

Kirin Investor Day 2020 FANCL's growth strategy

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Growing as a company working to
make the world a better place

The world's first 'Mutenka' cosmetics

正直品質。

The late 1970s saw a rise in serious skin problems caused by cosmetics
Harm from cosmetics became a major social issue.
→The cause was found to be preservatives and other additives used in the cosmetics



This inspired the development of cosmetics completely free of additives that cause stress to the skin



The birth of Mutenka cosmetics

A newspaper article at the time



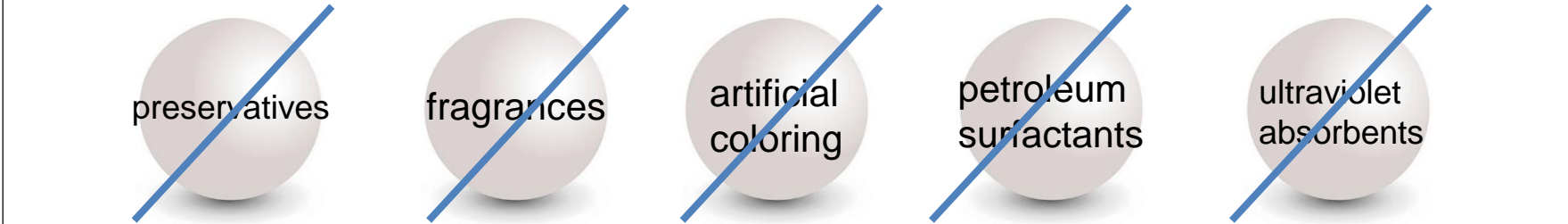
Technological advancements enabled the development of larger capacity products with the same unwavering commitment to Mutenka ingredients



launched in 1982 (5ml)



Completely free of additive ingredients that cause stress on the skin



Creating a market for supplements

In 1994, nutritional supplements were unaffordable.

→ In the interest of people's health we sought to find a way to offer these products at a reasonable price

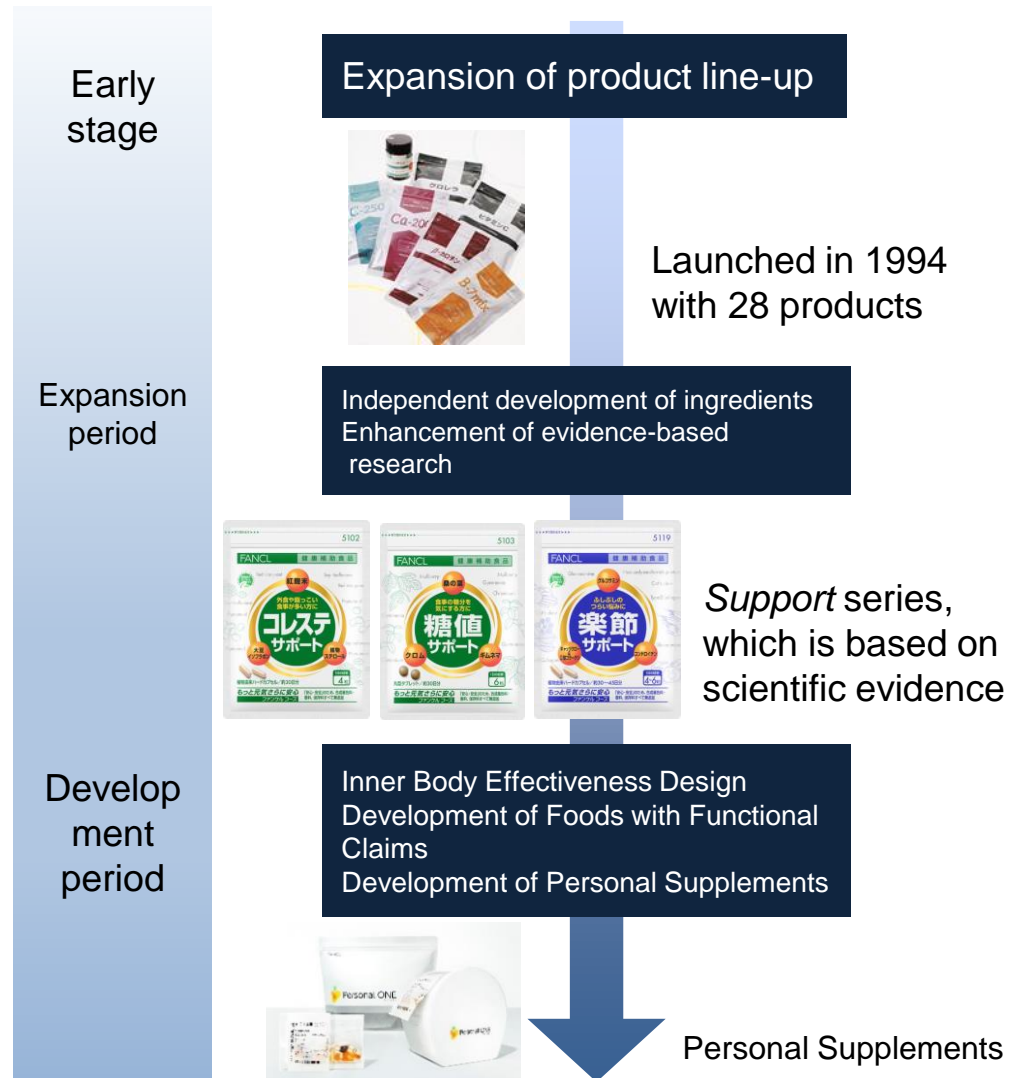


We pioneered the use of the term "supplements" which was unfamiliar to the Japan market at the time, and began offering high quality supplements at low prices



Creation of the supplement market

History of progression in supplements research



FANCL's strengths

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.

Trust in the FANCL brand built from our sincere attitude towards customers

Having the confidence to not sell a product

Having the confidence to not sell a product does not mean it is okay if products don't sell.

It is about taking the perspective of the customer, recommending products that you believe they really need and avoiding selling them something that they don't need.

It is about helping a customer to purchase a product that they really need.

In other words, it is about developing a relationship of trust.

