

A little joy, every day.

**FANCL**

**FANCL Group  
Financial Results Briefing**  
For the period April 1, 2023 to March 31, 2024

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May 8, 2024

# Executive Summary

## FY Mar/2024 results

- Growth in domestic business drove recovery to second highest profit level in our history
- Structural reforms implemented during pandemic enabled shift to structure capable of generating more stable sales  
- Increased ratio of online and catalogue sales by strengthening subscriptions and external platform offerings, and streamlining unprofitable stores
- Improve customer engagement and profitability by shifting to a new marketing approach that deepens connections with customers

## New Medium-Term Management Plan

- Position sustainability at the core of management, and clarify linkage between businesses and sustainability
- New three-year plan: Increase sales and profit each fiscal year, aiming to achieve record-high profit from first year  
- Operating income: ¥19.0 billion in FY Mar/2027 (CAGR +15%)
- Domestic business: Create stronger foundation by clarifying target customer segments  
**Proactively invest** cash generated from the domestic business **in overseas businesses to develop them into growth drivers**  
-Development of General trade sales and new business in China supplement business, and expansion into ASEAN countries, etc.
- In addition to appropriate shareholder returns, achieve long-term enhancement of shareholder value by making investments that contribute to medium- and long-term growth

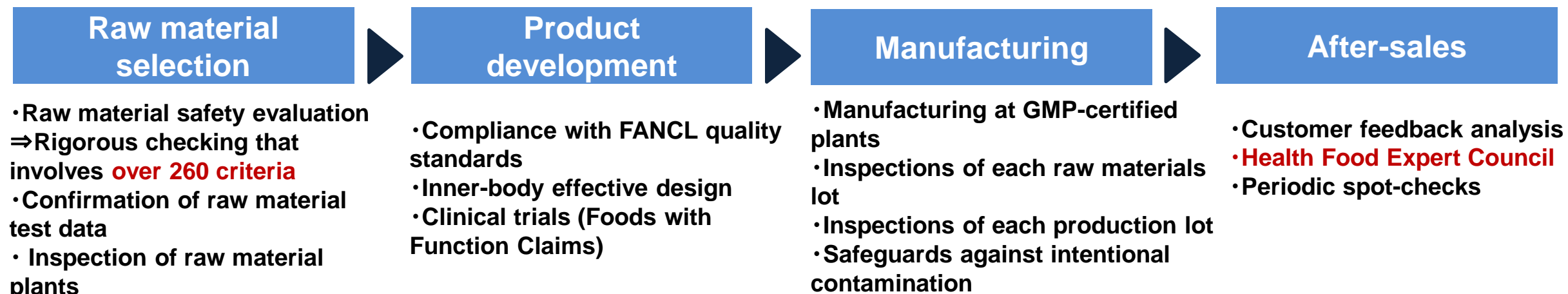
# Impact of Kobayashi Pharmaceutical Company, Ltd.'s “Beni-koji” health scare

## Impact on business performance

- The FANCL product that contains “Beni-koji” (red yeast rice) is *Anti-Cholesterol Support* (However it does not contain any red yeast rice ingredients from Kobayashi Pharmaceutical).
- Inquiries regarding and cancellations of subscriptions temporarily increased immediately following news reports of the recent scare involving Kobayashi Pharmaceutical’s red yeast rice product, however the situation returned to normal from late April.
- The impact on our FY Mar/2025 results is expected to be limited to sales losses of about ¥400 million in our nutritional supplements business. Profits are not expected to be significantly affected, due to a decrease in expenses resulting from revisions to our advertisement scheduling, among other things.

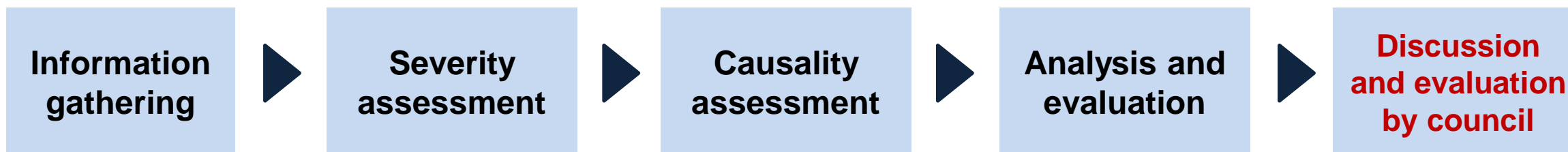
## Systems for guaranteeing the quality and safety of our products

We set our own strict standards, from raw material selection to after-sales service.



- **Our unique initiative** through which we objectively evaluate inquiries and consultations about changes in consumers' physical conditions caused by the consumption of health foods
- Composed of 17 members, including 6 external experts (such as doctors, pharmacists, food safety specialists, and government officials) and 11 internally selected members
- Since its inception in 2018, the Council has convened 72 times as of March 2024  
⇒ **To date, there have been no reports of adverse health effects that have been identified as relating to or having been caused by our products**

## System for evaluating claims regarding changes in physical condition



- Our health food products are delivered to customers in a way that ensures safety and peace of mind, through thorough quality control processes
- While discussions are currently underway regarding revisions to the functional foods labelling system, **we believe the impact on the company, which has traditionally developed and manufactured products under strict quality and safety standards, will be limited**

# **Financial Highlights**

# Results by segment

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(Millions of yen)	FY to March 2023	FY to March 2024	Change YoY
<b>Sales</b>	<b>103,595</b>	<b>110,881</b>	<b>+ 7.0%</b>
<b>Cosmetics</b>	<b>57,448</b>	<b>61,206</b>	<b>+ 6.5%</b>
<b>Nutritional supplements</b>	<b>39,871</b>	<b>43,723</b>	<b>+ 9.7%</b>
<b>Other</b>	<b>6,276</b>	<b>5,952</b>	<b>(5.2%)</b>
<b>Hatsuga Genmai</b>	<b>1,985</b>	<b>1,810</b>	<b>(8.9%)</b>
<b>Kale Juice</b>	<b>2,005</b>	<b>1,924</b>	<b>(4.0%)</b>
<b>Operating income</b>	<b>7,843</b>	<b>12,570</b>	<b>+ 60.3%</b>
<b>Ordinary income</b>	<b>8,557</b>	<b>12,940</b>	<b>+ 51.2%</b>
<b>Net income</b>	<b>4,970</b>	<b>8,833</b>	<b>+ 77.7%</b>
<b>※1 EBITDA</b>	<b>12,220</b>	<b>16,602</b>	<b>+ 35.9%</b>
<b>※2 EBITDA margin</b>	<b>11.8%</b>	<b>15.0%</b>	<b>+ 3.2%</b>

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

**【Inbound sales (Direct store sales)】**

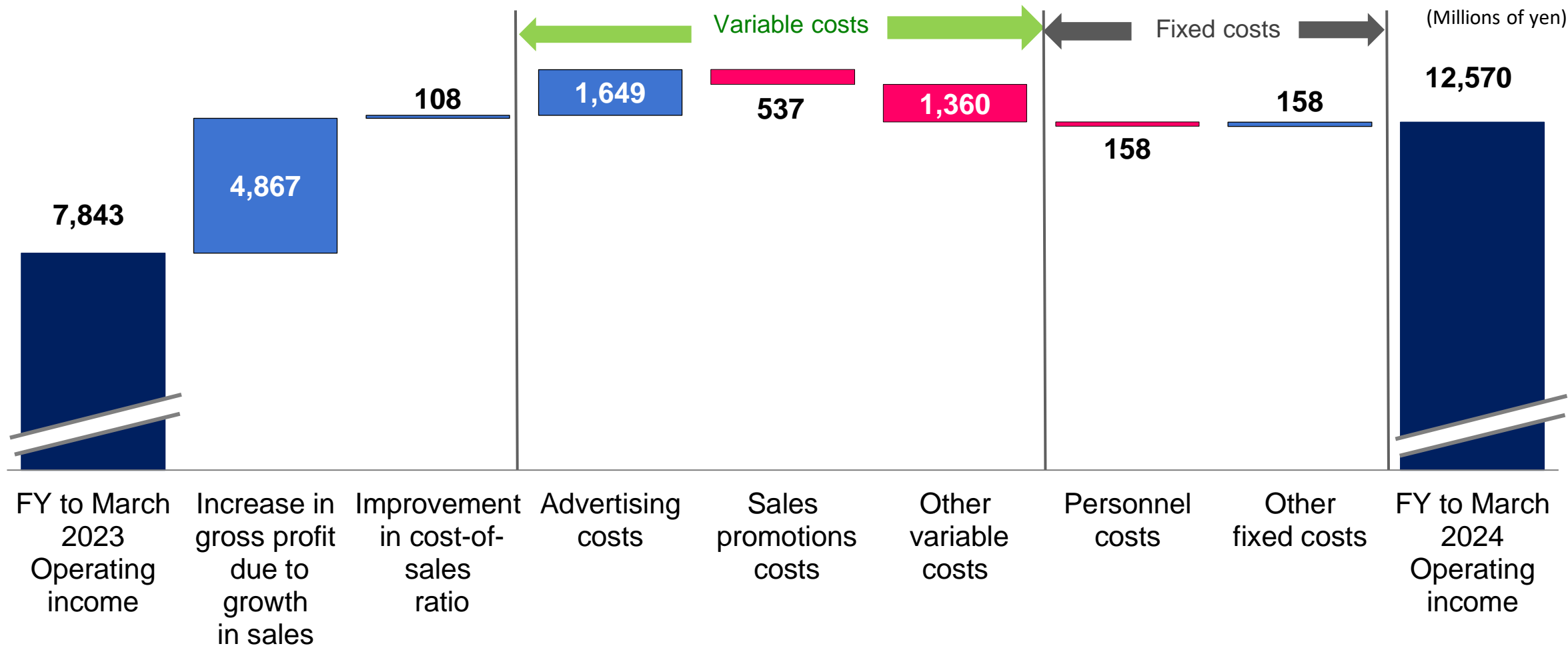
¥2.43 B (¥440 M in previous comparable period)

<b>Sales breakdown (Full year)</b>			
<b>Region</b>		<b>Amount</b>	<b>Change YoY</b>
Domestic		<b>100,419</b>	<b>+ 7.0%</b>
Overseas		<b>10,461</b>	<b>+ 7.3%</b>
<b>Cosmetics</b>		<b>Amount</b>	<b>Change YoY</b>
FANCL	Domestic	<b>41,074</b>	<b>+ 6.7%</b>
	Overseas	<b>3,574</b>	<b>(0.7%)</b>
	Total	<b>44,648</b>	<b>+ 6.0%</b>
ATTENIR	Domestic	<b>13,715</b>	<b>+ 10.5%</b>
	Overseas	<b>1,478</b>	<b>+ 42.7%</b>
	Total	<b>15,193</b>	<b>+ 13.0%</b>
boscia		<b>637</b>	<b>(18.6%)</b>
<b>Nutritional supplements</b>		<b>Amount</b>	<b>Change YoY</b>
Domestic		<b>38,961</b>	<b>+ 9.6%</b>
Overseas		<b>4,761</b>	<b>+ 10.1%</b>
Total		<b>43,723</b>	<b>+ 9.7%</b>

