

## FANCL REPORT 2024



For inquiries about this report:

### FANCL Corporation

89-1 Yamashita-cho, Naka-ku, Yokohama,  
Kanagawa-ken 231-8528, Japan  
Sustainability Management Division  
Investor Relations Department  
TEL: 81(45)226-1470 FAX: 81(45)226-1442  
E-mail: [4921ir@fancl.co.jp](mailto:4921ir@fancl.co.jp)

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## Editorial Policy

<b>Organizations</b>	FANCL CORPORATION and the FANCL Group
<b>Businesses</b>	Cosmetics, nutritional supplements, and other businesses
<b>Applicable Period</b>	FY Mar/2024 (from April 1, 2023 to March 31, 2024) * Certain information included in this report covers the period before March 31, 2023 and after April 1, 2024.

The FANCL Report was compiled based on the International Integrated Reporting Framework advocated by the IFRS Foundation, the Guidance for Collaborative Value Creation 2.0 issued by Japan's Ministry of Economy, Trade and Industry, and other related guidelines.



## Sources for detailed information



**Sustainability Information**  
fanc1.jp/en/sustainable/



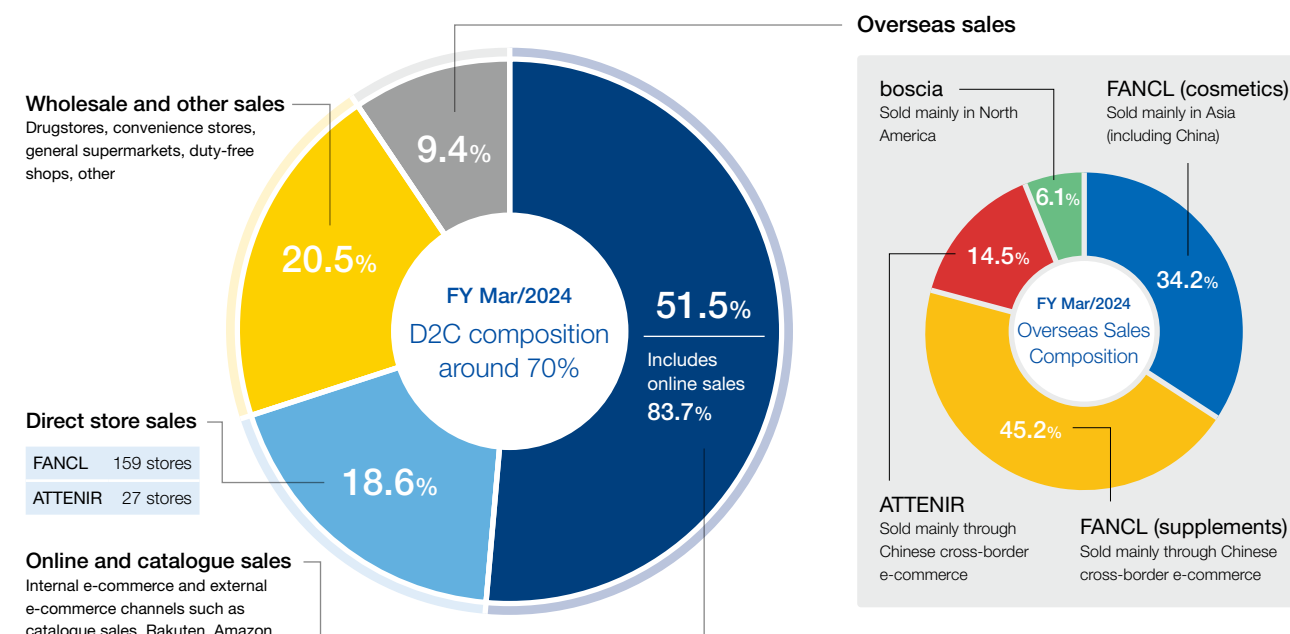
**IR Information**  
fanc1.jp/en/ir/

## About the FANCL Group

### Business Overview

	Sales Composition	Overview
<b>Cosmetics Business</b>	55.2%	<p><b>FANCL</b></p> <p>Cosmetics, which are supposed to make people beautiful, should not prevent people from becoming beautiful. Guided by this ideal, FANCL has continued to provide its one and only Mutenka cosmetics since its founding.</p> <p><b>Attenir</b></p> <p>We are developing ATTENIR as a brand specializing in aging care that provides luxury brand quality at a reasonable price.</p> <p><b>boscia</b></p> <p>A brand born in the United States and available exclusively outside of Japan, centered around the theme of botanical science.</p>
<b>Nutritional Supplements Business</b>	39.4%	<p>FANCL entered this market offering high-quality, low-cost supplements. We provide high-quality supplements that focus on a "product efficacy in our body" design that delivers nutrients to where they are needed in the body based on solid evidence.</p>
<b>Other Businesses</b>	5.4%	<p>FANCL provides <i>Kale Juice</i> made from 100% domestic kale, <i>Hatsuga genmai</i> (germinated brown rice) that is both nutritious and delicious, as well as highly original underwear and general merchandise that support more comfortable daily lives.</p>