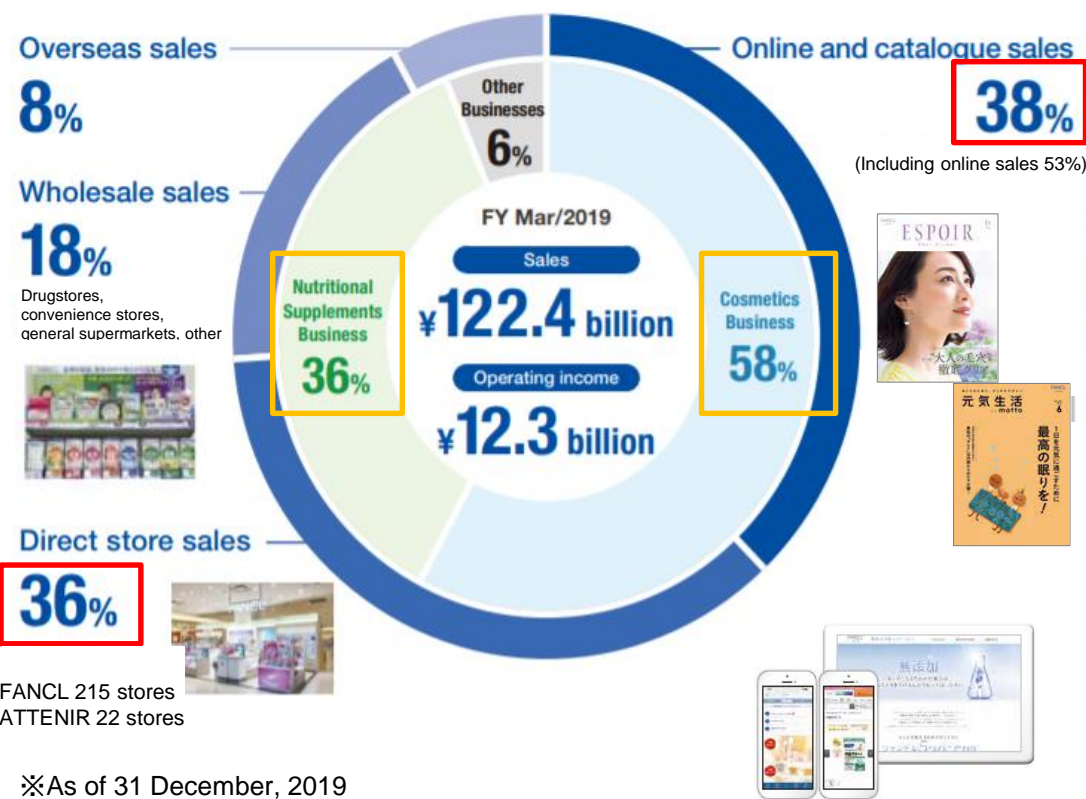
The words of Kenji Ikemori,
FANCL founder



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正直品質。

- ①Two major businesses:
Cosmetics and Nutritional Supplements
- ②Online and catalogue sales and Direct store sales make up 75% of total sales



③Integrated research, production and sales




- Research -

Eliminating “negatives” through technological innovation



- Production -

Relentless pursuit of safety and assurance



- Sales -

Online and catalogue sales
Direct store sales
Wholesale sales
Overseas sales

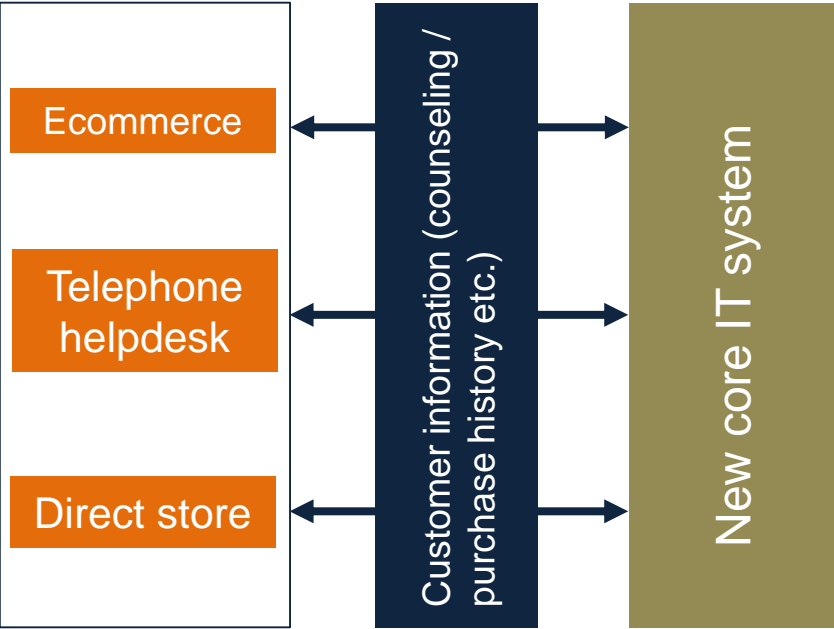
A variety of sales channels
Strengths in BtoC

※As of 31 December, 2019

Comprehensive response to customer needs enabled by core IT system

IT infrastructure rebuild

- 2014 FIT project launched
- 2016 Online and catalogue system
- 2018 Direct Store, web system



Creation of omni-channel environment

High flexibility

Speed

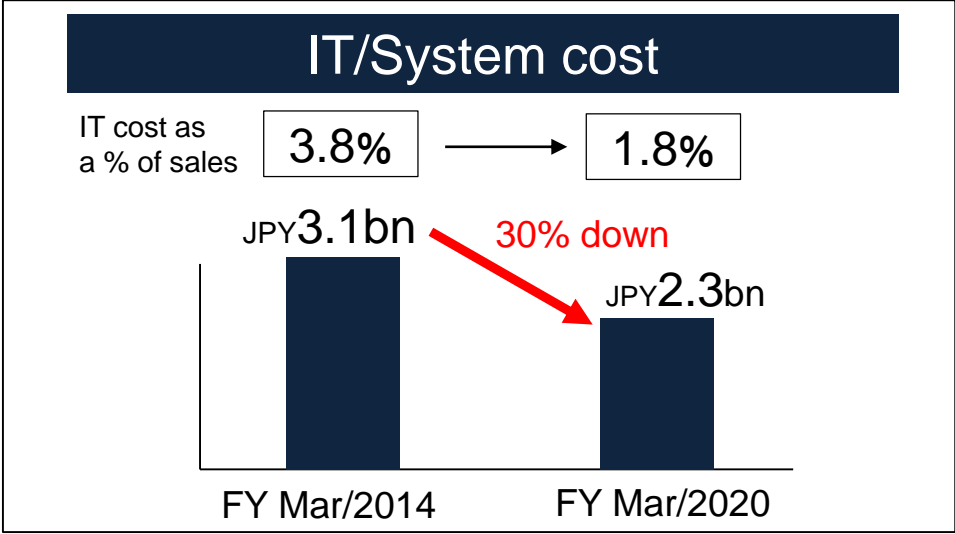
Low cost

(Case study) Apr. 2019 launch of new Members Service

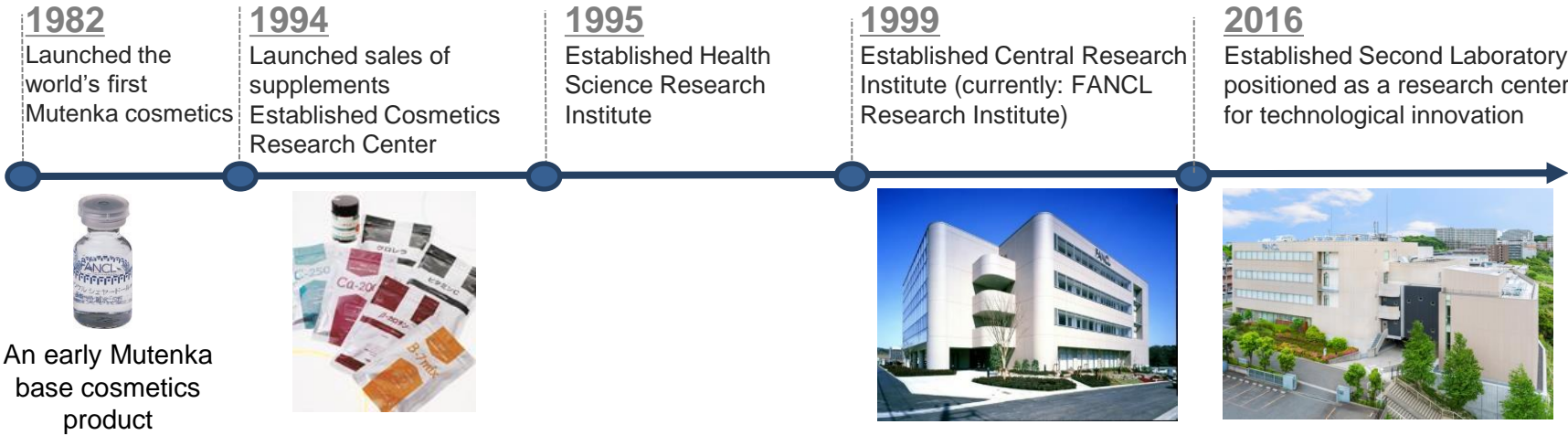
Improvements

- Revision of point system
- Revision of loyalty customer program
- Revision of shipping cost standards, etc.