# FY Mar/2024 : Analysis of change in operating income

Results

Positive factors
  Negative factors



# **Outlook of FY to March 2025**



# Outlook of FY to March 2025

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(Millions of yen)	FY to March 2024	FY to March 2025 (plan)	Change YoY
<b>Sales</b>	110,881	118,500	+ 6.9%
<i>Cosmetics</i>	61,206	64,660	+ 5.6%
<i>Nutritional supplements</i>	43,723	47,480	+ 8.6%
<i>Other</i>	5,952	6,360	+ 6.9%
<i>Hatsuga Genmai</i>	1,810	2,000	+ 10.5%
<i>Kale Juice</i>	1,924	2,070	+ 7.6%
<b>Operating income</b>	12,570	14,500	+ 15.3%
<b>Ordinary income</b>	12,940	14,500	+ 12.0%
<b>Net income</b>	8,833	10,000	+ 13.2%
※1 <b>EBITDA</b>	16,602	18,270	+ 10.0%
※2 <b>EBITDA margin</b>	15.0%	15.4%	+ 0.4%

※1 EBITDA : Operating income + Depreciation

※2 EBITDA margin : EBITDA / Sales

【Inbound sales (Direct store sales)】

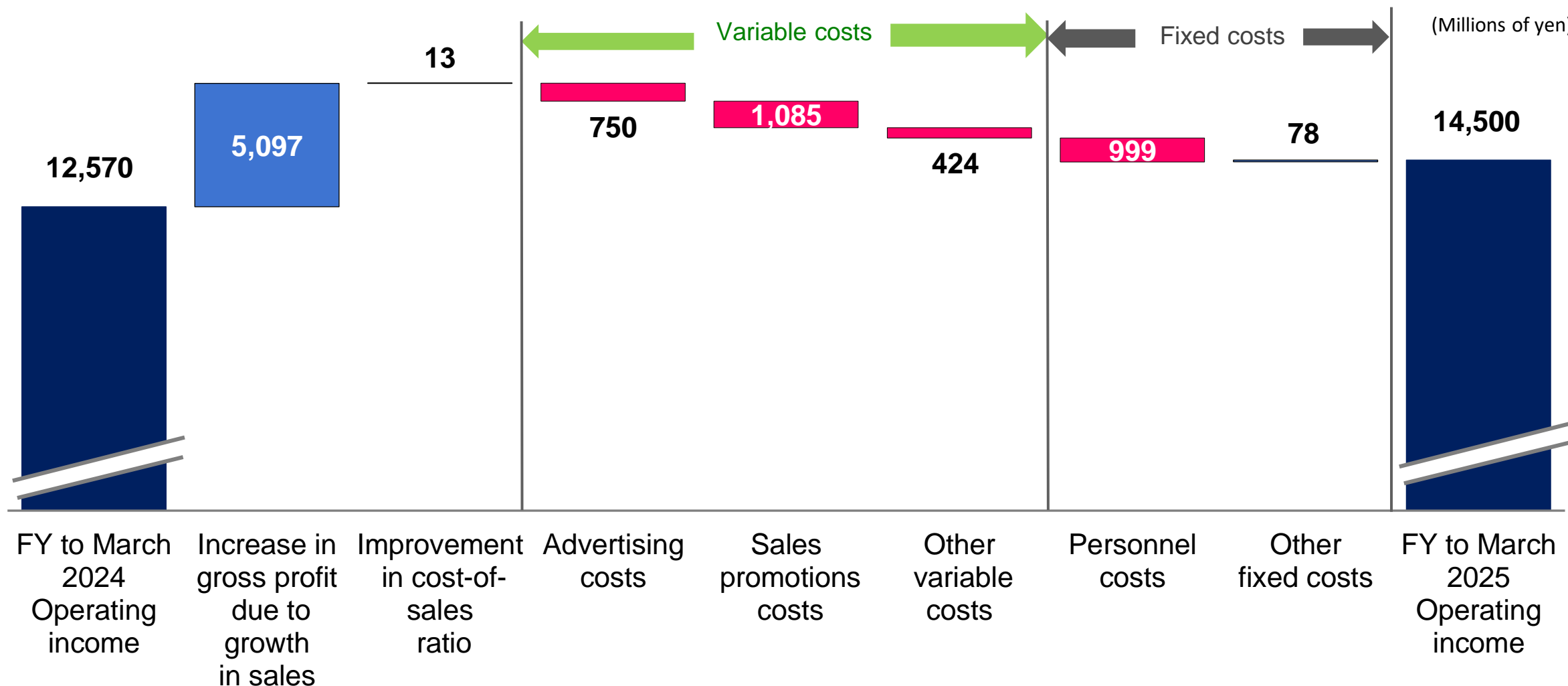
¥4.1 B (¥2.43 B in previous comparable period)

Sales breakdown (Full year)			
Region	Amount	Change YoY	
Domestic	106,760	+ 6.3%	
Overseas	11,740	+ 12.2%	
Cosmetics		Amount	
		Change YoY	
FANCL	Domestic	43,480	+ 5.9%
	Overseas	3,880	+ 8.6%
	Total	47,360	+ 6.1%
ATTENIR	Domestic	14,480	+ 5.6%
	Overseas	2,110	+ 42.8%
	Total	16,590	+ 9.2%
Nutritional supplements		Amount	
		Change YoY	
Domestic		41,800	+ 7.3%
Overseas		5,680	+ 19.3%
Total		47,480	+ 8.6%

# FY Mar/2025 : Analysis of change in operating income

Plan

■ Positive factors
 ■ Negative factors



# **4th Medium-Term Management Plan**

## **Revitalize 2026**

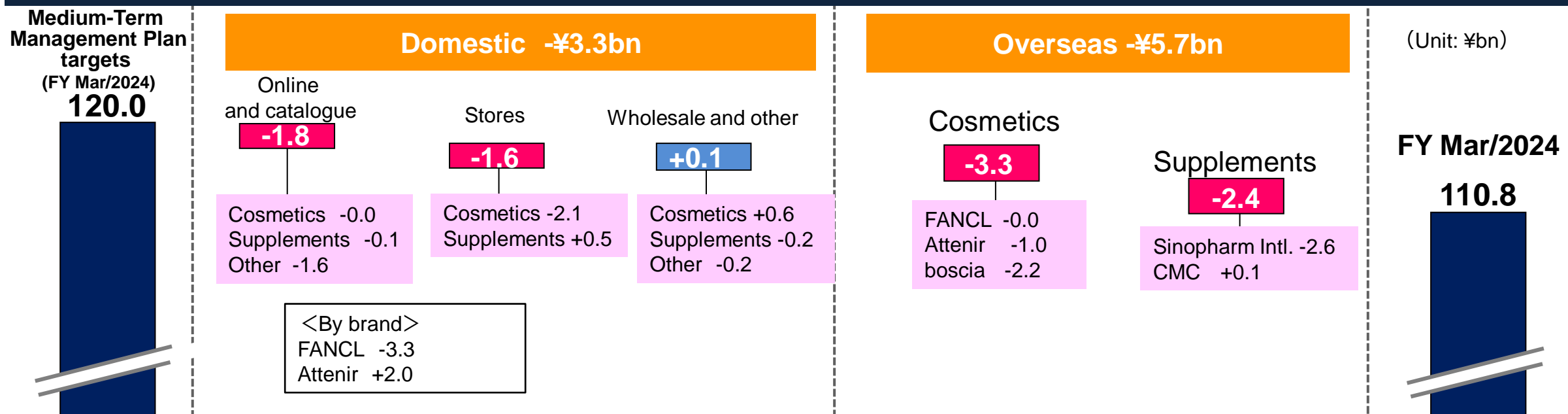
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**Reflecting on FORWARD 2023**  
**3rd Medium-Term Management Plan**  
(FY Mar/2022 to FY Mar/2024)

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# Performance summary: Comparison with medium-term plan targets

Net sales: Analysis of difference (Medium-Term Management Plan targets vs. FY Mar/2024 results): -¥9.1 billion



□ Consolidated net sales (Medium-Term Management Plan target: ¥120 billion → ¥110.8 billion in FY Mar/2024)

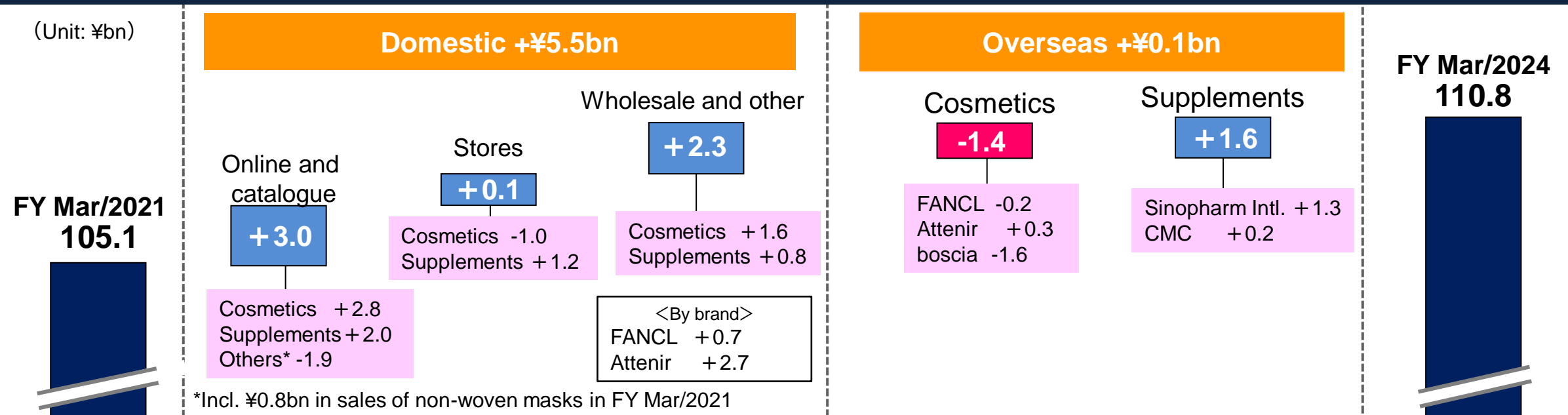
- Domestic: Although cosmetics and supplement sales in the online and catalogue channel were generally in line with the plan, we failed to meet our target due to underperformance in other businesses as well as progress with streamlining of unprofitable stores (plan: 196 stores → actual: 159 stores)

- Overseas: Target not achieved due to sluggish consumption in China and the impact of treated water being released from the nuclear power plant, in addition to slow performance by boscia

□ Consolidated operating income (Medium-Term Management Plan target: ¥15 billion → ¥12.5 billion in FY Mar/2024)

- Target not achieved due to decrease in gross profit caused by sales below the target

Net sales: Analysis of difference (FY Mar/2021 vs FY Mar/2024): +¥5.7 billion



- Consolidated net sales increased from ¥105.1bn (FY Mar/2021) to ¥110.8bn (FY Mar/2024)
  - Domestic: Sales via the online and catalogue channel increased through reinforced acquisition of new customers (from H2 of FY Mar/2022) and growth in sales on external platforms. Although we proceeded with the streamlining of unprofitable stores (211 stores at the end of FY Mar/2021 to 159 at the end of FY Mar/2024), this was covered by a recovery in inbound sales. Meanwhile, the increase in wholesale and other sales is attributed to the effect of new products and continued investments in advertising.
  - Overseas: Cross-border e-commerce sales of Attenir and China supplements increased while sales of boschia fell significantly
- Consolidated operating income increased from ¥11.5bn (FY Mar/2021) to ¥12.5bn (FY Mar/2024)
  - Advertising expenses increased by ¥1.3bn but were absorbed by the increase in gross profit due to sales growth, resulting in an increase in operating income.