### Sales Ratio by Sales Channels





## The FANCL Group's Founding Philosophy

# Eliminate the “Negatives” with a Sense of Justice

## The FANCL Group's 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.

We want to eliminate negative elements like worry, inconvenience, and dissatisfaction from the world. This has been our unchanging desire since the founding of FANCL.

Back in the year 1980, skin problems caused by cosmetics were becoming a widespread issue.

FANCL's Mutenka Cosmetics were born out of the desire to deliver genuine cosmetics that could beautify people's skin without using any damaging additives.

In the past, there was a deep-rooted perception in Japan that nutritional supplements were expensive.

But FANCL has worked to change that perception, becoming the first in Japan to use the word “supplements,” establishing itself as a provider of high-value-added products including *Hatsuga genmai* (germinated brown rice) and *Kale Juice*.

FANCL's business is rooted in the desire to eliminate consumers' “negative” experiences.

Our business areas, consisting of cosmetics, nutritional supplements, *Hatsuga genmai*, and *Kale Juice*, are the very essence of FANCL's ongoing efforts to identify the “negatives” in people's everyday life.

Focusing on what will bring happiness to our customers, we deny the status quo and continue to challenge ourselves with the idea that “Can Achieve More.”

## 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.

To realize the FANCL Group Long-Term Vision, we will work diligently to address social issues through our business activities and create both social and economic value spheres with the aim of realizing a prosperous environment, healthy living, and a thriving society for all. We are committed to supporting the beauty and health of our customers around the world for a lifetime. Fueled by this passionate aspiration, we will work toward the Group's continued growth.



## Sustainability The FANCL Group's Material Issues (Materiality)

### Perceived External Environment

Global climate change is expected to lead to stricter policies and regulations, more severe natural disasters, impacts on agricultural products, and increased risk of infectious diseases. Heightened geopolitical risks will drive up the prices of raw materials and trigger supply instability. There are risks of food insecurity as the global population increases, while Japan's declining and aging population is becoming more serious. With such changes in the global environment and society, people's awareness and needs for beauty and health are expected to diversify.

In light of this social backdrop, the FANCL Group has re-identified and re-formulated the FANCL Group's Material Issues (Materiality) in order to achieve sustainable development and growth together with society.

The FANCL Group's Material Issues (Materiality) are management issues of importance to the FANCL Group. These issues are critical to FANCL becoming a long-loved company by implementing its philosophy Eliminate the "Negatives" with a Sense of Justice and resolving future "negatives" through its corporate (business) activities.

### Process for Revising the FANCL Group's Material Issues (Materiality)

#### STEP 1

Take steps to identify social issues  
(March to July 2023)

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 social issues from various perspectives by confirming the expectations and demands of stakeholders through dialogue with customers, investors, shareholders, business partners, local communities, and employees.

#### STEP 2

Conduct management surveys  
(July 2023)

The Sustainability Promotion Department selects materiality candidates based on their impact on stakeholders and the FANCL Group. We conducted a survey mainly with executive directors, executive officers, and department managers, with the results being used to create a list of priorities and formulate the Materiality Matrix.

#### STEP 3

Promote stakeholder engagement and undertake management discussions  
(August 2023 to January 2024)

Stakeholder expectations and demands were reaffirmed based on the draft Materiality Matrix. Drafts of key themes, materialities, and quantitative targets were prepared and presented to the Sustainability Committee, which is composed of executive directors and executive officers.

#### STEP 4

Resolve agenda items at Board of Directors' meetings and announce details  
(May 2024)

