Held on April 26, 2018

FANCL CORPORATION
FY2018 Q4 Financial Results Briefing
Q&A session summary

FY2019 plan

1. How do you position the current fiscal year, being that it is the first year of your new Medium-term Management Plan?

⇒For the current fiscal year, to ensure a steady start to our Medium-term Management Plan, we have been conservative with our forecasts, setting them as must-achieve targets. We will need to clearly identify the impact of the increase in delivery costs, as well as how long inbound demand is going to continue. Rather than making sudden leaps in the first year, we want to focus on ensuring a steady start to our Medium-term Management Plan.

2. Regarding sales promotion costs: In the previous fiscal year, your sales promotion costs-to-sales ratio dropped as a result of a review of your use of catalogues, etc. However, sales promotion costs are on an upward trend for the current fiscal year. What is the reason for this?

⇒While we will continue our review of catalogues in the current fiscal year, our customer numbers are increasing in each of our businesses, and we are planning a higher level of sales promotion costs with the aim of retaining those customers.

3. What is the reason for the increase in capital investment in the current fiscal year?

⇒This fiscal year we are planning a slight increase in capital investment. We will invest ¥1.0 billion in systems, ¥1.5 billion in manufacturing, and just under ¥0.5 billion in new shop openings and others. In systems, we will update our store and web systems, and share data in real time across all direct sales channels.

In manufacturing, we will make investments in our existing facilities, and accelerate automation to increase production speeds. Our thinking is that the establishment of new facilities will happen in the next medium-term period.

4. Please describe your plans for sales of *Calolimit, Enkin*, and *Naishi Support* in the current fiscal year.

⇒We see a slight increase in *Calolimit* and *Enkin*, and aim for ¥2.0 billion in sales of *Naishi Support* (compared to ¥0.4 billion in previous fiscal year).

5. Regarding *boscia*: In the current fiscal year you plan to expand into Europe and Near and Middle East, but expect sales to slow down. What is the reason for this?

⇒In the previous fiscal year we reinforced production in response to low stock levels in stores, and following progress in the supply of products during Q1 we found ourselves in a special procurement boom-like situation. With the absence of such boom this fiscal year, sales will appear as though they are slowing. Additionally, for the new markets that we are expanding into, we will initially be offering approximately 10 items from the *Black Series*, and therefore do not expect a significant contribution to sales.

The situation regarding inbound demand

6. What was your growth rate in inbound cosmetics and supplements sales?

⇒Cosmetics increased 70%, Supplements increased 130%, and in total we saw a 90% increase.

Chinese customers are starting to take a higher interest in supplements, and in addition to *WHITE FORCE*, collagen and *Age-Bracket Based Supplements*, *Ukon Kakumei* is also selling strongly since the previous fiscal year.

7. What is your future outlook for inbound sales?

⇒While we have seen two-fold growth since last summer, this year we are planning for an increase of 10%. Although we are not setting our expectations for inbound too high, we have seen growth since the beginning of the current fiscal year with no sign of immediately slowing.

Ends