

FANCL

正直品質。

FANCL Report 2019



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Message from the Founder

“Breaking through convention” is a principle that underpins every facet of our operations.

In the 1970s, there were many women suffering from skin problems caused by cosmetics. It was such a major social issue and the phrase, “cosmetics pollution” was widely covered by the media. Learning that this was largely caused by additives, including preservatives (parabens), FANCL devised small containers (only 5 cc) so that the cosmetics could be used up while they are still fresh. By introducing the world’s first additive-free “*Mutenka* cosmetics”, FANCL had saved countless women.

As Japan enters its path toward a super aging society, the sharp rise in health costs is also emerging as a major social issue. The best way to resolve this issue is to improve unbalanced diets and prevent people from being sick.

In 1994, out of a desire to offer health food products backed by proper scientific evidence at affordable prices, FANCL pioneered the launch of Japan’s first “supplement” business. Today, as a leading company in the supplement field, we are contributing to people’s

health and well-being.

In addition, FANCL drew up a “Declaration of Health Management” while promoting a wide range of internal work style reforms in 2017. In recognition of these endeavors, the Company was identified as one of the “White 500” companies under the Certified Health and Productivity Management Organization Recognition Program of Japan’s Ministry of Economy, Trade and Industry. Moreover, we created the slogan “Embrace differences” to promote diversity management as a part of efforts to put in place a workplace environment in which all employees are able to shine. We are further employing these initiatives as conduits for the Company’s overall growth.

Looking ahead, FANCL will continue to engage in business activities that allow diverse human resources to excel in a healthy manner. We will work to help build a bright society of mutual respect and support.

[Founding Philosophy]

Eliminate
the “Negatives”
with a Sense of Justice

[Corporate Philosophy]

“Can Achieve More”

The FANCL Group is a corporation that truly cares for people. FANCL has strived to eliminate customers’ negative experience and pursue gentleness, safety, and assurance of its products. We always put ourselves in customers’ shoes and the happiness of our customers forms the basis of everything we do.

Kenji Ikemori
Chairman & Founder,
Representative Director

Kenji Ikemori



A Track Record of Eliminating the “Negatives”

FANCL is committed to eliminating the “Negatives” of dissatisfaction, anxiety, and inconvenience for all people throughout the world.

<p>1980 Kenji Ikemori founded a sole-proprietor cosmetics sales company. Launched mail-order sales of cosmetics</p> <p>1981 Incorporated Japan fine chemical Sales Co., Ltd. (Current FANCL CORPORATION)</p> <p>1982 Launched sales of <i>Mutenka</i> skin care products, the world’s first cosmetics to be completely free of additives</p> <p>1989 Launched sales of ATTENIR cosmetics that embody the concepts of high quality and high fashion sense at an affordable price</p>	<p>1992 Introduced Japan’s first postbox-sized packaging for delivery to the home</p> <p>1994 Launched mail-order sales of health foods and nutritional supplements</p> <p>1995 Opened the first FANCL House shop</p> <p>1997 Launched online product orders</p> <p>1997 Incorporated FANCL INTERNATIONAL, INC. in Irvine, California, U.S.</p> <p>1997 Launched Japan’s first Designated Delivery Place service that enables customers to identify a location for product delivery whether at or away from home with no signature of receipt required</p>	<p>2000 Launched the online and catalogue sales FANCL Additional Point Program</p> <p>2000 Launched sales of the tasty FANCL <i>Kale Juice</i> at an affordable price through convenience stores for easy purchase on a daily basis</p> <p>2002 Newly released the boschia cosmetics brand in the U.S. Commenced the switchover to corn-based hard capsule nutritional supplement products using pullulan plant extract</p> <p>2004 Launched “SDI System,” a telephone consultation service about the interaction of health supplements and drugs</p>	<p>2015 Launched sales of <i>Enkin</i> (Anti-aging eye care), <i>Total Fat Support</i>, and <i>Blood-Pres Support</i> utilizing the system of “Foods with Function Claims”</p> <p>2016 Launched sales of <i>Beauty BOUQUET</i>, a cosmetic line for mature adults over the age of 60</p> <p>2017 Newly released <i>Naishi Support</i> (Weight and body fat care)</p> <p>2018 Newly released the <i>Moist Refine</i> and <i>Enrich</i> skincare lines</p> <p>2018 Newly released <i>AND MIRAI</i></p>
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Contents

FANCL at a Glance	02	Long-Term Vision and Medium-Term Management Plan	12	Aiming for a Sustainable Society	
FANCL’s Value Creation	04	To Our Shareholders and Other Stakeholders	14	Protecting the Environment	22
FANCL’s Business Model	06	Special Round-Table Discussion	20	Living Healthily	24
FANCL Group’s “Sustainable Declaration”	08	Partnership to Help Accelerate Health Business Activities in China		Respecting Diversity	26
FANCL by the Numbers	10			Reinforcement of Governance	28
				Website	34
				Corporate Information	35

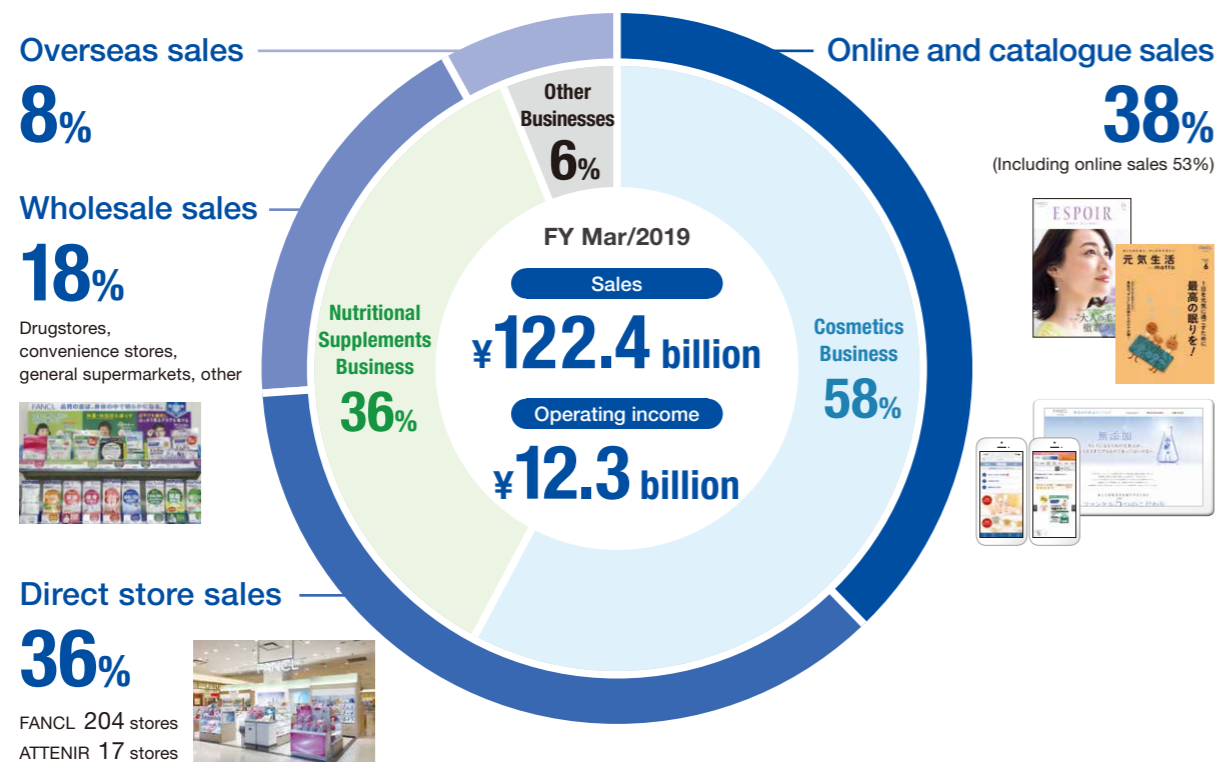
Forward-Looking Statements

Forward-looking statements contained within this report are based on information the FANCL Group could obtain at the time of its production. Actual results may vary and statements are subject to change depending on changes in a variety of factors.

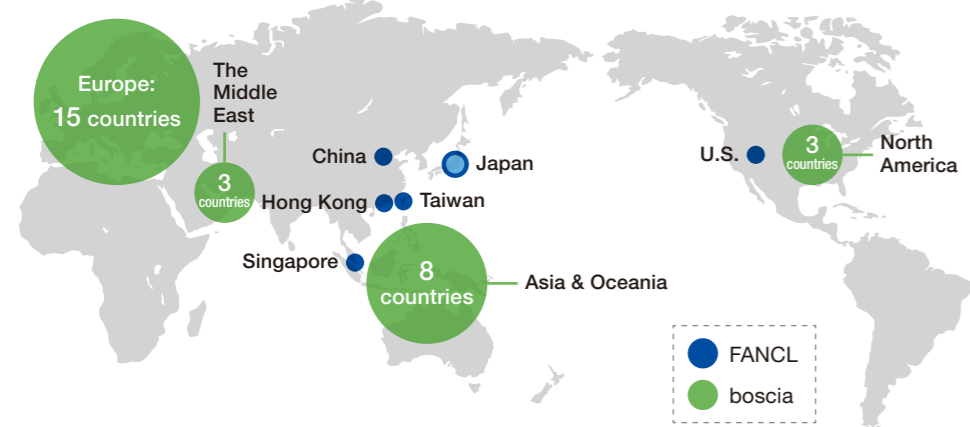
FANCL at a Glance

The FANCL Group is committed to eliminating the "Negatives" of dissatisfaction, anxiety, and inconvenience throughout the world focusing mainly on its Cosmetics and Nutritional Supplements businesses. While developing sales channels that are in tune with the times, the Group engages in a wide range of online and catalogue, direct store, wholesale, and overseas sales activities.

Sales by Business and Sales Channel



Global Business Development



Drawing its name from a Botanical Science with Advanced technology theme, boscia is a cosmetics brand for sale exclusively overseas. This brand was first launched in California in the U.S. in 2002. boscia products are available at Sephora, Ulta, and other beauty specialty stores.



Directly managed Times Square store in Hong Kong



Expanding business through Tmall Global, China's largest e-commerce site



Sales launched through Amazon in North America

Business Introduction

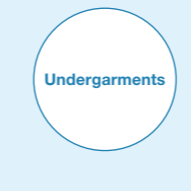
Beauty Domain



Mutenka cosmetics help address a variety of issues while drawing out the natural beauty of the skin.



Based on the product's concept of "high quality and high fashion sense at an affordable price," ATTENIR emerged with the aim of supplying its customers with value that exceeds market price.



FANCL's original lineup delivers exquisite comfort and a unique sense of beauty.



Health Domain



As a partner that is working to promote lifelong health while helping people lead invigorating lives, FANCL is supporting society in an era of 100-year lifespans.



Achieving good health through a sound daily diet, FANCL's kale juice-related products and Hatsuga Genmai deliver abundant nutritional benefits essential to good health.



FANCL's Value Creation

Taking full advantage of the wellspring of value creation that we have nurtured since our foundation, we will work diligently to ensure our ongoing sustainable growth while enhancing our corporate value by practicing "Upholding Quality."



Beauty and Health Business Development



Research /
Planning



Production



Sales

→ P06-07

Founding Philosophy

Eliminate the
"Negatives" with
a Sense of Justice

Corporate Philosophy

"Can Achieve
More"

FANCL's Strengths

Human resources

Human resources that embody the Company's founding principle x Relationships of trust with the Company

87%

Employee Satisfaction



The ability to develop products backed by outstanding research and technological capabilities

Top share
18%

Market share of Food with Function Claims (supplements)
*Source: Fuji Keizai Co., Ltd.



Corporate stance "Upholding Quality"

50%

Rate of Corporate stance "Upholding Quality" recognition
*Source: Company survey



Strong customer base

3,000,000

Number of active online and store users



Contribution to the environment

13.3%

Amount of electricity generated by solar power generation systems at the Shiga and Gunma factories
of total electricity used



Robust financial base

74.8%

Shareholders' equity ratio

Realizing the Company's Vision

VISION2030 Achievement

→ P12-13

Contribute to a Sustainable Society



As a company that continues to expand globally, FANCL became a signatory to the United Nations Global Compact in April 2013.