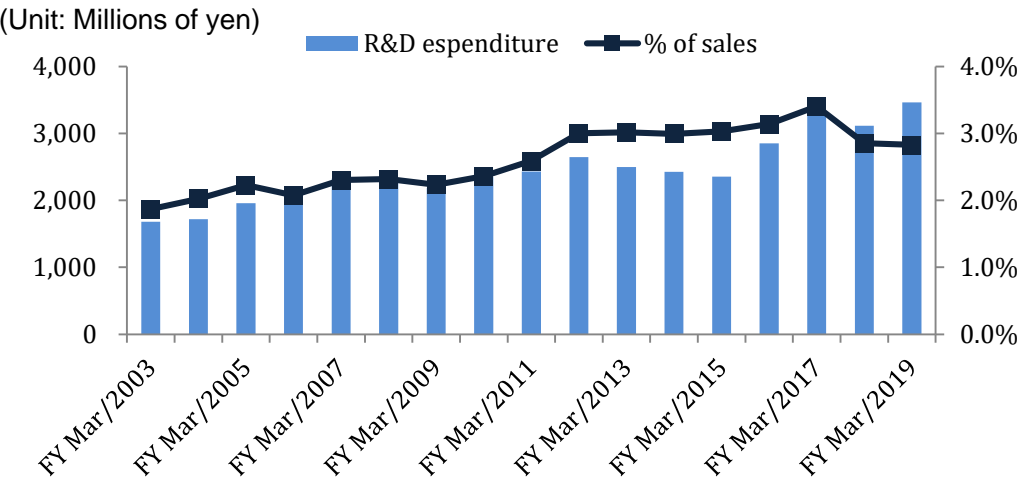
▶ Development period
Only **Six Months**



● Since our founding, as an R&D-focused manufacturer, we have strived to eliminate “negatives”



Trends in R&D expenditure



Researchers

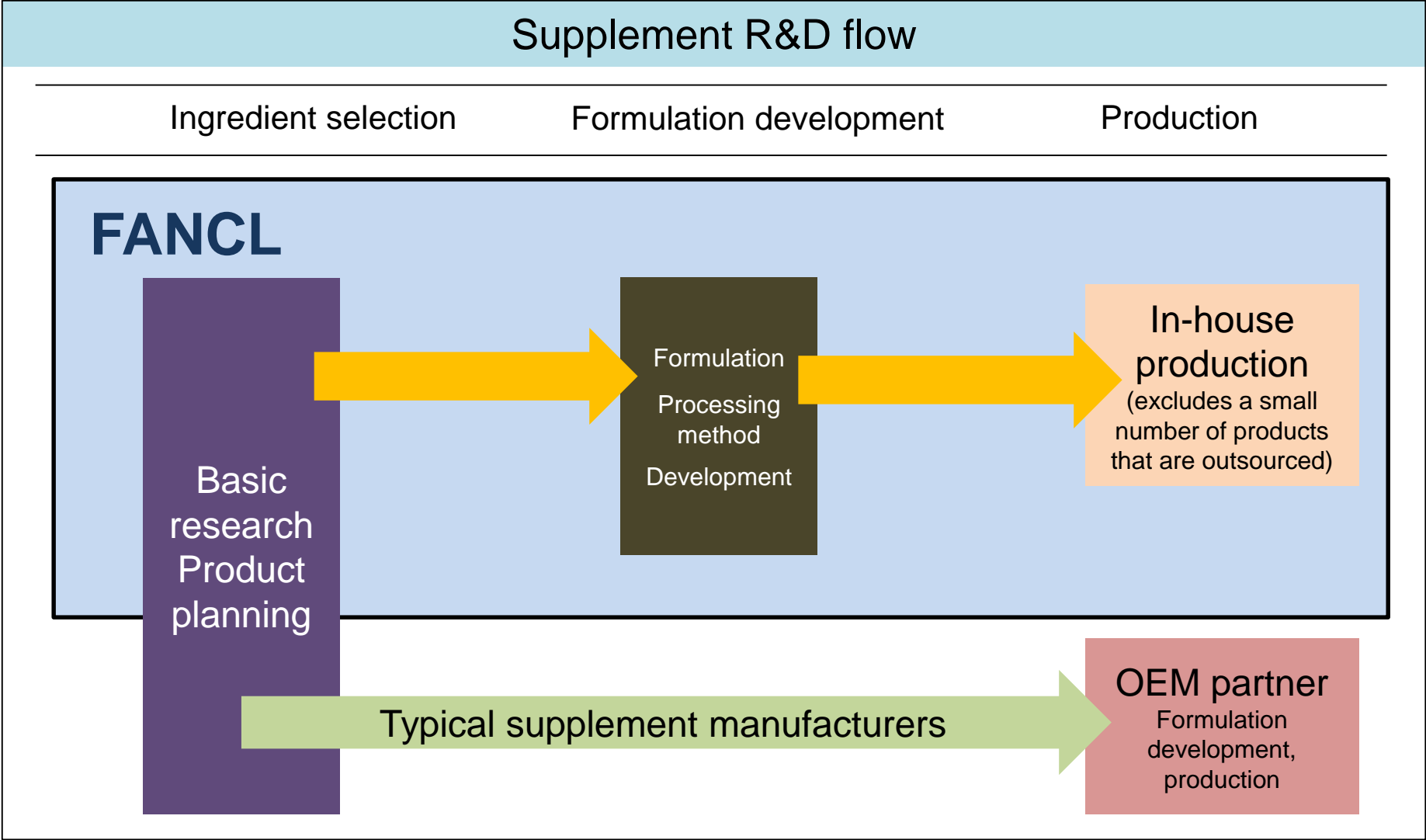
200 researchers
(Including 22 professors, 12 chemists)

Registered patents

In Japan 407
Outside Japan 148

*As of end of Jan. 2020

- Only a small number of supplement manufacturers conduct in-house formulation development



The pioneer of Product Efficacy in our Body

Research on the optimal composition balance to achieve mutual enhancement of both the sustainability and the absorbency of each individual ingredient

Example: Coenzyme Q10 fine emulsion process

Improving absorption - fine emulsification to a nanolevel when in contact with water, making it easier for the body to absorb