# Recap of each business - Cosmetics

◎=Excellent ○=Good △=Subpar

Brand	Rating	Result
FANCL Cosmetics	<p>△</p> <p>◎</p> <p>○</p>	<p><input type="checkbox"/> Brand diversification</p> <ul style="list-style-type: none"> <li>- Prestige brand <i>BRANCHIC</i> (launched in 2021) achieved a certain level of success, particularly in China</li> <li>- <i>Beauty BOUQUET</i> and <i>AND MIRAI</i> (discontinued in 2024) fell short of targets due to insufficient investment in advertising</li> </ul> <hr/> <p><input type="checkbox"/> Launch of hit products</p> <ul style="list-style-type: none"> <li>- <i>CLAY GEL FACIAL WASH</i> (launched in 2022)</li> <li>- <i>MILD CLEANSING OIL – BLACK &amp; SMOOTH –</i> (launched in 2023)</li> </ul> <p>Cleansing category sales: +15% compared to FY Mar/2021</p> <hr/> <p><input type="checkbox"/> Strengthened cross-selling</p> <ul style="list-style-type: none"> <li>- Achieved results in cross-selling of special care products such as <i>CORE EFFECTOR</i></li> </ul> <p>Special care category sales: +3% compared to FY Mar/2021</p>
Attenir	◎	<p><input type="checkbox"/> Domestic: Significant growth in basic skin care product <i>Dress snow</i> (launched in 2021), and external online and catalogue sales</p> <p>External online and catalogue sales: up 6.5x compared to FY Mar/2021</p> <p><input type="checkbox"/> Overseas: Growth in cross-border e-commerce sales, +34% compared to FY Mar/2021</p>
boschia	△	<p><input type="checkbox"/> Proceeding with structural shift to e-commerce, but judged that it will be difficult to improve profitability in short term</p> <p>Withdrawal from North America (plan to continue only with strong China cross-border e-commerce)</p>



# Recap of each business – Health

◎=Excellent ○=Good △=Subpar

Initiative	Rating	Results
<p><b>Strengthening existing supplement business</b></p>	<p>◎</p>	<p>☐ Sales of existing star products increased due to effect of advertising investments, etc. <i>Calolimit for the Mature Aged up 9%, Anti-Cholesterol Support up 5.5x, Age Bracket-based Supplements up 79%</i> compared to FY Mar/2021</p>
<p><b>Expansion of personal supplements</b></p>	<p>△</p>	<p>☐ Fell short of plan due to prioritized allocation of advertising investment to existing supplement business High retention rate and LTV achieved by leveraging uniqueness. Going forward, aim to enhance awareness and strengthen the business; <i>Personal ONE</i> sales: +78% compared to FY Mar/2021</p>
<p><b>Strengthening BtoB business</b></p>	<p>○</p>	<p>☐ Deepened collaboration with Kirin Group - Launched (and promoted) <i>Meneki Support, Sleep &amp; Fatigue Care</i> and <i>BRAINS</i> - Launched FANCL branded beverages, etc. Kirin synergies (health food, product development) up 2.5x compared to FY Mar/2021</p>
<p><b>Expansion of China supplement business</b></p>	<p>△</p>	<p>☐ Fell short of targets due to sluggish consumption after lockdowns, impact of treated water from nuclear power plant, etc. Revised distributorship agreement from January 2024, to clarifying division of roles between Sinopharm International and FANCL Supplement business sales in China: 1.7x compared to FY Mar/2021</p>



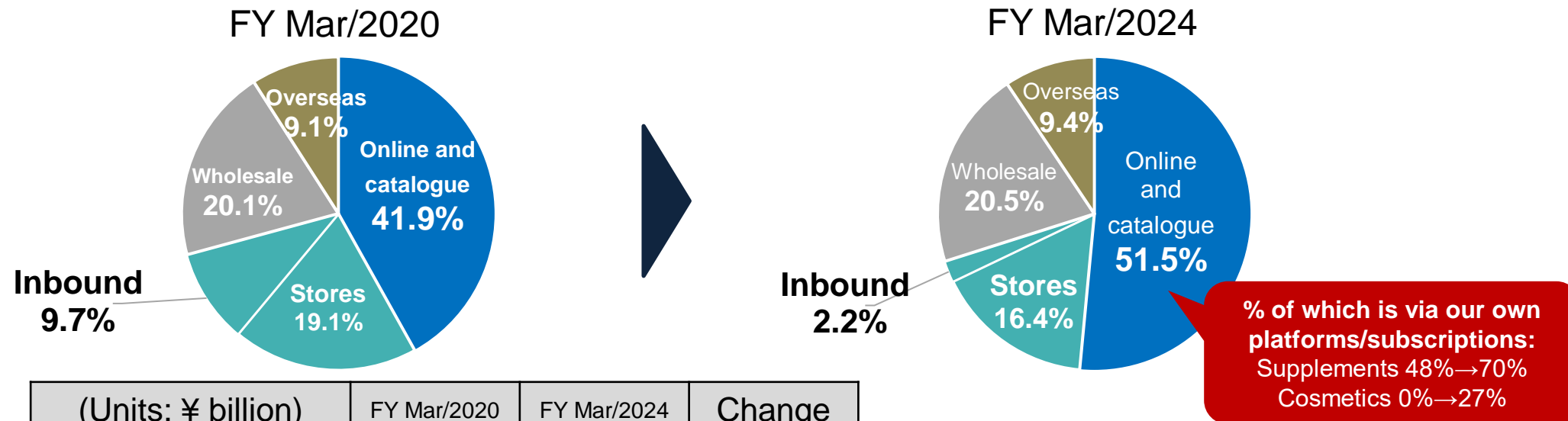
# Recap of each business – Management foundation

Area	Outline	
<p><b>New supplements plant</b> (Began operating in April 2021)</p>	<p><u>Investment amount: approx. ¥8 billion</u></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Production capacity can be expanded up to 3-3.5x compared to before operation</li> <li><input type="checkbox"/> Increasing rate of in-house production enables us to respond to rapid fluctuations in demand</li> <li><input type="checkbox"/> Contracted to manufacture 17 B-to-C products for Kirin Group - Responsible for production equivalent to 70% of supplement sales</li> </ul>	 <p>Mishima Factory (supplements)</p>
<p><b>Kansai Logistics Center</b> (Began operating in June 2021)</p>	<p><u>Investment amount: approx. ¥4 billion</u></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Shifted to two-base logistics structure, one in Kanto and one in Kansai Increased online and catalogue shipping capacity by 1.5x</li> <li><input type="checkbox"/> Shifted 35% of FANCL online and catalogue and direct store shipments, and all of Attenir's Shiga Logistics Center operations to the new facility - Reduction in logistics costs by approx. ¥200 million/year by consolidating logistics operations for western Japan</li> </ul>	
<p><b>FIT Core IT system</b> (Began operating in spring of 2022)</p>	<p><u>Investment amount: approx. ¥3 billion</u> *Total investment amount for FIT1~3</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Highly flexible system, with multiple functions added over a short period of time</li> <li><input type="checkbox"/> Superior database functionality enables advanced CRM Helps to achieve marketing that strengthens connections with customers</li> </ul>	

# Results of structural reforms

- > Structural reforms during COVID-19 pandemic enabled creation of structure capable of generating more stable sales

## Sales composition by channel



(Units: ¥ billion)	FY Mar/2020	FY Mar/2024	Change
Online and catalogue	47.6	57.1	+9.4
Stores (domestic customers)	21.7	18.1	-3.6
Stores (inbound)	11.0	2.4	-8.6
Wholesale	22.9	22.6	-0.2
Overseas	10.3	10.4	+0.1
Total	113.7	110.8	-2.8

<Store numbers>  
212 stores → 159 stores  
<Sales per store (domestic customers)>  
107%

(Note: FY Mar/2020 results with revenue recognition standard applied)

# **「VISION2030」**

**Make the world healthier and more beautiful  
And become a company that is loved around the world**

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**Since its establishment, the FANCL Group has developed Mutenka cosmetics, supplements, hatsuga genmai, and kale juice businesses, guided by our founding philosophy of eliminating negatives**

**As we look to 2030, the FANCL Group will take on challenges in various business domains as a venture company, and each of our businesses will work to bring beauty, health, and enrichment to the lives of more customers, not only in Japan but around the world, as we aim to become a trusted and widely loved corporate group**

**To this end, we will proactively work to solve social issues through our business, with the aim of generating both economic and social value**

# **4th Medium-Term Management Plan**

## **“Revitalize 2026”**

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# Revitalize 2026 – the big picture



# Three priority themes and material issues (Materiality)

Re-establishment of the key issues to be addressed in the medium-term management plan “Revitalize 2026”

To clearly communicate the future that the FANCL Group wants to create to all stakeholders, we have set the following three priority themes and material issues to address

## Three priority themes

### A Prosperous Environment

Treasure the blessings of nature and contribute to the preservation of the natural environment in all aspects of our corporate activities

### Healthy Living

Contribute to the extension of healthy life expectancies and improvement of quality of life (QOL) of people around the world through our unique products and services

### A Thriving Society For All

Support people's happiness and contribute to the creation of a society where everyone can shine

## Material issues (Materiality)

- Response to climate change and reduction of CO2 emissions
- Promotion of resource recycling and waste reduction
- Sustainable use of biological resources
- Sustainable use of water resources

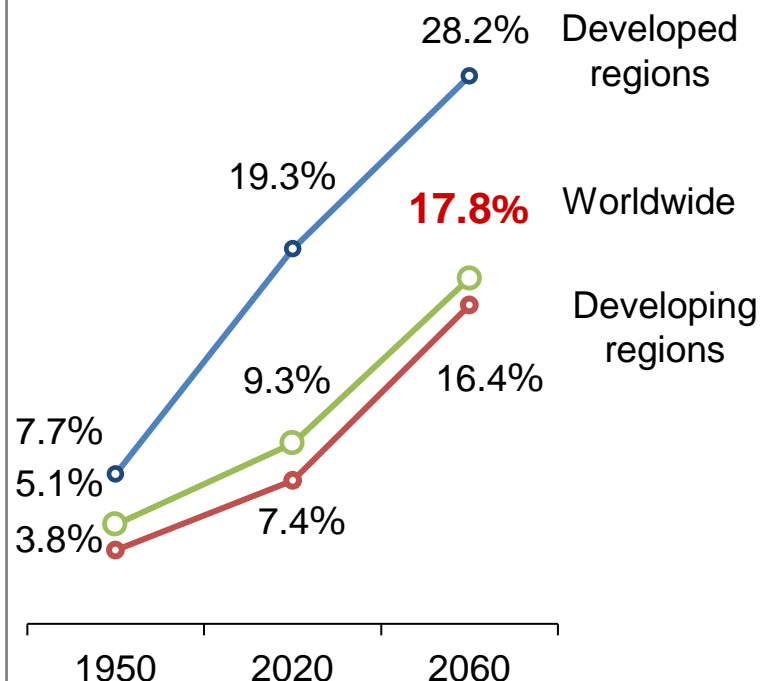
- Addressing health and beauty issues that arise with age
- Addressing specific health challenges faced by women
- Addressing increasingly common skin concerns
- Supporting adequate intake of basic nutrients