FANCL will also work actively toward achieving the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 by carrying out the Group's Sustainable Declaration.

Carrying Out the FANCL Group's Sustainable Declaration

Environment

Protecting
the Environment

→ P08-09

Social

Living
Healthily

Social

Respecting
Diversity

Governance

Reinforcement of
Governance

FANCL's Business Model

FANCL is distinguished by its integrated manufacturing and sales framework. In addition to engaging in the research, planning, manufacture and sale of products through a variety of channels in its own right, the Company ensures that customer feedback is promptly reflected in every facet of this process. Through the creation of safe and reliable products, during which the utmost attention is paid to providing "Upholding Quality," FANCL is assisting in resolving social issues while contributing to the achievement of the Sustainable Development Goals (SDGs).



Through our integrated manufacturing and sales framework, we create sustainable products and satisfy our customers.

Mechanisms that leverage customer feedback



Research / Planning

FANCL's R&D
www.fancl.jp/en/laboratory/



Production



Sales

Eliminating the "Negatives" from beauty and health through technological innovation



FANCL Research Institute

FANCL Research Institute's responsibilities lie in the beauty and health domains, from basic research to product development. A second Research Center was completed in 2016, and the findings of innovative research, for example in dermatology, formulation technology and neuroscience, are actively applied to products. FANCL's research capabilities are highly regarded.

Major Achievements in FY Mar/2019

Number of products developed	Number of patent filings	In Japan 55 Overseas 3	Research and development expenses	¥3,464 million
FANCL Cosmetics: 86	Number of academic presentations	In Japan 36 Overseas 5	Number of Researchers and Professional Qualifications	
Supplements: 17	Number of research publications	In Japan 7 Overseas 3	Researchers	201
ATTENIR: 70	Partners in joint research	39	Ph.D.	23
Kale juice-related products: 7			Pharmacists	12
			Registered dieticians	6

Pursuing "Upholding Quality" throughout the manufacturing process in an effort to ensure safety and peace of mind



FANCL B&H's Chiba Factory

Through a domestic network comprised of five production bases, FANCL's mission is to pursue "Upholding Quality" as a part of efforts to deliver products that provide customers with safety and peace of mind. The Company will actively promote robotics, AI and other forms of innovation in preparation for the future decline in the working population.

*1 Good Manufacturing Practices (GMP) was drawn up by the U.S. Food and Drug Administration to maintain production management and quality control for such items as cosmetics, pharmaceuticals and foods.

*2 Internationally recognized Food Safety System Certification (FSSC) 22000

Standards for Production Bases

Bases	Standards		FSSC 22000*2	Facility	
	GMP*1	Standards		Cosmetics	Health Foods
Chiba Factory	●	●			●
Shiga Factory	●				●
Yokohama Factory		●			●
Gunma Factory	●				●
Nagano Factory			●		●

FANCL B&H CORPORATION

Supplying products and services through a variety of sales channels



Internet sales



Customer service center



Direct store sales



Wholesale sales

FANCL maintains call centers to field inquiries relating to beauty and health as well as an SDI* System telephone consultation service that provides information on the interaction of health supplements and drugs on a timely basis. The Company provides safety and peace of mind by tailoring its services to each and every customer through a variety of means, including counseling at stores.

Customer Opinions in FY Mar/2019

391,893

Breakdown

Questions:	252,532
Requests / opinions:	124,407
Praise:	14,954

Major Achievements in FY Mar/2019

Number of direct stores	204
Number of wholesalers	257 companies
Number of SDI* System inquiries	25,224

* SDI Supplement & Drug Interaction

Connections with business model and SDGs



● Reinforcement of R&D capabilities

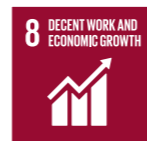


- Use of sustainable energy
- Promotion of global warming countermeasures



- Supply of products and services that everyone can easily use

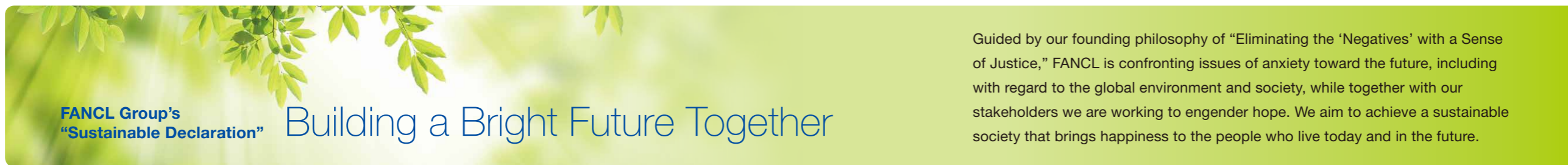
Management Foundation







- Promoting health of employees
- Creating environments where employees are able to work with vitality
- Reinforcing business partnerships

FANCL Group's "Sustainable Declaration"

In June 2018, FANCL formulated the FANCL Group's Sustainable Declaration, which established four key themes.



<h2>E Protecting the Environment</h2> <p>In all aspects of corporate activities, be grateful for the bounty provided by nature, while aiming to contribute to the preservation of the natural environment</p>	<p>Basic Policy</p> <ul style="list-style-type: none"> ● Based on the Paris Agreement, to reduce CO₂ emissions by 26% (compared with FY Mar/2014) by FY Mar/2031 ● Reinforcing environmental "product measures" and "educational activities" while aiming to improve brand value and expand sales 	 <p>Value to Be Provided</p> <ul style="list-style-type: none"> ● Preservation of the natural environment ● Providing products and services that take the environment into consideration 	<p>Details →</p> <p>P22-23</p>
<h2>S Living Healthily</h2> <p>As a pioneer in supplements, striving to bolster the healthier lifespans of people around the world, while reducing the expense of medical treatment</p>	<p>Basic Policy</p> <ul style="list-style-type: none"> ● Widely expanding the health business while contributing to preventive healthcare as well as longer, healthier lifespans ● Promoting health management based on the FANCL Group's Declaration of Health Management 	 <p>Value to Be Provided</p> <ul style="list-style-type: none"> ● Extending the healthy lifespans of people around the world and reducing the expense of medical treatment ● Raising productivity through the maintenance and promotion of employee health 	<p>Details →</p> <p>P24-25</p>
<h2>S Respecting Diversity</h2> <p>While valuing a corporate culture of being "a corporation that truly cares for people," continuing to be a company that supports the happiness of people</p>	<p>Basic Policy</p> <ul style="list-style-type: none"> ● Promoting diversity based on the slogan "Embrace differences" ● Encouraging the employment of people with disabilities and promoting support for them to lead independent lives ● Through social contribution activities aiming to improve the quality of life of the visually impaired and the elderly 	 <p>Value to Be Provided</p> <ul style="list-style-type: none"> ● Creating a society which is easy to live in for all ● Providing products and services that respond to a diverse sense of values 	<p>Details →</p> <p>P26-27</p>
<h2>G Reinforcement of Governance</h2> <p>With a high degree of transparency, striving for management that is, without fail, scrupulous</p>	<p>Basic Policy</p> <ul style="list-style-type: none"> ● Aiming to improve management transparency and objectivity ● Strengthen dialogue with stakeholders and investors ● Strengthen returns to shareholders 	 <p>Value to Be Provided</p> <ul style="list-style-type: none"> ● Sustainable management foundation ● Improved corporate value ● Enhanced shareholder returns 	<p>Details →</p> <p>P28-31</p>

FANCL by the Numbers

Financial Highlights

<p>Sales</p> <p>¥122.4 billion (FY Mar/2019)</p> <p>Achieved record-high sales for two consecutive years</p> <p>¥109.0 billion (FY Mar/2018)</p>	<p>Operating income / Operating margin</p> <p>¥12.3 billion / 10% (FY Mar/2019)</p> <p>YoY +46.6% / +2.4pt Achieved record-high operating profit</p> <p>¥8.4 billion / 8% (FY Mar/2018)</p>	<p>ROE (Return on equity)</p> <p>12.8% (FY Mar/2019)</p> <p>Significant improvement through sales expansion and acquisition of treasury shares</p> <p>8.5% (FY Mar/2018)</p>
<p>Shareholders' equity / Shareholders' equity ratio</p> <p>¥60.0 billion / 74.8% (FY Mar/2019)</p> <p>Successfully maintained debt-free operations and a solid financial base since the Company's foundation</p>	<p>Dividends per share / Dividend payout ratio</p> <p>¥30 / 44% (FY Mar/2019)</p> <p>Dividend on a planned dividend payout ratio of approximately 40%</p>	<p>Research and development expenses</p> <p>¥3.4 billion (FY Mar/2019)</p> <p>Working to improve proprietary technological capabilities and value as an R&D-oriented company</p>

www.fancl.jp/en/ir/library/finance_results/

Employees

<p>Percentage of female employees / Percentage of women in management</p> <p>69.0% / 45.8% (FY Mar/2019)</p> <p>69.2% / 45.2% (FY Mar/2018)</p> <p>The Company continues to introduce programs that accommodate flexible work styles as a part of efforts to help women develop their careers</p>	<p>New employee retention rate</p> <p>85.7%</p> <p>Percentage of new employees still employed three years after joining the Company</p>	<p>Number of foreign national employees</p> <p>89 (FY Mar/2019)</p> <p>71 (FY Mar/2018)</p> <p>Foreign national employees continue to excel in the Company's overseas department and in direct store sales</p>
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Environment

<p>CO₂ emissions (per sales of ¥100 million)</p> <p>9.6 t / ¥100 million (FY Mar/2019)</p> <p>10.7 t / ¥100 million (FY Mar/2018)</p> <p>Implemented measures aimed at reducing CO₂ emissions across the Group as a whole</p>	<p>Resource recovery ratio</p> <p>87.1% (FY Mar/2019)</p> <p>82.2% (FY Mar/2018)</p> <p>Improving the resource recovery ratio by raising employees' awareness toward the proper separation of waste</p>	<p>Amount of electricity generated by solar power generation systems at factories (Shiga, Gunma)</p> <p>13.3% of total electricity used (499,703kWh)(FY Mar/2019)</p> <p>16.3% (431,709kWh)(FY Mar/2018)</p> <p>Shiga Factory employs solar panels as an environmental model facility</p>
<p>Environmental protection costs</p> <p>¥269 million (FY Mar/2019)</p> <p>¥343 million (FY Mar/2018)</p> <p>Capital investment aimed at reducing the Group's environmental footprint</p>	<p>Amount of paper used</p> <p>7,656 t (FY Mar/2019)</p> <p>11,431 t (FY Mar/2018)</p> <p>Every effort is being made to reduce the amount of paper used Group-wide</p>	<p>CO₂ emissions under the Eco Program at Home</p> <p>-290.7 t (FY Mar/2018)</p> <p>-298.7 t (FY Mar/2017)</p> <p>Employees are working to reduce CO₂ emissions in their homes</p>

