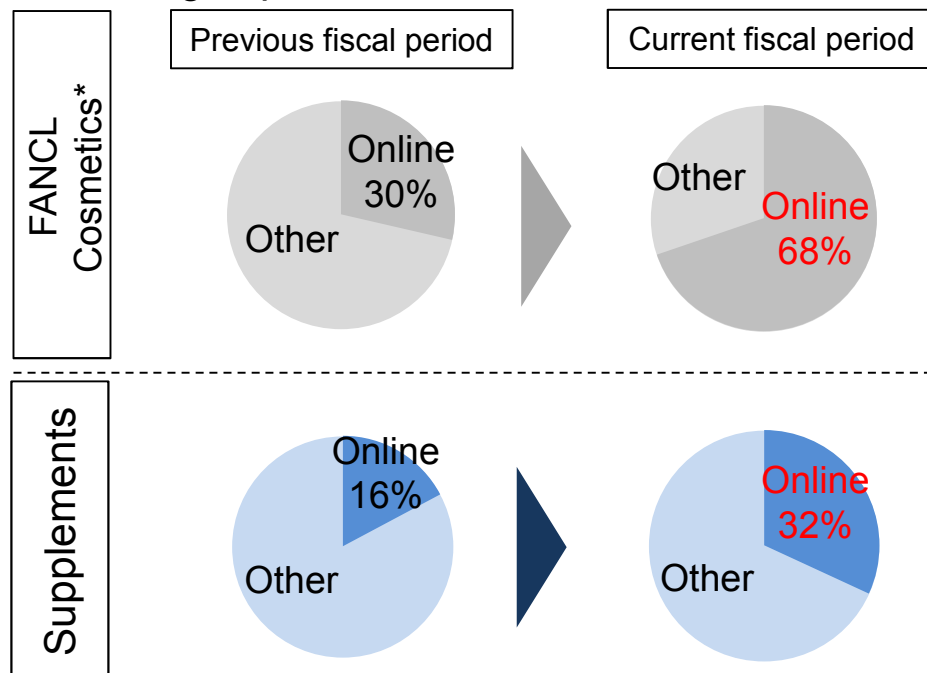
Results of advertisements

■ Shift to online advertising

<New customer acquisitions (nine-month period)>

	YoY	
FANCL Cosmetics*	116%	*Excluding Beauty BOUQUET
Supplements	92%	
Total	101%	

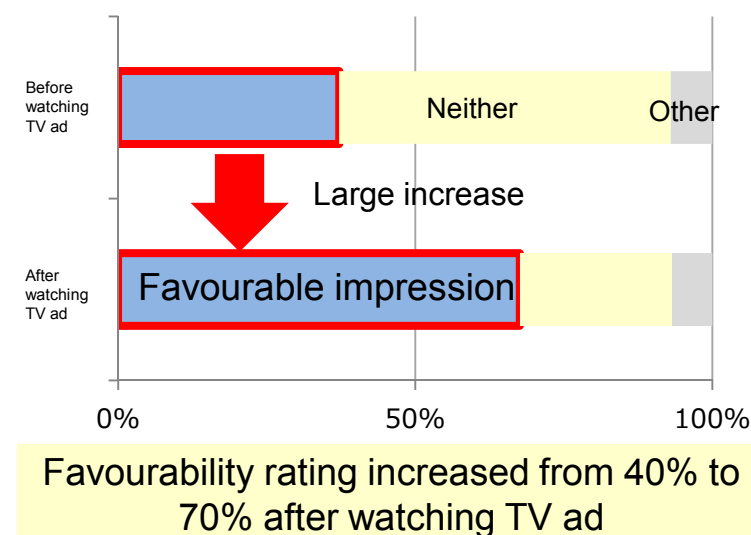
<Advertising expenses (nine-month period)>*Only product ads



■ Corporate stance advertising “Honest Quality”



Survey on corporate image



(Ref.) Existing customer trends (YoY)

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		2015				2016				2017			
		Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
FANCL Cosmetics	Mail Order	100%	97%	97%	99%	102%	106%	107%	106%	105%	103%	101%	101%
	Retail Store	96%	93%	93%	94%	96%	100%	101%	102%	102%	102%	101%	100%
Supplements	Mail Order	92%	96%	102%	107%	115%	123%	129%	133%	130%	123%	116%	108%
	Retail Store	87%	90%	94%	97%	101%	102%	102%	103%	102%	103%	105%	105%
Attenir		94%	92%	94%	94%	98%	106%	113%	122%	125%	125%	125%	122%

