

Sustainability Policy

Since its founding in 1980, the FANCL Group has continued to grow as a company that provides solutions to social issues. In June 2018, the FANCL Group Sustainable Declaration—Building a Bright Future Together—was developed to express our desire to contribute to the realization of a sustainable society. Having set key initiative themes and identified priority issues and quantitative targets, we are linking them to specific actions.

FANCL Group's "Sustainable Declaration"

Building a Bright Future Together

Guided by our founding philosophy of "Eliminate the 'Negatives' with a Sense of Justices,"

FANCL is confronting key issues of concern that will impact people's future lives,

including the global environment and society, as well as working together with our stakeholders to engender hope.

We aim to contribute to the creation of a sustainable society that brings happiness to people now and in the future.

Key Initiative Themes






We set the Environment, Healthy Living, and Local Communities and Employees as key initiative themes for sustainability.

 <p>Environment</p> <p>To achieve business activities in harmony with nature</p> <p>Contribute to the conservation of the natural environment by appreciating the blessings of nature in all aspects of our corporate activities, and address the increasingly important issue of climate change.</p>	 <p>Healthy Living</p> <p>For a healthy lifestyle that is unique to you</p> <p>Contribute to the extension of healthy life expectancy and improvement of quality of life (QOL) for people around the world through our unique products and services.</p>	 <p>Local Communities and Employees</p> <p>To create a society where everyone can shine</p> <p>Support people's happiness and contribute to the creation of a society where everyone can shine, based on our corporate culture of "truly cares for people."</p>
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Process for Setting Key Initiative Themes and Priority Materiality Issues

<p>STEP 1</p> <p>Take steps to identify social issues</p> <p>(March to July 2020)</p>	<p>Having analyzed the impact on the FANCL Group of international norms and trends, such as the SDGs, UN Global Compact, UN Guiding Principles on Business and Human Rights, and the Paris Agreement, we also identified the expectations and demands of stakeholders from various perspectives through dialogue with customers, investors, business partners, local communities, and employees.</p>
<p>STEP 2</p> <p>Undertake management discussions</p> <p>(August to December 2020)</p>	<p>The Sustainability Promotion Department organized sustainability initiatives by the level of their importance in light of their impact on society and on the FANCL Group and created drafts of the key initiative themes and priority issues as well as quantitative targets. These were reported to the Group Management Conference, which is composed of executive directors and executive officers.</p>
<p>STEP 3</p> <p>Resolve agenda items at Board of Directors' meetings and announce details</p> <p>(May 2021)</p>	<p>Following discussions at the Group Management Conference, time was set aside for theme-based sessions. These sessions served as a forum for directors to engage in open and free discussions as well as to deepen dialogue. We then drafted specific strategies and action plans and announced them as sustainability strategies in our 3rd Medium-Term Management Plan FORWARD 2023 in May 2021.</p>

Progress to Date of Key Issues and Targets

Key Initiative Theme	Contributions toward the Achievement of SDGs	Priority Materiality Issues	Quantitative Targets	FY Mar/2023 Results	Related Page(s)
 <p>Environment</p>		<ul style="list-style-type: none"> Addressing climate change Reducing CO₂ emissions Reducing plastic usage Ensuring sustainable procurement 	<ul style="list-style-type: none"> Zero CO₂ emissions by FY Mar/2051 	<ul style="list-style-type: none"> CO₂ emissions 4,012t-CO₂ (62.6% reduction compared with the previous year) 	P32
			<ul style="list-style-type: none"> Employ the 4Rs*1 to achieve 100% sustainable packaging by FY Mar/2031 *1 Reduce (reduce the amount of plastic used in containers), Reuse (reuse containers), Recycle (container recovery and recycling), Renewable (switch to recycled materials or plant-based materials) 	50.9%	P34-35
			<ul style="list-style-type: none"> Set a 30% target for the use of plastic derived from plants and recycling materials for FANCL cosmetics containers by FY Mar/2031 	40.1%. Target achieved	
			<ul style="list-style-type: none"> Adopt 100% environmentally friendly paper*2 in paper-based container packaging by FY Mar/2026 *2 Certified paper, non-wood paper, recycled paper, etc. 	85.2%	
 <p>Healthy Living</p>		<ul style="list-style-type: none"> Initiatives to extend healthy life expectancy Addressing basic nutritional needs Initiatives to improve QOL 	<ul style="list-style-type: none"> By FY Mar/2031, about half of the people in Japan using supplements and health foods to address health-related issues 	31.5%	P36-37
			<ul style="list-style-type: none"> Ratio of female employees in management positions: 50% in FY Mar/2024 	47.1%	P38-39
 <p>Local Communities and Employees</p>		<ul style="list-style-type: none"> Promotion of diversity and inclusion Contributing to the local community Evolve educational seminars on beauty and health 	<ul style="list-style-type: none"> Ratio of female employees in senior management positions*3: 30% in FY Mar/2024 *3 Managerial positions of departmental deputy manager and above, excluding directors 	28.0%	P38-39
			<ul style="list-style-type: none"> Ratio of employees with disabilities: 5% in FY Mar/2031 	4.46%	P38, 40

(Note) 4R compatibility in the use of plastic container packaging materials, adoption of environmentally friendly paper in paper-based container packaging, and the procurement of certified palm oil apply to the cosmetics and health foods of FANCL Corporation and ATTENIR CORPORATION.

Governance Structure Sustainability Committee

In October 2021, we established the Sustainability Committee with the aim of placing sustainability at the core of our management and improving our corporate value over the medium to long term by achieving the goals we have set.

For details, please see Governance System (P42-43)



Three Key Themes ①

Environment

To achieve business activities in harmony with nature

Contributions toward the achievement of SDGs



Initiatives to Address Climate Change

We believe that solving climate change-related issues is a top priority for realizing a sustainable society. The FANCL Group will tackle climate change from both mitigation and adaptation perspectives, taking into account the opportunities and risks that we can see from a long-term perspective looking to 2050. We are grateful for the blessings of nature and contribute to the preservation of the natural environment in all aspects of our corporate activities. To link these policies to specific actions, the Company expressed its support for the TCFD recommendations on October 2020.