Society

<p>Number of FANCL seminars held / Number of participating employees</p> <p>163 / 215 (FY Mar/2019)</p> <p>154 / 203 (FY Mar/2018)</p> <p>The Company holds makeup and grooming seminars for people with disabilities</p>	<p>Employee participation rate in the "Can Achieve More Fund"</p> <p>76.0% (FY Mar/2019)</p> <p>79.5% (FY Mar/2018)</p> <p>Donation activities initiated by employees in 2007</p> <p>"Can Achieve More Fund" logo</p>	<p>Number of tour participants</p> <p>18,671 (FY Mar/2019)</p> <p>12,439 (FY Mar/2018)</p> <p>FANCL holds customer tours of its facilities including factories and Research Institute</p>
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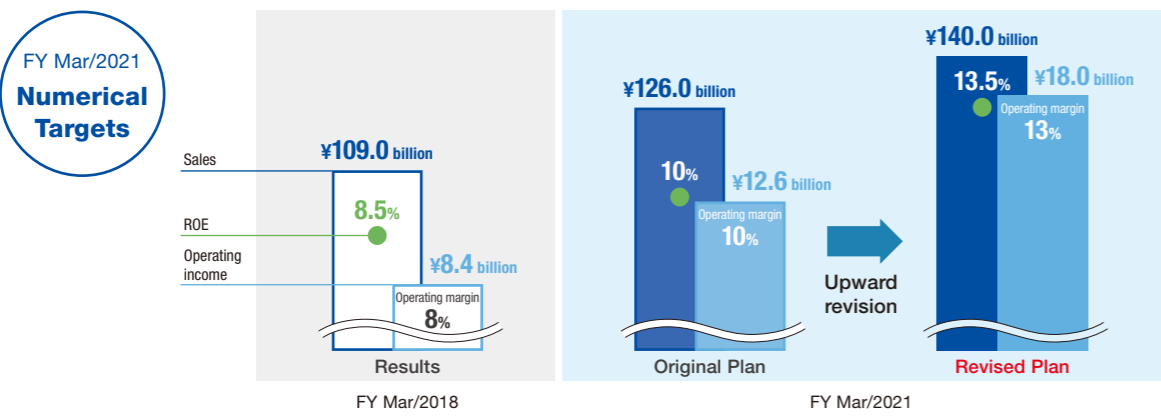
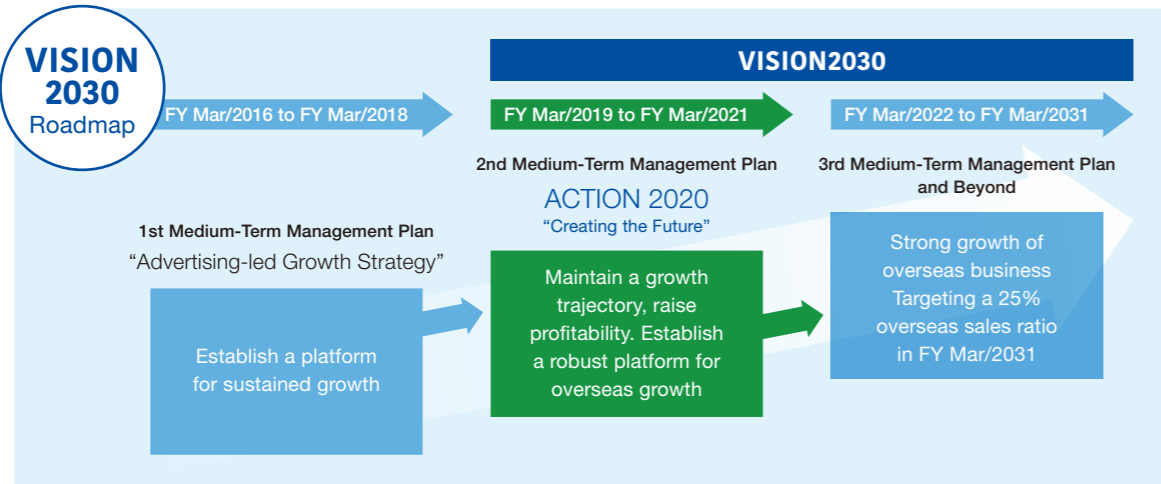
Long-Term Vision and Medium-Term Management Plan

"VISION2030"

Make the world healthier and more beautiful

Toward 2030, the FANCL Group aims to launch business ventures in a range of areas. In each business domain we aim to support customer lifestyles full of beauty and health, not only in Japan but on a global scale, as a corporate group that customers can trust and rely upon.

Beauty	Aim to diversify our brands in line with diversifying consumer values, transcending the boundaries of cosmetics to develop business centered on beauty-focused fashion and lifestyle offerings.
Health	Develop a new health business that supports a society in an era of 100-year lifespans, aiming to become the most widely-used supplement brand.
Beauty & Health	Actively expand the FANCL, boscia, and ATTENIR brands into overseas markets, aiming for each to become brands that are loved by customers worldwide.



2nd Medium-Term Management Plan

ACTION 2020 "Creating the Future"

FY Mar/2021 Numerical Targets	Sales ¥140.0 billion	Operating income ¥18.0 billion Operating margin 13%	ROE (Return on equity) 13.5%
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Policies

1 Business Strategies

Cosmetics	FANCL Cosmetics	[JAPAN] 1 Diversify the brand 2 Reinforce development of make-up, haircare, and other products [OVERSEAS] Position Asia as a key regional market and re-approach the North American market
	ATTENIR	1 Development and promotion of products geared toward enhancement of brand value 2 Capturing overseas demand through cross-border e-commerce, inbound business
	boscia	Strengthen activities in North America and extend into Europe and the Middle East
Health foods	[JAPAN]	1 Foster star products and consolidate the existing range 2 Rollout personal supplements 3 Strengthen BtoB businesses by making use of the FANCL brand and other companies' resources
	[OVERSEAS]	Full-scale development of China supplement business, enter markets in countries outside Asia

2 Channel Strategies

Online and catalogue sales	Work to maximize sales and profit by utilizing both in-house (FANCL online and catalogue sales) and external online platforms
Direct store sales	Open stores in blue-chip commercial facilities in metropolitan areas and proactively implement renovations
Wholesale sales	Work to expand sales per store by improving shelf positioning and launching wholesale-only supplements

3 Advertising Strategies

- While positioning advertising as investment for the future and monitoring balance with cost benefit, increase amount of advertising to an appropriate extent
- Roll out both the corporate copy "Upholding Quality" and product advertising to enhance brand value and expand sales
- Actively utilize online and social media tools to maximize the effects of advertisements

4 Management Foundation / ESG

- Strengthen R&D activities that contribute to results, invest in infrastructure including manufacturing, distribution and systems, reinforce the development and training of human resources who underpin the management foundation
- Refine the FANCL brand based on the concept of "Upholding Quality" and establish a sustainable management foundation by protecting the environment, contributing to solutions that resolve social issues, strengthening corporate governance

5 Returns to Shareholders

Strengthen returns to shareholders on the understanding that the distribution of profit to shareholders is an important management issue

Dividends	Consider a dividend amount given a target consolidated dividend payout ratio of approximately 40% and DOE (dividend on equity) ratio of approximately 5%
Acquisition of treasury shares	Flexibly consider the acquisition of treasury shares with the aim of improving the capital efficiency ratio, while taking into account trends in the share price and future capital funding requirements
Cancellation of treasury stock	Treasury shares in excess of 10% of the total number of outstanding shares will be cancelled

Please refer to the following homepage for details regarding the Medium-Term Management Plan.
www.fancl.jp/en/ir/management/plan/

To Our Shareholders and Other Stakeholders

Mobilizing the entire Group under a "Let's change it, let's try it" spirit, we are pushing our business forward.

Kazuyuki Shimada

Kazuyuki Shimada
President & CEO, Representative Director



Our Vision

Make the World Healthier and More Beautiful

FANCL will celebrate the 50th anniversary of its founding in 2030. Looking at the nature of society in this milestone year, we believe population trends will be mixed. On the one hand, we anticipate the global population will continue to grow at an explosive rate. On the other hand, Japan's population is projected to decline due to further aging and a lower birthrate. Under these circumstances, we have conducted a review of the value that we hope to provide going forward, and have announced details of "VISION2030," our Long-Term Vision to "make the world healthier and more beautiful." This Long-Term Vision embodies our heartfelt desire to help customers lead lifestyles full of beauty and health by providing a constant stream of safe and high-quality cosmetics that instill strong peace of mind as well as highly functional health foods. Working toward this Vision, our goals are to extend healthy lifespans on a global basis while reducing health care costs. Through these means, we are endeavoring to

become a corporate group that society can trust and rely upon more than ever before.

Working to Build a Highly Profitable Management Foundation

As a first step toward achieving these goals, we announced details of our 2nd Medium-Term Management Plan ACTION 2020 "Creating the Future," which covers the three-year period from FY Mar/2019 to FY Mar/2021. This Plan follows in the footsteps of our 1st Medium-Term Management Plan "Advertising-led Growth Strategy," which covered the three-year period from FY Mar/2016 to FY Mar/2018. After doubling the previous amount of advertising expenditure in an effort to secure sales revenue growth, and achieving a V-shaped recovery, we intend to further solidify this growth trajectory and build a management foundation that is capable of generating a definitive stream of profits under the 2nd Medium-Term Management Plan.

Formulating a Sustainable Declaration

Identifying Materiality and Contributing to the Achievement of SDGs

FANCL has actively contributed to both society and the environment since its foundation. In this context, the Company's efforts to "Eliminate the 'Negatives' with a Sense of Justice," the crux of its founding philosophy, is consistent with the goal of realizing a sustainable society, which is attracting considerable interest of late. Taking into consideration the aforementioned, and in conjunction with our 2nd Medium-Term Management Plan, we have realigned our existing activity policy and announced details of our Sustainable Declaration, which identifies materiality for the Group.

By steadfastly carrying out this Declaration, we will also contribute

to the realization of the Sustainable Development Goals (SDGs) adopted by the United Nations as a blueprint to achieve a more sustainable future for people and the planet. In particular, FANCL will focus on Goal 3: Good health and well-being, Goal 8: Decent work and economic growth, Goal 12: Responsible consumption and production, and Goal 17: Partnerships for the goals, which are compatible with the materiality of its Sustainable Declaration.



Developing Global Human Resources

FANCL's Greatest Strength Rests in Its Human Resources Who Embody the Company's Founding Philosophy

I am in awe of the large number of FANCL employees who hold deep affection toward the Company and its products. This affection is built on the strong ties of trust between the Company and its employees. For this very reason, employees can recommend FANCL products and services to customers with the utmost confidence and honesty. And in turn, the

Company's vibrant employees provide the wellspring that garners customers' trust and the backbone for an unwavering customer base.

Actively Promoting Investments in Education and Training

In today's so-called era of 100-year lifespans, people cannot afford to rely on a single specialized field if they hope to grow over the long term. For individuals, it is important to accumulate



To Our Shareholders and Other Stakeholders



diverse skills that are critical to each period while gaining a wealth of experience. With this in mind, FANCL will actively promote investments in education and training going forward.

Within this investment, we have positioned the development of global human resources as a paramount theme. FANCL has identified the overseas sales ratio target of 25% in 2030, recognizing that its overseas business will become an increasingly important growth pillar in the future. With this in mind, it is vital that our research and development, manufacturing, sales, and other divisions learn the languages and cultures of the regions in which they operate while gaining first-hand knowledge and experience. As a part of FANCL's global human resources development activities, we dispatched roughly 150 directors and employees on a fact-finding survey and tour of Shanghai from the end of 2018. By providing directors and employees with this first-hand experience of current trends in the China market and rapid changes in customers' needs, and building on business concepts that underpin operations in Japan, we hope to stimulate increased awareness and ideas toward overseas business development.

After Completing the First Year of the 2nd Medium-Term Plan ACTION 2020 (FY Mar/2019 to FY Mar/2021)

Collaboration Between Divisions Evolving into a Source of Considerable Strength

The title of our 2nd Medium-Term Management Plan, ACTION 2020, encapsulates the importance that we place on the ability to act and respond immediately. Here, we recognize the critical need for close collaborative ties between divisions in order to achieve this end. In fact, FANCL experienced an incident that exemplifies this need to act swiftly just last year. Following the surge in sales from May 2018, the Company ran the risk of a shortfall in stock of various products. In this instance, all of the divisions within the Group came together to fully harness their collective ingenuity to avoid any shortages and address the inventory risk. It is extremely gratifying to see FANCL's continued evolution and the impetus that cases like these provide in increasing the number of employees who willingly take on the Company's issues as if they were their own.

Realizing Robust Results and Substantial Growth in FY Mar/2019

Turning to the Company's results in FY Mar/2019, sales came in at ¥122.4 billion, up 12.4% compared with the previous fiscal year. From a profit perspective, operating income climbed 46.6% year on year, to ¥12.3 billion. ROE (Return on equity) also improved 4.3 percentage points over the level recorded in the previous fiscal year, to 12.8%. As far as our performance in the first year of the 2nd Medium-Term Management Plan is concerned, we are well within sight of achieving the targets set for the full three-year period. With this in mind, we took steps to upwardly revise our final fiscal year targets in October 2018.