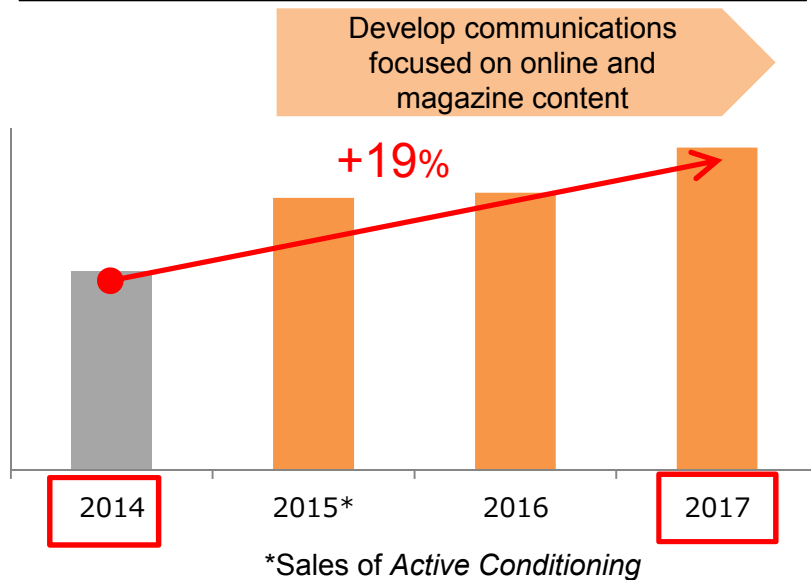
*Existing customers who have made a purchase in the past 4 months
(12-month moving average)

Cosmetics Business

Main user segment (late 30s to 40s)

■ Focus on increasing users of basic skin care products with high retention rates (lotion, emulsion)

Basic skin care users (Apr. to Dec.)



Increase third-party evaluation through blogger sampling, @ c o s m e , and curation ads
Planning counselling fairs and sales promotion campaigns

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

■ Position *Active Conditioning Basic* and *Acne Care* as strategic products and implement online-focused marketing.

New customers aged 34 and under: +28% (nine-month period)

NEW Mature age group

■ Strengthen *Beauty BOUQUET*
Q3 sales in line with plan

■ Expansion of drugstore test areas

From Jan. 2017	From Nov. 2017	Total
Shizuoka	Hokkaido, Hiroshima, Okayama, Shimane	About 750 retail stores
About 60 retail stores	About 690 retail stores	

Aim to expand nationwide next FY

ATTENIR

Full-scale return to growth trajectory.
Returned to an operating profit in nine-month period (April to December)

Nine-month period (YoY)

Sales +26% (online +35%)
Record-high customer numbers

Awarded 1st prize for best cleanser at
@cosme Best Cosmetics Awards 2017

SkinClear Cleanse Oil Aroma Type



Price: ¥1,836 (including tax)

This FY: Aiming to break FY2008 record for highest ever sales

boscia

High growth continued in Q3.
Strong sales of *Black Mask*

Nine-month period (YoY)

Net sales +46%

Strong sales over competitive Christmas period

Kit for year-end sales battle:
"Holiday Collection"



You're Pore-fect Set
\$41.00



boscia's Besties Kit
\$36.00

Expecting to hit record high sales for 16th consecutive FY since release of boscia in 2002

Health Business

Aim for efficient expansion of new customers and sales through promotions in accordance with product characteristics

■ Calolimit series

Net sales (nine-month period): +16% YoY

Theme

Continual and habitual use of Calolimit

Using “every little bit counts” as the key phrase, implement comprehensive promotions through PR, magazines, online, and TV ads



Bumper Ads

Six second advertisements shown when viewing videos



“I deserve a treat for my hard work today...But every little bit counts”

■ Enkin series

Net sales (nine-month period): - 2% YoY
(October to December: +1% YoY)

Broadcasting new infomercial from January 2018



Additional advertisement investment of about ¥200 million in Q4, Launch nationwide TV ads, strengthen sales promotions at retailers

■ Age Bracket-Based Supplements

Net sales (nine-month period) +25% YoY

Steady growth achieved through increased brand recognition through launch of corporate stance advertising, in addition to making products easier to understand



Functionality confirmed in clinical testing

Equip your intestinal
environment to
lose weight and body fat.