Details of the FANCL Group's climate change initiatives are available on the following website:

www.fancl.jp/en/sustainable/environment/tcfd/index.html

• Governance Structure Sustainability Committee

Having positioned sustainability at the core of management, we established the Sustainability Committee, which is composed of executive directors and executive officers, to improve corporate value over the medium to long term. The Sustainability Committee manages and evaluates the progress made toward targets for sustainability initiatives, including climate change, while the Board of Directors performs oversight and monitoring functions.

• Strategy

Having formulated VISION2030, its long-term vision looking toward 2030, the FANCL Group has been developing its business in pursuit of that vision. In June 2018, we formulated the FANCL Group Sustainability Declaration, thereby expressing our intention to contribute to the realization of a sustainable society in line with the Sustainable Development Goals (SDGs).

While giving top priority to tackling climate change in our 3rd Medium-Term Management Plan FORWARD 2023, we identified the reduction of CO₂ emissions, the reduction of plastic usage, and the procurement of sustainable palm oil as key environmental issues to be addressed. Having set quantitative targets for each of these key issues, we are promoting them throughout the Group.

• Risk Management

At the FANCL Group, the department responsible for promoting sustainability manages climate change-related risks and opportunities related to the Group's overall business operations. Based on climate change scenarios, this department conducts qualitative analyses of possible risks and opportunities and calculates the financial impact. Details that need to be managed by the FANCL Group are submitted to the Sustainability Committee. We report matters of particular importance to the Board of Directors and take prompt action.

• Metrics and Targets

The Sixth Assessment Report by the IPCC* suggests that climate change will progress faster than previously predicted and calls for further strengthening of countermeasures as an urgent issue. In the FANCL Group's 3rd Medium-Term Management Plan FORWARD 2023 announced in FY Mar/2022, we significantly expanded our goals related to climate change in response to global trends and national policies and set net zero CO₂ emissions (covering Scope 1+2) by FY Mar/2051 as a new quantitative target.

* The abbreviation for the Intergovernmental Panel on Climate Change, the IPCC is an intergovernmental organization established in 1988 by the World Meteorological Organization (WMO) and the United Nations Environment Program (UNEP).

Targets for and progress made with CO₂ emissions reduction P32

Risks and Opportunities in Climate Change

<Preconditions>

Applicable period	Up to and including FY Mar/2031
Scope	The scope of this report mainly covers the cosmetics and supplements businesses in the three domestic sales channels (online and catalogue, directly managed stores, wholesale)
Calculation conditions	Analyses based on the IPCC Fifth Assessment Report RCP2.6 (2°C scenario), etc. Calculation of the expected amount of sales and profit impact within the target period for each item Does not take into consideration such factors as the reinforcement of infrastructure, including public works, and technological advances, etc.

	Changes in the World	FANCL Group Risks and Opportunities	Amount of Financial Impact
Transition Risks	Tighter policies and regulations to address climate change	Increase in carbon tax costs In the event that policies and regulations on CO ₂ emissions and plastic usage are made tighter with the intention of mitigating the effects of climate change, the investment costs for energy conservation and the introduction of renewable energy as well as for the reduction of plastic usage in products will increase. Of these, the introduction of a carbon tax in particular is expected to impose an increased burden on the FANCL Group. As a countermeasure, we have installed solar panels at our three domestic factories (the Shiga, Gunma and Mishima factories) and at the Kansai Logistics Center, and have been switching to renewable energy at our domestic bases since April 2022.	Carbon tax costs Approx. ¥250 million * Assumed costs for FY Mar/2031
	Restrictions on going out due to the outbreak of infectious diseases, decrease in inbound demand	Decreases in direct store/wholesale net sales It is projected that the incidence of pandemics will increase due to changes in water-borne infectious diseases and their pathogen vectors. In the event of an infectious disease outbreak, it is expected that directly managed store and wholesale net sales from inbound travel will decline due to travel restrictions, and that domestic sales will also decrease as people exercise self-restraint and refrain from going out. To counteract these downturns, we will take full advantage of the FANCL Group's multi-channel sales, including online and catalogue sales, directly managed store sales, and wholesale sales, while working to improve convenience for consumers by directing them to online and catalogue sales.	Decrease in net sales Approx. ¥1.5 billion * Calculated using COVID-19 trends as a reference.
Physical Risks	Increasing intensity of abnormal weather events and rising sea levels	Decrease in net sales as a result of lower production capacity The risk of inundation due to rising sea levels and various other flood-related risks, including the overflow of rivers due to torrential rains, can be expected to result in factory shutdowns. Located along the Edo River in Nagareyama City, Chiba Prefecture, the FANCL Group's Chiba Factory has a dedicated building for its core product, <i>MILD CLEANSING OIL</i> . Were the Edo River to flood, and the factory to shut down operations (assumed to be for one month), it is expected that net sales would decrease due to lost sales opportunities of <i>MILD CLEANSING OIL</i> . As a countermeasure, we have formulated an all-hazard business continuity plan (BCP) and made preparations to facilitate the early recovery of operations even if a disaster should temporarily occur.	Decrease in net sales of <i>MILD CLEANSING OIL</i> Approx. ¥1.0 billion * Based on the assumption that the factory would shut down for one month.
	Decrease in production volumes and deterioration in the quality of raw materials derived from agricultural products.	Increase in raw material procurement costs Affected by global warming and abnormal weather events brought about by climate change, decreases in the production volumes of raw materials derived from agricultural products and deterioration in their quality will occur. Taking into consideration such factors as soaring raw material procurement costs and the switch to alternative products, the FANCL Group expects to incur additional costs. In particular, decreases in crop yields, impacting such products as <i>Hatsuga genmai</i> (germinated brown rice) and <i>Kale Juice</i> , and difficulties in obtaining palm-derived raw materials such as glycerin could have a significant impact on the FANCL Group's business, resulting in an increase in its cost of sales. As a countermeasure, we have adopted sustainable procurement as a key environmental issue and are striving to ascertain risks in the supply chain while reviewing responses to each of the aforementioned factors.	Increase in the cost of sales of <i>Kale Juice</i> , <i>Hatsuga genmai</i> as well as palm-derived raw materials, etc. Approx. ¥200 million to ¥500 million
Opportunities	Changes in consumer needs due to the outbreak of infectious diseases	Increase in net sales of products that meet new needs Due to rising consumer interest in and concerns about health and hygiene in the event of an infectious disease outbreak, the FANCL Group expects an increase in demand for immune system and hygiene products as these products and services meet the requirements of new needs. Increase in online and catalogue sales In the event of an infectious disease outbreak, the FANCL Group expects that demand for online and catalogue sales will increase owing to a variety of factors. These factors include people refraining from going out and the closure of stores. Taking full advantage of the FANCL Group's multi-channel sales, we anticipate online and catalogue sales will increase as we direct consumers from directly managed store and wholesale sales to the online and catalogue channel.	Increase in net sales Approx. ¥1.0 billion * Calculated using COVID-19 trends as a reference. Increase in net sales Approx. ¥2.5 billion * Calculated using COVID-19 trends as a reference.
	Improvement in corporate value through ESG evaluations	Increased market evaluation Response to climate change is of increasing importance in investors' investment decisions, and we can expect an improvement in ESG evaluations and support for stock prices by proactively engaging in responses to climate change. Institutional investors in Japan and overseas hold more than 40% of FANCL's issued shares and proactively disclosing climate change information may lead to an increase in the Company's stock prices.	Stock price valuation Approx. ¥3.0 billion * Based on the assumption of a 1% increase in the Company's stock price.