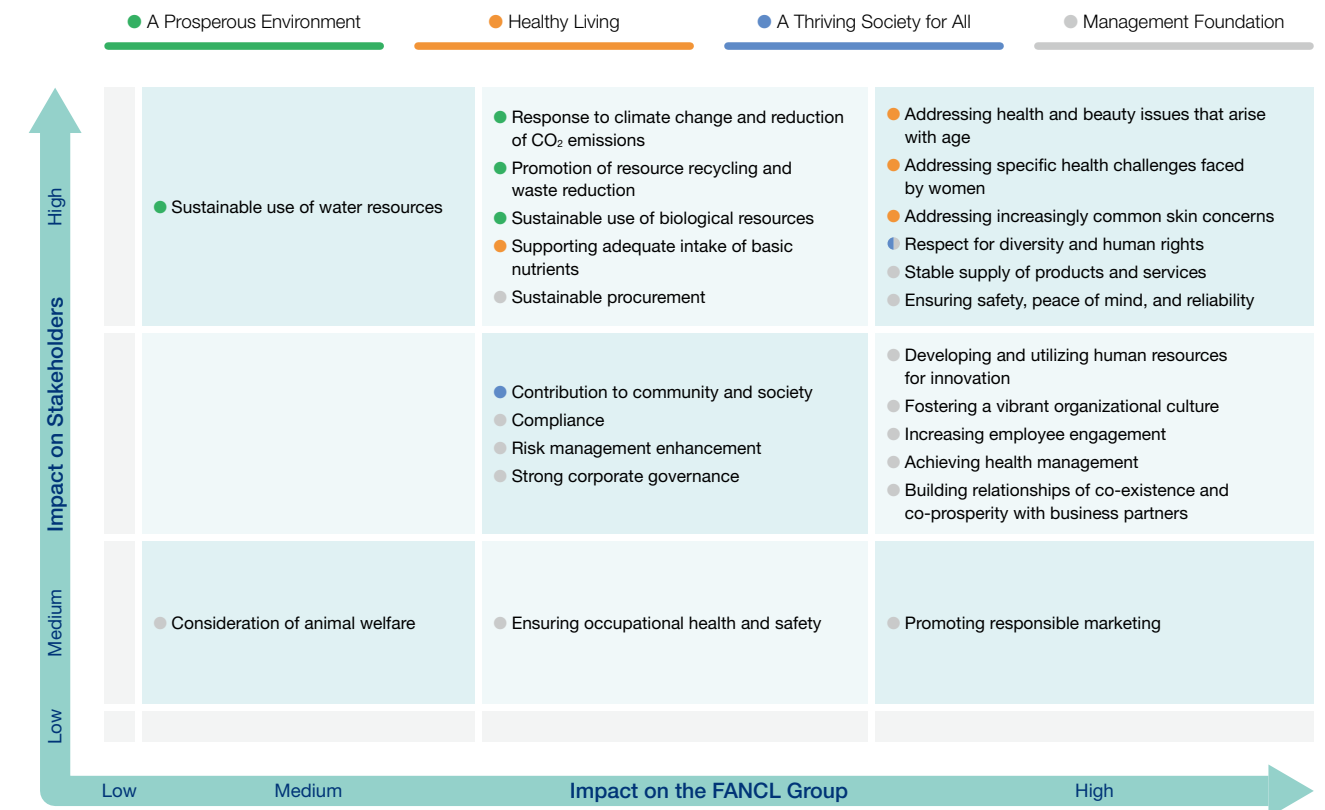
Following discussion by the Sustainability Committee and further deliberation by the Board of Directors, agenda items were resolved. We then drafted specific strategies and action plans, which we announced as our sustainability strategies in our 4th Medium-Term Management Plan in May 2024.

### Materiality Matrix

The materialities identified were organized into the Materiality Matrix after being evaluated from two perspectives: impact on the FANCL Group and impact on stakeholders. In addition to

environmental and social materiality, we have also established materiality for the management foundation that supports them.

In principle, we revise these materialities every three years as they change along with society.



### The FANCL Group's Three Priority Themes and Material Issues (Materiality)

We have identified three priority themes while categorizing the FANCL Group's material issues (materiality) as our vision for the future to 2030.



For key material issues (materiality), we will set targets and performance indicators and work on specific action plans.



## Targets and Performance Indicators for Key Material Issues

To achieve VISION2030, we have established targets and performance indicators for the FANCL Group's material issues (materiality). Progress in implementing these performance indicators is reviewed at quarterly Sustainability Committee meetings, and important matters are reported to and monitored by the Board of Directors on a semiannual basis.

### A Prosperous Environment >>>>> P.38-41

	Materiality	Target	Target Year	Performance Indicators	FY Mar/2024 Results
1	<b>Response to climate change and reduction of CO<sub>2</sub> emissions</b> <b>Officer compensation</b>	Reduction of CO <sub>2</sub> emissions	FY Mar/2051	Net zero	4,134t-CO <sub>2</sub> (Covering Scope 1+2)
2	<b>Promotion of resource recycling and waste reduction</b>	Packaging made from plastic wrap materials that adhere to the 4Rs <sup>I</sup>	FY Mar/2031	100%	55.4%
		Use of plant-based and recycled plastics in FANCL cosmetics containers	FY Mar/2031	50%	40.6%
		Number of customers participating in the collection and recycling of cosmetics containers (cumulative total from January 2023)*	FY Mar/2027	100,000 people	45,000 people
3	<b>Sustainable use of biological resources</b>	Sustainable palm oil procurement RSPO mass balance ratio	FY Mar/2027	80%	RSPO mass balance 77.9% RSPO book and claim method 22.1% (Results for January to December 2023)
		Adoption of environmentally-friendly paper <sup>II</sup> for paper-based container packaging	FY Mar/2026	100%	87.6%

I 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)

II Certified paper, non-wood paper, recycled paper, etc.