- Respect for diversity and human rights
- Contribution to community and society

# Process to enhance corporate value by solving social issues

## Healthy Living

### World population aging rate (population aged 65+)



Source: 2022 White Paper on the Aging Society  
(Cabinet Office of the Government of Japan)

### Health Business

- Strengthen products that address health issues specific to pre-senior/senior individuals and women
- Promote adequate intake of basic nutrition

**Eliminate health concerns  
through our unique  
products**

### Beauty Business

- Grow customer base, with primary focus on consumers of basic skin care products

**Eliminate skin  
concerns through  
our Mutenka  
cosmetics**

**Improve quality of life (QOL) and provide balance of  
both economic value and social value**



# “Revitalize 2026” quantitative nonfinancial targets

## <A Prosperous Environment>

	Materiality	Target	Target Year	Indicators
1	Response to climate change and reduction of CO2 emissions	Reduction of CO2 emissions	FY Mar/2051	Net zero
2	Promotion of resource recycling and waste reduction	Packaging made from plastic wrap materials that adhere to the 4Rs	FY Mar/2031	100%
		Use of plant-based and recycled plastics in FANCL cosmetics containers	FY Mar/2031	50%
		Number of customers participating in the collection and recycling of cosmetics containers (cumulative total)	FY Mar/2027	100.000 people
3	Sustainable use of biological resources	Sustainable palm oil procurement (mass balance ratio)	FY Mar/2027	80%
		Adoption of environmentally-friendly paper for paper-based container packaging	FY Mar/2026	100%

## <Healthy Living>

	Materiality	Target	Target Year	Indicators
1	Addressing health and beauty issues that arise with age	Increase use of FANCL cosmetics and health foods among people aged 50 years old and above	FY Mar/2027	110% (compared to FY Mar/2024)
		Increase the number of pre-senior and senior individuals who use FANCL’s products for resolving health- and beauty-related issues	FY Mar/2027	125% (compared to FY Mar/2024)
2	Addressing specific health challenges faced by women	Increase the number of people who use FANCL’s products to address specific health issues faced by women	FY Mar/2027	120% (compared to FY Mar/2024)
3	Addressing increasingly common skin concerns	Increase the number of people who use FANCL’s Mutenka skin care products for alleviating skin concerns	FY Mar/2027	120% (compared to FY Mar/2024)
4	Promoting adequate intake of basic nutrition	Increase the number of people who use FANCL’s products to supplement adequate intake of basic nutrition	FY Mar/2027	115% (compared to FY Mar/2024)

# “Revitalize 2026” quantitative nonfinancial targets

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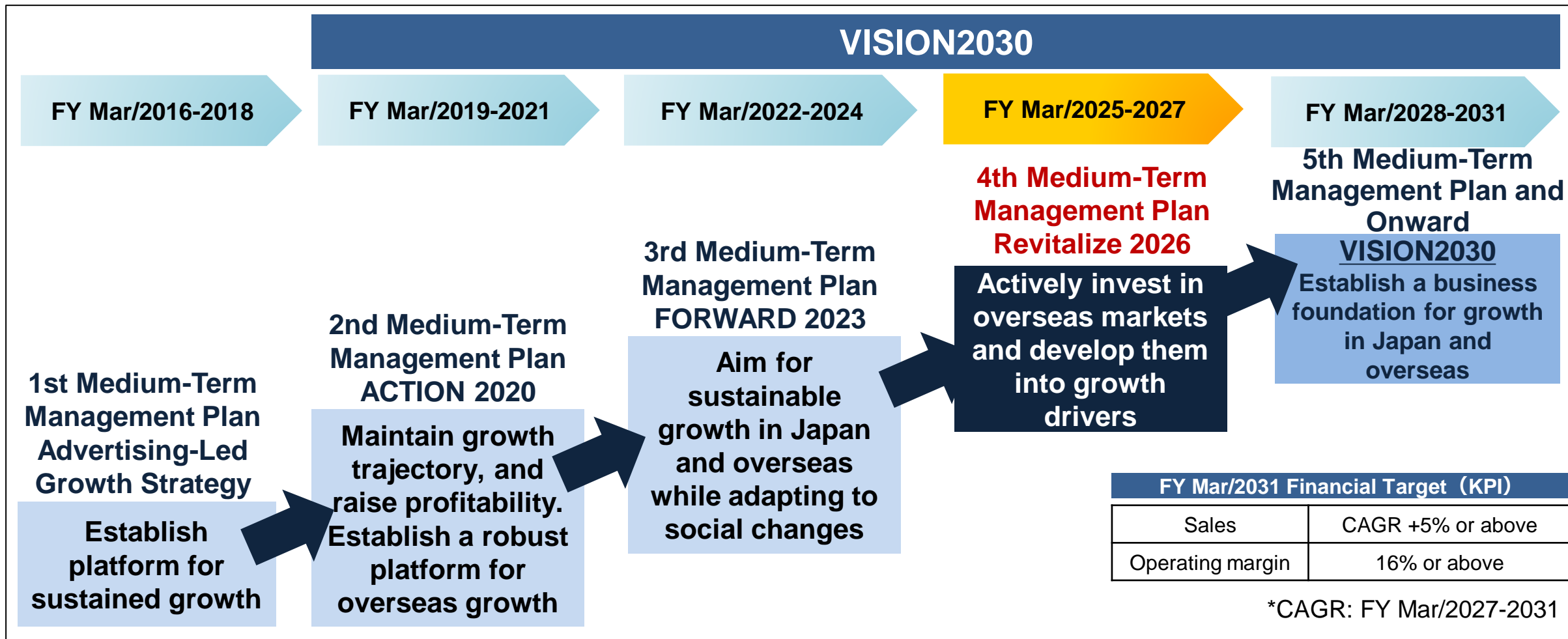
FANCL

## <A Thriving Society For All>

	Key task	Target	Target Year	Indicators
1	Respect for diversity and human rights	Ratio of female employees in management positions	FY Mar/2031	50%
		Ratio of female employees aspiring to hold management positions	FY Mar/2031	70%
		Holistic evaluation of women’s proactiveness in the workplace	FY Mar/2031	12.5 points
		(1) Ratio of male employees taking maternity leave (2) Number of days taken by male employees for maternity leave (longer than 30 days)	FY Mar/2031	(1)100% (2) 50%
		Ratio of employees with disabilities	FY Mar/2031	5%
2	Contribution to community and society	Number of employees participating in activities leading to a healthy future (cumulative total)	FY Mar/2027	19,000 people
		Number of employees participating in activities helping enable people with disabilities to live with joy and optimism (cumulative total)	FY Mar/2027	1,400 people

## Plan

Further strengthen domestic business foundation and proactively invest cash generated in Japan into overseas businesses to develop them into growth drivers



# “Revitalize 2026” Numerical Targets

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(Billions of yen)		FY Mar/ 2024 Results	FY Mar/ 2027 Plan	Change
<b>Sales</b>		110.8	133.0	+22.1
Domestic		100.4	118.2	+17.8
Overseas		10.4	14.7	+4.2
<b>Operating income</b>		12.5	19.0	+6.4
Operating income ratio		11.3%	14.3%	+2.9%
<b>Capital efficiency ratio</b>	<b>ROIC</b>	9.9%	13.6%	+ 3.7%
	<b>ROE</b>	11.4%	13.6%	+ 2.2%

※ ROIC : After tax operating income÷ (Interest bearing debt+owned capital)

Sales breakdown	
Region	Sales CAGR
Domestic	+ 5.6%
Overseas	+12.1%

By Business		Sales CAGR	Operating income ratio
Cosmetics	FANCL	+ 5.0%	16.7%
	ATTENIR	+ 9.4%	
	Total	+ 5.7%	
Nutritional supplements	Domestic	+ 6.0%	16.2%
	Overseas	+ 15.8%	
	Total	+ 7.2%	

【Inbound sales (Direct store sales)】

FY Mar/2027 ¥6.6B (FY Mar/2024 ¥2.43B)

(Ref.) FY Mar/2019 ¥11.9B

# Strengthening the FANCL brand

## - Formulating a brand statement and stance message

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A little joy, every day.

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Life comes with moments of emotion that move the world  
and others that simply make your day.

Times your skin feels just right,  
times your body feels light,

It's those little joys we like to bring you every day.

That's why FANCL truly cares about you.

Giving shape to ideas that establish new values  
is what we're all about

and our additive-free cosmetics and supplements  
are the essence of our dedication.

In this day and age of rapid change,

we're here for you every step of the way

to bring you a lifetime of those simple, heartfelt moments.

So-let's make your day.

# **Cosmetics Business**

## Strategy

Review brand diversification and establish position as a brand that resolves skin concerns  
Evolve into a strong FANCL brand

### Changes in external environment

More companies entering cosmetics market  
Expansion of customer choices

Clarify brand's value,  
become brand of choice

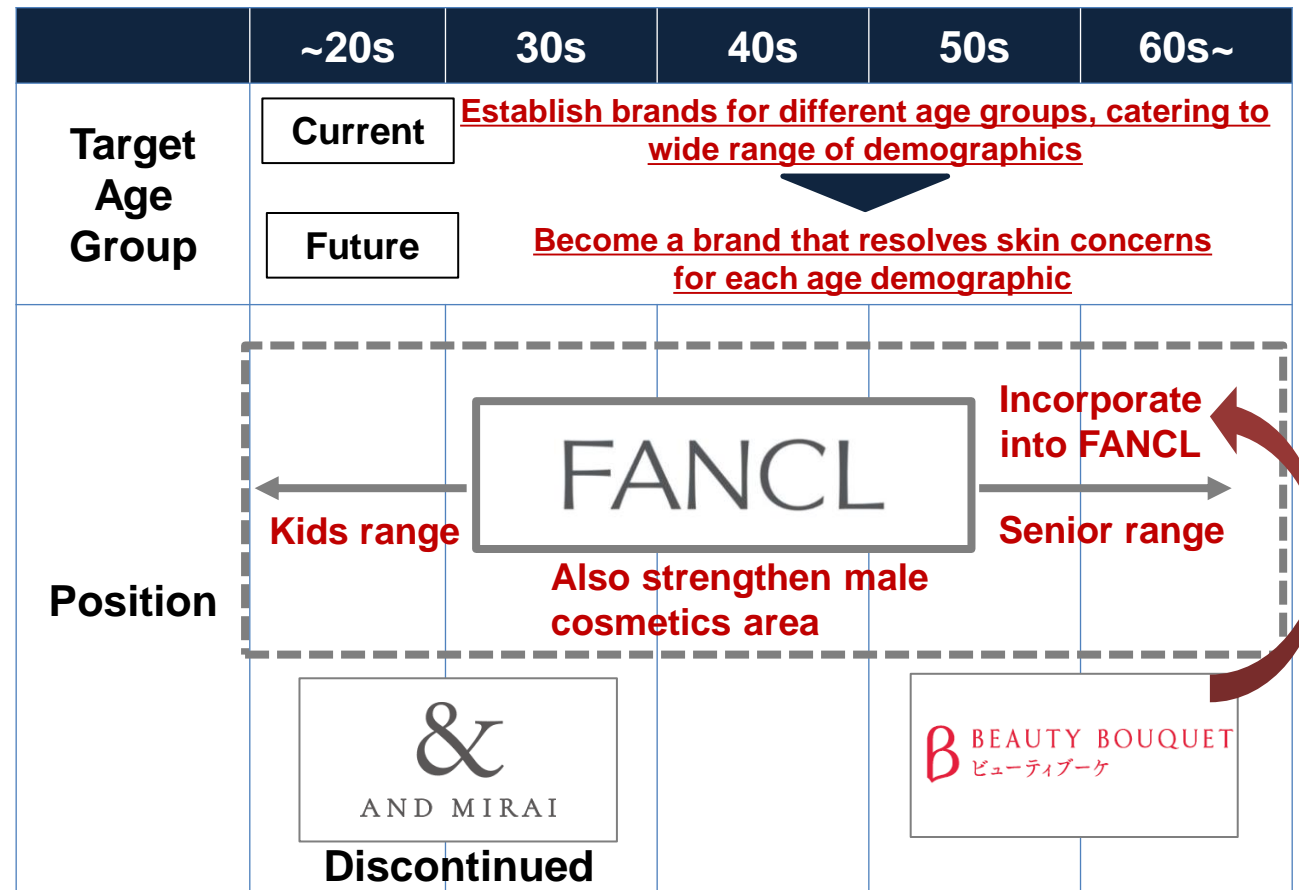
Factors causing women's  
skin concerns are expanding each year