Standard product

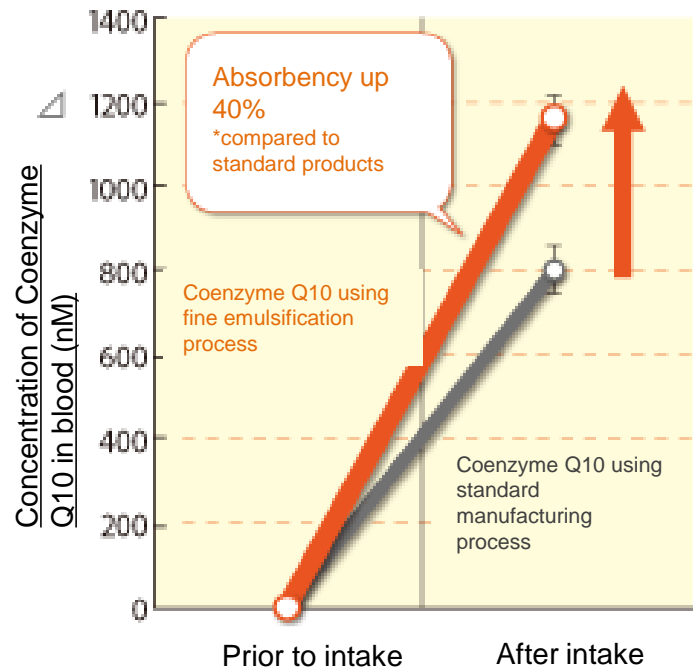


Not easily soluble in water

FANCL product



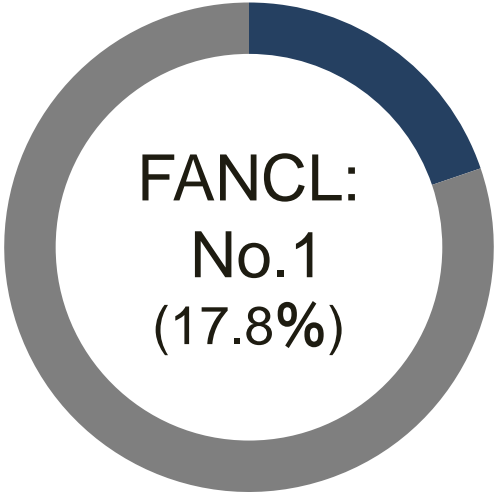
Quickly mixes with water, meaning easy absorption



The system of Foods with Function Claims	A system in which a product’s functionality can be displayed on its packaging if the manufacturer presents scientific evidence of its functionality
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Food with Function Claims (supplements) market share

Methods used to acquire evidence of food with functional claims



	FANCL	Overall market
Research review (SR)	62%	92%
Clinical trial	38%	8%
Total	100%	100%

※As of 31 December,2019

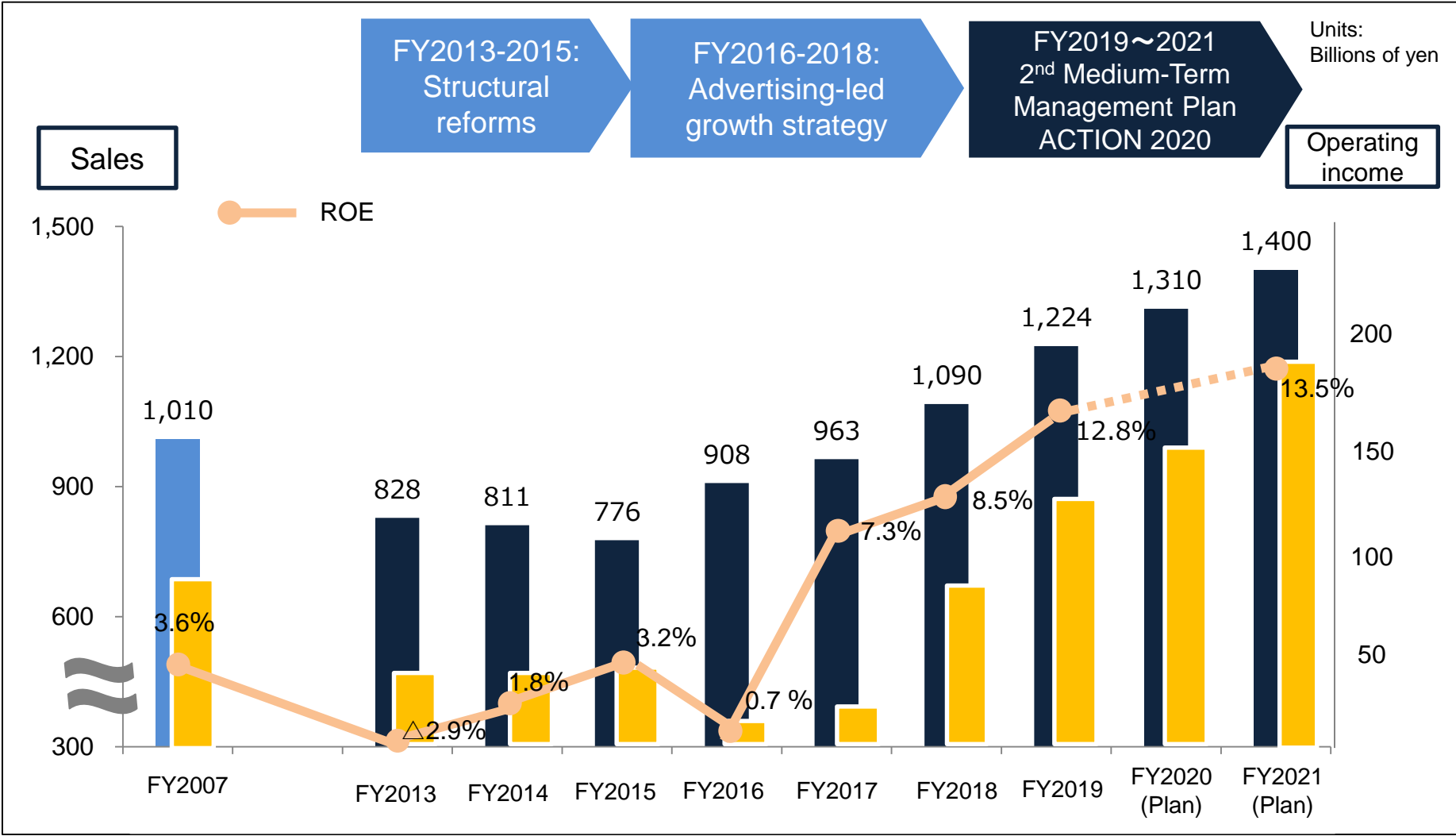
Evidence acquired via clinical trials with high registration hurdles. Successful differentiation from other companies

Fujimi Keizai “HB Foods Marketing Manual 2019”
No.3 Food with Function Claims Market Analysis – Health Food/Series
Supplements: Fiscal 2017 Results by Monetary Amount

FANCL's growth strategy

From structural reform to a regrowth trajectory

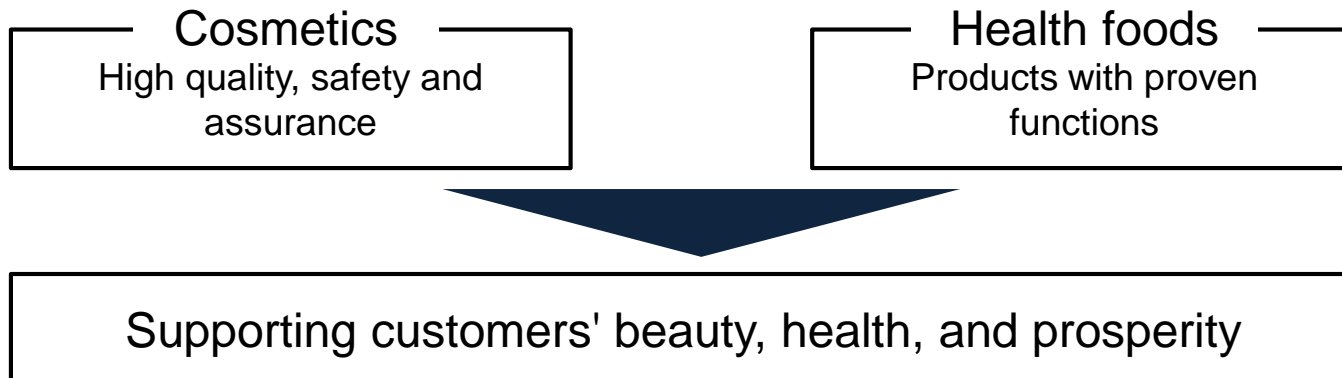
Growth foundations solidified through management reform. Significant improvement in profitability in accordance with sales growth