Our Foremost Achievement Is Growth in the Supplement Business

There are four major factors that contributed to this robust result. First, we were successful in placing the Supplements business on a fully fledged growth track. Since the start of Japan's food with functional claims labeling system in 2015, FANCL's supplements have attracted increased recognition on the back of its high R&D capabilities. With a succession of hit products, we have secured a leading position in the market for Foods with Function Claims. Thanks to our steady R&D efforts, coupled with an earnest and sincere approach, we are seeing our hard work over the past two decades bloom.

The second factor is the steady growth of FANCL Cosmetics. In addition to celebrating its 20th anniversary, *Mild Cleansing Oil* continues to evolve. Coupled with such products as *WRINKLE CREAM*, an item for the growing anti-wrinkle market, and *Beauty BOUQUET*, which targets mature adults over the age of 60, several items within our cosmetics lineup experienced robust trends.

Third, each sales channel was able to harness its inherent strengths. FANCL-directly-managed stores are recognizing the independence of staff members allowing them to take the initiative. This is in turn engendering a spirit of considerable originality and ingenuity. As a result, we are seeing an upswing in the creation of attractive stores and improved frontline expertise. From a wholesale perspective, our products can be increasingly found on the most prominent top shelf of major drug stores. Among a host of initiatives, we have achieved considerable success through the introduction of high-visibility custom shelves. As far as online and catalogue sales are concerned, growth has been a little sluggish.

On a positive note, however, we have launched a new Customer Relationship Management (CRM) strategy.

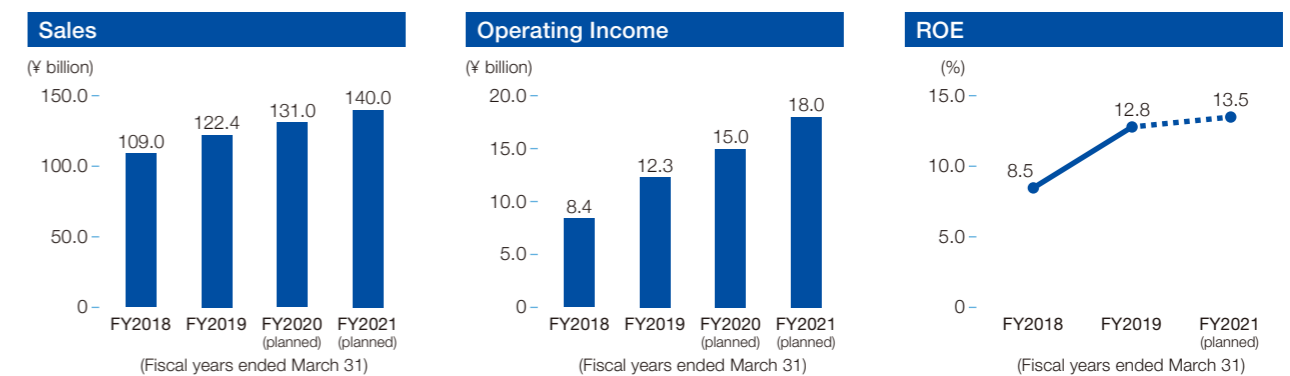
Firmly Addressing the Continuous Growth in Inbound Demand

The fourth and final factor that contributed to robust results in the fiscal year under review is the significant surge in sales attributable to inbound demand. The opening of new stores especially in the Shinsaibashi and Namba districts of Osaka, which attracted large numbers of tourists visiting from overseas, provided a major boost. While a certain amount of time is generally required for new stores to be recognized and deliver results, the sales of one new store was more than three times higher than initially forecast. With demand exceeding all

expectations, we anticipate this momentum will continue.

Last year, I traveled to Shanghai and interviewed a number of women aged around 30. This demographic accounts for a top share of consumption. Without exception, these women identified the need for absolute safety and peace of mind when deciding to purchase a product that is applied to the skin or a supplement that is taken into the body. Each of the individuals I interviewed was largely unswayed by the reams of information that companies provide. They seek out information themselves and maintain a keen eye when it comes to product selection.

Previously, I had always regarded inbound demand as a temporary phenomenon. Recognizing now that there are large numbers of consumers who are waiting for FANCL products, I am all the more convinced of the serious need to capture this market.



Initiatives in FY Mar/2020

Toward the Next Step under the Slogan "Next FANCL"

In addition to a robust performance, I believe that the heightened sense of unity inherent within the Group today provides an opportunity for further growth. If we are to capitalize on this opportunity, the key words "Let's change it, let's try it" are sure to play a prominent role. Since my appointment as president, I have followed the slogan "ALL-FANCL, ONE-FANCL." With an eye to the future, we have expanded this slogan to include "ALL-FANCL, ONE-FANCL, -NEXT FANCL." in FY Mar/2020 as we work toward taking the next step.

Diversifying the Brand at an Accelerated Pace

First, we will accelerate the pace of FANCL Cosmetics brand diversification, an initiative that began last year. In addition to the continued reinforcement of such products as *Mild Cleansing Oil* and *Mutenka* basic Skin Care in the mainstay The FANCL brand, we will cultivate *WRINKLE CREAM* and *DEEP CLEAR WASHING POWDER* as future star products. At the same time, we will



expand *Beauty BOUQUET* and *AND MIRAI* targeting consumers around the age of 30.

Launching Wholesale-Only Supplements and Personal Supplements

In the Supplement business, we will complement efforts to further expand sales of *Naishi Support* and nurture *Nyosan Support* into a star product over the next fiscal year. In addition,

To Our Shareholders and Other Stakeholders

to launch wholesale-only supplements, we will also take steps to increase our in-store share of the drug store. Moving further forward, we will release Personal Supplements tailored to the individual needs of customers in FY Mar/2020. We are in a unique position as arguably the only company in Japan with the necessary high technical skills to mix together multiple supplement ingredients into a single package. Building on this competitive advantage, we will supply products to customers with an acute awareness toward sound health.

Reinforcing the Inbound and Overseas Businesses

Again, referring to the Group's sales channels, we will push forward our CRM strategy to promote online and catalogue sales in earnest while working to expand middle to heavy-user customers. As far as FANCL-directly-managed stores are concerned, we will focus on

opening stores in blue chip commercial facilities in metropolitan areas where inbound demand can be projected.

In our overseas business, we will reinforce our Cosmetics and Supplement businesses in China. At the same time, we will expand sales of boscia in Europe and the Middle East as well as bolster activities with a new chain store in the U.S.

Moreover, energies will be directed toward actively engaging in capital investments to help boost production and distribution. In this manner, every effort will be made to address demand which continues to expand. In specific terms, we will newly open a facility at a site adjacent to the Chiba Factory to focus specifically on the production of *Mild Cleansing Oil* during FY Mar/2020. On top of this, we will commence steps to newly open a supplement production facility and a logistics center in the Kansai area with a view to the start of operations in FY Mar/2021.

will engage in growth investments that exceed capital costs as a means to enhance corporate value while at the same time providing returns to shareholders on a continuous basis commensurate with trends in our performance.

Ramping Up Dialogue with Investors

In order for us to build constructive ties with investors, we will continue to engage in dialogue. We were, for example, able to meet with 30 institutional investors at overseas investor relations roadshows held in Hong Kong and Singapore in February this year. Through these roadshows, it became abundantly clear that our *Mutenka* (additive-free) cosmetics were receiving a certain degree of interest and acclaim. In contrast, however, there was little awareness and understanding toward our competitive advantage in supply of supplements. In order for stakeholders to properly evaluate the Company and its products, we will ramp up efforts to promote dialogue while raising the quality of information disclosure.

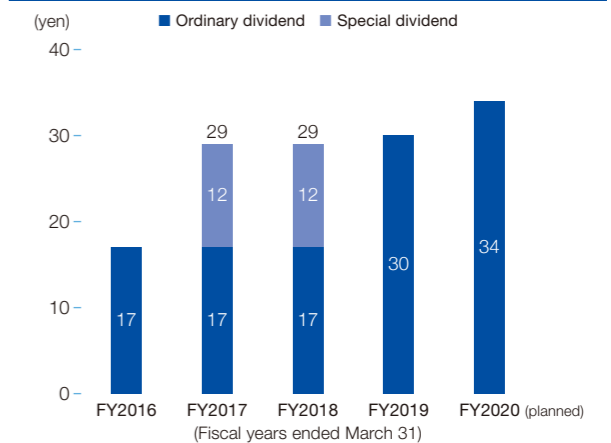
Underpinned by the research and technological capabilities, FANCL will continue to develop products and services, contribute to the world, and realize strong growth in the leadup to its 50th anniversary in 2030. Based on these endeavors, we will then share the fruits of our labor with stakeholders.

As we work toward achieving our goals, we ask for your continued support and understanding.

Dividend Policy

The dividend is set with a target consolidated dividend payout ratio of **40%** and a DOE (dividend on equity) of **5%**

Dividend per Share



* FANCL conducted a 2-for-1 stock split of its common shares on December 1, 2018. Past dividend payment data has been retroactively adjusted to reflect this stock split.



Medium- to Long-Term Growth Strategy

Working to Develop Second and Third Cosmetics Brands

The Company's roots are grounded in the FANCL Cosmetics brand, which continues to account for a substantial portion of current total sales and remains a mainstay foundation business. Looking ahead, we recognize the important need to nurture ATTENIR and boscia into key second and third cosmetics brand that will evolve into major earnings pillars. For the very reason that we currently enjoy favorable tailwinds, we must take up the challenge of reinforcing growth businesses without the fear of failure.

Vigorously Promoting the China Supplement Business with China Sinopharm International Corporation

We believe that our overseas business will be our most potent growth driver over the medium to long term, and in particular the China supplement business. The health insurance system in China is not nearly as advanced as that in Japan. A distinguishing feature is therefore an extremely high awareness toward preventive healthcare. Moreover, the aging of society in China is exhibiting a time lag of roughly 10 years compared with Japan. Taking these

factors into consideration, the demand for supplements in China can be expected to exhibit explosive growth.

Meanwhile, obtaining the necessary approval is a prerequisite for the sale of supplements in China. On this basis, the hurdles are quite high. In order to ensure the smooth development of its business in this area, FANCL therefore entered into a distributorship agreement with China Sinopharm International Corporation, a subsidiary of China National Pharmaceutical Group Corporation, China's largest pharmaceutical company, in 2017. Currently, we are taking preparatory steps to develop China-only products and to acquire the sales licenses with a view to release during FY Mar/2021. In order to put our time to good use, we commenced cross-border e-commerce activities from October 2018. Our partner, China Sinopharm International Corporation, has pledged to do its utmost to support our efforts to develop business in China. I am greatly impressed by the strength of this commitment. I am therefore determined to ensure our success and will do my very best to ensure the appropriate outcome.

To Our Stakeholders

Helping to Realize a Sustainable Society Based on Our Sustainable Declaration

We have continued to focus on winning the further trust of all stakeholders including shareholders, investors, employees, and local communities and will do so going forward. Also, in line with

our Sustainable Declaration, we will do our utmost to help realize a sustainable society. From a capital efficiency perspective, we will build on our improvement in ROE to 12.8% in FY Mar/2019, to increase ROE to 13.5% in FY Mar/2021 by lifting profitability in the Supplement business and other measures. In addition, we

Our mission is to share
the value that we generate
with all stakeholders.

Kazuyuki Shimada

Kazuyuki Shimada
President & CEO, Representative Director



Special Round-Table Discussion

Partnership to Help Accelerate Health Business Activities in China



Working with China Sinopharm International Corporation, a subsidiary of China National Pharmaceutical Group Corporation (Sinopharm Group), China's largest pharmaceutical company, FANCL successfully launched cross-border e-commerce operations in October 2018. The following is a record of discussions between three individuals from both companies involved in the startup of operations and their thoughts on the partnership going forward as well as outlook for the market in China.