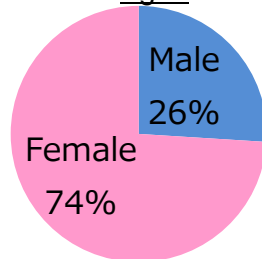
Launched June 20, 2017
Price: ¥3,888 (including tax)
Sales channels: Mail order,
retail store, wholesale

Results of test marketing

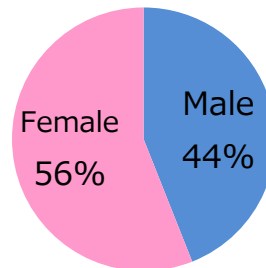
New customer acquisition cost	High acquisition efficiency, on par with <i>Calolimit</i> and <i>Enkin</i>
Retention rate	Better results than <i>Enkin</i> , which enjoys a high retention rate
Customer demographics	High ratio of male customers, particularly health conscious middle-aged and elderly

Customer gender

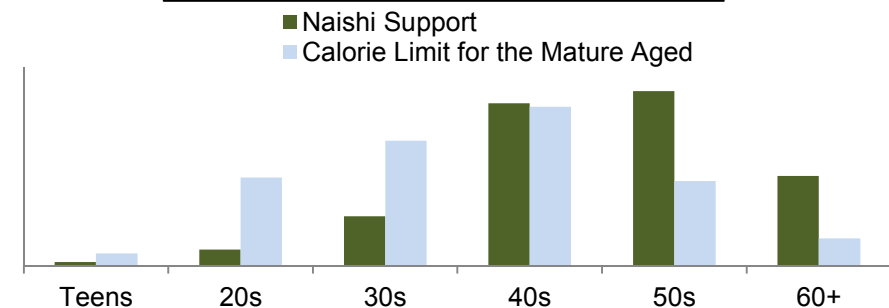
Calorie Limit for the Mature Aged



Naishi Support



Customers by age group



Additional advertising investment in Q4 (Approx. ¥200 million)
to ramp up new customer acquisition efforts

Channel

Mail Order: Information communication reform/delivery cost **FANCL**

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A combination of catalogues and online content, offering information that matches the needs and buying habits of each age group

~ Around 30s

Around 40s

Around 50s ~

Focus on online content

Online content and catalogues

Focus on catalogues

cos:me! web edition



+

Quarterly tabloid

Promote internal and external beauty care.
Work to achieve cross selling



+

Information on female health concerns

Rise in delivery costs

Delivery companies have called for a significant increase to delivery charges. While all possible efforts were made, including streamlining of delivery processes and revision of delivery packaging, the impact of the charge increase is large, and as such, our delivery services are being revised.

While impact in current FY is expected to be absorbed due to company efforts,
a cost increase is expected to be unavoidable in the next FY

Retail stores: Initiatives to increase profitability

Revision of store plan

Store openings

- Careful selection of locations
- Discover new store locations for next FY

Streamlining (store closures)

- Streamlining of 10 stores due to drop in customer attraction at malls, closure of certain department stores

Store numbers

	FY 2015	FY 2016	FY 2017	FY2018 (planned)	
				Previous plan	Following Revision
Openings	4	13	29	17	6
Closures	7	1	4	6	10
Total	164	176	201	212	197

Future store structure

- Renew FANCL shops based on hybrid shop concept, with **enhancements in internal and external beauty offerings, leveraging store fronts, and counselling functions**
- Additionally, develop stores focused on specific categories to match their specific locations (e.g. BC focused, Make up focused stores, etc.)

New FANCL shop Daimaru Tokyo (BC focused store) Reopened in November 2017



Following renewal: Sales up 21% YoY
BC sales 2.3 times higher than before renewal

Full year outlook

Revisions to Full-year outlook

(Millions of yen)		FY to March 2018 (before revision)	FY to March 2018 (Revised)	Change	Change YoY
Sales		105,000	107,500	+ 2,500	+ 11.6%
Cosmetics		63,300	64,950	+ 1,650	+ 14.1%
Nutritional supplements		34,800	35,550	+ 750	+ 10.8%
Other		6,900	7,000	+ 100	(4.0%)
	Hatsuga Genmai	2,250	2,250	0	(9.7%)
	Kale Juice	2,600	2,650	+ 50	(2.3%)
Operating income		6,000	7,700	+1,700	+243.1%
Ordinary income		6,100	7,850	+ 1,750	+ 229.1%
Net income		4,000	5,400	+ 1,400	+ 4.9%

Sales breakdown			
Results by cosmetics brand	FANCL	50,080	+ 11.3% (Domestic: + 10.9%, Overseas: + 15.0%)
	ATTENIR	11,060	+ 24.7%
	boscia	3,050	+ 35.1%
Nutritional supplements		35,550	+ 10.8% (Domestic: + 10.0%, Overseas: + 26.7%)

