May 10, 2021

FANCL Corporation
TSE 1st Section: 4921

Notice Regarding 3rd Medium-Term Management Plan (FY Mar/2022 – FY Mar/2024)

Yokohama, May 10, 2021—FANCL CORPORATION hereby announces that it has formulated its third Medium-Term Management Plan (FY Mar/2022 to FY Mar/2024), the first year of which is FY Mar/2022.

3rd Medium-Term Management Plan (FY Mar/2022 – FY Mar/2024)

Through our 1st Medium-Term Management Plan starting FY Mar/2016 which focused on an “advertising-led growth strategy” (FY Mar/2016-2018) , the Group made a V-shaped recovery in its earnings, and established a sustainable growth foundation. Subsequently, in 2018, we formulated VISION2030* as our vision for 2030, the 50th anniversary of our founding. In order to realize this vision, we positioned the 2nd Medium-Term Management Plan, “Action 2020" (FY Mar/2019-2021), as a period in which to "enhance profitability and solidify our foundation for the full-scale growth of overseas businesses.”

In the 3rd Medium-Term Management Plan (FY Mar/2022-2024), we have set forth seven challenges under the title "Forward 2023" – Conquer Adversity and Shape our Future. By further building on our initiatives set out in "Action 2020," we will work to eliminate new "negatives" that have arisen as a result of the COVID-19 pandemic, and respond quickly to changes in the social environment to achieve sustainable growth in Japan and overseas.

3rd Medium-Term Management Plan
"Forward 2023" – Conquer Adversity and Shape Our Future

Major Policy: 7 challenges

1. **Create and promote products with unique value**
2. **Implement OMO that is unique to FANCL**
3. **Foster and develop new business**
4. **Promote full-scale globalization**
5. **Create synergies with Kirin Group**
6. **Implement human resource development and utilization**
7. **Promote sustainable business, make lasting SDGs contributions**

***Long-Term Vision**

VISION2030: Make the world healthier and more beautiful and become a company that is loved around the world

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.

1. Business Strategy

(1) Cosmetics Business

■ FANCL Cosmetics

Policy: The company will promote brand diversification based on the absolute value ("safety" and "peace of mind") offered by Mutenka cosmetics, launching new, highly effective products and promoting understanding of the ability of Mutenka products to enhance the skin's natural functions.

Basic Strategy

- Seek to develop new target groups by developing a brand system for each target.

The FANCL

- Expand the number of skincare users by renewing one basic skincare line every year.
- Strengthen the face wash category to become the No. 1 brand in this market.
- Expand number of serum users by supplementing CORE EFFECTOR with a new, high-function serum.

NEO

- Strengthen the development of Beauty BOUQUET and AND MIRAI by expanding awareness and sales according to their respective brand characteristics.

Prestige

- NEOF CORPORATION established in April 2021, to newly develop the independent "Prestige" brand separate from FANCL during FY Mar/2022.

Overseas Strategy

- Develop e-commerce in the Asian region through diversification of brands.

■ ATTENIR

Policy: Based on the philosophy of "luxury brand quality at one-third of the market price or lower," work to evolve ATTENIR from a domestic brand into a global brand.

- In Japan, aim to evolve ATTENIR as a "total beauty brand" by strengthening skin care products and renewing and expanding the lineup of beauty supplements.
- Overseas, develop products adapted to local needs, and supplement cross-border e-commerce in China with general trade sales. In other Asian markets, begin full-scale global expansion through cross-border e-commerce.

■ boscia

Policy: Enhance brand value and increase sales by launching premium lines and by promoting to "natural brand" status in the U.S. and "international brand" status in Europe, Australia, China, and other markets.

- Further strengthen e-commerce for the post-COVID-19 era.
- Expand sales areas by strengthening ties with leading retailers in each country.
- Establish a new premium line of products for cosmetics specialty stores and department stores.

(2) Health Food Business

Policy: Based on the three pillars of "strengthening our existing supplement business,"

"personalization," and "creating trial opportunities (BtoB business) through the development of food formulations," the company aims to create a highly profitable business model that responds to new needs arising from the declining birthrate, aging society, and COVID-19.

Basic Strategy

- In the existing nutritional supplement business, work to expand sales by developing products centered on Foods with Function Claims products and periodically renewing star products to meet new needs emerging from social change.
- In personalization, develop Personal ONE, launched in February 2020, into a pillar of the business on the strength of its scientifically-backed "visualization technology" services and an extensive product lineup capable of addressing a wide range of concerns.
- In the BtoB business, work with the Kirin Group and other food manufacturers to develop food products with both "good taste and health value", aiming to achieve FANCL brand penetration and develop potential users of supplements.

Overseas Strategy

- Aim to become the top-selling foreign brand in China through cross-border e-commerce and general trade sales of approved health food products.

2. Sales Channel Strategy

Leverage IT to combine the strengths of online and catalogue and direct store channels to achieve OMO that is unique to FANCL, for the purpose of maximizing the value of the customer experience.

Online and Catalogue Sales

- Distribute information over the web to achieve faster and more personalized customer service.
- Strengthen presence on external online and catalogue platforms as a new customer contact point and “experience” vector.

Direct Store Sales

- Strengthen communication and counseling capabilities of store staff to realize high-quality customer service.

Wholesale Sales

- Conduct sales promotion activities that integrate mass advertising of core products with retail store media to maximize sales per store.

3. Kirin Group Synergies

- Aim to create synergies in the areas of product development and channel infrastructure.
- Promote the development and launch of supplements that make use of Kirin's proprietary materials in areas for which market needs are increasing due to the COVID-19 pandemic, such as immunity.
- Jointly develop cosmetic ingredients with Kirin with the aim of improving cosmetics products’ functionality.
- Promote joint research in the fields of Immunity, Brain function, and Gut microbiome

to cultivate future business growth.

4. Reinforcement of Management Foundation, Promotion of SDGs

(1) Management Foundation

Research	• Accelerate business strategies, promote research on solutions to eliminate negatives • Develop new products utilizing Kirin Group technologies, materials
Production	• Strengthen supply system and increase flexibility - Launch new, dedicated supplements plant (Mishima, Shizuoka Prefecture / April 2021) - Shorten manufacturing lead times, promote stable supply through BCP measures
IT Systems	• Commission FIT3, a core IT system for realizing the optimal approach for each individual customer (Spring 2022)
Logistics	• Promote automation and manpower efficiencies, shorter delivery times and reduced delivery costs • Launch Kansai Logistics Center (Kadoma, Osaka Prefecture / June 2021)
Human Resources	• Strengthen training for next generation of executives and other employees, strengthen global training • Establish a human resources management system to promote employee engagement and ensure optimal deployment of human resources in line with management strategies

(2) Promotion of SDGs

In response to a changing world, we have reviewed and adjusted our priorities based on the FANCL Group Sustainable Declaration, "Building a Bright Future Together" (formulated in 2018), and will be promoting the following three priority themes: Environment, Healthy Living, and Local Communities and Employees.

Environment

We will work to achieve quantitative targets and enhance brand value through unique initiatives not limited to addressing climate change and reducing plastic use in product packaging.

- Achieve 100% certified palm oil use in products by FY Mar/2024
- Achieve 100% compliance with sustainable packaging based on 4Rs* by FY Mar/2031
- Achieve virtually zero CO2 emissions by FY Mar/2051

*4Rs: Reduce, Reuse, Recycle + Renewable

Healthy Living

We will contribute to realizing a sustainable society by addressing global challenges and

social issues though our products and services.

- Target a 50% health food (supplement) usage rate among Japanese people by FY Mar/2031, with the aim of extending healthy life expectancy and reducing medical costs (FY Mar/2021: 31%)

Local Communities and Employees

We will continue to build on the promotion of diversity and inclusion – a strength of FANCL's – and social activity to contribute to the realization of a society where everyone can make the most of their abilities.

- Achieve a 50% ratio of female managers in FY Mar/2024 (FY Mar/2021: 46.5%)
- Achieve a 5% employment rate of people with disabilities in FY Mar/2031 (FY Mar/2021: 3.74%)

5. Shareholder Returns

The Company will maintain its performance-linked distribution of profit to shareholders with stable dividend payouts.

Dividends	Determine the dividend amount based on a target consolidated payout ratio of approximately 40% and DOE (dividend on equity) ratio of approximately 5%
Acquisition of treasury stock	Flexibly consider the acquisition of treasury stock 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 stock in excess of 10% of the total number of outstanding shares will be cancelled

6. Numerical Targets

We are targeting consolidated net sales of ¥120.0 billion and operating income of ¥15.0 billion for FY Mar/2024, the final year of the Medium-Term Management Plan. In respect to KPIs, we will supplement ROE (Return on Equity) with the introduction of ROIC (Return on Invested Capital), a new indicator; together, these KPIs will help us to promote management based on awareness of the profitability and investment efficiency of each business.

	Net Sales	**Operating Income**	**ROIC**	**ROE**
FY Mar/2024 (planned)	¥120.0 billion	¥15.0 billion	11.0%	12.5%
Reference: FY Mar/2021	¥105.1 billion	¥11.5 billion	10.5%	11.7%

* Based on "Accounting Standard for Revenue Recognition" introduced from FY Mar/2022.
Net sales and operating income for FY Mar/2021 are estimates based on above standard.

*****ENDS*****

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