Concern/Year	2019	2022	Difference
Dryness	21.6%	33.4%	+11.8%
Dullness	35.4%	48.3%	+12.9%
Dehydration	23.8%	35.6%	+11.8%
Sensitive skin	18.6%	25.5%	+6.9%

(Source: FANCL survey)

Increased opportunities to demonstrate strengths of  
Mutenka cosmetics

### Concentrate resources on FANCL brand



## Plan (1) Expand basic skin care users

### Enhance basic skin care products



Launch: April 18, 2024  
2 months' volume: ¥3,300-3,740

Launch of new Mutenka skincare series *Toiro* (quasi-drug)

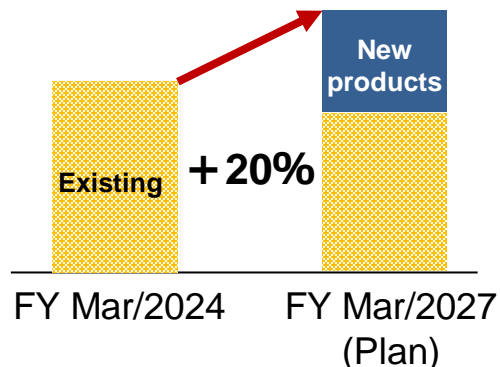
**Focused on skin concerns of those aged around 30.** Also **brightens skin** and **prevents skin irritation**

Ensures skin is always in good condition

**Volume increased from 30ml to 120ml**

	FY Mar/2025	FY Mar/2026	FY Mar/2027
<b>New products</b>	<i>Toiro</i> for consumers aged around 30	New basic skincare products for consumers 40-50	—
<b>Focus products</b>	New basic skin care products, <i>Enrich</i> , etc.	Implement marketing investment focused on basic skin care products like <i>Toiro</i> and others	

### Basic skincare sales



### Strengthen *Beauty BOUQUET*

#### Current status:

- Outreach to FANCL users has been limited as *Beauty BOUQUET* is an independent brand
- Need to enhance FANCL response to seniors



**Next:** In order to strengthen response to senior market:  
**Reorganize as FANCL's core series for seniors**

	FY Mar/2025	FY Mar/2026-7
<b>Plan</b>	<ul style="list-style-type: none"> <li>• Review positioning</li> <li>• Enhance exposure within FANCL</li> </ul>	<ul style="list-style-type: none"> <li>• Reinvigorate brand through introduction of new products</li> <li>• Revamp basic skincare line</li> </ul>



<b>Plan (2)</b>	<b>Expand share in cleansing/facial wash</b>	<b>Plan (3)</b>	<b>Cross-selling to basic skin care users</b>	<b>Plan (4)</b>	<b>Explore new business areas</b>
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**Cleansing**

- Strengthen through **new product launches** and **renewals**

Sales (FY Mar/2027): +10% vs FY Mar/2024

**Facial wash**

- Launch **products tailored to channel characteristics**

Sales (FY Mar/2027): +20% vs FY Mar/2024

- Enhance cross-selling through **proactive product launches and renewals**

**Special care**

FY Mar/2025 Renew core products  
Launch new products

**Make-up**

FY Mar/2025 Make CC Cream a staple product

**Men**

FY Mar/2025  
Launch products targeting **men in their 30s**

**Kids**

FY Mar/2025  
Launch skincare product **developed with elementary school students** from Kanagawa prefecture

	FY Mar/2025	FY Mar/2026	FY Mar/2027
<b>Cleansing/ Facial wash</b>	Cleansing: Begin sale of refill type (wholesale) ----- Facial wash: Launch new products (mainly direct sales)	Launch of new/limited edition products	
<b>Special care/Make-up</b>	Special care: Renew core products Make-up: Renew/make products market staples	Launch/renewal of new products	
<b>Men/Kids</b>	Men: Launch new products for men in their 30s Kids: Launch multiple new products	Launch/renewal of new products	

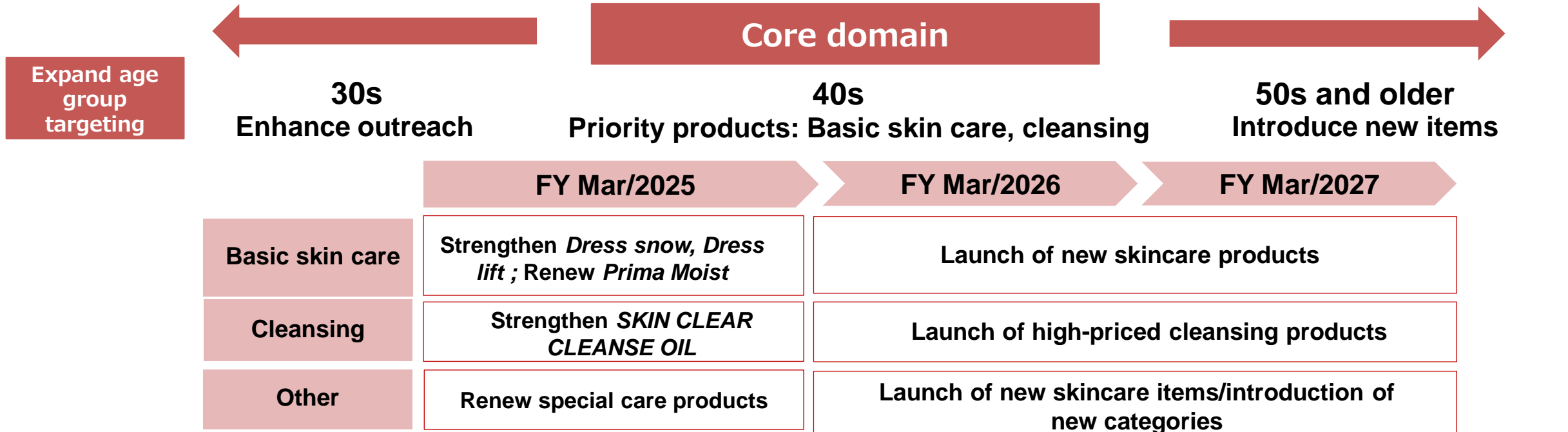
# Attenir Basic strategy (Domestic)

A little joy, every day.

FANCL

## Strategy

Expand age group targeting and channel development to further strengthen Attenir as a one and only anti-aging care brand that provides luxury brand quality at a reasonable price



## Expand channels

### External online platforms

- Develop products to follow cleansing oils

### Own online platforms and direct stores

- Promote referral marketing
- Increase high-LTV app users

### Wholesale channel

- Specialist cosmetics stores  
→ Approx. 150 stores by end of FY Mar/2027

# **Health Business**

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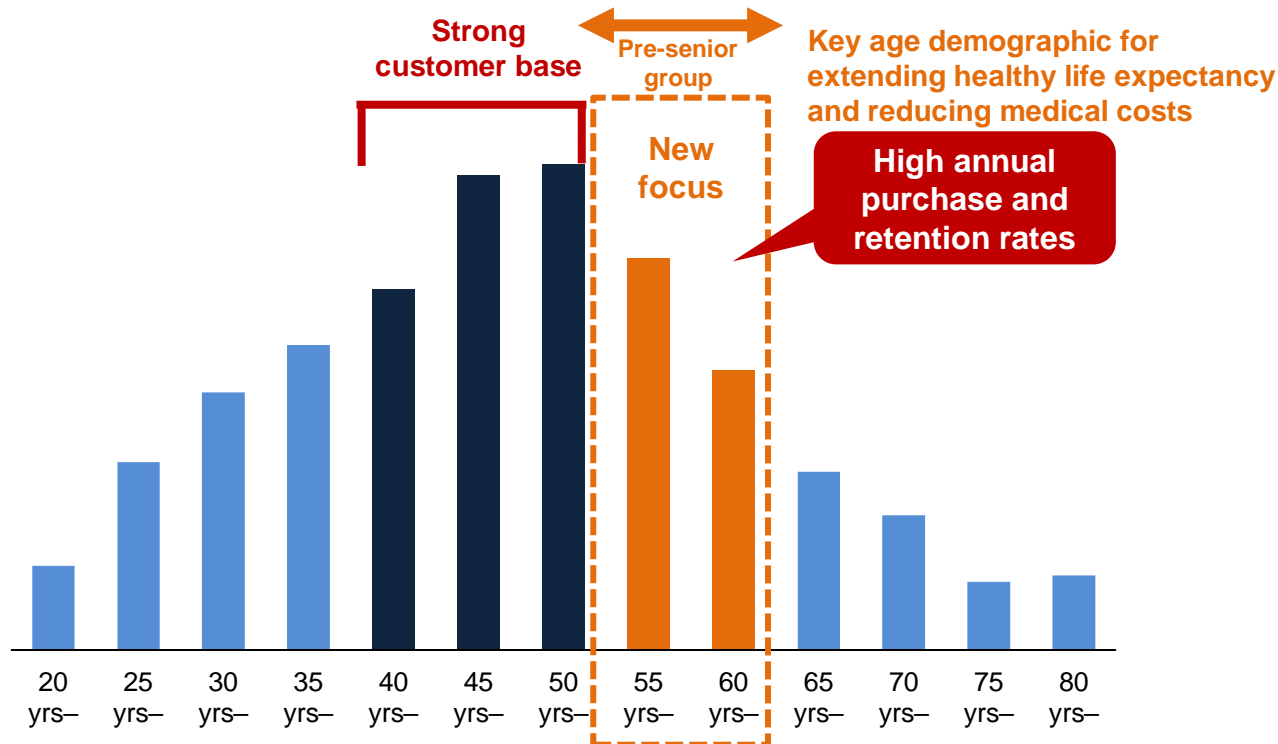
## Strategy

Determine target groups and allocate management resources in alignment with our vision of “increasing the number of individuals leading independent and fulfilling lives by providing personalized offerings that cater to their mental and physical well-being”

## Target group

Develop pre-senior group of 55– to 64-year-olds in addition to strong customer base of women in their 40s to 50s