Specific Initiatives

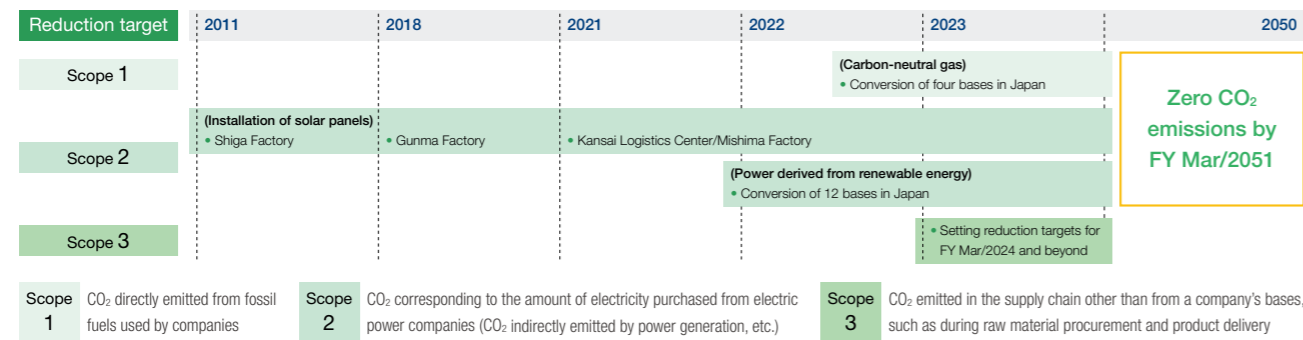
• Reduction of CO₂ emissions

The FANCL Group aims to contribute to a decarbonized society by making climate change and reducing CO₂ emissions its top environmental priorities.

Quantitative Targets

Priority Materiality Issues	Target	Progress (FY Mar/2023)
Reduction of CO ₂ emissions	By FY Mar/2051 → Effectively zero	<ul style="list-style-type: none"> CO₂ emissions 4,012t-CO₂ (62.6% reduction compared with the previous year) * Covering Scope 1+2

Milestones in reducing CO₂ emissions



Efforts to Reduce CO₂ Emissions (Scope 1+2)

Having introduced solar panels for the first time at its Shiga Factory in 2011, the FANCL Group installed similar panels at its Gunma Factory in 2018, and at the Kansai Logistics Center and the Mishima Factory in June and November 2021, respectively. By using solar power generation at a total of four domestic locations to subsidize the electricity used during operations, we can expect an annual reduction in CO₂ emissions of approximately 480 tons.



Solar panels at Kansai Logistics Center (installed in June 2021)



LNG tank at Shiga Factory (refilled with carbon-neutral LNG from July 2022)

Having also begun to actively utilize electric power from renewable energy sources, the FANCL Group completed conversion work at 12 of its domestic bases (six production factories, one logistics center, and offices, including the Company's head office) in April 2022.

In addition, we switched to carbon-neutral gas*¹ when purchasing city gas, liquefied natural gas (LNG), and liquefied propane gas (LPG) at four production factories from June to November 2022. The FANCL Group will continue its efforts to reduce CO₂ emissions as it targets zero CO₂ emissions by FY Mar/2051.

*¹ Carbon-neutral gas is seen as not emitting CO₂ by offsetting the greenhouse gases emitted from extraction to the combustion of natural gas against CO₂ credits created by environmental conservation projects.

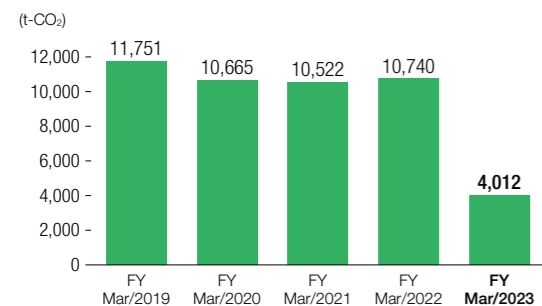
Efforts to Reduce CO₂ Emissions (Scope 3)

Other than the CO₂ emissions from our own bases, we are also promoting initiatives designed to reduce CO₂ emissions throughout the supply chain (Scope 3). Most importantly, for these initiatives we are shifting our attention to the CO₂ emitted when procuring products and materials, and to the CO₂ emitted when transporting products to customers and directly managed stores. We will work together with our business partners to look into how these initiatives can lead to reductions. Also, in FY Mar/2024, we plan to set CO₂ Scope 3 reduction targets and formulate action plans for our next Medium-Term Management Plan.