VISION2030

Make the world healthier and more beautiful

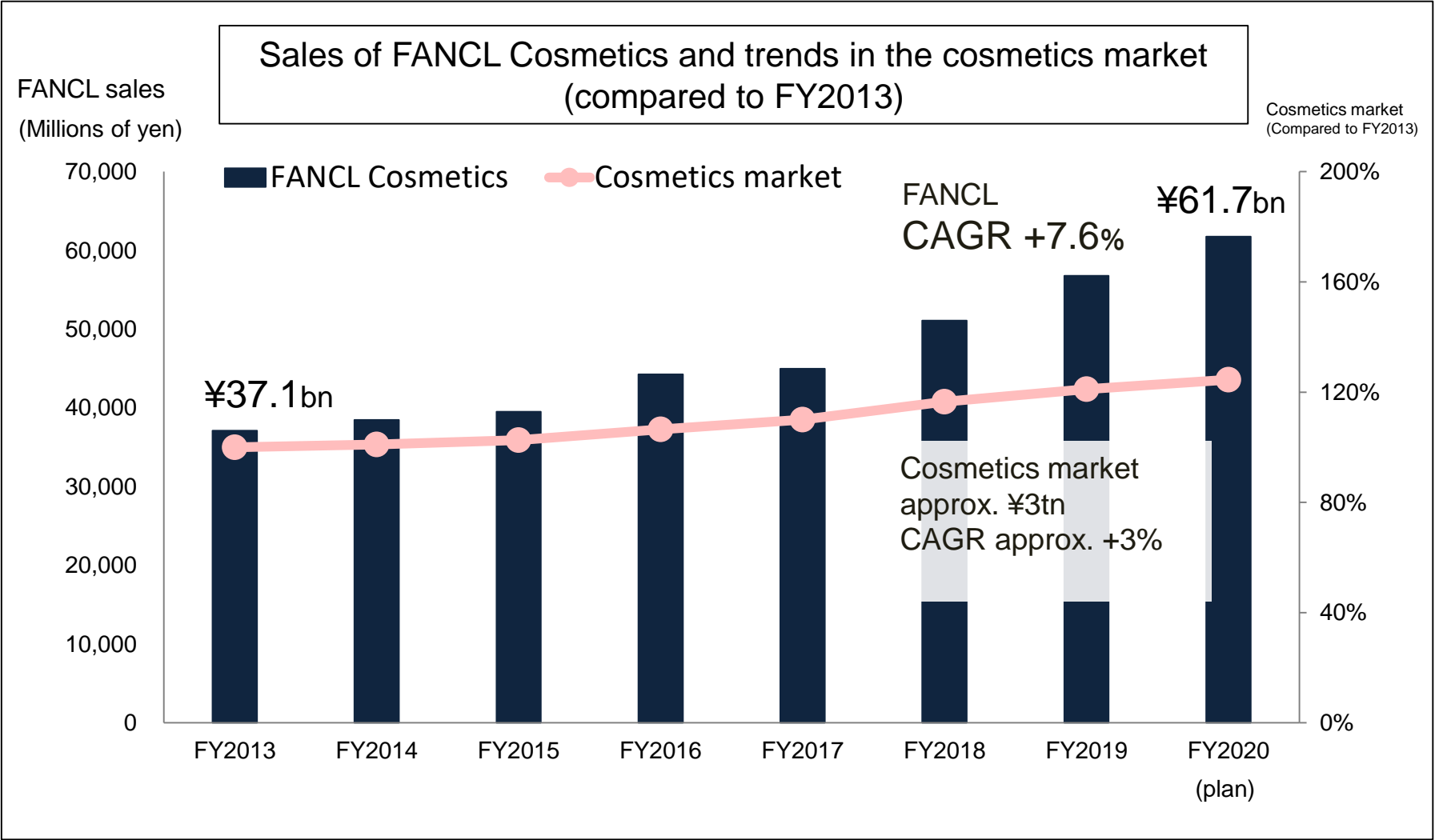
Towards 2030, the FANCL group aims to launch business ventures in a range of areas. In each business domain we aim to support customer lifestyles full of beauty and health, not only in Japan but on a global scale, as a corporate group that customers can trust and rely upon