### FANCL (supplements) customer composition by age



## Health needs segmentation

Build strong portfolio and take field-, not product-based approach

Seriousness of concern

Low



High

### ③ Plus-on Needs

More beautiful and youthful  
e.g. *Calolimit, Collagen*

### ② Zero Keep

Daily health measures  
e.g. *Age bracket-based supplements, Naishi Support*

### ① Minus→Zero Needs

Addressing individual concerns  
e.g. *Enkin, Raku Hiza*

## ① Minus→Zero Needs

Addressing individual concerns



Women in their  
40s and 50s

## ② Zero Keep

Daily health measures



- Renewal of core products (from FY Mar/2026)

## ③ Plus-on Needs

More beautiful and youthful



- Large-scale product launch (FY Mar/2025)

Pre-senior  
group



- Renewal of *Raku Hiza* (FY Mar/2025)
- Renewal of core products (from FY Mar/2026)



- Anti-aging product launch (FY Mar/2026)
- Product for improvement of motor functions (from FY Mar/2026)



- Beauty product launch (from FY Mar/2026)

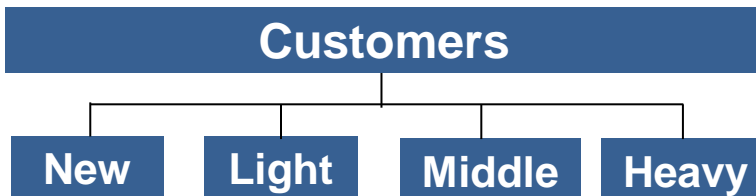
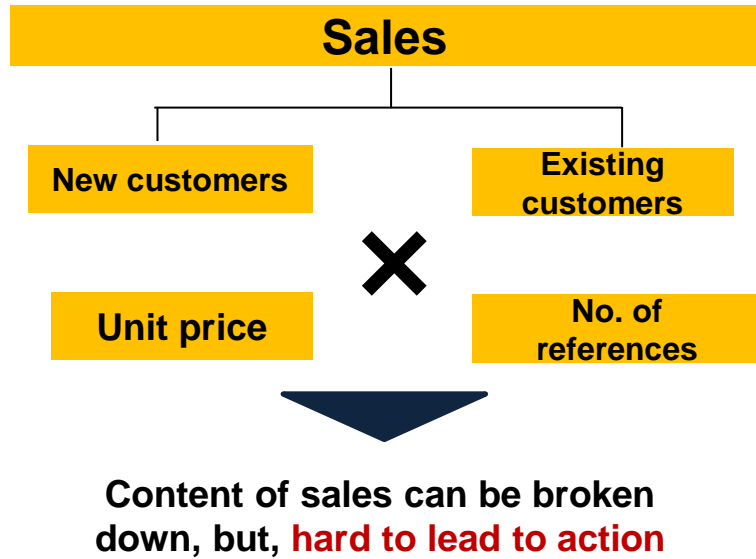
# **Domestic Channels**

# Strengthen relationships with customers (CRM transformation)

A little joy, every day.

FANCL

## Traditional KPIs



Number of purchases 1 time ● times ● times ● times

**We think we have diverse clientele, but have no concrete picture of who they are**

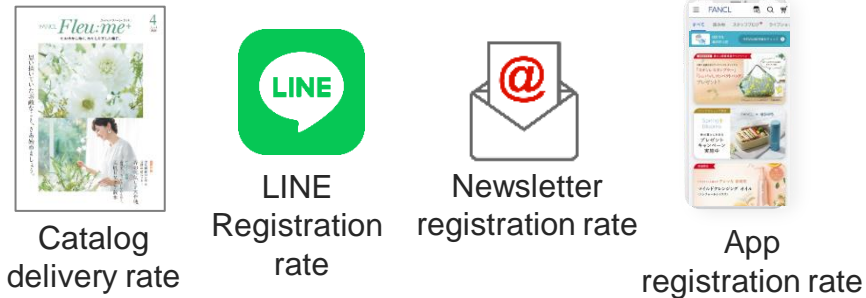
## New KPIs

Key KPIs that lead to improvements in customer engagement (**Approx. 15**)

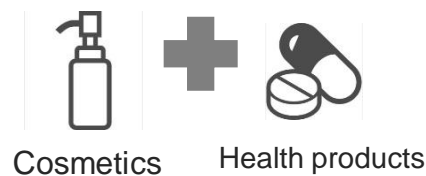
Rate of use of both online and catalogue platforms and physical stores



Connectivity rate



Rate of purchasing of products that are both internally- and externally-applied



Details of customer service received in store



**Online/Offline Comprehensive understanding/analysis of behavior in both channels**

**Increase customer resolution and optimize approach**

# Strengthen relationships with customers (CRM transformation)

## – Maximizing customer experience value

A little joy, every day.

# FANCL

### Growth in various connections

Improved connectivity  
on LINE, FANCL App,  
Newsletter (YoY)

App



✓ No. of registered users **+19%**

LINE



✓ No. of registered users **+6%**

### Growth in web content views

Viewers compared to non-viewers  
**High LTV**



✓ Number of views (YoY) **+13%**

### Improving experience value through events

After attending an event  
**LTV increases**

<Major events>

- Live commerce
- Factory tours
- Store events
- Exercise programs



### Strengths of directly managed stores

<Compared to online/catalogue>

- **Retention rate : +10%**
- **Cosmetics/Health foods**
- **Co-sales rate : +5%**

### Interbrand Japan



**FANCL 3<sup>rd</sup> place overall**

1<sup>st</sup> in Pharma Company/Drugstore/Health Foods Category  
1<sup>st</sup> in Beauty/Personal Care/Household Products Category

Improving experience value  
through customer service

### Issue

<Compared to other brands>

- Management is complicated due to large number of items
- Large volume of purchases

Further expansion in  
customer service time

### DX support

#### ① Efficiency

Digitalize high workload operations  
**Increase in customer service time by 1.4x**

#### ② CRM enhancement

As much **data collection** as possible of what could not be visualized as "**customer service**"



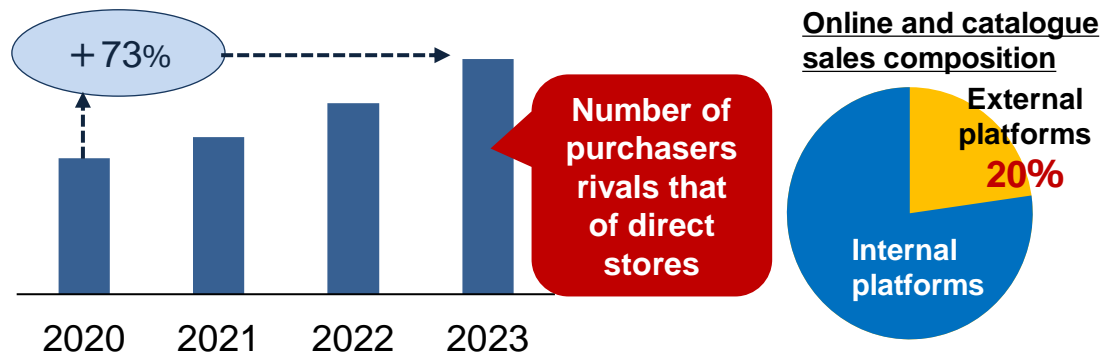
# External online and catalogue platforms

## Strategy

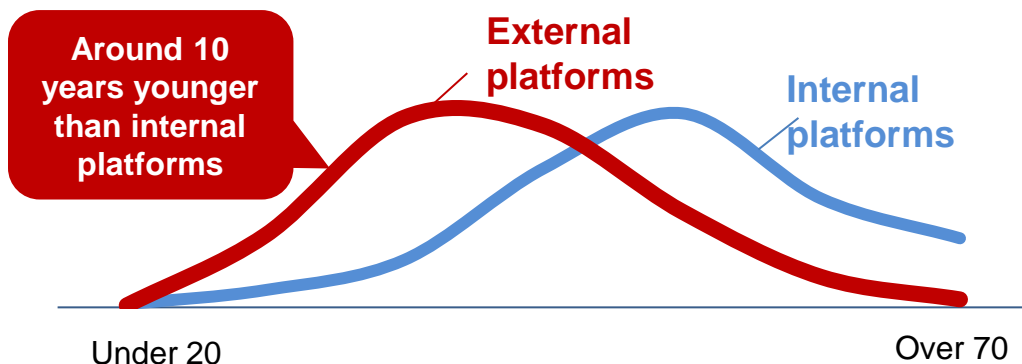
Expand sales by promoting cross-selling and appealing to customer characteristics that differ from one e-commerce mall to another

### Current status of external platforms

#### External platform sales



#### Customer age distribution



### Promote marketing and cross-selling in each e-commerce mall

#### ① Approach tailored to mall characteristics

**Rakuten**  
30~40s  
Women



**amazon**  
40~50s  
Men



**Qoo10**  
Teens~20s  
Women



Change products and information by mall and nurture pillar products  
Consider development of dedicated products for external platforms

#### ② Strengthen cross selling

##### Issue

- Many customers purchase single items
- Low purchase amount

##### Countermeasures

- Expand product page info
- Develop product sets
- Strengthen coupon promotions

# **Overseas Development**

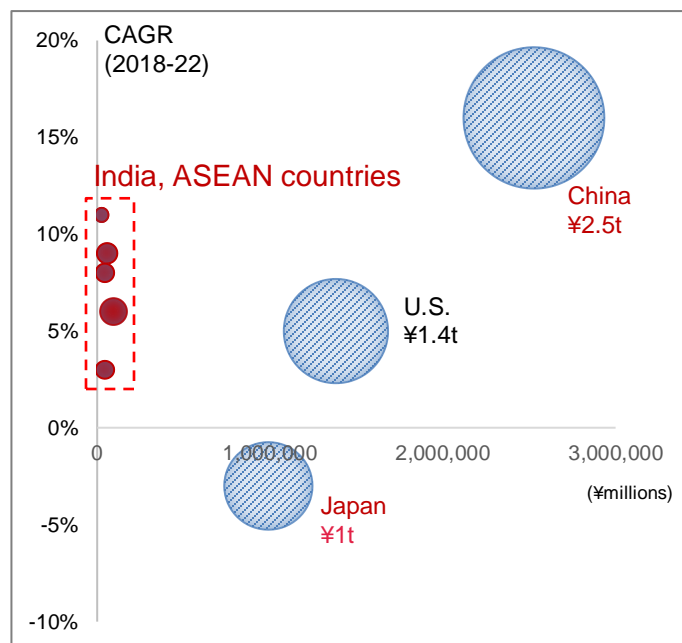
# Overseas: Basic strategy

## Strategy

- Proactively invest in overseas business to establish a foundation for growth
- Position China and ASEAN as priority regions based on market size and growth potential
- Reinforce FANCL's brands in China, with focus on FANCL supplements, Attenir, and BRANCHIC
- Enter the ASEAN market in stages (starting with Vietnam) in cooperation with local partners (distributors)