FANCL's ESG data collection for FY Mar/2023 has been posted on the following website page:

www.fancl.jp/en/sustainable/data/esgdata/

FANCL Group CO₂ Emissions Results (Scope 1+2)



• Sustainable Procurement

Building relationships of co-existence and co-prosperity with its business partners, the FANCL Group provides customers with products and services that are safe, secure, and of high quality while aiming for sustainable procurement that takes into consideration the environment, human rights, and labor issues.

Quantitative Targets

Priority Materiality Issues	Target	Progress
Procurement of certified palm oil*	By FY Mar/2024 → 100%	100% target achieved (RSPO Mass Balance 54%, Book & Claims 46%) * Results for January to December 2022

* Covering the cosmetics and health foods of FANCL Corporation and ATTENIR CORPORATION.

FANCL Group Sustainable Procurement Policy

The basic concept of the FANCL Group's procurement activities is summarized and published in the FANCL Group Sustainable Procurement Policy. We have also summarized the items that we would like our business partners to follow in transactions in our Business Partner (Supplier) Guidelines. By asking for the understanding of our business partners, we are aiming for sustainable procurement that takes into consideration the environment, human rights, and labor issues in concert with business partners.

FANCL Group Sustainable Procurement Policy, Trading Partner (Supplier) Guidelines

www.fancl.jp/en/sustainable/environment/procurement/guideline/

Sustainable Palm Oil Procurement

Palm oil is a vegetable oil derived from oil palms cultivated in the tropics. In Malaysia and Indonesia, the two largest producers of palm oil, there are serious issues related to the large-scale deforestation of tropical forests brought about by agricultural development and issues surrounding the human rights of agricultural workers.

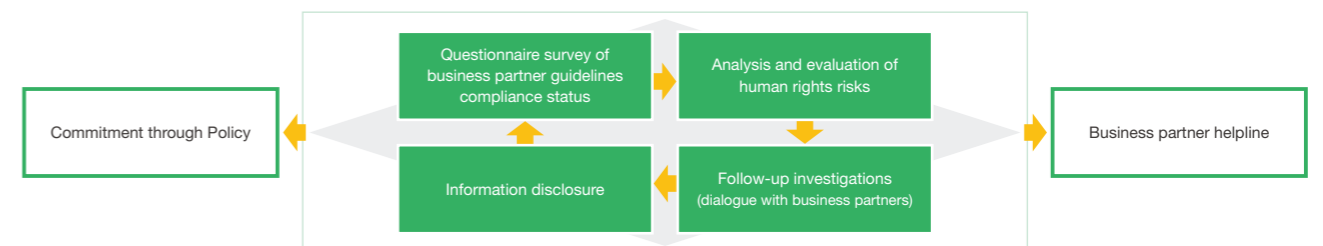
Since palm oil is also used in core FANCL products such as *MILD CLEANSING OIL*, the FANCL Group adopted the procurement of sustainable palm oil as its target and, having joined the Roundtable on Sustainable Palm Oil (RSPO) and Japan Sustainable Palm Oil Network (JaSPON), is addressing these issues by means of its memberships.

Under the policy of increasing the ratio of mass balance raw materials that are physically certified oil, we acquired RSPO supply chain certification for our own Chiba, Gunma and Shiga factories in September 2021. In FY Mar/2023, we met our 100% target by procuring 54% palm-derived raw materials in compatibility with the RSPO mass balance sourcing method and 46% by the book and claim method. From now on, we will gradually promote a switch to the mass balance approach for raw materials.



Procurement with Business Partners That Takes into Consideration the Environment and Human Rights in the Supply Chain

To ascertain the risks in the supply chain, we conducted a questionnaire survey of around 450 companies on the status of their compliance with the Business Partner (Supplier) Guidelines in October 2022. We conducted individual interviews with dozens of companies involved in major transactions. We also informed prospective new business partners of the Guidelines in advance and obtained their prior consent to comply with them before commencing transactions. In addition, as human rights due diligence, we put in place a mechanism for responding to human rights risks and established a helpline by which to receive complaints and reports from business partners, while striving in an ongoing manner to build and maintain fair and equitable business relationships with our business partners.



Environment

• Reducing Plastic Usage

From the perspective of the 4Rs*, we will work to reduce plastic used in our products and services.

* Reduce (reduce the amount of plastic used in containers), Reuse (reuse containers), Recycle (container recovery and recycling), Renewable (switch to recycled materials or plant-based materials)

Quantitative targets

Priority Materiality Issues	Targets	Progress
4R compatibility**1 in container packaging materials in which plastic is used	By FY Mar/2031 ➔ 100%	FY Mar/2023: 50.9%
Percentage of FANCL cosmetics containers made from plastic that are derived from plants and recycled materials	By FY Mar/2031 ➔ 30%	FY Mar/2023: 40.1% Target achieved
Adoption**1 of paper with low environmental footprint**2 for container packaging materials in which paper is used	By FY Mar/2026 ➔ 100%	FY Mar/2023: 85.2%

**1 Covering FANCL Corporation, ATTENIR CORPORATION cosmetics, and health foods

**2 Certified paper, non-wood paper, recycled paper, etc.

Basic Policy on Reducing Plastic Use in Containers and Packaging

With the aim of realizing a decarbonized and recycling-oriented society, the FANCL Group is working with its customers to reduce the amount of plastic used in its containers and packaging. Already, our past efforts to proactively advance the concept of reduce and reuse have served to cut down the use of plastic.

Moreover, when the FANCL Group does indeed use plastic materials for the sealed and other containers required to protect the quality of *Mutenka* as the defining feature of its products, we have endeavored to reduce any incidence of environmental

impact whenever possible by adopting and incorporating a renewable perspective.

In FY Mar/2022, we began recovering and recycling cosmetics containers with the aim of better helping to achieve a recycling-oriented society.

In the future, we will strengthen our collaborative ties with the Kirin Group, with whom we have a capital and business alliance, in an effort to achieve horizontal recycling through which recovered cosmetics containers are renewed once again as raw materials for new cosmetics containers.