Additional advertising investment

Cosmetics	+ 300
Nutritional supplements	+ 400
Total	+ 700

Full-year outlook: Analysis of change in operating income

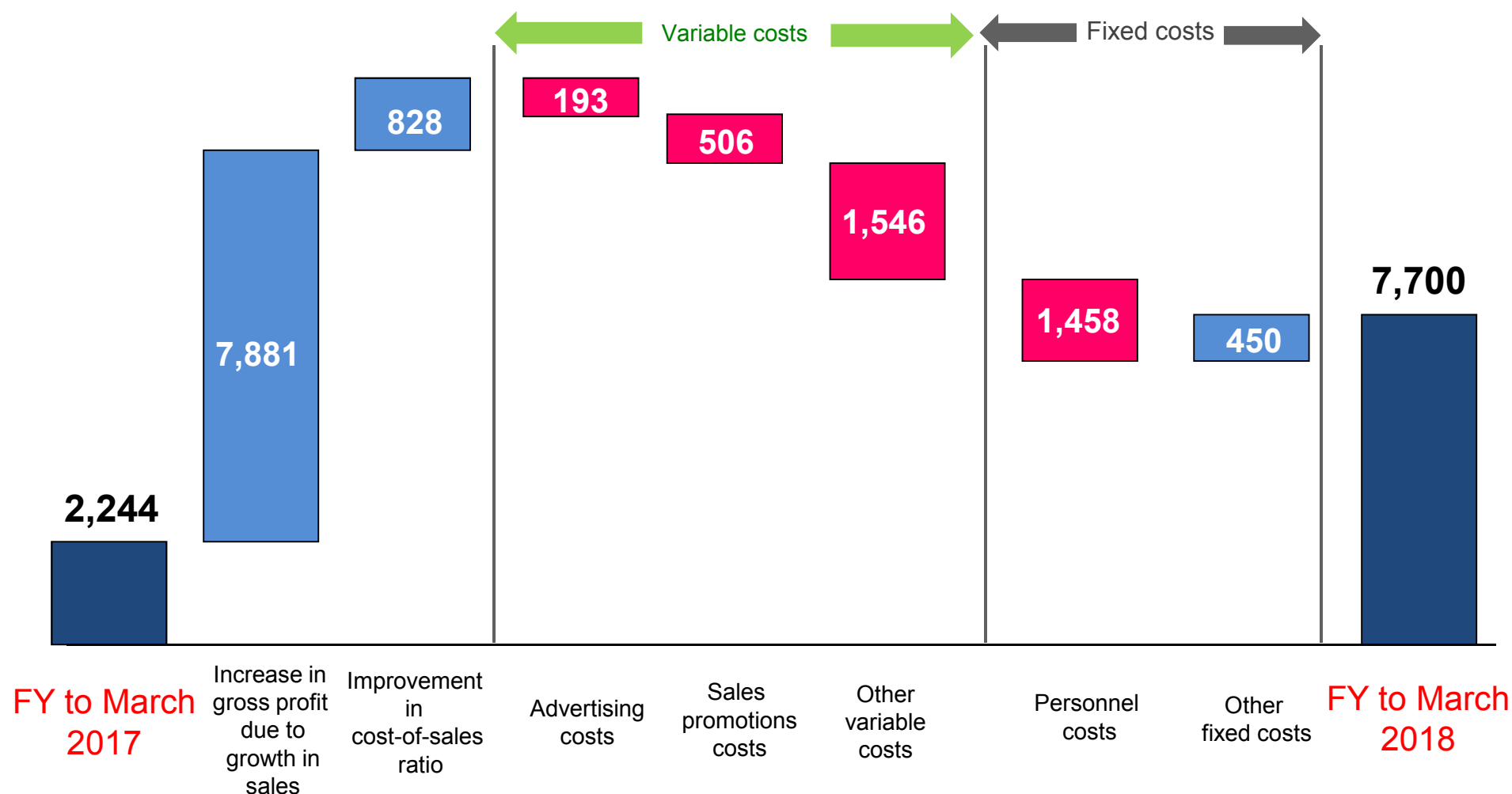
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Plan