### Cosmetics market (premium skin care)

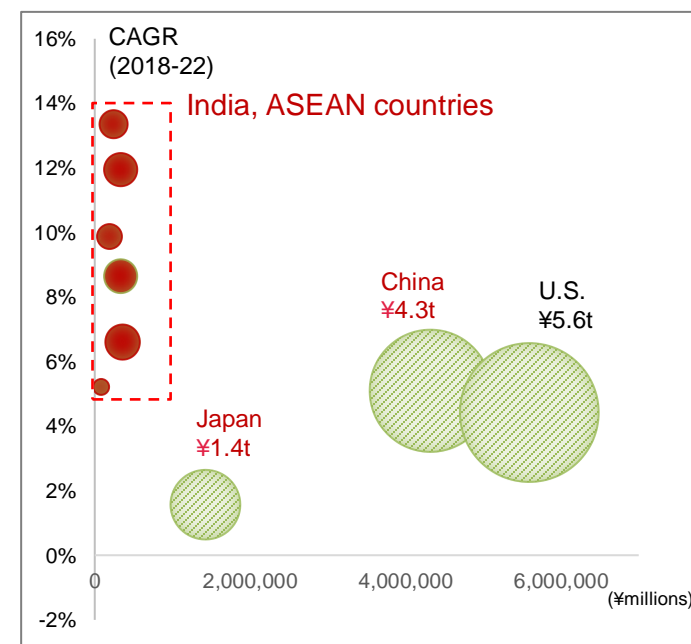
#### Market size and 5-year CAGR



Country	Projected CAGR (2023-27)
Malaysia	16.1
India	12.5
China	10.0
Vietnam	9.0
Indonesia	7.6
Thailand	7.3
World	7.1
U.S.	5.4
Singapore	5.1
Japan	3.1

### Health food market

#### Market size and 5-year CAGR



Country	Projected CAGR (2023-27)
Vietnam	11.3
Malaysia	10.8
India	8.6
Thailand	8.0
Indonesia	7.6
Singapore	5.6
China	5.5
World	5.2
Japan	2.7
U.S.	2.1

Source: Euromonitor

# Overseas: Cosmetics business

## Attenir

### 1st Stage

Cross-border e-commerce  
(FY Mar/2019~)

- High-ranked brand in cleansing product category (on the back of 618 sales via Tmall in 2023)

### 2nd Stage

General trade sales (FY Mar/2025~)

- Push **'high quality' & 'reasonably priced' brand concept** reflecting Chinese market's growing preference for authenticity
- **Increase awareness as skin care brand in general e-commerce channels**, with expansion to multiple specialty cosmetics stores and drugstores in mind for FY Mar/2026 and beyond

## ASEAN

Vietnam expansion(fall of FY Mar/2025~)

- Sale of cosmetics via specialty stores, drugstores, and e-commerce channels

## FANCL

- Details to be disclosed at a later date following finalization of plans for China business

## BRANCHIC

Target segment

Affluent Chinese consumers (20-30s)

Branding

'High quality and functionality' and 'gentle on the skin'

FY Mar/2024 sales: **3-fold increase from previous year**



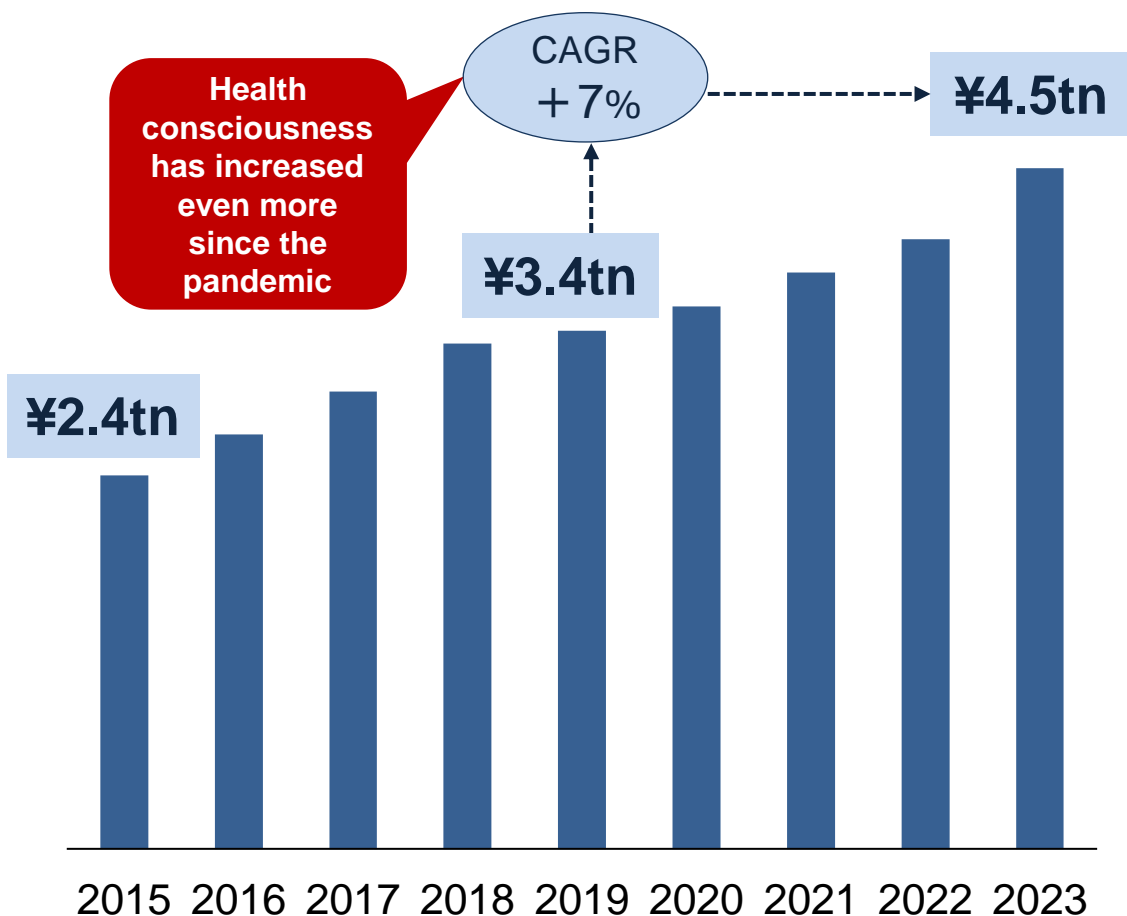
Present

KOL-centric sales approach

Future

- Increase livestreaming promotions via owned media
- Wholesale to platform-operated stores
- Expand sales to beauty salons

## China supplement market trends

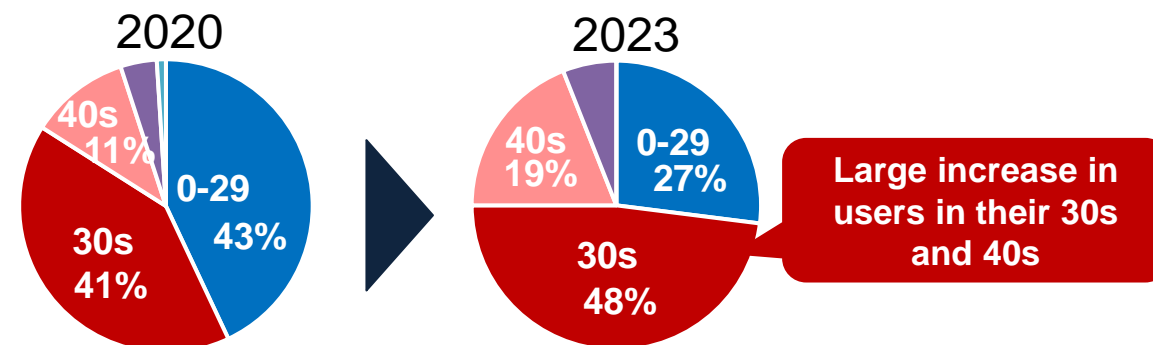


(Source: Euromonitor, converted at 20 yen to 1 yuan)

## Market potential

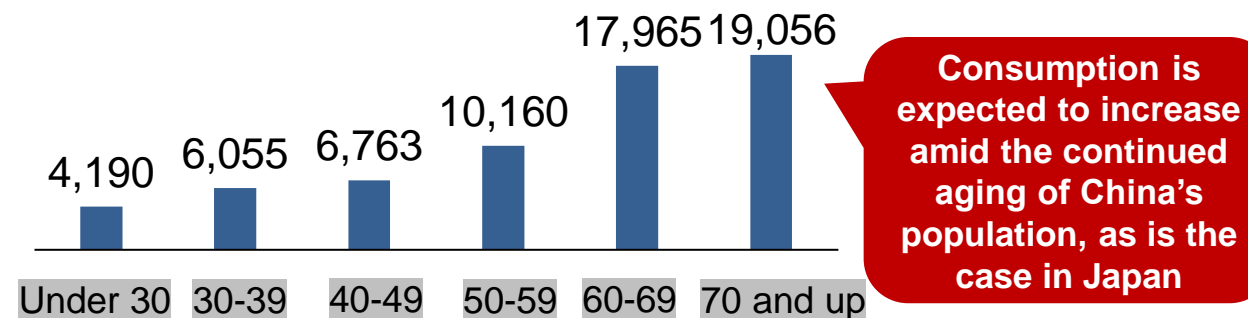
### Expansion of user base

#### Age of FANCL's cross-border e-commerce users



### Expansion of consumption

#### Annual spending on supplements, etc. in Japan (yen)



(Source) Household survey: Amount spent per household on health maintenance products (2023)

## China-focused cross-border

### Strengthen development as brand owner

Clarify roles with Sinopharm International, work on branding and product development from a medium- to long-term perspective



#### Test case

Period: December 2023  
Media: RED, Douyin  
Content: Promotions by top and mid-level KOLs

#### Results

Number of engagements: 206% above plan  
Sales: 44% above previous month, 27% above same month of previous year

**Appeal:**  
supplement that improves sleep quality

### Target, product strategy

More than doubled advertising expenditures to aggressively promote the company's products and services, mainly targeting women in their 30s and 40s and pre-seniors.

#### Core targets

Women aged 30-49



**New probiotic product DOUBLE-DETO**

#### Sub-targets

Parents (pre-seniors aged 50-69)



Husbands (men aged 30-49)



## General trade sales (China)

### Product filing roadmap

**Feb 2024 Filed 2 health food products**

**May 2024  
Filed 1 health food product (planned)**

**Summer of 2024  
File 4 health food products (planned)**

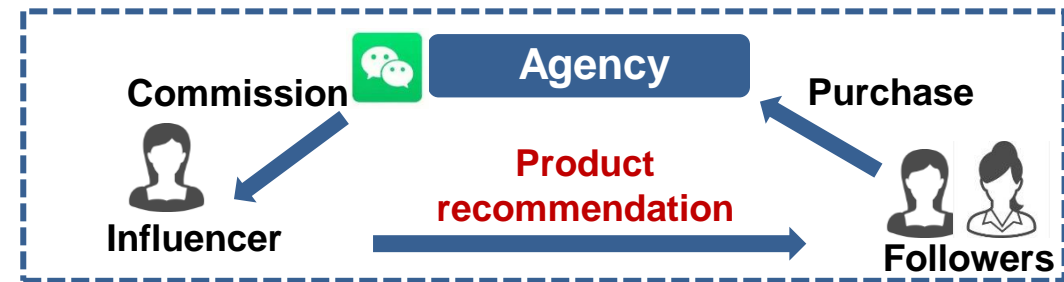
**FY Mar/2026  
Begin full-scale initiatives following approval of all 7 products**

**Post-launch of products (1-2 years)  
Expand sale of products to 1,000 stores, including upscale supermarkets and Sinopharm International pharmacies**

## New developments

### China

- Signed contract with a local distributor and launched a sales model for selling high-performance products to affluent consumers via influencer marketing (from March 2024)
- Considering future collaboration with leading companies from different industries to develop **new sales channels**