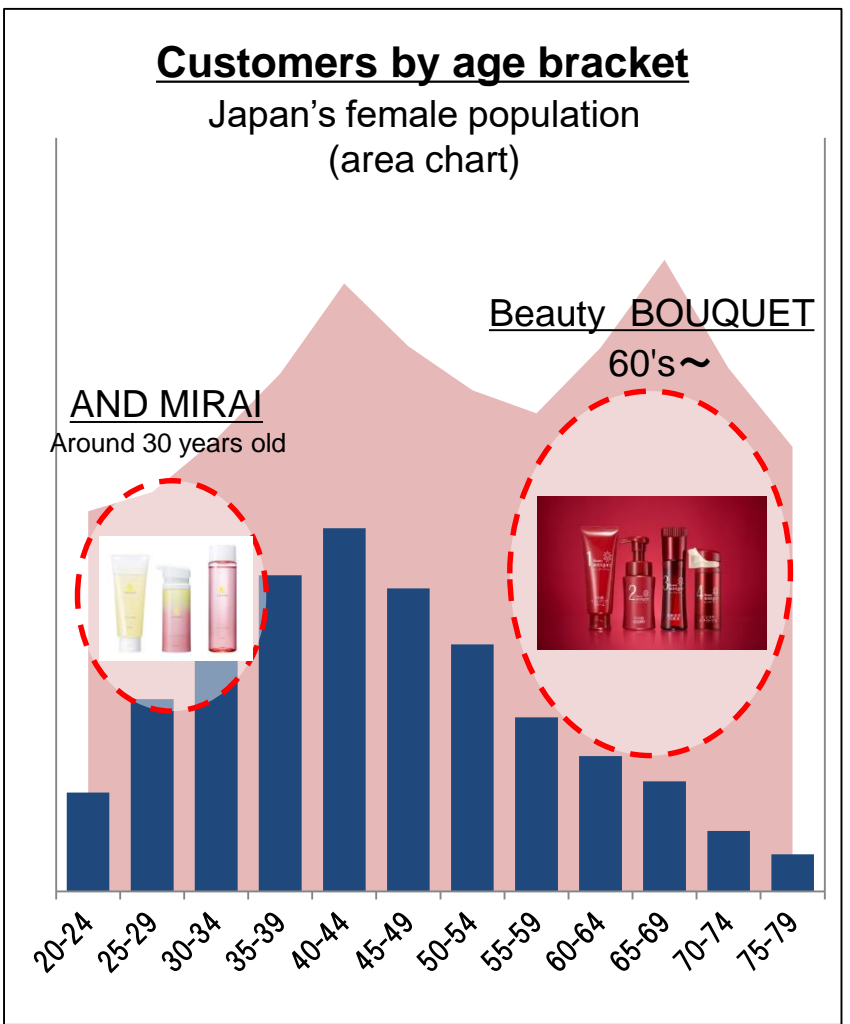
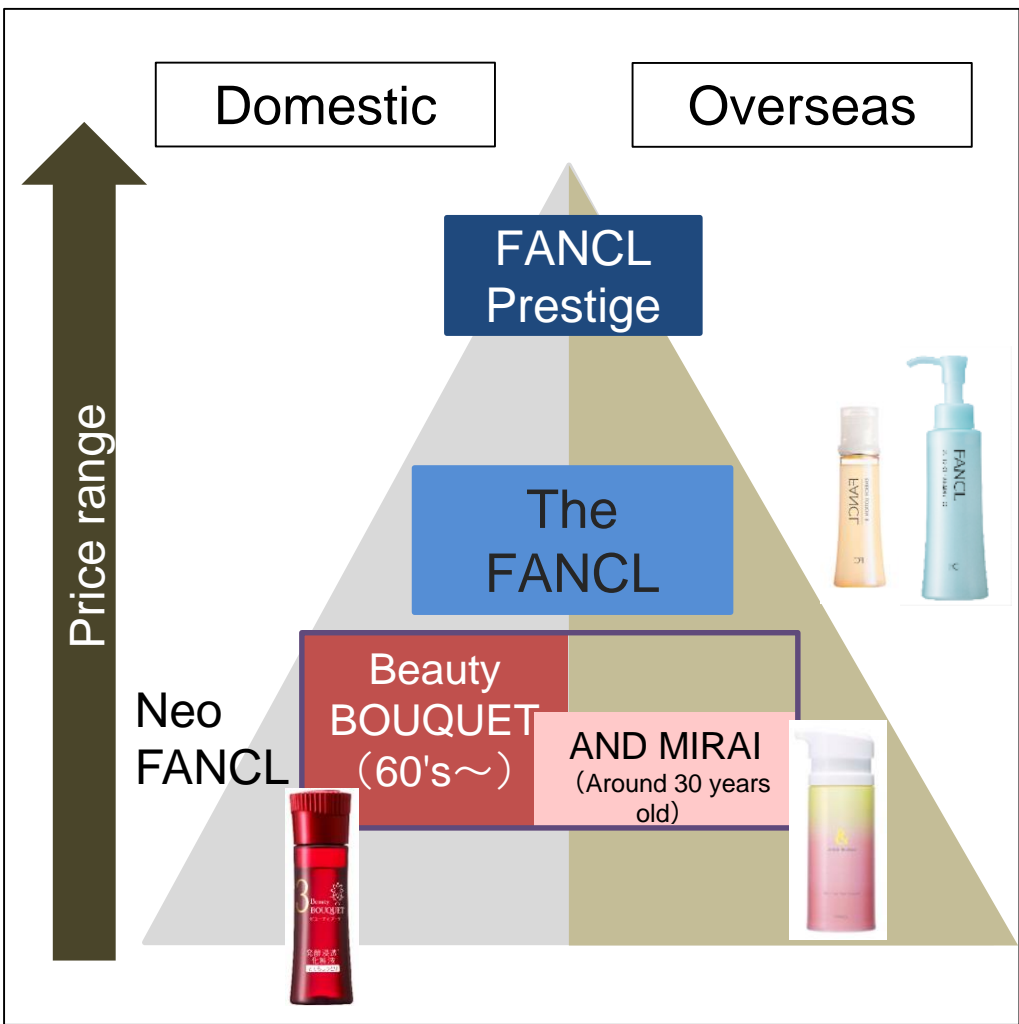
Helping people around the world to “extend their healthy life expectancy,” reduce medical costs, and become a company that is even more trusted and loved by society

Cosmetics Business (FANCL Cosmetics)

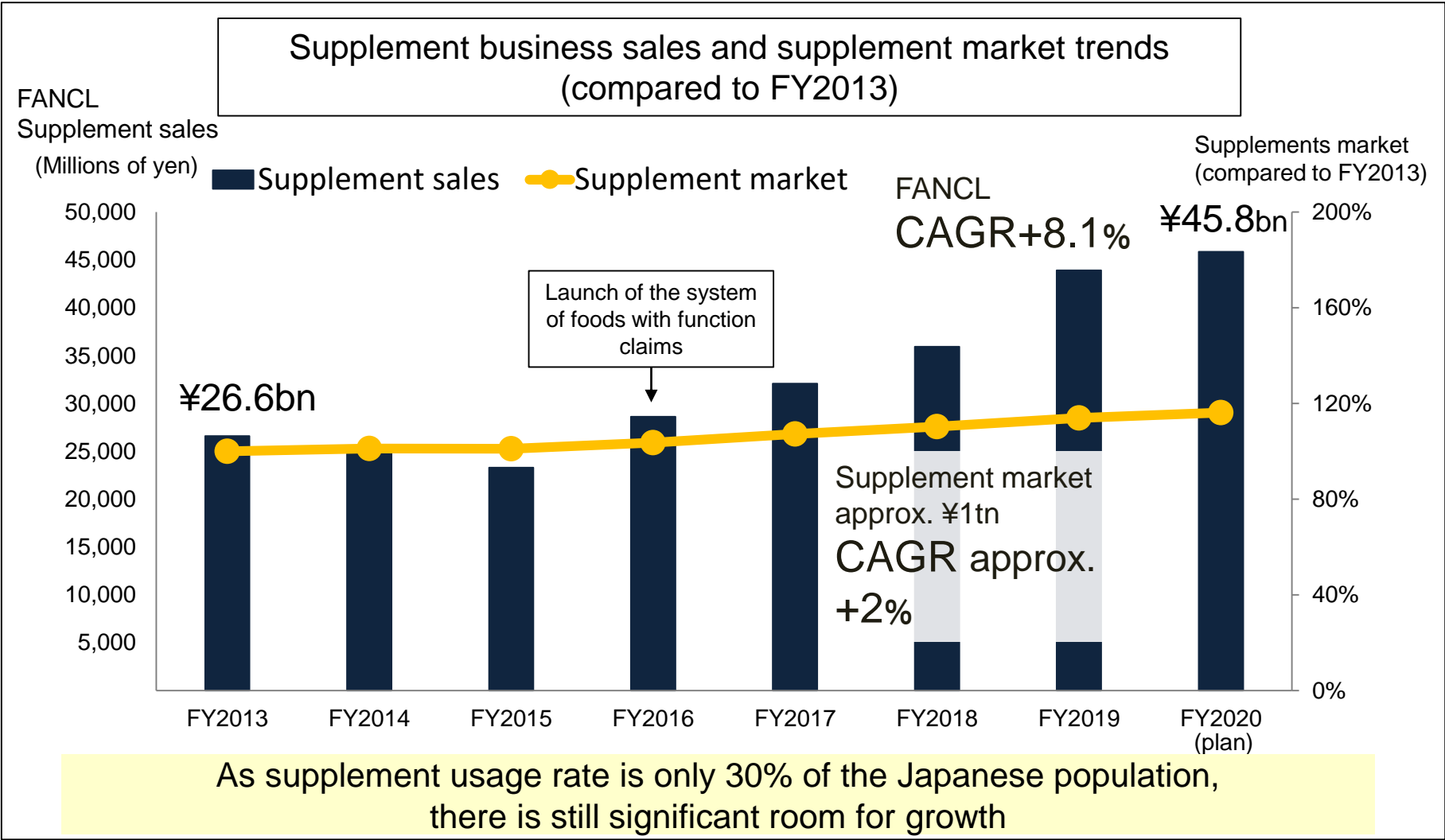
Realizing growth far exceeding the market, backed by a strong customer base