Positive factors Negative factors

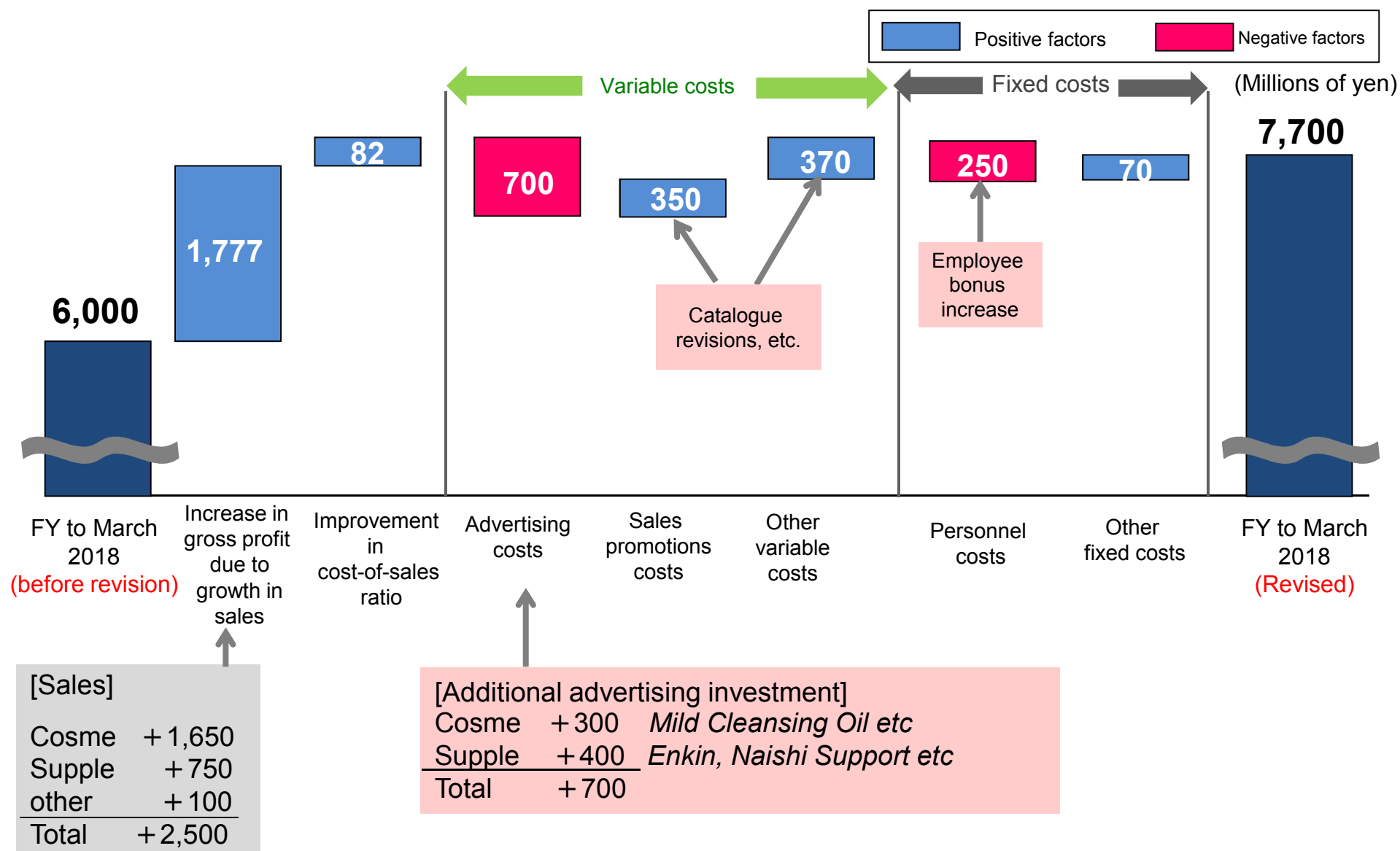
(Millions of yen)



Analysis of change in operating income (compared to **previous plan**)

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In closing

Promotion of working reforms

(1) Transition contract employees at directly managed stores to permanent employees; establish regional permanent employees

- Target employees: Contract employees working at directly managed stores nationwide (971 as of end Dec. 2017)
- Start date: April 1, 2018

Comparison of benefits provided to contract store employees and regional permanent employees

	Contract store employees	Regional permanent employees
Employment period	Fixed-term	Non-fixed term
Bonus (twice per year)	Average 1.9 months pay/year	Average 2.7 months pay/year
Annual leave*	113 days	120 days
Health checks	Statutory inspection	Under 35s: Statutory inspection 35 to 49: Testing for lifestyle-related diseases Over 50s: Full inspection