Cultivating the Market in China on the Back of a Powerful Partnership

Ikeda: Issues relating to the acquisition of retail store sales licenses was a major hurdle when entering the health foods market in China. Under normal circumstances, acquisition of the sales licenses to engage in health food sales in China by a foreign corporation in its own right is extremely difficult and requires an inordinate amount of time. Against this backdrop, partnering with a local company is vital in promptly acquiring approvals and accelerating the pace of business development in the China market, which is experiencing remarkable growth. In this instance, we therefore sought the

assistance of China Sinopharm International Corporation, a subsidiary of China's largest pharmaceutical company, and a company that possesses vast know-how.

Phyllis Tam
Group Manager
International Business Dept.
International Business Division
FANCL Corporation



Phyllis: Among its many activities, China Sinopharm International Corporation operates public hospitals in China and


is able to introduce supplements through hospital pharmacies. Through this partnership, we also expect to engage in marketing activities by leveraging this hospital network resource.

Sui: Guided by the core value of "all for health, health for all," Sinopharm Group's principal mission is to further improve the health and well-being of society. For its part, FANCL was founded for the purpose of eliminating the world's "negatives." In essence, these matching philosophies provided one deciding factor in forming a partnership. Another factor was the high esteem in which the FANCL Cosmetics brand and quality are already held in the China market. In fact, on a personal note, I have long been a user and big fan of FANCL Cosmetics products. I have long held a favorable impression of the Company's proactive stance toward taking up new challenges and their ability to continuously develop innovative products.

Launching Cross-Border e-Commerce Activities with an Increased Sense of Solidarity

Ikeda: A considerable amount of time is required to acquire the necessary approval to engage in health food sales in China. As a preliminary measure, we decided to commence cross-border e-commerce operations in a bid to increase the nationwide profile of FANCL's high-quality supplements in China. The start of operations was set to coincide with what is affectionately referred to as W11*, China's largest shopping festival. In order to promote this launch, plans were also made to set up a booth at the 1st China International Import Expo 2018 in conjunction with China Sinopharm International Corporation.

Yoshitaka Ikeda
Group Manager
International Business Strategy Dept.
International Business Division
FANCL Corporation



Phyllis: The schedule for launching cross-border e-commerce operations was extremely tight. The ability of both companies to overcome various obstacles including the completion of export procedures was a source of considerable confidence.


* The largest online shopping event marked in China as "Singles' Day" when multiple e-commerce sites simultaneously engage in large-scale sales on November 11 each year.

Sui: The China International Import Expo was an excellent opportunity to broadly promote the FANCL brand. It also helped to generate a strong sense of solidarity between the employees of both companies.

The Potential of the China Market

Sui: The growing number of patients afflicted with lifestyle diseases in China is becoming an increasingly serious social issue. Meanwhile, because there is still only a limited number of high-quality health foods being sold at an appropriate market price, we hold extremely high expectations toward the potential for promoting FANCL products. Looking ahead, we will reinforce public relations activities and work diligently to increase awareness toward FANCL supplements.

Sasha Sui
Senior Manager
Health and Beauty Section
International Trade Department
China Sinopharm International Corporation



Phyllis: In order to earn the trust of customers in China, I believe it is important for customers to understand the Company's core value of "Upholding Quality." Moving forward, we will further strengthen communication with China Sinopharm International Corporation and pursue increased cooperation across a variety of areas including the proposal of sales promotion plans.

Ikeda: China's market is evolving at a dizzying pace. Clearly our ability to adapt and address this evolution in a timely manner will become a key point going forward. Currently, all of the Company's divisions, from research through planning to sales, are deepening their understanding of trends in the China market as well as statutory and regulatory requirements. Without a doubt, our partnership with China Sinopharm International Corporation is an opportunity to increase the number of customers in China using FANCL's products. I would hope that both companies will develop business with an increased sense of unity in order to make the most of this opportunity. Thank you for discussing with us today.

Participating in the 1st China International Import Expo 2018

With the aim of promoting the appeal of FANCL brand products and the Company's technological capabilities to the market in China, we participated in the 1st China International Import Expo 2018 held in Shanghai in November 2018 in partnership with China Sinopharm International Corporation. Approximately 3,600 companies and organizations from roughly 130 countries and regions participated in this event. In addition to interviews by various major media outlets including China Xinhua News Network Corporation and China Central Television, the FANCL booth attracted about 8,000 visitors.



From left:
Yoshitaka Ikeda
Sasha Sui
Phyllis Tam

Aiming for a Sustainable Society

Protecting the Environment

Basic Policy

- Based on the Paris Agreement, to reduce CO₂ emissions by 26% (compared with FY Mar/2014) by FY Mar/2031
- Reinforcing environmental "product measures" and "educational activities" while aiming to improve brand value and expand sales



Global Warming Countermeasures

Measures at Offices, Factories

At FANCL, we are ascertaining together the status of energy usage in the Group as a whole while working on measures to conserve energy efficiently. In particular, at factories we worked on measures, such as those covering boilers and air conditioning, and succeeded in making significant energy savings and cost reductions. Also focusing on taking advantage of natural energy, we have introduced solar power generation systems at our Shiga and Gunma factories.



FANCL is a co-sponsor of a wind power project being promoted by the City of Yokohama.

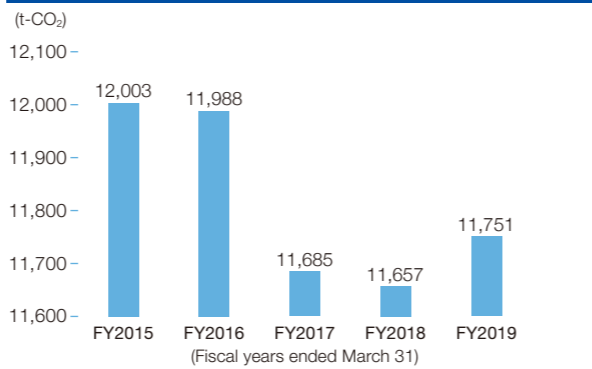
Eco Activities in Employees' Homes

In 2008, FANCL launched its "Eco Program at Home" to support eco activities in employees' homes. We award gift certificates to employees whose total household charges for electricity, gas and water usage are 5% lower than the national average announced by the Ministry of Internal Affairs and Communications. This is leading to an improvement in employees' environmental awareness and also providing environmental education for families with children.

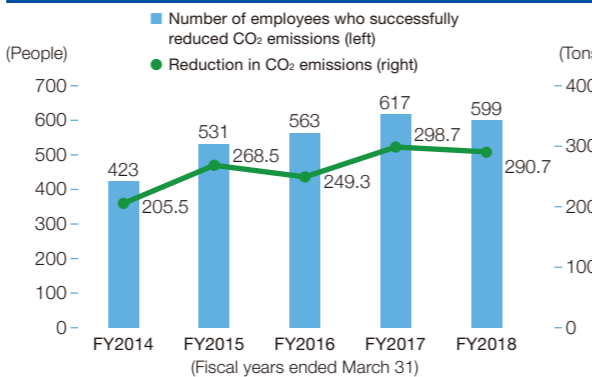


Excellent eco activities are shared in-house.

FANCL Group CO₂ Emissions



Eco Program at Home *Data for FY Mar/2019 is still being compiled.



TOPICS Contributing to Forest Conservation to Protect Limited Resources

In collaboration with the Yokohama Municipal Waterworks Bureau, we are working to protect "Doshi no Mori" in Doshi-mura, Minamitsuru-gun, Yamanashi Prefecture, which is the location of one of the water sources for the city of Yokohama, where the Company headquarters is located. For their training, new employees conduct brush clearing and tree planting operations. In addition, we carry out forest protection charity work via our "fancl park" community website.



Brush clearing operations during new employee training

Eco-friendly Product Production

Sustainable Procurement

In FY Mar/2018, we formulated our "Sustainable Procurement Basic Policy," which takes into consideration aspects that include the global environment and human rights, and shared the policy with 880 business partners. In December 2018, the procurement that we had conducted with our business partners was recognized, and we received the Grand Prize at the 19th Green Purchasing Award ceremony (Organizer: Green Purchasing Network). In the years to come, we will work on verifying the procurement status of our business partners.



At the Green Purchasing Award prize-giving ceremony (Left: vice chairman and director Kazuyoshi Miyajima)

Development of Containers Made of Plant-Derived Plastic

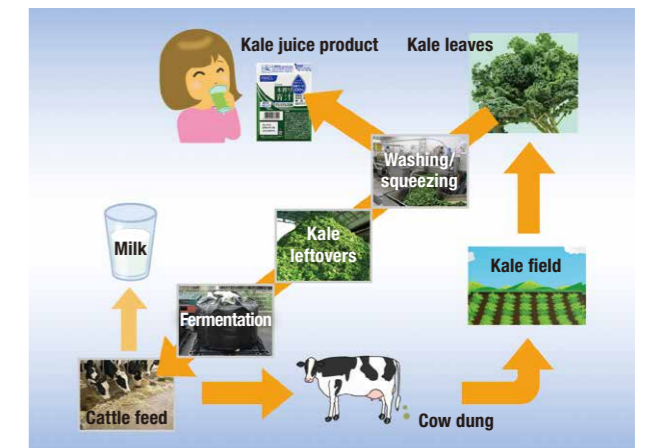
We adopted plant-derived plastic, which is made from sugar cane leftovers that had previously been wasted, for the containers of *Mild Cleansing Shampoo* and *Moist Body Wash*. Forecasts assess that CO₂ emissions can be decreased by about 40 tons a year by reducing the amount of plastic in containers by 60% compared with conventional products. As a result, we were honored to receive the Director General, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry Award in the Japan Star award category at the 2018 Japan Packaging Contest (hosted by the Japan Packaging Institute).



Containers for which we adopted plant-derived plastic

Kale Juice That Makes Effective Use of Kale Leftovers

Large amounts of kale leftovers are generated during the production of our kale juice which uses 100% domestically grown kale. After lactic acid fermentation, we sell the leftovers to local farmers as cattle feed. In addition, cow dung is utilized as fertilizer on the farmers' fields, and kale that is itself rich in nutrients utilizes the cow dung for nourishment and grows to be made once again into more kale juice products, thereby achieving complete recycling.



FSC-Certified Paper* Adopted

Since March 2019 we have been gradually discontinuing the use of plastic shopping bags at our directly-managed stores and switching to paper bags made of FSC-certified paper. We are also using FSC-certified paper for receipts and magazines containing mail order information.

* FSC-certified paper conforms to the standards of the international NGO, the Forest Stewardship Council (FSC®). The paper is from properly managed, FSC®-certified forests, reclaimed resources and raw materials from other controlled sources.



Disseminating Information to Customers

Our environmental activity theme is "HAPPY eco—Creating the Future with Our Customers." Together with our customers, we want to expand the circle of eco-friendly fun. So that our customers select eco-friendly products, we will also gradually place the "FANCL eco Mark" on products that meet our unique standards and disseminate information about the environment via our HAPPY eco website.



FANCL eco Mark

Aiming for a Sustainable Society

Living Healthily

Basic Policy

- Widely expanding the health business while contributing to preventive healthcare as well as longer, healthier lifespans
- Promoting health management based on the FANCL Group's Declaration of Health Management



Development of Products for Healthcare Market

Joint Development of Products with Other Companies

FANCL is also focusing on joint developments with food manufacturers that utilize the know-how both companies possess. In the case of the capsule products for the *Nestlé Wellness Ambassador* health services platform jointly developed with Nestlé Japan Ltd., we have currently released 18 types of products that can help to resolve nutritional and health problems.

In addition, we are expanding the *Calolimit Tea for the Mature Aged®* series, jointly developed with DyDo DRINCO, Inc., and these products are being deployed.



Capsule products for Nestlé Wellness Ambassador



Calolimit Tea for the Mature Aged®

Representative products launched under the food with functional claims labeling system



Naishi Support (Weight and body fat care) **Enkin** (Anti-aging eye care) **Nyosan Support** (Uric Acid Support)

No. 1 Sales of Foods with Function Claims

Including supplements and beverages, new products are being launched using the food with functional claims labeling system that Japan introduced in 2015, and the market for such products is expanding year by year.