▶ Reduce (Reduction in amount of plastic used in containers)

With a top priority on reducing plastic use, FANCL is proactively working to make thinner, lighter containers and packages and to switch from plastic to paper and other materials. In FY Mar/2023, we replaced the plastic materials used for the outer cases of makeup brushes with FSC certified paper in an effort to reduce plastic use. In a similar fashion, we will gradually adopt the same approach for the outer cases of the foundation cosmetics sold through wholesale channels in FY Mar/2024.

In the case of supplements, we have successfully reduced materials by decreasing the thickness of aluminum pouches by 11% since 2013.



Outer case for foundation cosmetics sold through wholesale channels
Aluminum pouch for supplements

TOPICS

Developing New Packaging through Synergy with the Kirin Group

[Developing cosmetics packaging from byproducts discharged during the beer brewing process as a first for Japan]

FANCL sells refills for cake foundations and other products for which the compact case is used multiple times, thus allowing customers to replace the content.

These refills are sold in blister packs**1 that were originally made of plastic. In FY Mar/2023, however, FANCL conducted a joint research project with the Kirin Group's Package Innovation Laboratory and developed a sheet made from hemicellulose**2 extracted from the beer lees left over as a byproduct during the *Kirin Ichiban Shibori* beer brewing process. Ultimately, we commercialized these sheets as refill blister packs made from plant-derived materials.

**1 Blister Pack: A packaging made by deforming a heat-softened sheet into the shape of a mold.

**2 Hemicellulose: The general term for water-insoluble polysaccharides from which the cellulose contained in the plant cell walls has been removed.



Case and refill



Blister pack

▶ Reuse (Reuse of containers)

FANCL offers refills for many of its core cosmetics products, including face washes like *MILD CLEANSING OIL* and the Beauty BOUQUET aging care line. We have also actively promoted container reuse in the past for ATTENIR products, for which we have offered many refill options, including holders designed specifically for eco packs and products that can be refilled with a single-touch.



FANCL MILD CLEANSING OIL (for refills)



ATTENIR BRIGHT INCEPTION (for refills)

▶ Renewable (Switching to recycled or plant-derived materials)

Recycled PET made through chemical recycling* technology is assumed to possess the same quality as petroleum-derived PET, yet is believed to be superior as a material for supporting the recycling of plastic resources. Coinciding with the renewal of *MILD CLEANSING OIL* in November 2021, we adopted 100% recycled PET for the container body. Following this, we have since expanded use of this approach to *ENRICH+*, *MOIST REFINE*, and our other core skin care products, as well as to some of our hair care products. During FY Mar/2023, we switched over all PET cosmetics containers for relevant products. As far as the ATTENIR lineup of products is concerned, we adopted recycled resin derived from Kirin beverage plastic bottle caps for the polyethylene spout part of *SKIN CLEAR CLEANSE OIL* eco pack containers. Similarly, we

adopted a plant-derived plastic (biomass plastic) made from sugar cane for the container of the *ATTENIR SALON PREMIUM SHAMPOO - scalp & volume* - hair care product we launched in January 2023.

* Chemical recycling: Conversion of used resources into raw materials for plastic (PET) through chemical decomposition for reuse.



MILD CLEANSING OIL



ENRICH+



SKIN CLEAR CLEANSE OIL (eco pack)

▶ Recycle (Recovery and recycling of containers)

The FANCL Recycling Program collects used cosmetics containers from customers at directly managed stores throughout Japan. After the collected containers are sorted, washed, dried, and shredded by the special subsidiary FANCL SMILE Co., Ltd. *, recycling companies with which we have partnered on this program use material recycling to convert the shredded containers into flowerpots. Originally launched at six stores in July 2021, we expanded the initiative nation-wide during FY Mar/2023. In order to do so, we repeatedly consulted with local governments about introducing the program where our directly managed stores are located. We donate the flowerpots to various entities, including Yokohama City, the home of the FANCL head office, where they have served to help communities, for example, through the use at the Garden Necklace Yokohama flower display event and for environmental education at elementary schools in the city.

In an effort to help create a recycling-oriented society together with many of its customers, FANCL has been actively engaged in unique recycling approaches that possess the three elements of reducing environmental impact, improving diversity and inclusion (active participation of people with disabilities), and contributing to local communities.

Going forward, as part of a new challenge, we will collaborate with the Kirin Group, with whom we have a capital and business alliance, with the aim of achieving horizontal recycling. Under this concept, used cosmetics containers will be renewed once again as cosmetics containers through a chemical recycling technology.

* FANCL SMILE Co., Ltd.: A special subsidiary incorporated in 1999 for the purpose of supporting the independence of those with disabilities.



Collecting containers at directly managed stores around Japan



Washing work at FANCL SMILE



Shredded containers



Three Key Themes ②

Healthy Living

For a healthy lifestyle that is unique to you

Contributions toward the achievement of SDGs



Toward Realizing Healthy Living

Since its founding, the FANCL Group has worked to provide value related to health and beauty, and has conducted research and development into various products intended to support the beautiful, healthy lifestyles of its customers.

Under the FANCL Group VISION2030, the Company aims to make the world healthier and more beautiful, and to become a company that is loved around the world. Under this vision and through our unique products and services, each of our businesses, including the core Health Food Business, will contribute to the extension of a healthy life expectancy and to the improvement of

