

# FANCL CORPORATION

## May 2018 President's Small Meeting - Q&A summary

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Date held : May 25, 2018 (Friday) 10:30 - 11:30  
Agenda : Medium-Term Management Plan 'ACTION 2020', and Results for the Fiscal Year Ended March 31, 2018  
Audience : Sell-side analysts

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### Domestic business

1. How are you progressing with <i>AND MIRAI</i> and <i>Beauty BOUQUET</i> ?
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⇒*AND MIRAI* is currently in a test period this fiscal year, and we are focusing our efforts on building interest in the brand on social media. From next fiscal year onwards, we are considering expanding the brand into drugstores. Although sales are still not very large, we've achieved a start that is in line with our plan. 'Skin strained by smart phone use' has become a hot topic on Twitter.

*Beauty BOUQUET* is progressing slightly above our targets in the mail order channel. In the wholesale channel, the product is now supplied to 3,000 stores, and we plan to further expand sales through promotional initiatives.

2. What is the situation with sales of <i>Naishi Support</i> ?
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⇒We launched a new commercial on May 17, and new customer acquisitions and sales across all channels are currently above our targets. We aim to develop *Naishi Support* into our next star product after *Calolimit* and *Enkin*.

3. How are you progressing with the health foods BtoB business?
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⇒In Japan, only 30% of the population take supplements on a daily basis. There are limits to the extent that we can expand the business simply with the shape of the supplements, so we will look to form partnerships with companies that can provide us with solutions, such as food manufacturers, and aim to increase the number of supplement users. We have been approached by a number of companies, and hope to expand the business.

## Overseas business

4. *boscia* is being expanded into new countries this fiscal year. How are you progressing with this?

⇒We have positioned this fiscal year as the first year of *boscia*'s global expansion, and we will expand *boscia* brand products in Europe and the Near and Middle East. We already offer *boscia* products via Sephora in 12 countries across Europe, and aim to have it in 900 stores by the end of this fiscal year. In the Near and Middle East, we launched sales in Dubai in late April. We have the products on display in a highly impressive sales area. We are aiming to have the products available in 50 stores by the end of this fiscal year. Additionally, we plan to offer *boscia* products at 2,000 stores operated by a drugstore chain in the UK.

5. The *boscia* sales plan appears quite conservative.

⇒Although the initial run of sales was of fairly significant scale, we do not know if that will lead to repeat users, so we have stayed slightly conservative. The first half of the current year appears relatively low, reflecting the fact that we saw large growth in the first half of the previous fiscal year.

6. What is special about the products unique to the *boscia* brand?

⇒Our range of products that offer an expression of Japan, such as *Charcoal*, *Tsubaki* and *Sake*, have proven to be popular in America. Products with the concept of enjoying skincare are being well-received.

7. Regarding your plans to develop the eCommerce business for FANCL brand in America: What type of sales structure are you planning to implement this under?

⇒Generally speaking, we will develop this business via major eCommerce sites. In the past we would have needed to bring together a large team of people, but now this can be done with relative ease, so we do not expect it to create a major burden.

8. Regarding your plans to develop the eCommerce business for FANCL brand in America: To what extent have you factored this into total sales forecasts?

⇒We have not factored this into the Medium-Term Management Plan forecasts.

## Inbound demand

9. Please describe the situation regarding inbound. What products are selling well right now? Are you doing anything special, such as inbound targeted promotions?

⇒Inbound is very strong, particularly areas in Osaka such as Shinsaibashi and Namba. In cosmetics, core products such as *Mild Cleansing Oil*, face masks, and basic skin

care products are selling well. In supplements, products such as *White Force*, *Deep Charge Collagen* and *Age Bracket-Based Supplements* are selling well. Also, from around the end of the year, *Ukon Kakumei* is starting to sell well. We are not doing any promotions that specifically target the inbound market.

10. It seems that the heightened inbound demand has led to shortages in container supply. Is FANCL facing any issues with this?
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⇒ All cosmetics manufacturers are facing issues with securing containers and materials.

It means that orders for containers need to be made early. At FANCL we have sales restrictions on certain products.

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