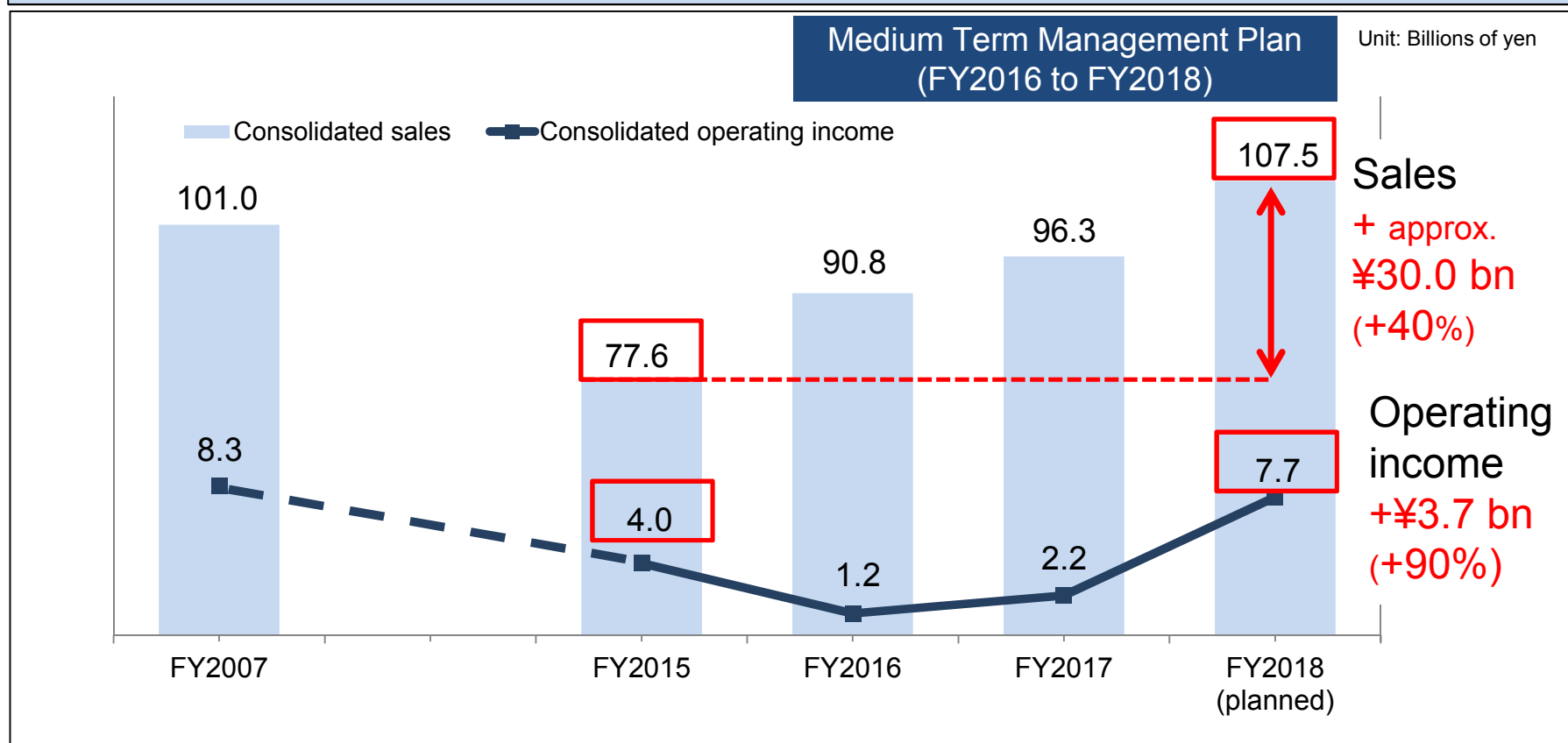
*Including recommended four days paid leave

(2) Transition Head Office Division and Plant Division contract employees and part-time employees to non-fixed term contracts

- Target employees: Head Office Division and Plant Division contract employees and part-time employees, and part-time store employees (938 as of end Dec. 2017)
- Start date: April 1, 2018

Preparation for next medium term management plan

This FY: Forecasting sales significantly above than current sales record achieved in FY2007 (¥101.0 bn)



- Return company to growth trajectory through management reforms unique to FANCL as a founder-operated company
- Final arrangements currently being made in preparation for launch of new Medium Term Management Plan this spring
- With strong performance this FY, the hurdle will be raised for the next FY, however our focus remains on gradually growing sales and profits