### ASEAN

- Launch of **new brand for ASEAN market**, starting in **Vietnam**; Aiming to acquire Halal-certification **for expansion to Indonesia**
- Considering areas of collaboration with Kirin Group company **Blackmores**

# **Management foundation**



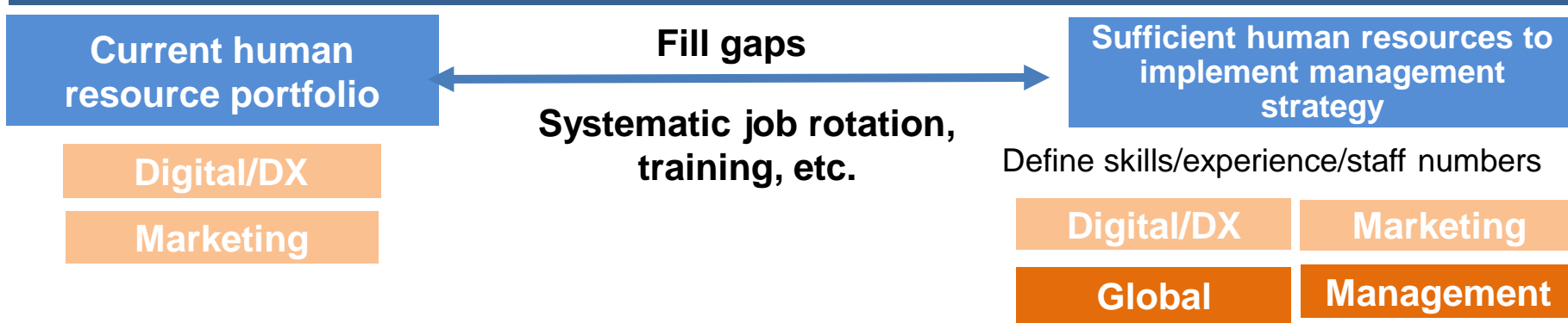
# Reinforcement of management foundation

<b>Research</b>	<ul style="list-style-type: none"> <li>• Promote research and development to solve "future social issues" and "customer concerns"             <ul style="list-style-type: none"> <li>-Beauty: Building competitive advantages in the market for sensitive skin and skin concerns</li> <li>-Health: Seniors (anti-aging)</li> <li>-Shared: Femtech area, promotion of globalization, environmental responsiveness</li> </ul> </li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>• Expand factory and production line in line with sales growth</li> <li>• Cost reductions through (1) improved production efficiencies that leverage integrated manufacturing and sales systems, and (2) a review of the company's raw materials suppliers</li> </ul>
<b>IT systems</b>	<ul style="list-style-type: none"> <li>• Increase sophistication of customer analysis through further utilization of core "FIT" system             <ul style="list-style-type: none"> <li>-Visualization of customer journey, data collection and analysis to heighten customer understanding</li> <li>-Data-driven customer services</li> </ul> </li> <li>• Construct systems that will help realize data-driven management             <ul style="list-style-type: none"> <li>-Building systems that can be used to aid managerial decision making</li> <li>-Exploring new possibilities through generative AI, improving work efficiency and productivity through RPA and low-code development</li> </ul> </li> </ul>
<b>Logistics</b>	<ul style="list-style-type: none"> <li>• Reduce logistics costs             <ul style="list-style-type: none"> <li>-Develop system for selecting optimal logistics firms</li> <li>-Internalize operation of the Kansai Logistics Center</li> <li>-Improve productivity by utilizing new WMS (Warehouse Management System)</li> </ul> </li> </ul>

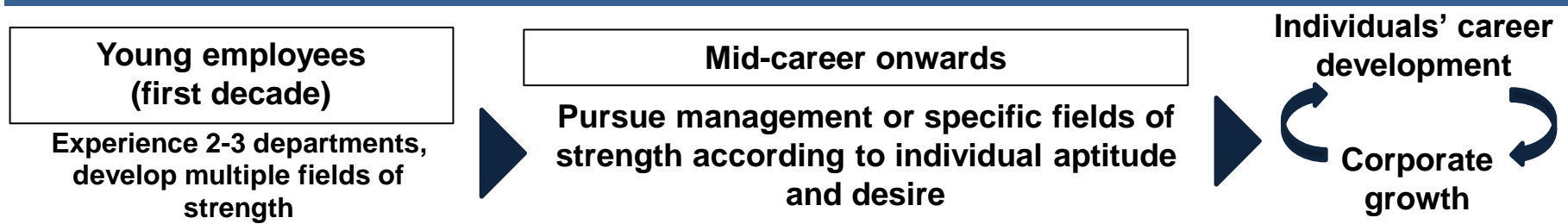
# Human resource strategy

**Strategy** Link management strategy and human resource strategy to conduct systematic human resource allocation and training to create a “uniquely FANCL career path” compatible for both employee career development and corporate growth

## ① Clarification of human resource portfolio

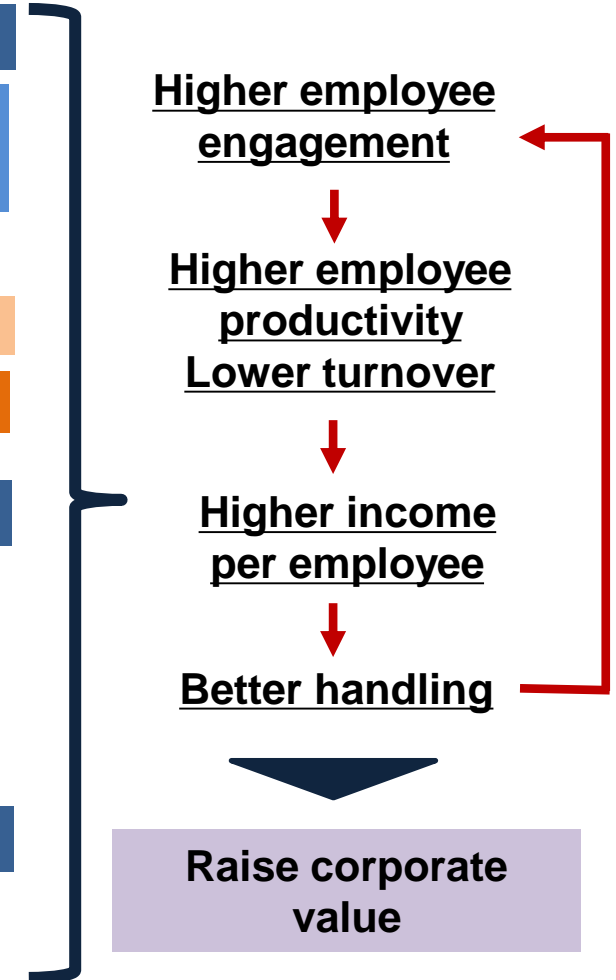


## ② Realize personal and corporate growth by creating a “uniquely FANCL career path”



## ③ Review employee evaluation system, create an environment easy to work in

• Review employee evaluation system with the aim of making work more meaningful, introduce workstyles compatible with childcare/elderly care, promote employee health, etc.

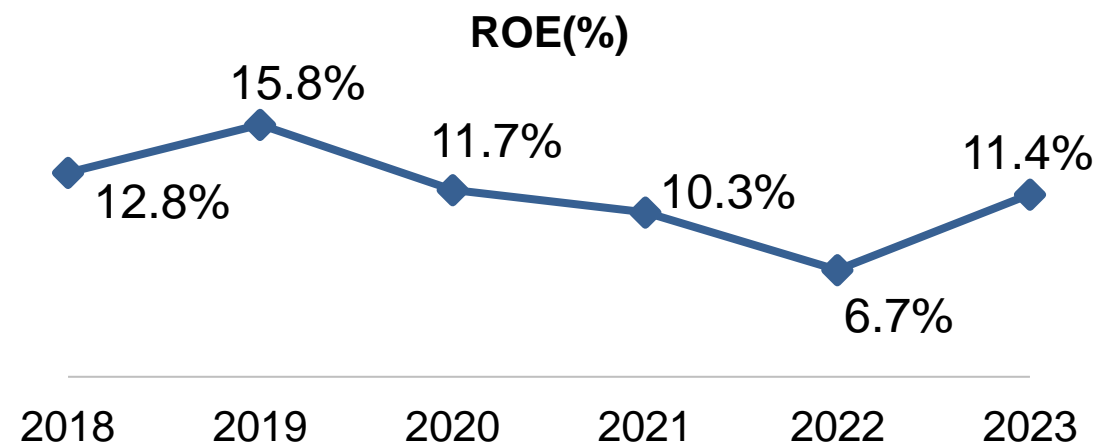


# **Capital policy**

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# Improving capital efficiency ratio/Shareholder returns policy

## Improving the capital efficiency ratio



	FY Mar/2021	FY Mar/2024	FY Mar/2027 target
ROIC*	10.5%	9.9%	13.6%
ROE	11.7%	11.4%	13.6%

\*ROIC: After tax operating income ÷ (interest bearing debt + owned capital)

- ROIC management by business
- Overseas growth investment
- Steadily execute business plans
- Performance-linked shareholder returns

## Cash allocation

### FY Mar/2025-7

+ Operating CF cash inflows	Approx. ¥45.0 bn
- Capital expenditure	Approx. ¥8.5 bn
- CB redemptions	¥10.0 bn
- Shareholder returns	Approx. ¥14.0 bn
<b>Net</b>	<b>+¥12.0 bn</b>

**Consider M&A, primarily overseas**

### Shareholder returns policy:

- Determine the dividend amount based on a target consolidated payout ratio of approximately 40% and DOE (dividend on equity) ratio of approximately 5%
- Share buybacks will be carried out flexibly in consideration of capital needs and stock price
- Treasury stock in excess of 10% of the total number of outstanding shares will be cancelled

**In closing**

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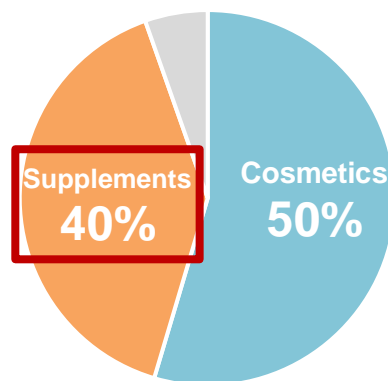
**We will use the next three years as our second founding period to sharpen FANCL into an even stronger company**

## FANCL's business structure

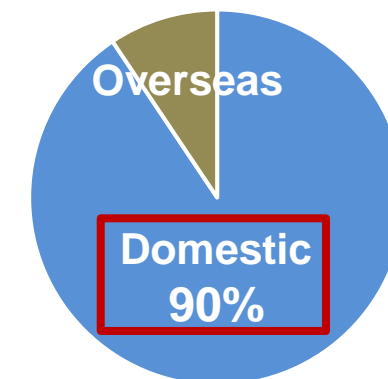
### Sales channels



### Business (sales)



### By region (sales)



**Unique point**

**D2C channel accounts for 70% of sales**

**Opportunity**

**Establishment of new business model using data**

**Two major businesses: cosmetics and supplements**

**Market expansion due to global aging**

**Domestic sales account for 90% of total sales, making it difficult to be affected by Chinese economy**

**Room for growth in overseas business**

**FY Mar/2025: Aiming for record-high sales (Revenue recognition standard) and net profit for first time in 5 years**

A little joy, every day.

FANCL