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FANCL Group Financial Results Briefing

For the period April 1, 2017 to March 31, 2018

April 26, 2018

Financial Highlights

Results by segment

FANCL

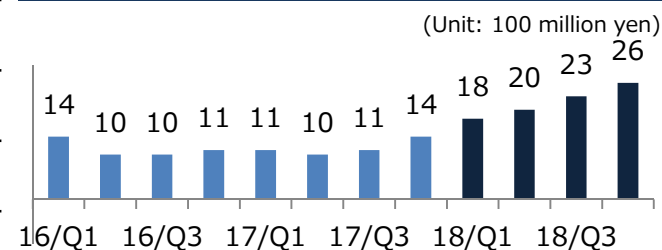
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(Millions of yen)	FY to March 2017	FY to March 2018	Change YoY
Sales	96,305	109,019	+ 13.2%
<i>Cosmetics</i>	56,926	66,048	+ 16.0%
<i>Nutritional supplements</i>	32,085	35,933	+ 12.0%
<i>Other</i>	7,294	7,037	(3.5%)
<i>Hatsuga Genmai</i>	2,490	2,248	(9.7%)
<i>Kale Juice</i>	2,711	2,615	(3.6%)
Operating income	2,244	8,448	+276.4%
Ordinary income	2,385	8,650	+ 262.6%
Net income	5,146	6,191	+ 20.3%

Sales breakdown

Retail Store Inbound sales (estimated)

Results by cosmetics brand	<i>FANCL</i>	51,091	+13.6% (Domestic:+13.4%, Overseas:+15.2%)
	<i>ATTENIR</i>	11,041	+24.5%
	<i>boscia</i>	3,119	+38.1%
Nutritional supplements		35,933	+12.0% (Domestic: +11.2%, Overseas: +28.0%)



Analysis of change in Operating income

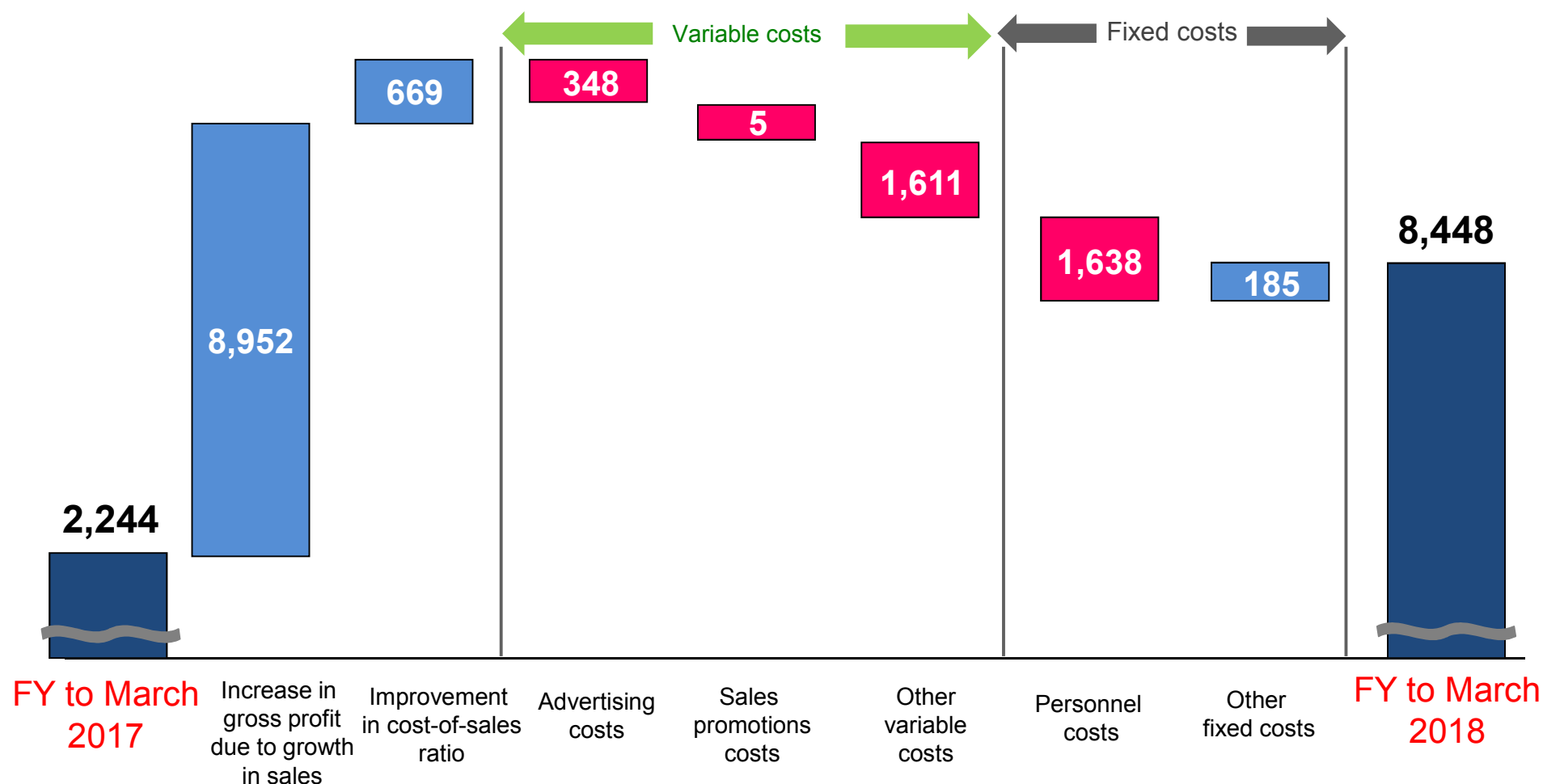
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Results

