May 8, 2024

FANCL Corporation
TSE Prime Market: 4921

Notice Regarding 4th Medium-Term Management Plan (FY Mar/2025 – FY Mar/2027)

Yokohama, May 8, 2024—FANCL Corporation hereby announces that it has formulated its 4th Medium-Term Management Plan (for the period from FY Mar/2025 to FY Mar/2027), the first year of which is FY Mar/2025.

4th Medium-Term Management Plan (FY Mar/2025 – FY Mar/2027)

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.” Under the 3rd Medium-Term Management Plan (FY Mar/2022-2024), “Forward 2023,” we worked to eliminate new "negatives" that had 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.

The 4th Medium-Term Management Plan (FY Mar/2025-2027) “Revitalize 2026” is positioned as a period during which we will facilitate a “second founding” of the company, and realize FANCL’s transformation into a company with a global presence that is as formidable as its presence inside Japan.

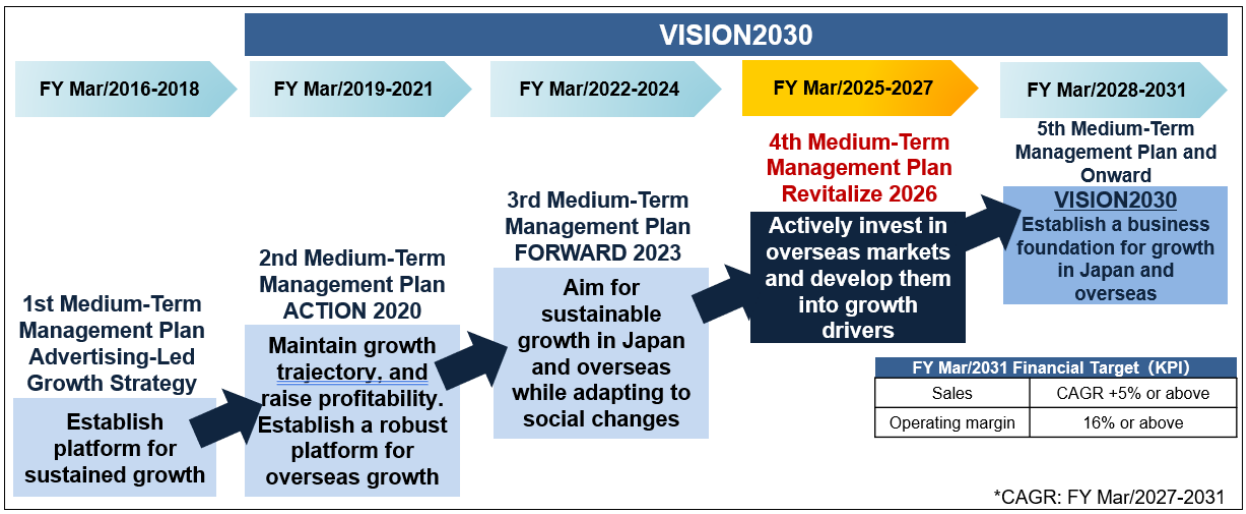
Please refer to the following pages for an outline of the 4th Medium-Term Management Plan.

*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.

4th Medium-Term Management Plan: Revitalize 2026

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



1. Material issues (Materiality) and three priority themes

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

(1) A Prosperous Environment

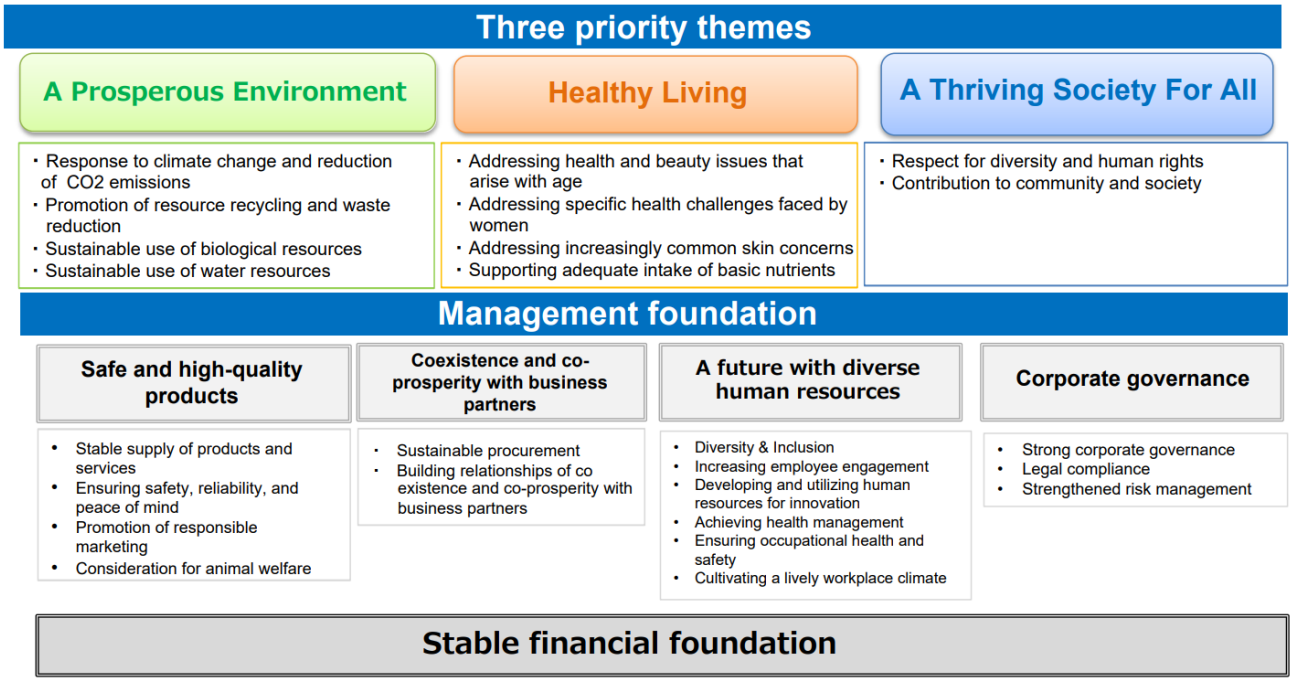
Treasure the blessings of nature and contribute to the preservation of the natural environment in all aspects of our corporate activities.