FANCL has launched 23 products under the food with functional claims labeling system since its inception. We hold the leading position in terms of sales of supplements, the functions of eight of which are being confirmed in highly reliable clinical trials (as of March 31, 2019).

TOPICS Business Promoting Healthy Management

In FY Mar/2019, we supported the health management of other companies and associations with solid know-how backed up by the research findings and results that we have accumulated up to now.

Having taken charge of the "Fiscal 2019 Staff Health Education Training" with the aim of promoting health among public employees of Kanagawa Prefecture, we conducted seminars leading to improvements in lifestyle at five locations, including local government building complexes, on 20 occasions, at which a total of 473 people and many staff members participated.

In the years to come, we plan to enhance and widely provide outside services, such as remote seminars by on-demand delivery and apps that support healthy behavior, which can be received anytime and anywhere.



Further Promoting Healthy Management, Reforms toward Active Workplace Environments

Work Styles

Flexibly Responding to Workplace and Time Reforms

In April, the FANCL Group newly created associate* permanent employees as a new regular employee category. This is a new category that allows employees who provide "nursing care" or require "long-term personal treatment for a physical disease or disability" to work flexibly at the times and for the number of days desired.

*The term "associate" means work colleagues and coworkers, and the name was adopted with the aim of having human resources with diverse values work with vitality in the same workplace.

Ways to Take Time Off

Promoting the Taking of Time Off

We are promoting activities aimed at encouraging the taking of paid leave, including "refreshment leave" and "life event leave," so that diverse employees can work while dealing with life events.

Mind

Self-Care and Harassment Prevention Training

We are proactively addressing mental health measures at work. Geared toward all employees, of whom approximately 1,200 participated, "self-care and harassment prevention training" was conducted on 36 occasions covering all of our business sites.

So that they will be able to cope with stress, employees learned training methods for spending a lively time at their workplaces—by knowing the tendencies of their own ways of thinking and making them more flexible—and deepened their understanding about harassment.

Having also established a Health Support Office, which is staffed by five resident public health nurses, we have introduced a system that enables us to centrally manage the health of our employees and are strengthening our health support systems.

Body

FANCL Educational Healthy-Eating Restaurant

Improvements in enjoyable and reasonable dietary habits and the desire to prevent lifestyle-related diseases as well as increase the number of healthy people gave rise to the employee cafeterias known as "FANCL Educational Healthy-Eating Restaurant."

The menus are prepared in accordance with those areas to which the Company pays close attention in its own products, such as the amount of salt, the number of calories, and the amount of vegetable and dietary fiber. These cafeterias and menus are also certified under the "ME-BYO® BRAND," by which Kanagawa Prefecture recognizes excellent, preventive healthcare industry-related products and services.



FY Mar/2019 Results

Average number of vacation days taken	10.6 days (previous fiscal year: 11.4 days)
Average number of overtime hours per month	7.0 hours (previous fiscal year: 7.5 hours)
Rate of regular health checkups	100% (previous fiscal year: 100%)



General view of a training session



Counseling by a public health nurse



General view of an employee cafeteria



Aiming for a Sustainable Society

Respecting Diversity

Basic Policy

- Promoting diversity based on the slogan "Embrace differences"
- Encouraging the employment of people with disabilities and promoting support for them to lead independent lives
- Through social contribution activities aiming to improve the quality of life of the visually impaired and the elderly



Promotion of Diversity

Toward Having Women Occupy 50% of Managerial Positions by FY Mar/2021

From the time of its establishment, the culture at FANCL has been one in which both men and women are able to support each other and play active parts. Promoting the expansion of short-time work and various ways of working, we gave a presentation at the 2019 Tokyo Women in Business Summit hosted by the American Chamber of Commerce in Japan. We encourage career development through the promotion of managerial positions open to part-time and temporary employees, and the enhancement of training systems.



Presentation by FANCL President Kazuyuki Shimada at the summit hosted by the American Chamber of Commerce in Japan

Empowering Our Female Factory Managers

Progress is being made in the more active participation of women at manufacturing sites. Eight years have passed since Naoko Funayama took up the post of manager at FANCL B&H's Gunma Factory. After taking office, she worked to improve the level of business on the basis of Good Manufacturing Practices (GMP) for cosmetics. In working to ensure the stable operation of a factory that maintains quality while promoting process automation, Ms. Funayama is also contributing to the expansion of production volume.



General view of morning assembly at our Gunma Factory

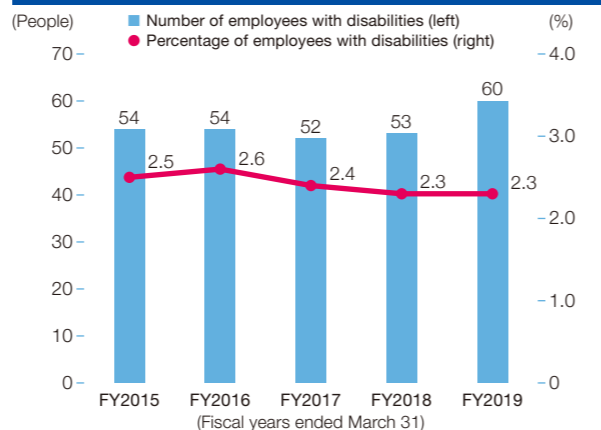
Enhancement of Our Special Subsidiary, FANCL SMILE Co., Ltd.

Established in February 1999 with the aim of making people with disabilities more independent, Special Subsidiary, FANCL SMILE Co., Ltd. marked its 20th anniversary. Since its establishment, the company has been undertaking tasks that focus on work within the FANCL Group, such as the packaging of cosmetics using conveyor belts and mail delivery at the head office. Its Chiba branch office was opened in January 2019, and we aim to employ 100 persons with disabilities.



Breaking up cardboard boxes at Chiba Factory

Number of Employees with Disabilities, Percentage of Total*



*Including special subsidiaries Legally mandated employment ratio: 2.2%

Understanding Need for Global and LGBT Awareness

With a focus on future overseas development, we are putting efforts into human resource development training to provide personnel with an abundance of cosmopolitan sense and expertise and enable them to play active roles on a global basis. We also conduct LGBT awareness training and are working to bring out everyone's individual strengths.



TOPICS Tours of Shanghai, China, Conducted

From October 2018, 167 people toured Shanghai, China, over the course of 10 visits. Having really experienced first-hand China's propensity for consumption, which is rapidly changing, they gained an awareness of future business development.



For a society in which people with disabilities can easily live

Bump dot labeling

Introduced in 1998, "bump dot labeling" is FANCL's unique, raised-surface sticker that enables a product to be identified by touching it with a finger. Having undergone a complete renewal in December 2018, its ease of use—such as its visibility for many customers, including the visually impaired and the elderly—has been increased.



FANCL Seminars

Since 1988, we have been holding FANCL seminars free of charge at which we provide instructions on grooming and makeup. The instructors are employees of the FANCL Group.

Types of FANCL Seminar	Target participants
Grooming seminars	High school students attending special assistance schools
Lively makeup seminars for the elderly*	Women aged 60 or over
Makeup seminars for the visually impaired	Visually impaired women



*The lively makeup seminars for the elderly are registered under Kanagawa Prefecture's Health Support Program.

Donation Activities with Stakeholders

The FANCL Group makes donations with its shareholders, customers and employees. We donate to associations working on the same themes as FANCL's policy on social activities: "support for people with disabilities" and "regional contributions."



Type	Year started	Donations made in FY Mar/2019	Main recipient
Shareholder donations	2006	¥1,020,000	Japanese Red Cross
FANCL Classic Fund	2007	¥3,821,000	Social welfare entity Houmon-no-le
Employee donations to the "Can Achieve More Fund"	2007	¥7,300,000	Japan Philanthropic Association
Customer donations of points	2008	¥2,700,000	Michinoku Future Fund

Aiming for a Sustainable Society

Reinforcement of Governance

Basic Policy

- Aiming to improve management transparency and objectivity
- Strengthen dialogue with stakeholders and investors
- Strengthen returns to shareholders



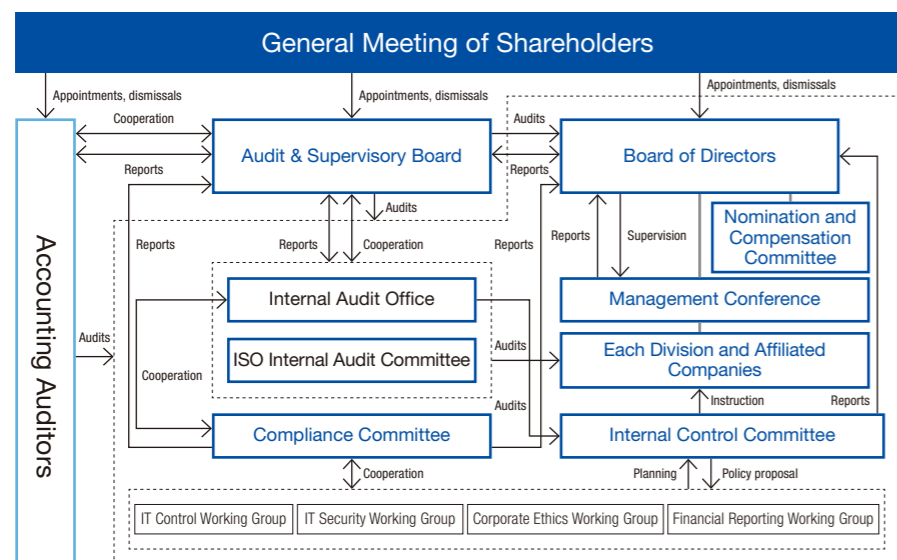
Corporate Governance Framework

The Board of Directors decides on and supervises the execution of important business matters. The Management Conference conducts preliminary deliberations on matters for decision by the Board of Directors, and deliberates on important matters regarding management, within the scope of authority granted by the Board of Directors.

Having also adopted an Audit & Supervisory Board System, the Audit & Supervisory Board members have attended and stated appropriate opinions at meetings, including those of the

Board of Directors, to improve the effectiveness of audits in management decisions. In addition, they have opportunities to exchange opinions with top management as appropriate, and have in place a fair management oversight system.

From June 2019, the number of directors was reduced from 15 to nine, and the proportion of outside directors increased to speed up decision making in management and reinforce the management supervision function of the Board of Directors.



Governance at a Glance	
As of June 22, 2019	
Organizational Design	Company with an Audit & Supervisory Board
Number of directors	9
Of which, outside directors	3
Number of Audit & Supervisory Board members	4
Of which, outside Audit & Supervisory Board members	3
Number of independent officers	6
Number of Board of Directors meetings in FY Mar/2019	16
Tenure of directors	1 year
Stock option system	Yes
Compliance regulations	Yes

History of Reinforcing Our Corporate Governance Framework



Evaluation of Board of Directors' Effectiveness

To ascertain its current status and operate the Board of Directors more effectively, the directors and Audit & Supervisory Board members have been conducting self-evaluations of the Board of Directors since FY Mar/2016. The FY Mar/2018 evaluation found that the overall operation is generally appropriate and that the

effectiveness of the Board of Directors is ensured. However, as there was a request for the continued implementation and further enhancement of knowledge acquisition support as directors, in FY Mar/2019 we held study sessions for executives, continuing the practice from the previous year.

Establishment of Nomination and Compensation Committee

The Company established a Nomination and Compensation Committee as an advisory body to the president, CEO and representative officer in June 2018 to actively involve the independent outside directors in the nomination of director candidates and in deciding executive officer compensation as well as to ensure the fairness, transparency and objectivity of procedures. The majority of its members being independent outside directors, in addition to matters relating to the nomination of directors and executive officers of the Company, the Committee drew up the compensation system, examined the amounts of compensation for each individual and submitted a full

report stating its opinions to the president, CEO and representative officer. In FY Mar/2019, the Nomination and Compensation Committee met three times.