Positive factors Negative factors

(Millions of yen)



Full year outlook

Full-year outlook to March 2018

(Millions of yen)	FY to March 2018	FY to March 2019	Change YoY
Sales	109,019	114,500	+5.0%
Cosmetics	66,048	69,000	+4.5%
Nutritional supplements	35,933	38,300	+6.6%
Other	7,037	7,200	+2.3%
Hatsuga Genmai	2,248	2,200	(2.2%)
Kale Juice	2,615	2,700	+3.2%
Operating income	8,448	9,500	+12.5%
Ordinary income	8,650	9,600	+11.0%
Net income	6,191	6,600	+6.6%

Sales breakdown

Results forecasts by cosmetics brand	FANCL	52,490	+ 2.7% (Domestic:+2.4%, Overseas:+5.5%)
	ATTENIR	12,250	+ 10.9%
	boscia	3,400	+ 9.0%
Nutritional supplements		38,300	+ 6.6% (Domestic: + 6.2%, Overseas: + 13.9%)

【Assumptions behind the plan】
Inbound sales:+10%

Full-year outlook: Analysis of change in operating income

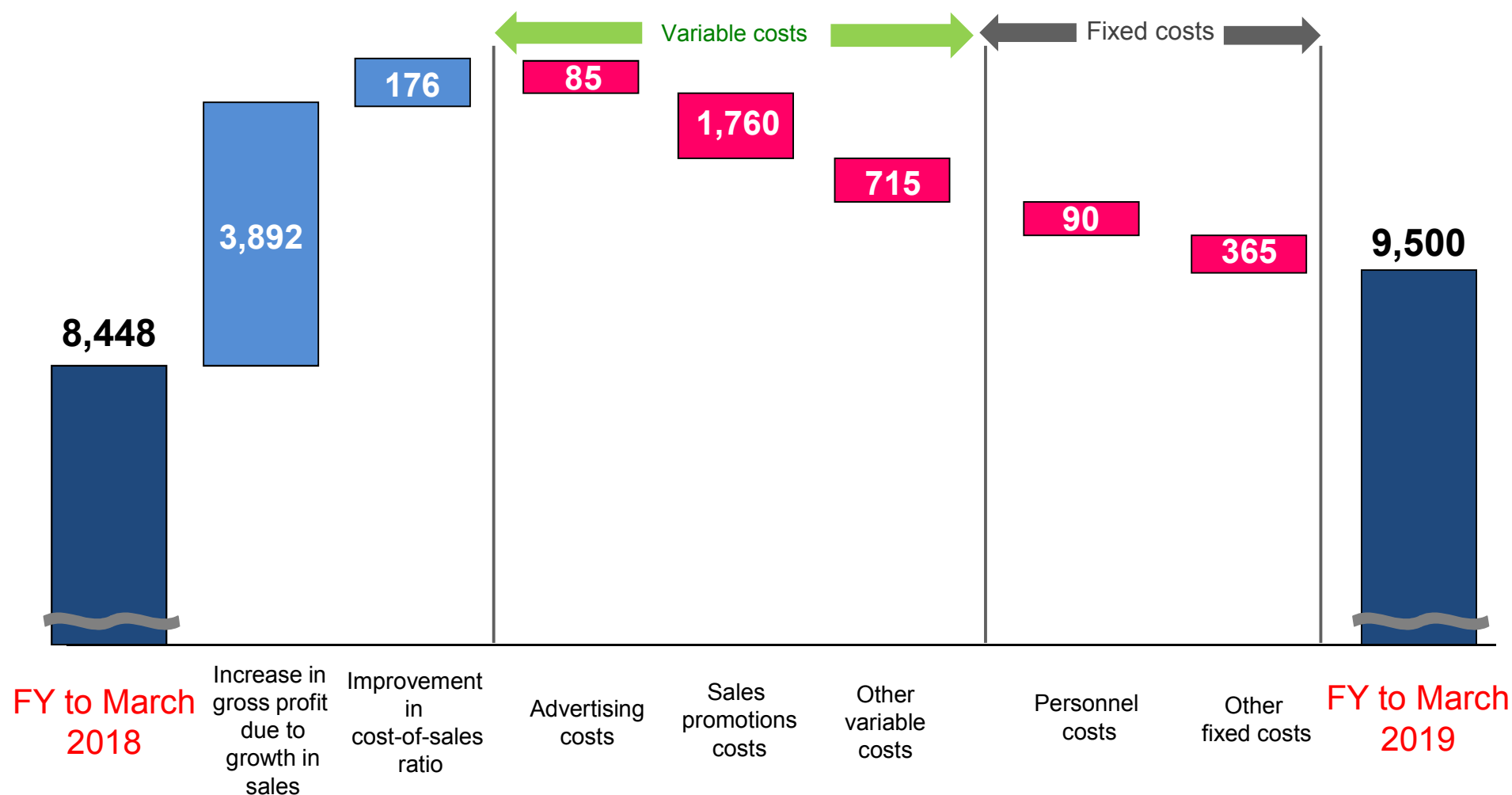
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Plan