(2) 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.

(3) A Thriving Society For All

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



*KPIs are listed in section ‘5. Nonfinancial targets of the 4th Medium-Term Management Plan’ on pages 6-8.

2. Basic strategy

(1) Cosmetics business (Domestic)

■FANCL Cosmetics

Review brand diversification and establish position as a brand that resolves skin concerns

Concentrate resources on the FANCL brand and evolve it into a strong brand

- Pursue four plans for the Japan market: (1) expand basic skin care users, (2) expand share in the cleansing/facial wash market, (3) cross-sell to basic skin care users, and (4) explore new business areas.
- Implement proactive new product launches and renewals in the basic skin care and cleansing areas to further strengthen the brand's customer base, and expand sales by treading into new business areas, such as a skin care line for men and kids.

■Attenir

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

- Position and strengthen basic skin care and cleansing products as priority products for core target consumers (i.e., people in their 40s).
- Enhance outreach to consumers in their 30s who will in future become part of the core target group (those in their 40s), and expand lineup of items for consumers in their 50s.
- In terms of sales channels, on our own online platforms and at direct stores, engage in marketing activities that strengthen the connection between brand and customer.
- On external online platforms, aim to develop the next hit product after "cleansing oil", and in the wholesale channel, strengthen the brand's expansion into specialty cosmetics stores.

(2) Health business (Domestic)

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"

- Develop pre-senior group customers aged 55–64-year-old in addition to strong customer base of women in their 40s to 50s.
- Establish a strong portfolio of products that represents FANCL's strengths and addresses various health needs through a field-based approach, with a focus on products that are easy to incorporate into one's daily life to achieve a healthy living, and products that help to resolve individual health concerns.
- Organize major products in the brand's portfolio into the following groups: (1) "Minus→Zero Needs" (Addressing individual concerns), (2) "Zero Keep" (Daily health measures), and (3) "Plus-on Needs" (More beautiful and youthful), and strengthen the connection between each portfolio group and our customers, and introduce new products to expand sales.

3. Sales channel strategy

(1) Domestic channels

Fully leverage the diverse resources of our unique D2C model to strengthen

relationships with customers (CRM transformation) and improve LTV

- Improve customer engagement by leveraging all existing customer purchase data gathered to date, as well as through the capture of behavioral data of each individual customer from multiple angles.
- Strengthen connections with customers by maximizing the value of engagement experiences through events, as well as via social networking sites, apps, and newsletters.
- On external online platforms, expand touchpoints with new customers and expand sales through strengthened marketing campaigns and cross-selling on major e-commerce malls.

(2) Overseas development

Aggressively invest in overseas businesses in the next three years to establish a foundation for growth towards VISION2030.

- 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 business

- In addition to cross-border e-commerce sales, commence general trade sales of Attenir in China, as well as the progressive expansion into ASEAN countries starting from Vietnam (followed by Thailand and Malaysia).
- Position China as a key market for BRANCHIC, and strengthen cross-border e-commerce sales for the brand in the country. Expand in-house live commerce and product placements in platform-operated stores, as well as through distribution of products to beauty salons with the aim of expanding sales and stabilizing the business.

■Health business

China

- As the brand owner, focus on branding and product development initiatives from a medium- to long-term perspective.
- For cross-border e-commerce, align the Japan and China strategies, with women in their 30s/40s and pre-seniors as the main targets.
- For general trade sales, proceed with filings of health food products for approval, and aim to make products available across 1,000 stores in the future, including upscale supermarkets and pharmacies.
- Consider introducing unique products in higher price ranges and developing new channels in collaboration with leading companies from other industries to expand sales.

ASEAN

- Consider launching and developing a new brand for markets in ASEAN, starting in Vietnam where Japanese-made products are highly valued. Also consider potential collaborations with Blackmores Limited, a Kirin Group company.

4. Reinforcement of management foundation

Research	● Promote research and development to solve “future social issues” and “customer concerns” – Beauty: Building competitive advantages in the market for sensitive skin and skin concerns – Health: Seniors (anti-aging) – Shared: Femtech area, promotion of globalization, environmental responsiveness
Production	● Expand factory and production line in line with sales growth ● 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
IT Systems	● Increase sophistication of customer analysis through further utilization of core “FIT” system – Visualization of customer journey, data collection and analysis to heighten customer understanding – Data-driven customer services ● Construct systems that will help realize data-driven management – Building systems that can be used to aid managerial decision making – Exploring new possibilities through generative AI, improving work efficiency and productivity through RPA and low-code development
Logistics	● Reduce logistics costs – Develop system for selecting optimal logistics firms – Internalize operation of the Kansai Logistics Center – Improve productivity by utilizing new WMS (Warehouse Management System)
HR	● 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

5. Fourth Medium-term Management Plan: Non-financial targets

(1) A Prosperous Environment

	Materiality	Target
1	Response to climate change and reduction of CO2 emissions	Net zero CO2 emissions by FY Mar/2051
2	Promotion of resource recycling and waste reduction	100% of packaging made from plastic wrap materials that adhere to the 4Rs by FY Mar/2031
		50% of plastic FANCL cosmetics containers made of plant-derived or recycled plastic by FY Mar/2031
		100,000 (cumulative) customers participating in the collection and recycling of cosmetics containers by FY Mar/2027
3	Sustainable use of biological resources	80% sustainable palm oil procurement (mass balance ratio) by FY Mar/2027
		100% adoption of environmentally-friendly paper in paper-based container packaging materials by FY Mar/2026

(2) Healthy Living

	Materiality	Target
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 to 110% of the FY Mar/2024 level by FY Mar/2027
		Increase the number of pre-senior and senior individuals who use FANCL's products for resolving health- and beauty-related issues to 125% of the FY Mar/2024 level by FY Mar/2027
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 to 120% of the FY Mar/2024 level by FY Mar/2027
3	Addressing increasingly common skin concerns	Increase the number of people who use FANCL's Mutenka skin care products for alleviating skin concerns to 120% of the FY Mar/2024 level by FY Mar/2027
4	Promoting adequate intake of basic nutrition	Increase the number of people who use FANCL's products to supplement adequate intake of basic nutrition to 115% of the FY Mar/2024 level by FY Mar/2027

(3) A Thriving Society For All

	Materiality	Target
1	Respect for diversity and human rights	50% female employees in management positions by FY Mar/2031
		70% female employees aspiring to hold management positions by FY Mar/2031
		Overall rating of 12.5 points in women's proactiveness in the workplace by FY Mar/2031
		(1) 100% of male employees taking maternity leave by FY Mar/2031 (2) 50% of male employees taking longer than 30 days of maternity leave by FY Mar/2031
		5% employment rate of people with disabilities by FY Mar/2031
2	Contribution to community and society	19,000 participants (cumulative) in activities leading to a healthy future by FY Mar/2027
		1,400 participants (cumulative) in activities helping enable people with disabilities to live with joy and optimism by FY Mar/2027

(4) Management Foundation

		Materiality	Target
Diverse workforce	1	Increase employee engagement	Stress check score average of 12.0 or higher over the most recent 3 years (utilizing the Lively Workplace Comprehensive Assessment)
	2	Developing and utilizing human resources for innovation	By FY Mar/2027, (1) Global human resources consisting of: a) 1,000 employees who have completed cross-cultural understanding and management training

			b) 250 employees with language skills other than Japanese (2) Digital/DX human resources consisting of: a) 600 employees who obtained ITPEC certification and completed basic skills training b) 100 employees who have completed data analysis and utilization training (3) Marketing human resources consisting of: a) 1,000 employees who have completed basic skills training b) 150 employees who have completed of digital marketing training
	3	Achieving health management	(1) Maintain a 100% health checkup rate through to FY Mar/2031 (2) Achieve a stress check rate of 3.0% or below (general health risk level of 120 or higher for sector) by FY Mar/2031
	4	Ensuring occupational health and safety	(1) Achieve an occupational accident rate (lost time) of 1.0% or below by FY Mar/2031 (2) Maintain a 0.0% occupational accident rate (fatalities) through to FY Mar/2031
Co-existence Co-prosperity	5	Building relationships of co-existence and co-prosperity with business partners	Maintain a satisfaction rate of 90% or higher on supplier surveys through to 2030 *Percentage of companies that did not provide negative responses to the survey

6. Shareholder Return Policy

FANCL 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%
Share buybacks	Flexibly consider share buybacks with the aim of improving the capital efficiency ratio, while taking into account trends in the stock price and future capital needs
Cancellation of treasury stock	Treasury stock in excess of 10% of the total number of outstanding shares will be cancelled

7. Numerical Targets (Consolidated)

	Net sales	Operating income	ROIC	ROE
FY Mar/2027 (planned)	JPY 133 billion	JPY 19 billion	13.6%	13.6%
Reference: FY Mar/2024	JPY 110.8 billion	JPY 12.5 billion	9.9%	11.4%

Ends