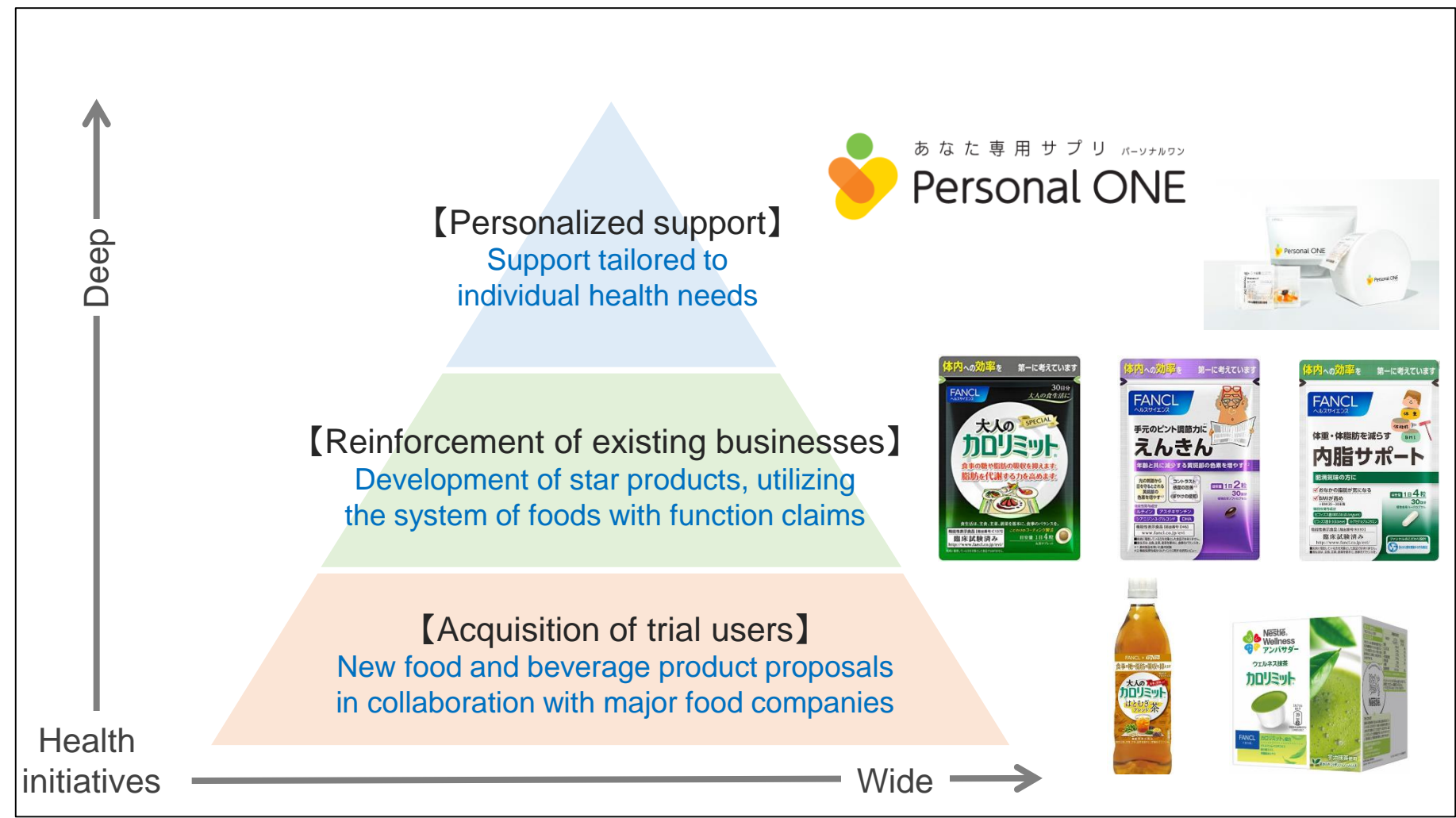
- FANCL’s domestic sales reached approximately ¥55 bn, and the scope for growth as a single brand has narrowed
- Cultivate new target segments by offering sub-brands to age groups where current customer numbers are lower



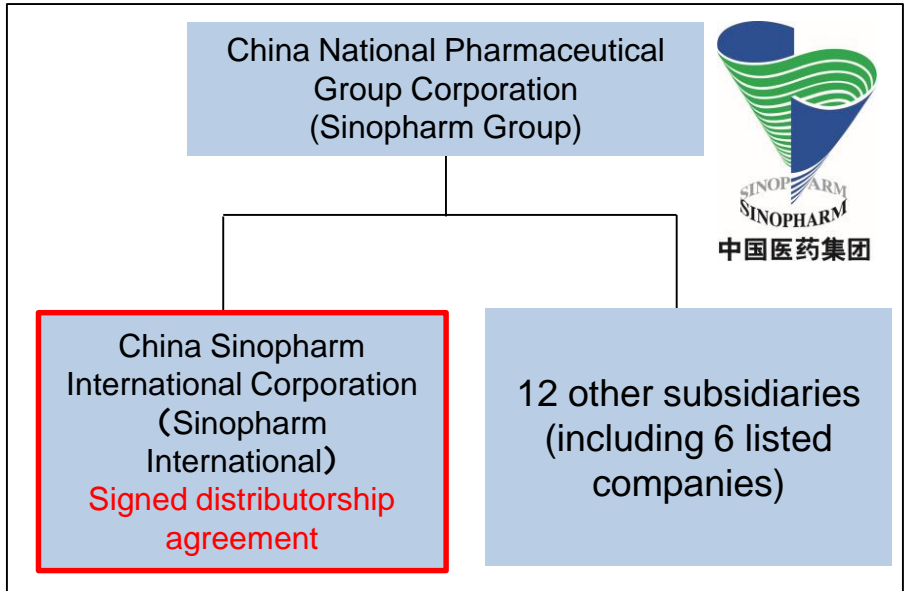
Achieving growth greatly exceeding the market, driven by success of foods with function claims



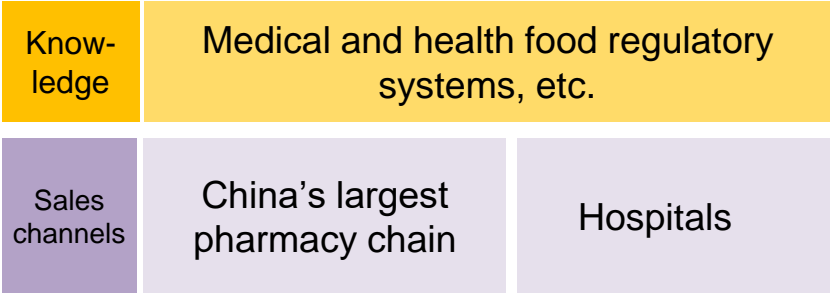
- Expand the range of people who take supplements, and promote the development of products and services according to each individual's approach to healthcare



China's largest pharmaceutical group (state-owned)



Sinopharm Group resources



Business development schedule

▪2018 Launched cross-border ecommerce business



▪2019 Started applying for permits



▪Late 2020 Launching vitamin and mineral sales (planned)



▪2022 Launching sales of functional supplements (planned)

Initiatives With Kirin Holdings

Synergy effects
(FY Mar/2025)

FANCL as a single entity: net sales of approx. ¥13 billion,
operating income of approx. ¥2 billion

Calendar year
(Jan - Dec)