Positive factors Negative factors

(Millions of yen)



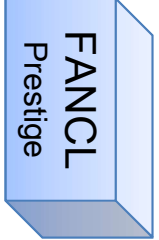





Cosmetics Business

FANCL FANCL Cosmetics: Diversifying the brand

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Policy

Create unique new brands with deep personal customer appeal

Package design image				
FANCL Prestige			Key products Personal cosmetics	Channel Select no. of Japanese dept. stores; (Overseas)
The FANCL High quality 「Enriched × Mutenka」			Mutenka skin care Mutenka make-up Mutenka hair care, etc. <i>Mild Cleansing Oil, Facial Washing Powder, etc.</i>	Mail order, stores Mail order, stores, wholesale
Neo FANCL Convenience, high volume 「Culture × Mutenka」			<i>Beauty BOUQUET (60yo +)</i> <i>AND MIRAI (30yo +/-)</i> New brand (40yo +/-)	Wholesale (mail order, stores)

■The FANCL

Core categories

- Strengthening of basic skin care products
- Launch of *Mild Cleansing Oil* 20th anniversary campaign
- Reinforcement of web-based promotions for *Facial Washing Powder*

Cross selling



Growth categories (make up, hair care)



Aqua Serum Rouge



Mild Cleansing Shampoo

■Beauty BOUQUET

Mail order : Reinforce periodic delivery service

Wholesale : Aim to place products at over 5,000 drugstores nationwide
Launch of TV commercial, reinforcement of store promotions

Sales of ¥1.5 billion planned this period
(previous period results: ¥1.1 billion)



■ Launch of *AND MIRAI*, a new skincare brand targeting the 30s market



AND MIRAI

Launch date: April 1, 2018

Price: ¥1,296 - ¥3,024 (incl. sales tax)

Sales channels: Variety shops, Amazon, certain directly managed stores

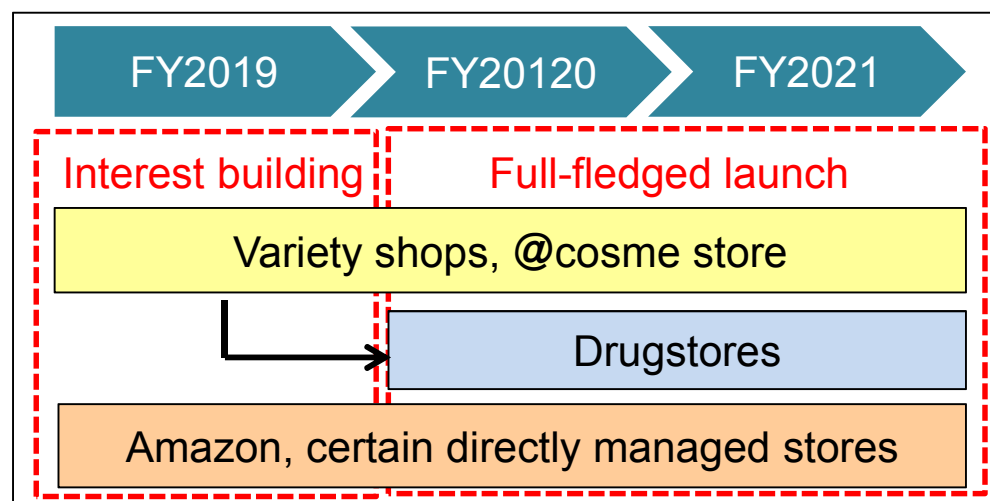
Brand features

Unique blend formulation, 'Sakura Culture Charge formula'
Protects the skin from dryness caused by blue light,
and returns radiance to skin strained by smart phone use