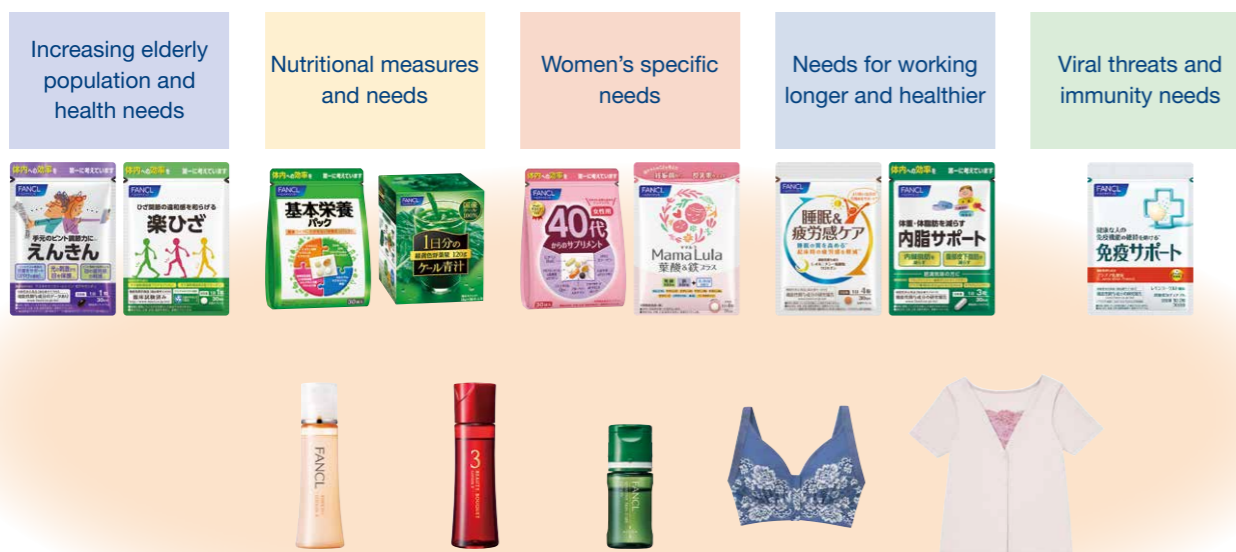
the quality of life (QOL) for people around the world.

As a pioneer in supplements, we place importance on confirming ingredients and data on efficacy based on scientific evidence, as well as on product efficacy in our body so that active ingredients efficiently exhibit their functions within the body. Which is why we have made countless modifications from ingredient selection through to the processing technologies. With a years-long track record intertwined with the health of people, FANCL utilizes a wealth of R&D and technological capabilities in its ongoing efforts to introduce products that offer new added value.

Quantitative targets/Key issues

Priority Issues (Materiality)	Target	Progress to Date
<ul style="list-style-type: none"> Initiatives to extend a healthy life Addressing basic nutritional needs Initiatives to improve QOL 	Ratio of people in Japan using supplements and health foods to address health-related issues By FY Mar/2031 → 50%	FY Mar/2023 → 32%

Social issues and health needs/Products that address these needs



Through FANCL's unique products and services, the Company's entire range of health food, cosmetics, undergarments, and other business activities realize healthy living for consumers

Resolving Social Issues through Products

• Nutritional measures and needs

Improving the nutritional balance of everyday dietary habits is an important part of the solution for mental and physical function disorders caused by nutritional deficiencies and other health issues stemming from diets.

With the aim of contributing to the solutions for these nutritional issues, FANCL proposes supplements in support of efficiently consuming nutrients that cannot be covered by meals alone.



• Health needs of the elderly

As society ages, the awareness of and actions taken regarding health by each individual have come into question. In order to help reduce steadily rising medical costs and to support active lifestyles that are always energetic, FANCL has made countless modifications from ingredient selection through to the processing technologies. Just a few of these changes include developing tablet sizes and shapes that prioritize the ease of swallowing, and reducing the number of tablets for each dose without changing functionality.



Resolving Social Issues through Community Activities

• FANCL Kanagawa SDGs Seminar - Nutrition -

With a focus on Kanagawa Prefecture, FANCL has held this SDGs seminar since April 2021 for elementary, middle, and high school students. Together with younger generations, FANCL is looking into such issues as food loss, nutritional imbalance, and the nutritional issues faced by youths based on the key sustainability theme of Healthy Living.



• Nutritional education activities for children and communities through Hatsuga genmai and Kale Juice

FANCL held a menu contest in collaboration with Kirara Nursery School, which has continuously used FANCL *Hatsuga genmai* for its school lunches for more than 20 years. We donated some of the proceeds from the best menu selections to the NPO Japan Kodomo-Shokudo Support Center "MUSUBIE," an organization that runs children's cafeterias.

In addition, this fiscal year we began offering nutritional education seminars at children's cafeterias in cooperation with the Kanagawa Prefectural Government and NPOs. Along with NPO Kodomo-no-tonari and NPO Acchi Cocchi, we held quizzes covering basic knowledge on nutrition, and quizzes related to *Hatsuga genmai* and *Kale Juice*. We will continue to convey the importance of nutritional education and basic nutrition to children and communities.



• Kanagawa Health Support Program

Leveraging the know-how and talent possessed by companies and organizations, Kanagawa Prefecture offers programs to support initiatives for "pre-illness improvement" for its citizens. FANCL also cooperates in these programs.



Health Philosophy

One of the most important forms of capital for the FANCL Group is its people. Under the recognition that the health of our employees constitutes the management foundation for supporting healthy living, we work to create a corporate culture that prioritizes health, and to ensure sound management.

With the President & CEO, Representative Director serving as the person responsible for the Health Philosophy, we formulated the Declaration of Health Management in 2017 and opened the Health Support Office in 2018 in an effort to support the health of our employees.

For details on the Health Philosophy www.fancl.jp/en/sustainable/society/healthcare/index.html



2023
健康経営優良法人
Health and productivity
ホワイト500



Three Key Themes ③

Local Communities and Employees

To create a society where everyone can shine

Contributions toward the achievement of SDGs



Promotion of Diversity and Inclusion

As a “corporation that truly cares for people,” the FANCL Group has adopted the key diversity promotion phrase “Embrace differences” to express its aim to continue creating new value by benefiting from a diverse human resources team whose wide variety of values and ways of thinking give space to individual qualities and strengths. We respect and recognize each other’s diversity in values, ways of

thinking, and workstyles, irrespective of, for example, age, gender, disabilities, sexual orientation/gender identity, nationality, race, and religion. Striving so that we can demonstrate teamwork in environments where individuals can shine and thrive, we will promote change and encourage value creation.