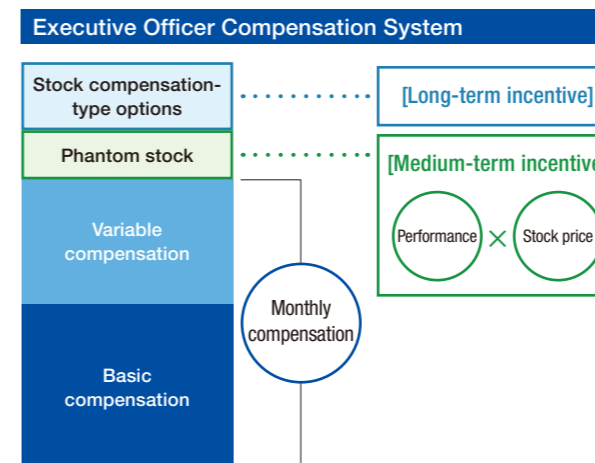
Giving full consideration to each person's personality and insights—regardless of gender, age, nationality—while properly understanding and putting into practice the Company's founding philosophy (Eliminate the "Negatives" with a Sense of Justice) and corporate philosophy ("Can Achieve More"), the policy is to appoint people who will be able to fulfill their duties and responsibilities as directors.

Revision of Executive Officer Compensation System

Executive officer compensation consists of monthly compensation, which pays a fixed amount each month, stock compensation-type options as a long-term incentive and, from FY Mar/2019, a performance-linked, stock price-based compensation plan (phantom stock) as a medium-term incentive. The monthly compensation is further divided into basic compensation, which is determined based on the weight of the executive officer's roles and responsibilities, and variable compensation that is determined each year on the basis of factors that include the degree to which the annual plan (operating income) in the previous fiscal year was achieved and an individual performance evaluation. In the case of outside directors, however, only basic compensation will be paid. After consultations with the Nomination and Compensation

Committee, the president, CEO and representative officer will make these decisions, authorized by the Board of Directors.

With the aim of providing an incentive to increase shareholder value throughout an executive officer's tenure, the stock compensation-type options have an exercise price of 1 yen per share and stock acquisition rights that can only be exercised in one tranche within 10 days after the executive officer's retirement. A monetary fee, the payment amount of which is determined according to the stock price on a certain date, the phantom stock amount paid will be linked not only to the stock price but also to the achievement of the performance targets (consolidated net sales and operating income) set forth in the Medium-Term Management Plan.



Executive Officer Compensation, etc., in FY Mar/2019					
Executive officer classifications	Total Compensation, etc. (¥ million)	Total compensation, etc., by type (¥ million)			Number of Eligible Officers
		Monthly compensation	Stock compensation-type options	Phantom stock	
Directors (Of whom outside directors)	522 (19)	347 (19)	130 (-)	44 (-)	14 (2)
Corporate auditors (Of whom outside auditors)	39 (21)	39 (21)	- (-)	- (-)	4 (3)

Aiming for a Sustainable Society

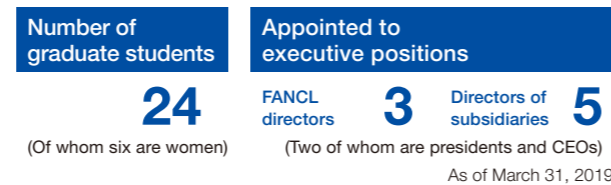
The Ikemori Leadership Training Program: Developing the Next Generation of Managers

A training program aimed at developing the next generation of managers, the Ikemori Leadership Training Program was launched by the Internal Education Department at FANCL University in FY Mar/2014. Elected by employees and other means, around 10 participants attend this two-year training program, during which they deepen their understanding of the FANCL philosophy while learning to acquire a managerial viewpoint.

In FY Mar/2019, the intake of participants on the third program examined the "business seeds that FANCL should cultivate next as a venture company that has been transcending the barriers of common sense and aiming to eliminate the

'Negatives' throughout the world," while learning ways of thinking as a manager from FANCL founder Kenji Ikemori.

Directors have actually been selected from past program participants, and we will continue to produce large numbers of human resources who can be next-generation managers.



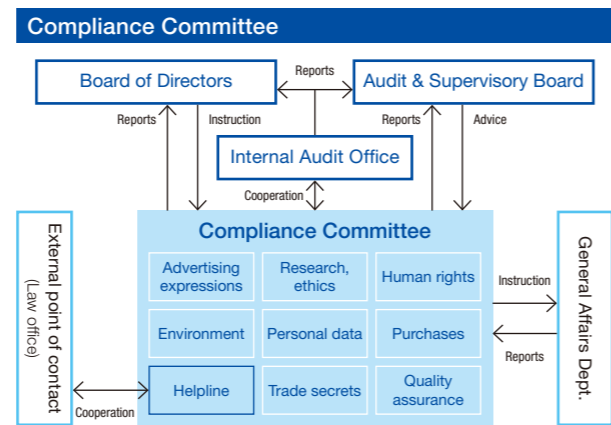
Compliance System / Risk Management

Recognizing that each and every employee's behavior is a factor in creating our brand image, we established a Compliance Committee under the basic policy of fulfilling our corporate social responsibility by acting in accordance with compliance standards.

We launched an Advertising Expression Review Committee in March 2018. From points of view that include "Is this an expression that is easy for the customer to understand, or an expression that could lead to a customer gaining a mistaken impression that a product is superior or of more benefit than is the actual case?" or "Does this expression contravene the relevant laws?", we review the general expressions used in advertisements so that appropriate advertising can be performed. We also quickly monitor social trends, such as government administration and industry, for example by conducting interviews with outside experts on an as required basis, and share information internally.

Based on the lessons learned from the Great East Japan Earthquake and on the assumption that the occurrence of an earthquake directly beneath the Tokyo metropolitan area would be expected to have a major impact on our business, we also formulated a Business Continuity Plan (BCP) in February 2013 to

minimize damage in advance and to quickly deliver products to our customers. Since its formulation, we have reviewed this BCP on a regular basis. In addition, we have introduced a safety confirmation system that enables us to rapidly ascertain the safety of all employees in the Group, maintain full disaster stockpiles at all bases in the Group, and maintain a system that would allow employees to remain at their facilities should it prove difficult for them to return home.



Communication with Shareholders and Investors

Having since our public listing held general meetings of shareholders on a Saturday or Sunday, thereby avoiding days on which many companies hold them and making it easier for shareholders to attend, we also plan for executives and employees to have direct communication with shareholders at the social gatherings after the general meetings.

For institutional investors and analysts, we hold results briefings every quarter and the president gives explanations directly so that they are able to gain a broad understanding of our strategies and other aspects of our business and obtain an appropriate evaluation. We also have the president and members of management from business divisions hold small meetings to give more detailed explanations. In addition, we actively conduct facility

tours, such as of our factories, logistics centers, and research institutes, and provide opportunities for visitors to gain a real sense of our research, technologies, and high service quality.

In response to the Fair Disclosure Rules, which came into effect in April 2018, the Q&A sessions of financial results briefings and small meetings are promptly disclosed by posting them on our website. Internally, we hold study sessions for management and for the departments responsible for disclosure while striving for the appropriate disclosure of information.



Message from an Outside Audit & Supervisory Board Member

I look forward to the Group's further growth as a unifying force.

Outside Audit & Supervisory Board Member

Hideki Minamikawa

Profile

1974 Joined Japan's Environment Agency (currently Ministry of the Environment)
 2011 Administrative Vice-Minister of the Environment
 2013 Advisor, Japan's Ministry of the Environment
 2017 FANCL CORPORATION Outside Audit & Supervisory Board Member (Current)



A Positive and Open Corporate Atmosphere

Chaired by Kazuyuki Shimada, the Company's President and CEO, who nurtures an environment that is receptive to external input and proposals, FANCL's Board of Directors is a forum for free and open deliberation. To gain a full and proper understanding of the status and condition of the Company, I call on the frontline including factories and research facilities and actively exchange information with employees.

Responding to ESG Concerns in a Manner That Is Appropriate for a Global Company

FANCL announced details of its Sustainable Declaration while reinforcing efforts to address environmental, societal, and governance (ESG) concerns in order to help realize a sustainable society in 2018. From an environmental perspective, the Company set the FY Mar/2031 goal of reducing its amount of CO₂ emissions by 26% compared with the levels recorded in FY Mar/2014. FANCL has consistently engaged vigorously in activities aimed at conserving energy. The Company's efforts have been recognized by a wide range of external organizations. It was, for example, honored by receiving the 2017 Chairman's Prize, the Energy Conservation Center, Japan (ECCJ) in the Successful Case of Energy Conservation Category as a part of the Energy Conservation Awards sponsored by the ECCJ in FY Mar/2018. Each and every employee is also highly conscious of the need to conserve energy. In addition to initiatives taken at work, employees actively endeavor to conserve energy in their homes. In order to achieve its lofty environmental goals, I would look for the Company to make further use of renewable energy. In addition, I believe it is vital that FANCL remains fully apprised of the latest information on issues that are of growing global importance such as the disposal of plastics and procurement of raw materials, and acts accordingly.

As far as society is concerned, FANCL is distinguished by its efforts to recognize diversity. As part of a corporate culture that is deeply rooted throughout the Company, considerable energies are directed toward various activities including the empowerment of female employees and employment of people with disabilities.

In this manner, FANCL looks to stand head and shoulders above other companies. Under the stewardship of Kenji Ikemori, the Company's Chairman, this DNA has passed down throughout the Company over a long period. Looking ahead, I would hope that endeavors in this field will receive increased focus and attention.

Turning to corporate governance, FANCL adopted a nomination and compensation committee structure in 2018. This initiative reflects the Company's growing awareness toward calls by shareholders and investors for transparency in the nomination of directors and determination of compensation. For my part, I will ensure proper supervision from an external viewpoint, and work to help build a corporate governance structure and systems that are appropriate for a company that excels on the world stage.

Strongly Supporting the Company's Management as an Outside Audit & Supervisory Board Member

In my opinion, the ability to generate profits, earn the respect of society, and communicate in a manner that properly conveys value are three key factors to ensuring a company's sustainable growth. In order to increase the ability to generate profits, it is imperative that positive steps be taken to plan and develop products that genuinely address customers' needs and to promote global business expansion. Critical to these endeavors are a company's employees. As a company expands, however, it is not uncommon for employees to look outward and energies to disperse. Underpinned by the founder's DNA and the rallying call, "ALL-FANCL, ONE-FANCL," put forward by President Shimada, which are deeply entrenched throughout the Company, I am greatly impressed by FANCL's ability to operate as a unifying force and the manner in which all employees work toward a common goal while maintaining a sense of healthy competition. FANCL's products and services are recognized for the extremely high reliability both in Japan and overseas. I am convinced that this recognition will help drive results even further going forward. With the aim of earning a reputation as an outstanding company worldwide for its ability to expand profits as well as address ESG concerns, I will make the most of my accumulated knowledge to strongly support FANCL's management as an outside Audit & Supervisory Board member.

11-Year Financial / Non-financial Summary

Structural Reform Period

- Elimination of unprofitable businesses
- Reinforcement of wholesale channels, etc.