Strategic products

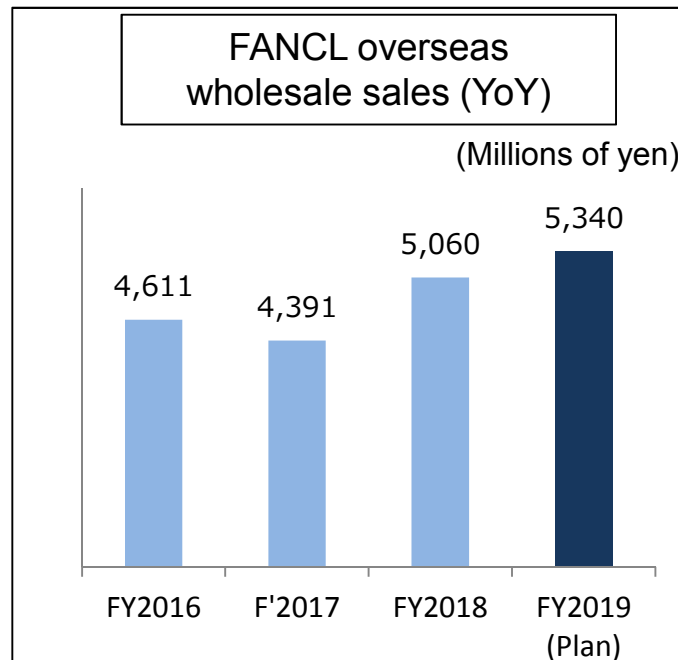
SkinUp Gel Cream ¥3,024 (incl. sales tax)

A four-in-one product functioning as an emulsion, essence,
face pack, and foundation



Asia

Recovery in sales through proactive local promotions



New Concept Store

International Finance Centre (IFC)



Reiterate value of Mutenka,
working to improve FANCL brand value

North America

Re-approach the American market to expand the FANCL brand

- Launch store on external EC site during FY2019
- Begin test marketing via web, SNS, etc.

Meet the needs of prestige brand users by introducing innovative, unique products
Strengthen new categories and promote cross selling

Core
products

Skincare products, make up products, etc.

×

Body care category



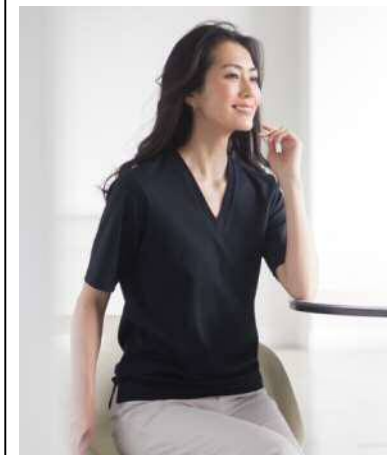
Relieve edema through lymphatic care, creating a pathway to a beautiful body

*Attenir BODY
W CONSCIOUS*

Serum: ¥1,944 (incl. sales tax)

Scrub: ¥1,728 (incl. sales tax)

Collections



Glamorous clothing items with a silk-like gloss and superior quality texture

*Attenir Collection
W CONSCIOUS Cutsew*
¥4,500 (incl. sales tax)

Lifestyle offerings

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

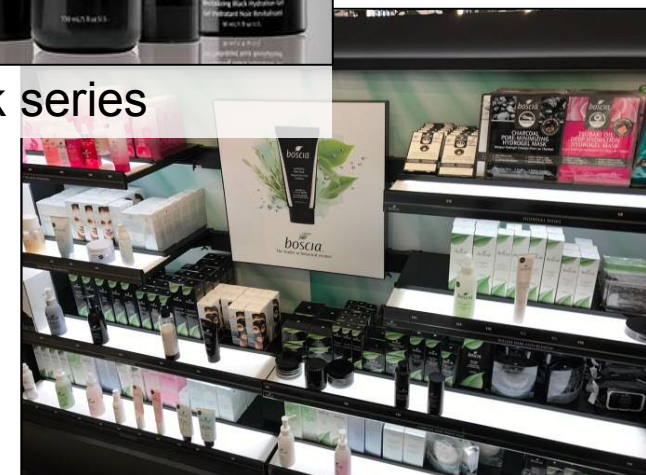
Position FY2019 as the first year of globalization, with expansion into Europe and Middle East

Development status

Area	Store placements
North America	Approx. 1,000 stores
Asia	Approx. 300 stores
EU (19 countries)	Approx. 900 stores (New entrance)
Middle East	Approx. 50 stores (New entrance)
United Kingdom	Approx. 2,000 stores (New entrance)