2020

2021

2022

2023

2024

Product development synergies

Health food
(Supplements,
beverages)

Launch of collaborative products leveraging both companies' brands

Sales of supplements utilizing original ingredients

Cosmetics

Launch of cosmetic products utilizing original ingredients

Joint
research

"Life-induced diseases," "Intestinal environment," "Development of original ingredients for cosmetic use"

Channel and
infrastructure
synergies

Online and catalogue mutual customer referral

Utilization of both companies' unique channels (FANCL: direct stores, Kirin: vending machines, home delivery)

Procurement reforms

Collaborative production and logistics

Effective use of research assets through integrated development of health foods and cosmetics

Examples of how health food ingredient research and technology is applied to the cosmetics field

Vitamin B

Reduction in fatigue



Regulates effects of acne and sebum



Cosmetics products for men
Mutenka Men

Silymarin

Improvement in liver function



Promotes skin turnover
Prevents wrinkles



Top of the range serum
Beauty Concentrate

Resveratrol (Viniferin)

Activation of longevity genes

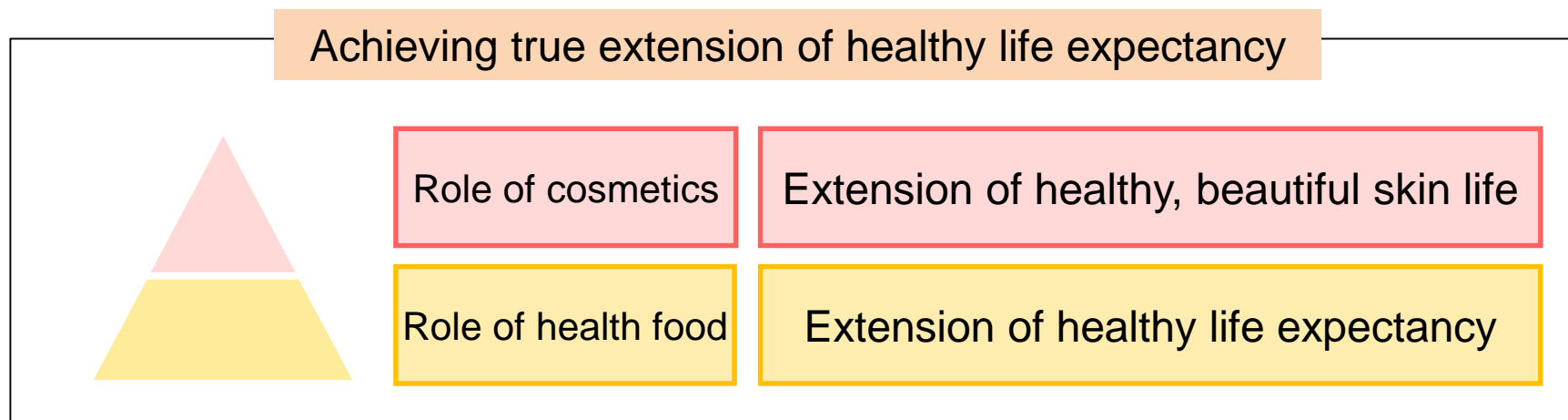
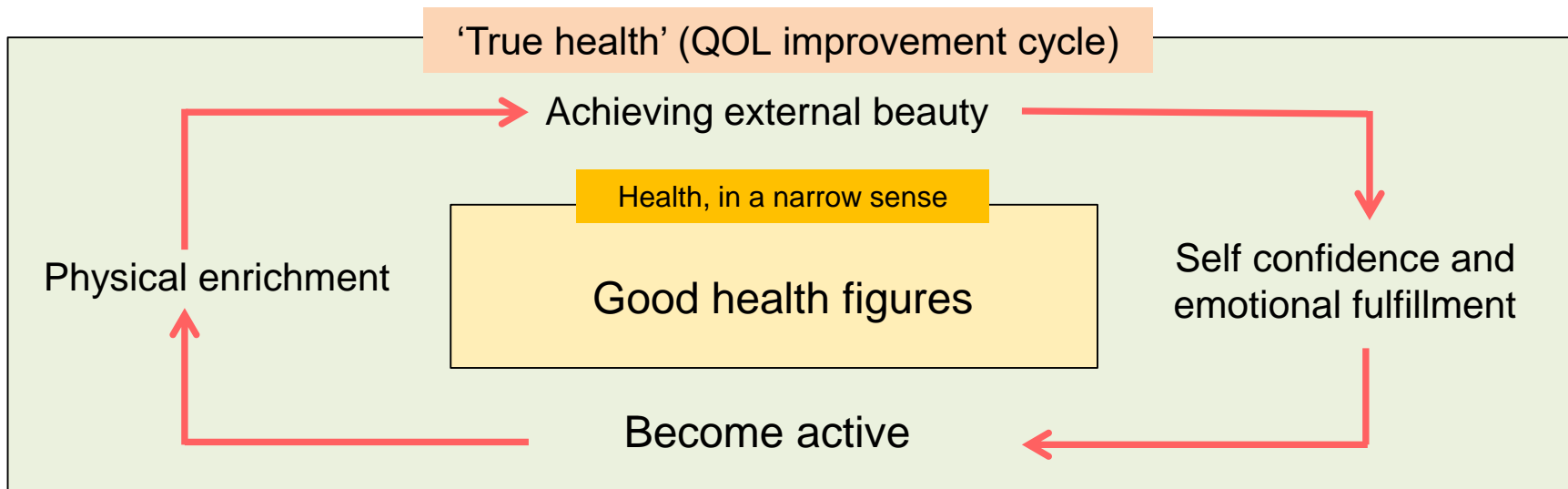


Boosts collagen and elasticity



Top of the range aging care
BC Line

Health and beauty are interlinked. Both are essential to extending healthy life expectancy



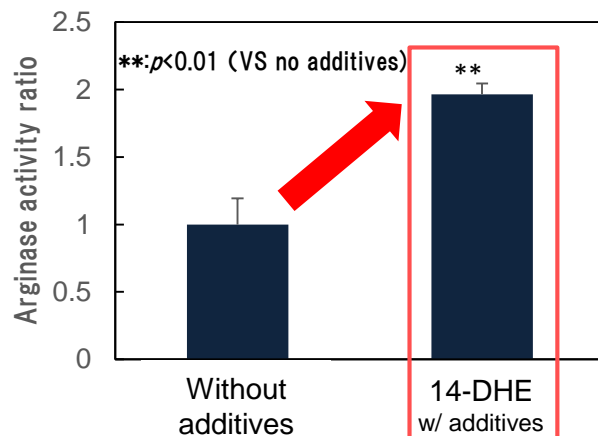
FANCL applying Kirin proprietary food sector ingredients in FANCL cosmetics

Discovery of a component in white *koji* bacterium that affects healthy skin functions

For use in anti-aging cosmetics

Discovered a component in white *koji* bacterium (14-DHE) that promotes the production of a protein (Arginase-1) associated with the functions of beautiful skin. Patent application filed in January

Results of monitoring Arginase-1 activity (skin-benefitting protein)



Launched approximately 10 projects. Currently assessing effects of ingredients as cosmetics ingredients

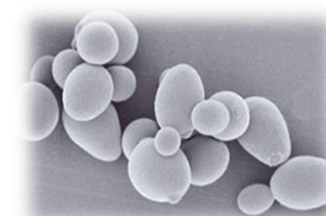
Matured hop extract



Ingredients found in black tea and green tea



Yeast used in fermentation



Etc.