1st Medium-Term Management Plan "Advertising-led Growth Strategy"

- Strategic investments in Advertising
- Expanding wholesale sales and direct store channels as part of our efforts to ensure that advertising produces the maximum effect

2nd Medium-Term Management Plan ACTION 2020

- Maintain a growth trajectory, raise profitability
- Establish a robust platform for overseas growth

(¥ million)	FY Mar/2009	FY Mar/2010	FY Mar/2011	FY Mar/2012	FY Mar/2013	FY Mar/2014	FY Mar/2015	FY Mar/2016	FY Mar/2017	FY Mar/2018	FY Mar/2019	(¥ million)
Financial data												
Fiscal year												
Net sales	98,004	99,536	93,789	88,165	82,807	81,118	77,632	90,850	96,305	109,019	122,496	Net sales
Cosmetics	50,081	51,902	47,678	45,824	46,721	47,525	47,471	55,016	56,926	66,048	71,599	Cosmetics
Nutritional Supplements	29,088	28,492	28,247	27,036	26,601	25,386	23,285	28,612	32,085	35,933	43,919	Nutritional Supplements
Other Businesses	18,834	19,141	17,863	15,303	9,484	8,207	6,876	7,221	7,294	7,037	6,977	Other Businesses
Results by sales channels												
Online and catalogue sales	54,679	53,258	50,318	46,342	40,133	39,696	36,545	40,078	43,037	46,206	46,806	Online and catalogue sales
Direct store sales	26,306	24,991	23,696	22,252	22,310	23,286	23,310	28,016	28,637	34,780	43,605	Direct store sales
Wholesale sales	10,259	10,976	11,521	11,852	11,873	10,216	11,356	14,573	16,388	17,813	21,676	Wholesale sales
Overseas sales	6,758	10,309	8,253	7,718	8,490	7,919	6,419	8,182	8,242	10,219	10,408	Overseas sales
Gross profit	65,281	66,452	61,842	58,997	55,528	55,393	54,295	63,878	67,810	77,431	87,378	Gross profit
Gross profit margin (%)	66.6	66.8	65.9	66.9	67.1	68.3	69.9	70.3	70.4	71.0	71.3	Gross profit margin (%)
Selling, general and administrative (SGA) expenses	58,615	57,294	54,724	54,980	51,670	51,450	50,294	62,673	65,565	68,983	74,990	Selling, general and administrative (SGA) expenses
SGA expenses to sales ratio (%)	59.8	57.6	58.3	62.4	62.4	63.4	64.8	69.0	68.1	63.3	61.2	SGA expenses to sales ratio (%)
Operating income	6,666	9,158	7,117	4,016	3,858	3,943	4,001	1,204	2,244	8,448	12,387	Operating income
Cosmetics	6,761	7,945	7,097	4,685	3,888	4,661	5,557	6,275	5,253	9,150	11,101	Cosmetics
Nutritional Supplements	2,929	3,250	2,125	1,583	1,962	1,125	(4)	(1,779)	(865)	864	3,519	Nutritional Supplements
Other Businesses	(981)	(488)	(505)	(587)	(290)	(4)	152	(1,774)	(599)	149	(299)	Other Businesses
Operating margin (%)	6.8	9.2	7.6	4.6	4.7	4.9	5.2	1.3	2.3	7.7	10.1	Operating margin (%)
Cosmetics (%)	13.5	15.3	14.9	10.2	8.3	9.8	11.7	11.4	9.2	13.9	15.5	Cosmetics (%)
Nutritional Supplements (%)	10.1	11.4	7.5	5.9	7.4	4.4	(0.0)	(6.2)	(2.7)	2.4	8.0	Nutritional Supplements (%)
Other Businesses (%)	(5.2)	(2.6)	(2.8)	(3.8)	(3.1)	(0.1)	2.2	(24.6)	(8.2)	2.1	(4.3)	Other Businesses (%)
Ordinary income	6,938	9,181	6,668	4,003	4,427	4,262	4,283	1,421	2,385	8,650	12,348	Ordinary income
Net income	2,662	4,306	2,849	2,454	(2,193)	1,343	2,301	522	5,146	6,191	8,649	Net income
Net income margin (%)	2.7	4.3	3.0	2.8	(2.6)	1.7	3.0	0.6	5.3	5.7	7.1	Net income margin (%)
ROE (%)	3.8	5.8	3.7	3.1	(2.9)	1.8	3.2	0.7	7.3	8.5	12.8	ROE (%)
Advertising expenses	8,963	7,971	8,230	8,540	8,631	8,265	7,907	15,035	14,816	15,164	15,919	Advertising expenses
Sales promotion expenses	12,434	11,460	11,240	10,860	9,189	9,426	9,451	11,888	12,833	12,839	13,430	Sales promotion expenses
Research and development expenses	2,188	2,351	2,428	2,646	2,498	2,428	2,353	2,852	3,277	3,112	3,464	Research and development expenses
Capital investment	2,777	1,898	3,305	3,948	3,375	2,439	7,612	3,726	4,074	2,476	3,683	Capital investment
Depreciation	3,167	3,157	2,970	3,437	3,443	2,972	2,973	3,207	3,185	2,826	3,057	Depreciation
Cash flows from operating activities	6,005	10,531	6,311	6,321	6,145	6,595	5,946	3,170	2,192	10,531	8,731	Cash flows from operating activities
Cash flows from investing activities	(1,517)	(3,555)	(922)	(7,008)	(822)	1,402	(5,972)	(3,389)	5,976	(2,392)	(3,160)	Cash flows from investing activities
Cash flows from financing activities	(1,769)	431	(2,277)	(2,315)	(2,251)	(3,956)	(1,820)	(4,647)	(2,552)	(3,126)	(23,559)	Cash flows from financing activities
Increase (Decrease) in cash and cash equivalents	2,671	7,669	3,059	(3,048)	3,171	4,149	(1,717)	(4,920)	5,568	5,031	(18,006)	Increase (Decrease) in cash and cash equivalents
Fiscal year-end												
Total assets	85,309	92,983	94,030	91,739	86,849	85,800	85,311	83,767	85,677	92,380	80,307	Total assets
Net assets	71,242	77,596	78,647	78,796	74,542	72,154	73,214	69,639	72,402	75,597	60,916	Net assets
Shareholders' equity ratio (%)	83.0	83.0	83.2	85.5	85.3	83.5	85.1	82.3	83.6	81.0	74.8	Shareholders' equity ratio (%)
Shareholder Return												
Dividends per share (yen)*1	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	29.0*2	29.0*2	30.0	Dividends per share (yen)*1
Dividend payout ratio (%)	78.2	49.8	77.5	89.9	—	161.7	94.2	409.1	70.8	59.4	43.6	Dividend payout ratio (%)
DOE (dividend on equity) (%)	3.0	2.9	2.8	2.8	2.9	3.0	3.0	3.0	5.2	5.0	5.5	DOE (dividend on equity) (%)
Number of FANCL stores in Japan	184	180	179	177	175	167	164	176	201	197	204	Number of FANCL stores in Japan
Non-financial Data												
CO ₂ emissions (t-CO ₂)	13,210	12,542	11,954	11,316	12,502	12,764	11,997	11,988	11,685	11,657	11,751	CO ₂ emissions (t-CO ₂)
CO ₂ emissions under the Eco Program at Home (t-CO ₂)	(4)	(70)	(21)	(48)	(114)	(206)	(269)	(249)	(299)	(291)	(274)	CO ₂ emissions under the Eco Program at Home (t-CO ₂)
Total volume of waste (t)	724	1,319	1,266	1,261	1,322	1,290	1,262	1,274	861	901	858	Total volume of waste (t)

*1 As a 1:2 stock split was conducted, with December 1, 2018 as the effective date, the dividends per share after the split are stated

*2 The fiscal years ending March 2017 and March 2018 include the special dividend of ¥12.0

For the purposes of corporate communications, in FANCL Reports we bring together high-value information that will lead to an improvement in corporate value from FANCL Group financial and non-financial information, which is then edited into content that is easy for stakeholders to understand. More detailed information is posted on our website.

FANCL Corporate Website
www.fancl.jp/en/index.html



Updated October 2018	Medium-Term Management Plan ACTION 2020 (FY Mar/2019 to FY Mar/2021) www.fancl.jp/en/ir/management/plan/index.html	
We carry out updates at any time	Presentation Materials www.fancl.jp/en/ir/library/finance_data/index.html	
We carry out updates at any time	Corporate Governance Report www.fancl.jp/en/ir/management/governance/pdf/report_e.pdf	
We carry out updates at any time	ESG Data Book www.fancl.jp/en/ir/library/esgdata/index.html	
We carry out updates at any time	FANCL Corporate Website: CSR Activities (in Japanese) www.fancl.jp/csr/index.html	
Formulated June 2018	FANCL Group's "Sustainable Declaration" (in Japanese) www.fancl.jp/csr/action.html	

Tour Information

Would you like to take a look at sites that are overflowing with FANCL's meticulous attention to detail?

The following FANCL Group sites accept tours on request from general customers and groups. At the plants, you can see how FANCL's additive-free cosmetics and germinated brown rice are manufactured under thorough hygiene and quality controls.

FANCL Research Institute 1,948		Chiba Factory 9,002	
FANCL SMILE, Reference Room 2,535		Shiga Factory 831	
Nagano Factory 287		FANCL Ginza Square 3,067	
Kanto Logistics Center 1,001			

*FY Mar/2019 results

Corporate Information

Corporate Overview (As of March 31, 2019)

Company name	FANCL CORPORATION
Address	89-1 Yamashita-cho, Naka-ku, Yokohama, Kanagawa-ken
Telephone	+81(45)226-1200 (switchboard)
Representative	Kazuyuki Shimada President & CEO, Representative Director
Established	August 18, 1981
Paid-in capital	¥10,795 million
Number of employees	1,018 <small>*The number of employees does not include the area employees (1,088) and the average annual number of temporary workers (674).</small>
Research Institute	FANCL Research Institute (Totsuka-ku, Yokohama, Kanagawa-ken)
Principal banks	MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.

Board of Directors (As of June 22, 2019)

Chairman & Founder, Representative Director	Kenji Ikemori	Senior Executive Officer	Yasushi Sumida
Vice Chairman, Director	Kazuyoshi Miyajima	Senior Executive Officer	Yoshihisa Hosaka
President & CEO, Representative Director	Kazuyuki Shimada	Senior Executive Officer	Kazumasa Wakayama
Senior Managing Director	Tomochika Yamaguchi	Senior Executive Officer	Yuna Akashi
Executive Managing Director	Toru Tsurusaki	Senior Executive Officer	Akihiro Yanagisawa
CFO, Executive Director	Yukihiro Ishigami	Senior Executive Officer	Gen Inomata
Outside Director	Norito Ikeda	Executive Officer	Akiko Matsugaya
Outside Director	Katsunori Koseki	Executive Officer	Nobuyuki Uematsu
Outside Director	Mitsuaki Nakakubo	Executive Officer	Junji Nagasaka
Audit & Supervisory Board Member	Seiichiro Takahashi	Executive Officer	Hirofumi Aoto
Outside Audit & Supervisory Board Member	Toshio Takano	Executive Officer	Koichi Matsumoto
Outside Audit & Supervisory Board Member	Tsuneyoshi Seki	Executive Officer	Shoko Matsukuma
Outside Audit & Supervisory Board Member	Hideki Minamikawa	Executive Officer	Yoko Mamizuka
		Executive Officer	Tomoko Saito
		Executive Officer	Hiroaki Hori
		Executive Officer	Jun Saito

Group of Companies

(As of April 1, 2019)

Name of Company	Principal Business Activities
ATTENIR CORPORATION [Consolidated subsidiary]	Engages in the sale of cosmetics and fashion items based on the philosophy of "continuing to offer luxury brand quality at one-third of the market price or lower."
FANCL ASIA (PTE) LTD [Consolidated subsidiary]	Overseas sales activities in Asia & Oceania region.
FANCL B&H CORPORATION [Consolidated subsidiary]	Production of cosmetics, quasi-drugs, nutritional supplements and FANCL germinated brown rice.
NICOSTAR BEAUTECH Co., Ltd. [Consolidated subsidiary]	Engages in the sale and contract manufacturing of cosmetics and quasi-drugs.
FANCL INTERNATIONAL, INC. [Consolidated subsidiary]	Distributes cosmetics and nutritional supplements in the U.S.
boscia, LLC [Consolidated subsidiary]	Expanding cosmetic sales globally.
FANCL SMILE Co., Ltd. [Non-consolidated subsidiary]	(A special subsidiary) Promotes the employment of people with disabilities; undertakes a variety of activities including the setup of various catalogues.
FANCL Insurance Service Corp. [Non-consolidated subsidiary]	Insurance agency, engaged in soliciting insurance contracts and associated operations.
FANCL (Shanghai) Business Consulting Limited [Non-consolidated subsidiary]	Engages in the registration of cosmetics and supplements in China.

Editorial Policy

Organizations FANCL CORPORATION and the FANCL Group
Businesses Cosmetics, nutritional supplements and other businesses
Applicable Period Fiscal 2019 (from April 1, 2018 to March 31, 2019)
* Some areas include information from before March 31, 2018 and after April 1, 2019.

Reference Guidelines
 ● ISO26000
 ● GRI
 ● Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation