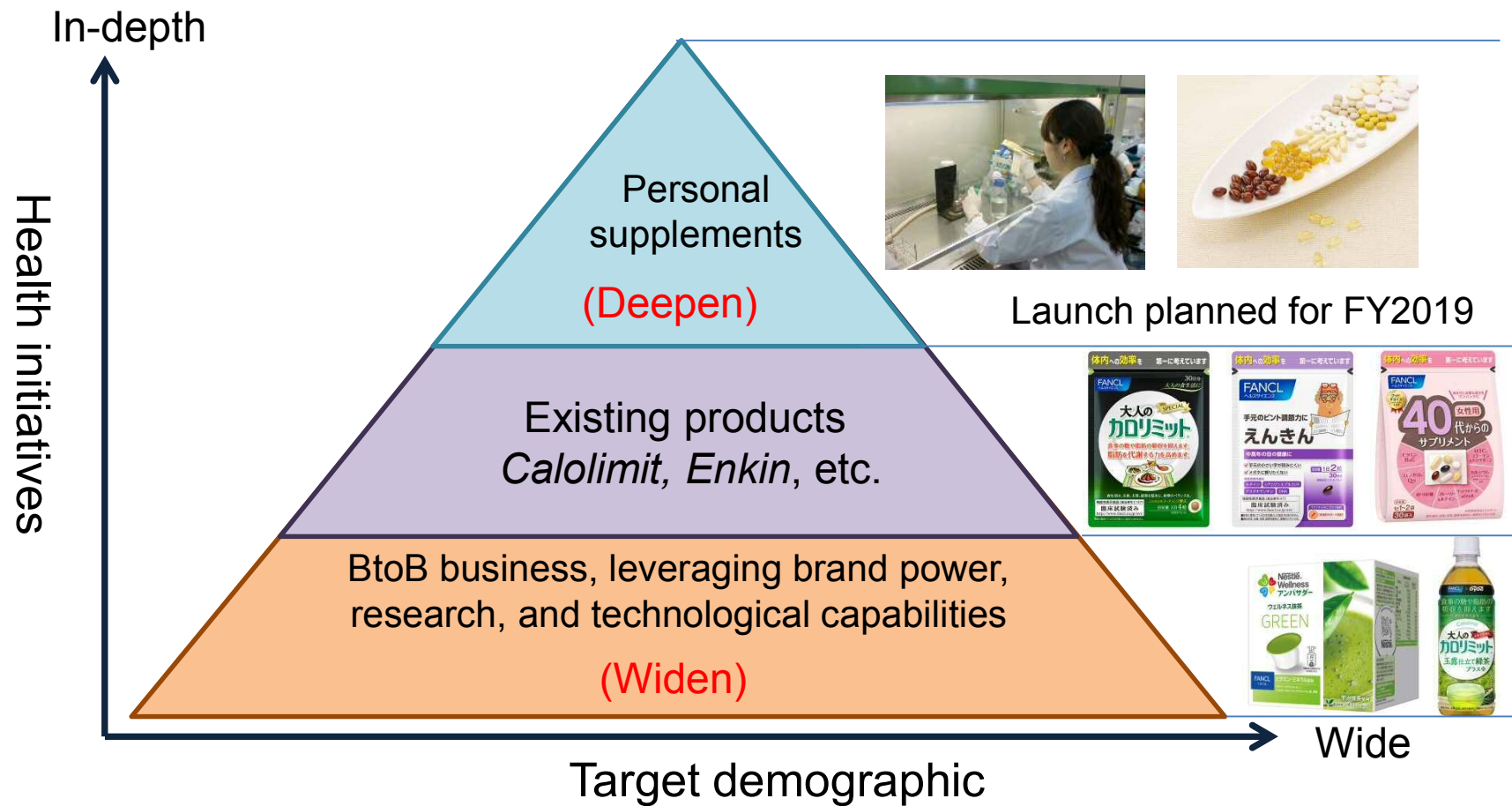
Black series



Shop displays (U.S.A)

Health Business

The aging population and low birth rate means people have to work longer than ever before, resulting in increasing health needs



■ Promotion of star products

Naishi Support (Weight and body fat care)



Aim for placement in 12,000 stores,
focusing mainly on drugstores
Implement promotion, concentrating
on TV

Price: ¥3,888 (incl. sales tax)
Sales channels: Mail order, retail
store, wholesale

Sales of ¥2.0 billion planned this period
(previous period results: ¥0.4 billion)

Deep Charge Collagen



Web campaign tie
ups with “STORY”
magazine and
@cosme

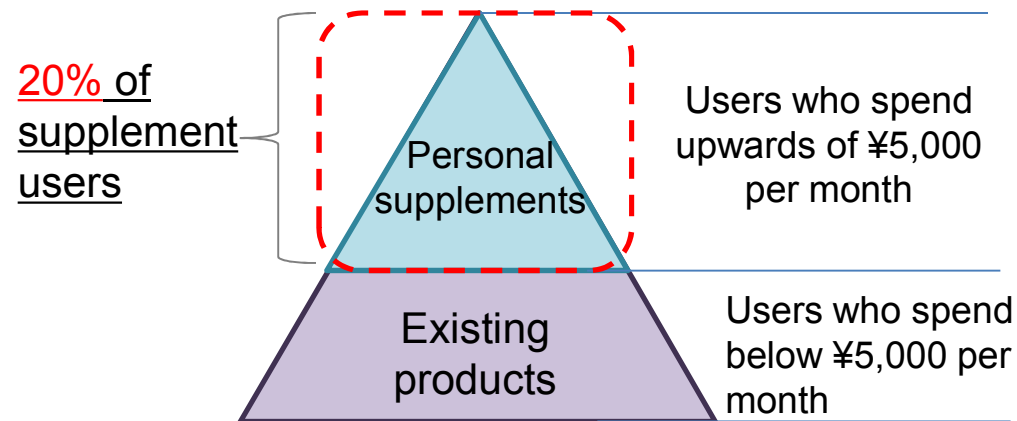
Price: ¥258 - ¥8,743 (incl. sales tax)
Sales channels: Mail order, retail store,
wholesale

■ Implement reorganization of products for manageable product system in accordance with objectives

Over the next three years, reduce product numbers from 150 (inc. Hatsuga Genmai and Kale Juice)
to 110. Plan to end sales of 15 items this FY.

■ Launch of personal supplements

Target: Middle aged and older supplement users



Sales scheme



■ Utilize business foundations, including brand, research, technological capabilities. Make BtoB a 4th channel



Joint development of eight capsule products for
Nestle Wellness Ambassador in October 2017

⇒ Planned expansion of line-up during this FY; launch of other products also under consideration

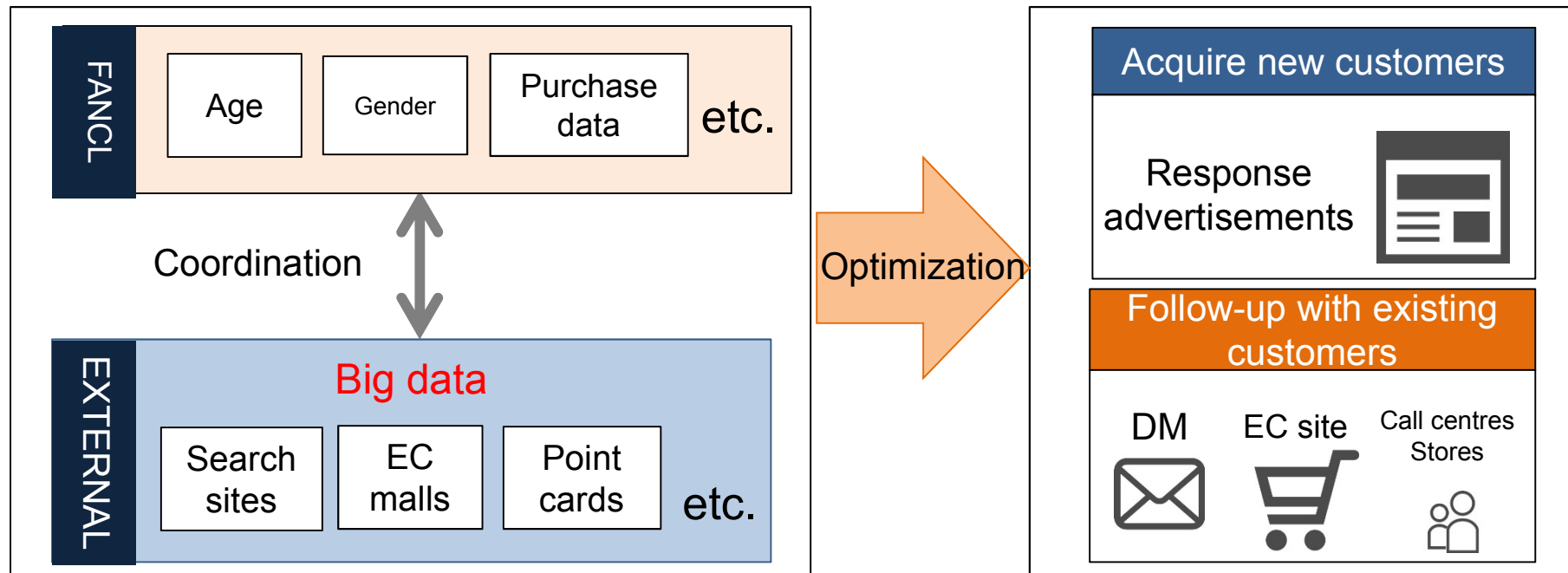
Deepen collaborative ties with companies which have strong brand power and strengths in the food industry, for future growth pillar

Asia	<div>Develop products and systems for FY2021 launch in China</div> <div><div>FANCL overseas wholesale sales</div><div>Unit: million yen</div><div><table><thead><tr><th>Fiscal Year</th><th>Wholesale Sales (million yen)</th></tr></thead><tbody><tr><td>FY2016</td><td>1,390</td></tr><tr><td>FY2017</td><td>1,577</td></tr><tr><td>FY2018</td><td>2,018</td></tr><tr><td>FY2019 (Plan)</td><td>2,300</td></tr></tbody></table></div></div> <div><div>Roadmap for health food business in China</div><table><thead><tr><th></th><th>FY2019</th><th>FY2020</th><th>FY2021</th></tr></thead><tbody><tr><td rowspan="2">Products</td><td>1st development phase</td><td>Acquire approvals</td><td>Launch</td></tr><tr><td>2nd development phase</td><td>Acquire approvals</td><td></td></tr><tr><td rowspan="2">Service</td><td>SDI development</td><td></td><td></td></tr><tr><td>Development of customer information management system</td><td></td><td></td></tr></tbody></table><p>*SDI: A system to answer queries regarding taking combinations of supplements and medicine</p></div>	Fiscal Year	Wholesale Sales (million yen)	FY2016	1,390	FY2017	1,577	FY2018	2,018	FY2019 (Plan)	2,300		FY2019	FY2020	FY2021	Products	1st development phase	Acquire approvals	Launch	2nd development phase	Acquire approvals		Service	SDI development			Development of customer information management system		
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Outside of Asia	<div>Preparation for FY2021 launch</div> <div><ul style="list-style-type: none">▪ Review of market survey and business scheme▪ Negotiations towards commercialization currently taking place with several businesses</div>																												

Channel

Strategy for mail order channel

■ Progress CRM utilizing external data



■ Response to increases in delivery costs

Maximizing internal efforts including streamlining logistics operations, and revising delivery boxes, as well as requesting customers bear a portion of shipping costs

We are significantly impacted by the delivery fare increase, and predict unavoidable cost increases of several hundred millions of yen compared to the previous period

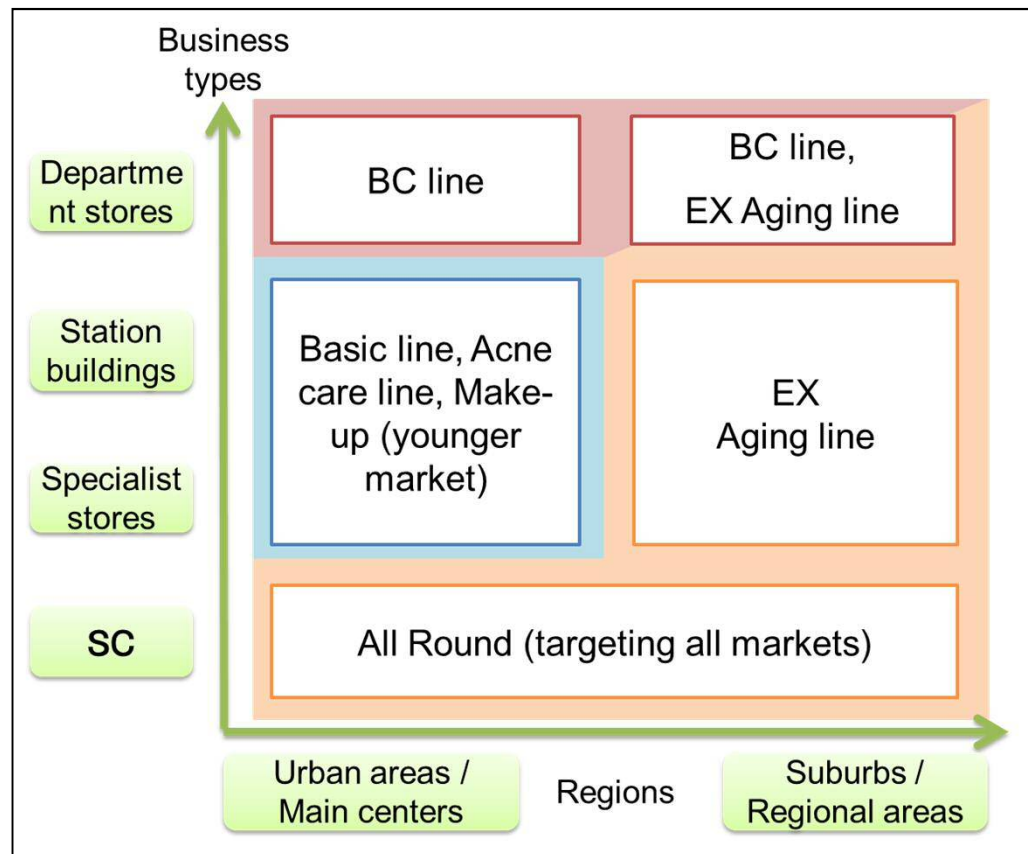
Strategy for retail channels

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Clarify the role of showrooms, focusing on the experience element, and work to develop unique stores in popular, high quality locations

Develop **new FANCL shops** based on hybrid shop concept, with **enhancements in internal and external beauty offerings, leveraging store fronts, and counseling functions**



BC-focused store



Young market focused store

Advertisement strategy

Advertisement expenditure is investment in the future. Continue at ¥15 bn per year
Launch both corporate and product advertising to increase sales and improve brand value

■ Product advertisements

Cosmetics

Improve efficiency of basic skincare and cleansing advertisement costs. Invest in *Beauty Bouquet*, *AND MIRAI*, make-up, and hair care

Supplements

Improve efficiency of advertisement costs for *Calolimit*, *Enkin*, etc. Invest in *Naishi Support* (Weight and body fat care) advertisements

Implement comprehensive promotions through events, PR, and ads

Deep Charge Collagen promotion



Product launch

Monitoring

@cosme

BuzzLife

PR events

Magazine tie-ups

Web campaigns



■ Corporate advertisements, "Honest Quality"



Continue promotion of "Honest Quality," including developing new commercials

(Ref.) Existing customer trends (YoY)

		2016				2017				2018
		Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
FANCL Cosmetics	Mail Order	102%	106%	107%	106%	105%	103%	101%	101%	102%
	Retail Store	96%	100%	101%	102%	102%	102%	101%	100%	100%
Supplements	Mail Order	115%	123%	129%	133%	130%	123%	116%	109%	105%
	Retail Store	101%	102%	102%	103%	102%	103%	105%	105%	106%
Attenir		98%	106%	113%	122%	125%	125%	125%	122%	121%

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

ESG initiatives

■ Environment: Formulate “FANCL Sustainability Plan”

Strengthen customer PR and expand environmentally conscious products with aim to improve brand loyalty and increase sales

For products to be launched in the future, gradually switch to environmentally friendly packaging, containers, and raw materials

Target: 12% reduction in CO2 emissions by FY 2021; 26% reduction by FY2031

(compared to FY2014)

■ Social: Support independence for those with disabilities

Carry out make-up seminars and develop services/products that can be conveniently used by those who are visual impaired or elderly



■ Social: Promote diversity management

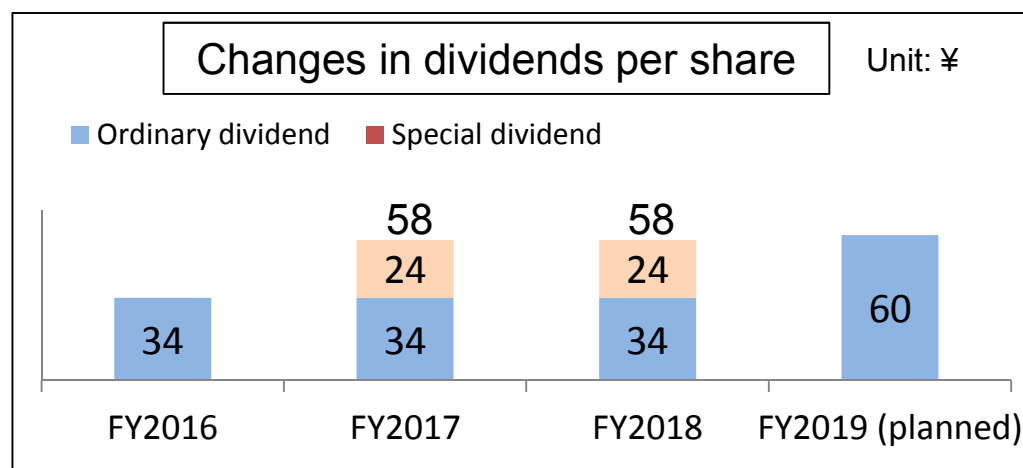
Slogan: Of course everyone is different

1. Consider introduction of employment categorization for new full-time hires
2. Introduction of half-childcare leave system
3. Introduction of system enabling employees who have illness or family care duties to continue to work
4. Start recruitment of physically disabled new graduates
5. Strengthen recruitment of non-Japanese nationals in anticipation of global operation

■ Governance: Changes in shareholder returns policy

Implement more stable distribution of profits corresponding to trends in performance

	Before changes	After changes
Dividends	Maintain a dividend payout ratio of at least 40% of consolidated net income	Consider a dividend amount given a target consolidated dividend payout ratio of approximately 40% and DOE (dividend on equity) ratio of approximately 5%



■ Governance: Management transparency

Consider establishing a nominating and compensation committee, and introduction of medium-long term performance-linked executive compensation system

In closing

2nd Medium-Term Management Plan ACTION 2020

Creating the future

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FY2021

Net sales
¥126.0 billion

Operating income
¥12.6billion
(Op Margin10%)

ROE
10%

