

## Message from an Outside Director

# Leveraging Knowledge Gained from Corporate Restructurings to Support New Challenges by FANCL

### Expectations on the Outside Directors

I believe the FANCL management team expects two things of me as an outside director. The first is to suggest strategies and measures that will contribute to future growth for FANCL based on my experience with various consulting services regarding corporate restructuring. The second is to help the internal management team become more aware from an objective perspective using my knowledge as an outside certified accountant.

### Strengths of and Challenges for FANCL

From my point of view, FANCL possesses two major strengths. The first is the fact that the founding philosophy of Eliminate the "Negatives" with a Sense of Justices is both deeply ingrained in all of the Company's executive, as well as employees. In responding sensitively to the new "negatives" that arise as the world undergoes a series of major changes, every employee continuously pursues products and services that address these negatives. This management concept has recently been termed purpose-driven

management, and although this approach has been proven to generate long-term growth in corporate value, the fact that FANCL has practiced this approach to management since its founding as a matter of course is a major strength.

The second is that FANCL possesses competitive, alluring products in the two areas of cosmetics and nutritional supplements. Another point I should mention here is the many FANCL fans among its customers. In order to eliminate the "negatives," FANCL has developed preservative-free cosmetics and high-quality, affordable nutritional supplements, and has grown in turn as a product-oriented company. On the other hand, as part of this process it has also considered ways of ensuring its customers use these products with comfort and peace-of-mind, and truly values its customers through close communication. In this way, FANCL has encouraged customers who were initially fans of its products to become fans of the Company itself. Possessing an unshakeable level of trust among its customers built up over many years, I regard FANCL as a customer infrastructure company. And I believe it is this very infrastructure that is FANCL's greatest intangible asset, the basis for all of its business activities, and something which will emerge as a driver of future growth.

On the other hand, I feel one issue for FANCL is the gradually advancing age of its customer base. In order for FANCL to continue sustained growth into the future, it must expand its fan base by ensuring that new customers from younger generations also use more and more of its products and services. For this

reason, the key is the open ideas of younger generations that are not caught up in past success stories and preconceived notions. It mostly seems to me that until now FANCL has operated in a top-down fashion, with talented managers leading employees. The current management team, however, is focused on creating an environment that allows all employees to voluntarily take on new challenges and flourish, in part to expand the fan base among younger generations going forward. I hope to see these self-directed challenges produce results, as well as the growth of a bottom-up company and organization.

### Evolving into a More Sophisticated Governance Structure

As it evolves into a sophisticated governance structure that successfully brings together the wisdom of all directors, the current Board of Directors is seeing yearly progress in improvements to its management approach, as well as the development of a free-spirited atmosphere that also allows the outside directors to present harsh opinions. As far as DX, human capital enhancements, and other major trends in society are concerned, I think it is a positive that the outside directors have taken the lead on theme-based sessions to discuss these topics, and that these discussions are reflected in management plans. In FY Mar/2023, the Board of Directors codified the succession plan defining the human resources requirements for future CEO candidates and future director candidates. As a result of thoroughgoing discussions, the Board included many unique qualifications as part of these human resources requirements, including the ability to embody the founding philosophy and the corporate philosophy, as well as possessing a deep love of FANCL. Detailed in a way that acutely conveys the expectations on future management teams, I believe this plan will contribute significantly to the sustainability of management.

### In Conclusion

FANCL possesses many of the elements required to enable sustainable growth. Its employees are flush with compassion and the ability to cooperate, and all are decent people. In order to drive innovation that realizes major progress, however, FANCL must further upgrade and expand its field of view and turn its sights to the outside.

For example, I feel it would be interesting to boldly employ outside talent with completely different sensibilities. In other words,



### Profile

After entering Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation) in 1994, Akira Matsumoto joined KPMG Century Audit Corporation (currently KPMG AZSA LLC.) in 1999. He is currently involved in many corporate restructuring advisory projects as the President and Representative Director of MIT Corporate Advisory Services CO., LTD. (Registered as a certified public accountant in 2003)

by incorporating foreign elements that had not previously existed within the organization, subsequent unexpected chemical reactions might evolve organizations away from ones in which ideas tend to become rigid. Similarly, I also expect much from alliances with other companies possessing completely different business lines and cultures. FANCL offers many strong products, so if it is able to better deploy tie-up products with other companies, the potential would be immeasurable. This approach naturally coincides with major challenges, which is why I will continue to fully leverage my network, experience, and knowledge with the intent of supporting FANCL to the best of my ability as an outside director.



Outside Director  
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