Quantitative targets/Key issues

Promotion of Female Empowerment

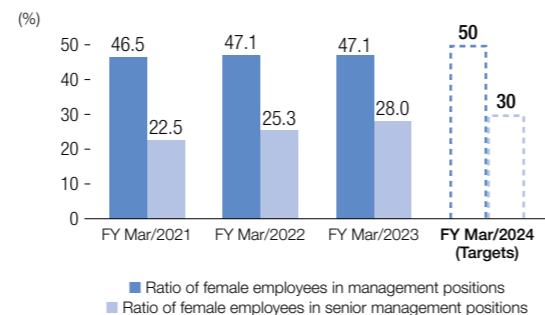
Targets	Progress to Date
<ul style="list-style-type: none"> Ratio of female employees in management positions. By FY Mar/2024 → 50% 	FY Mar/2023 → 47.1%
<ul style="list-style-type: none"> Ratio of female employees in senior management positions*. By FY Mar/2024 → 30% 	FY Mar/2023 → 28.0%

* Managerial positions of departmental deputy manager and above, excluding directors.

To provide beauty and health to our customers, a corporate culture in which female employees play a central role has been deeply rooted at FANCL since its establishment. The ratio of female employees is 62.2%, and the ratio of female employees in management positions stands at 47.1% (FY Mar/2023).

In order to further promote female empowerment, FANCL offers training led by various role models, promotes work-life balance, and works to improve working environments so that everyone, regardless of gender or age, can thrive.

Ratio of female employees in management positions / Ratio of female employees in senior management positions (%)

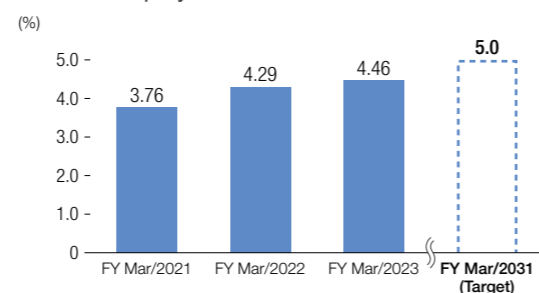


Expanding Opportunities for People with Disabilities to Excel

Target	Progress to Date
<ul style="list-style-type: none"> Ratio of employees with disabilities By FY Mar/2031 → 5% 	FY Mar/2023 → 4.46%

Special subsidiary, FANCL SMILE Co., Ltd. hires people with disabilities throughout the year in a bid to expand their opportunities to work. FANCL’s head office also hires new graduates (associate regular employees) with disabilities. Currently, the FANCL Group is home to 112 thriving employees with disabilities (101 of whom work at FANCL SMILE). In an effort to nurture their abilities and potential to the fullest extent, we engage in various initiatives to support the success of these employees with an eye to their individual strengths.

Ratio of Employees with Disabilities (%)



Promotion of Female Empowerment

The FANCL Group endeavors to create workplaces that are comfortable for all employees, not just women, and engages in a range of initiatives under the belief that the ability of each individual to demonstrate their potential will connect to growth for the Company.

Women’s Leadership Program and Unconscious Bias Training

Held with the aim of further promoting the empowerment of women, the Women’s Leadership Program is led by current female executives from different backgrounds, including those who are married, single, and with and without children, to encourage changes in daily behavior by sending out messages of support. Unconscious Bias Training provides opportunities for participants to recognize their unconscious biases and preconceptions through training.



Participating female executives

Encouraging Men to Take Childcare Leave

As part of our efforts to create an environment that balances motivation with comfort, we encourage male employees to take childcare leave.

In FY Mar/2023, the ratio of male employees that took childcare leave was 100%*. We will continue to promote its greater use.



An employee on childcare leave

* Including the use of leave to support childbirth.

Promoting Understanding of LGBTQ*1

Creating Comfortable Workplaces for Everyone

As part of our efforts to create working environments in which our diverse range of employees can work enthusiastically, in April 2022 we established the Partnership Rules. These rules, in principle, require us to handle common-law marriages and same-sex marriages among our employees in the same manner as legal marriages. Moreover, we established LGBTQ Ally*2, and engage in various activities under the desire to better understand and more closely work with those in the LGBTQ community.



LGBTQ Ally Promotion Members

*1 L: Lesbian, G: Gay, B: Bisexual, T: Transgender, Q: Queer or Questioning.

*2 An LGBTQ Ally is a person who empathizes and wishes to work more closely with those in the LGBTQ community. FANCL is currently home to 345 LGBTQ Allies as of April 2023.

Training related to Women-specific Health Issues

In order to deepen the understanding of women-specific health issues that differ by age, as well as to create comfortable working environments, we hold seminars related to women’s health. These seminars are attended by all executives and those who serve in the position of department manager or above as well as employees who express the desire to participate. For example, we also convey information for raising awareness of breast cancer self-examinations.

Commitment to Promoting Female Empowerment

In order to promote the empowerment of women, FANCL participates in the Male Leaders Coalition for Empowerment of Women organized by the Cabinet Office of Japan, and the Kanagawa Women’s Empowerment Support Organization.



During the leader meetings, we volunteer our own thoughts and initiatives regarding efforts to promote female empowerment, both internally and externally.

Signatories and Certifications related to Women’s Empowerment



Annual Training for Employees

We offer online video instruction covering basic knowledge on LGBTQ issues, movie showings, workshops, and training led by invited lecturers from the LGBTQ community, among other activities, in an effort to promote an accurate understanding of LGBTQ concerns.

LGBTQ-related Certifications



2022 PRIDE Index*3 Gold Award

*3 The PRIDE Index defines evaluation items for the five indicators of Policy (action declarations), Representation (LGBTQ community), Inspiration (awareness-raising activities), Development (human resource systems and programs), and Engagement/Empowerment (social contributions and public relations activities), based on which it evaluates corporate initiatives.

FOCUS

Promoting the Active Participation of People with Disabilities

Special Subsidiary FANCL SMILE Co., Ltd.

In February 1999, FANCL SMILE Co., Ltd. was established as a special subsidiary with the aim of not only protecting people with disabilities, but also helping people with intellectual disabilities (who have fewer employment opportunities than those with physical disabilities) to become independent as members of society. Starting with the Iijima Building in 1999, we have created jobs by expanding our work locations to the Chiba Factory and Kanto Logistics Center in 2019, and the Kansai Logistics Center in February 2021. The origin of our company name comes from our belief that what unites people, regardless of disability, is a "smile."

In addition to FANCL Group packaging cosmetics as well as



supplements and direct mail enclosure and shipping work, the Company has expanded new opportunities to include cookie production and sales as well as cleaning work involved in cosmetics container collection and recycling.

Associate Regular Employee (Hiring New Graduates with Disabilities)

We established a new regular employment category in 2019 that allows those who require nursing care, suffer from a physical illness requiring long-term medical care, or have a physical disability to work flexibly during the hours and days they desire. We are also promoting flexible work styles and further strengthening diversity.



Maya Tanizawa

Salary & Benefits Group
Personnel Department, Administration
Headquarters

I am mainly in charge of running the company cafeteria. In recent years, the cafeteria has received an increasing number of requests to provide special menus in conjunction with various company events and proposals for projects that make effective use of the space. The changing nature and expanding role of the cafeteria makes the job very rewarding.



Yuta Oba

Legal Group
Legal Department,
Administration Headquarters

I am mainly responsible for storing various contracts related to inter-business transactions. As my work duties increase, I have to expand my knowledge encompassing a wide range of matters, but find it rewarding to be entrusted with more responsibility. I very much want to continue taking on new challenges.

Art Event for the Disabled Held

We held the "No Border Art Gallery: Transcending Barriers to a New Era," an art exhibition featuring works by people with disabilities, at the flagship store FANCL Ginza Square in August 2022. In September 2022, we sold items such as Art Brut* *furoshiki* (wrapping cloths) to support the success of people with disabilities.

* Art Brut: French for "raw art," this term refers to paintings and sculptures that freely express artists' ideas and are not bound by existing artistic concepts or trends.



Relationships with People with Disabilities and What Makes FANCL Unique

The FANCL Group has a long history of working with people with disabilities. Starting with the establishment of FANCL SMILE in 1999, we have created a cooperative internal working environment for each of our employees to demonstrate their abilities by establishing an associate regular employee system in 2019.

Group employees feel very close to people with disabilities, and it is this awareness of inclusivity and fostering conditions for normal daily interactions in a variety of situations that has unknowingly shaped this sense of closeness. There are unlimited opportunities for people with disabilities to play an active role depending on their challenges. This is the "what makes FANCL unique."

Osamu Minoshima

President, Representative Director
FANCL SMILE Co., Ltd.



• FANCL Kanagawa SDGs Seminar

Launched in 2021, the FANCL Kanagawa SDGs Seminar is a lecture program that discusses the concept of the SDGs together with local children mainly in Kanagawa Prefecture. The program includes one-off seminars, long courses, and summer vacation courses. Through discussions and presentations on the Company's three key themes of the "Environment," "Healthy Living," and "Local Communities and Employees," the program provides participants with an opportunity to think about what they can do to spur on action.

Through the long-term courses, high school students and FANCL collaborate on product development from an SDGs perspective. In FY Mar/2023, FANCL worked with Toin Gakuen High School mainly on package development.

Awards Received

- Ministry of Education, Culture, Sports, Science and Technology Fiscal Year 2022 Award in the large company category of the Youth Experience Activity Promotion, Judging Committee Honorable Mention
- Ministry of Economy, Trade and Industry 12th "Career Education Award" * Large-company Department Encouragement Award
- 2nd Sotokoto SDGs Award 2022 Gold Medal

• FANCL Seminars

FANCL launched its makeup seminars in 1988, engaging in a variety of activities that have brought it closer to customers.

At the present time, we are holding free FANCL seminars, for example, for the visually impaired, special-needs education, and cancer patients. We held FANCL Seminars 44 times with 641 people participating in FY Mar/2023.



A FANCL SMILE employee serving as a lecturer



Toin Gakuen + FANCL SDGs Project



FY Mar/2023 Achievements

One-off seminar (elementary, junior, high school students): 39 times, 6,184 participants

Long course (high school students): 8 times, 20 participants

Summer vacation course (elementary school students): 1 time, 33 participants

Special course: 1 time each in Kanagawa and Fukuoka, 216 participants

CAREER
EDUCATION
AWARD



• Donation Activities Involving Customers, Shareholders, and Employees

We value collaboration with various stakeholders to solve social issues. We engage in donation activities through "customer donations of loyalty points," "donations through shareholder special benefits," and employee donations to the "Can Achieve More Fund."

FY Mar/2023 Achievements

Customer donations of loyalty points: 2,035 people, ¥3,365,981

Donations through shareholder special benefits: 569 people, ¥1,809,000

Can Achieve More Fund: 26 donations, ¥7,900,000

* Amount including matching donation from FANCL



For details of the donation report:

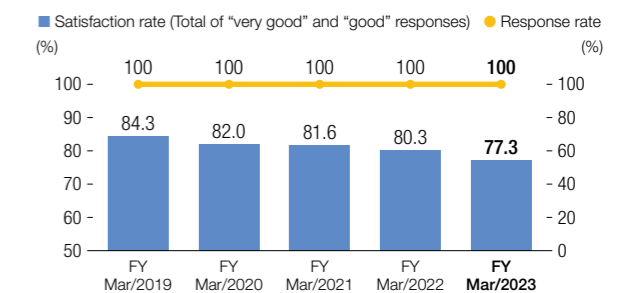
Employee Satisfaction

With the aim of verifying employee engagement, such as management stance and job satisfaction, we have been conducting a questionnaire for management once a year since FY Mar/2015.

In FY Mar/2023, the rate was lower than the previous year due to the effects of the prolonged COVID-19 pandemic, but the level of satisfaction remained high.

Starting in 2021, "meetings to talk about the future together" are a forum through which we think about "the Earth, FANCL, and our own future" through dialogue between the president and various employees. The president is taking the initiative in creating an atmosphere that encourages employees to work positively toward the future, and various ideas and opinions are starting to be heard (around 600 participants as of the end of March 2023).

Results from Employee Satisfaction Rate Survey



Question content

(1) Salary, (2) Work, position, (3) Future of FANCL, (4) Working at FANCL, (5) Workplace relationships, (6) Management's stance on management

* Employee satisfaction survey results are designated as one of the non-financial indicators of the performance-linked, stock-based compensation plan, which is used as a medium-term incentive in executive compensation (for details please see P. 44).