The scope of CO<sub>2</sub> emission reduction is on a domestic consolidation basis. 4R compatibility in the use of plastic container packaging materials, the procurement of certified palm oil apply (RSPO mass balance ratio), and adoption of environmentally-friendly paper for paper-based container packaging apply to the cosmetics and health foods of FANCL Corporation and ATTENIR CORPORATION.

### Healthy Living >>>>> P.20-23

	Materiality	Target	Target Year	Performance Indicators
1	<b>Addressing health and beauty issues that arise with age</b>	Increase use of FANCL cosmetics and health foods among people aged 50 years old and above*	FY Mar/2027	110% (compared to FY Mar/2024)
		Increase the number of pre-senior and senior individuals who use FANCL's products for resolving health- and beauty-related issues that arise with age*	FY Mar/2027	125% (compared to FY Mar/2024)
2	<b>Addressing specific health challenges faced by women</b>	Increase the number of people who use FANCL's products to address specific health issues faced by women*	FY Mar/2027	120% (compared to FY Mar/2024)
3	<b>Addressing increasingly common skin concerns</b>	Increase the number of people who use FANCL's Mutenka skin care products for alleviating skin concerns*	FY Mar/2027	120% (compared to FY Mar/2024)
4	<b>Promoting adequate intake of basic nutrition</b>	Increase the number of people who use FANCL's products to supplement adequate intake of basic nutrition*	FY Mar/2027	115% (compared to FY Mar/2024)

### A Thriving Society for All >>>>> P.42-45

	Materiality	Target	Target Year	Performance Indicators	FY Mar/2024 Results
1	<b>Respect for diversity and human rights</b>	Ratio of female employees in management positions	FY Mar/2031	50%	48.5%
		Ratio of female employees aspiring to hold management positions*	FY Mar/2031	70%	67.8%
		The Women's Lively Workplace Comprehensive Assessment*	FY Mar/2031	Maintain at 12.5 points	12.5 points
		① Ratio of male employees taking maternity leave*	FY Mar/2031	① Maintain at 100%	① 100%
		② Number of days taken by male employees for maternity leave (longer than 30 days)*	FY Mar/2031	② 50%	② 9.1%
		Ratio of employees with disabilities	FY Mar/2031	5%	4.53%
2	<b>Contribution to community and society</b>	Number of employees participating in activities leading to a healthy future (cumulative total from FY Mar/2025)*	FY Mar/2027	19,000 people	—
		Number of employees participating in activities helping enable people with disabilities to live with joy and optimism (cumulative total from FY Mar/2025)*	FY Mar/2027	1,400 people	—

### Management Foundation

	Materiality	Target	Target Year	Performance Indicators	FY Mar/2024 Results
	1 <b>Increasing employee engagement</b> <b>Officer compensation</b>	Stress check score* (utilizing the Lively Workplace Comprehensive Assessment)	Most recent three-year average	12.0 points or higher	12.4 points
Create the future with diverse human resources	2 <b>Developing and utilizing human resources for innovation</b>	① Global human resources* a) Cross-cultural understanding and management training b) Language skills other than Japanese ② Digital / DX human resources* a) ITPEC certification and basic skills training b) Data analysis and utilization training ③ Marketing human resources* a) Basic skills training b) Digital marketing training	FY Mar/2027	① 1,000 people b) 250 people ② a) 600 people b) 100 people ③ a) 1,000 people b) 150 people	① a) 25 people b) 170 people ② a) 441 people b) 19 people ③ a) 397 people b) 101 people
	3 <b>Achieving health management</b>	① Health checkup rate* ② Stress check rate* (general health risk level of 120 or higher for sector)	FY Mar/2031	① Maintain at 100% ② 3% or below	① 100% ② 6.3%
	4 <b>Ensuring occupational health and safety</b>	① Occupational accident rate (lost time)* ② Occupational accident rate (fatalities)*	FY Mar/2031	① 1% or below ② Maintain at 0%	① 0.87% ② 0%
Co-existence and co-prosperity with business partners	1 <b>Building relationships of co-existence and co-prosperity with business partners</b> <b>Officer compensation</b>	Satisfaction rate on supplier surveys*	FY Mar/2031	90% or higher	95.4%

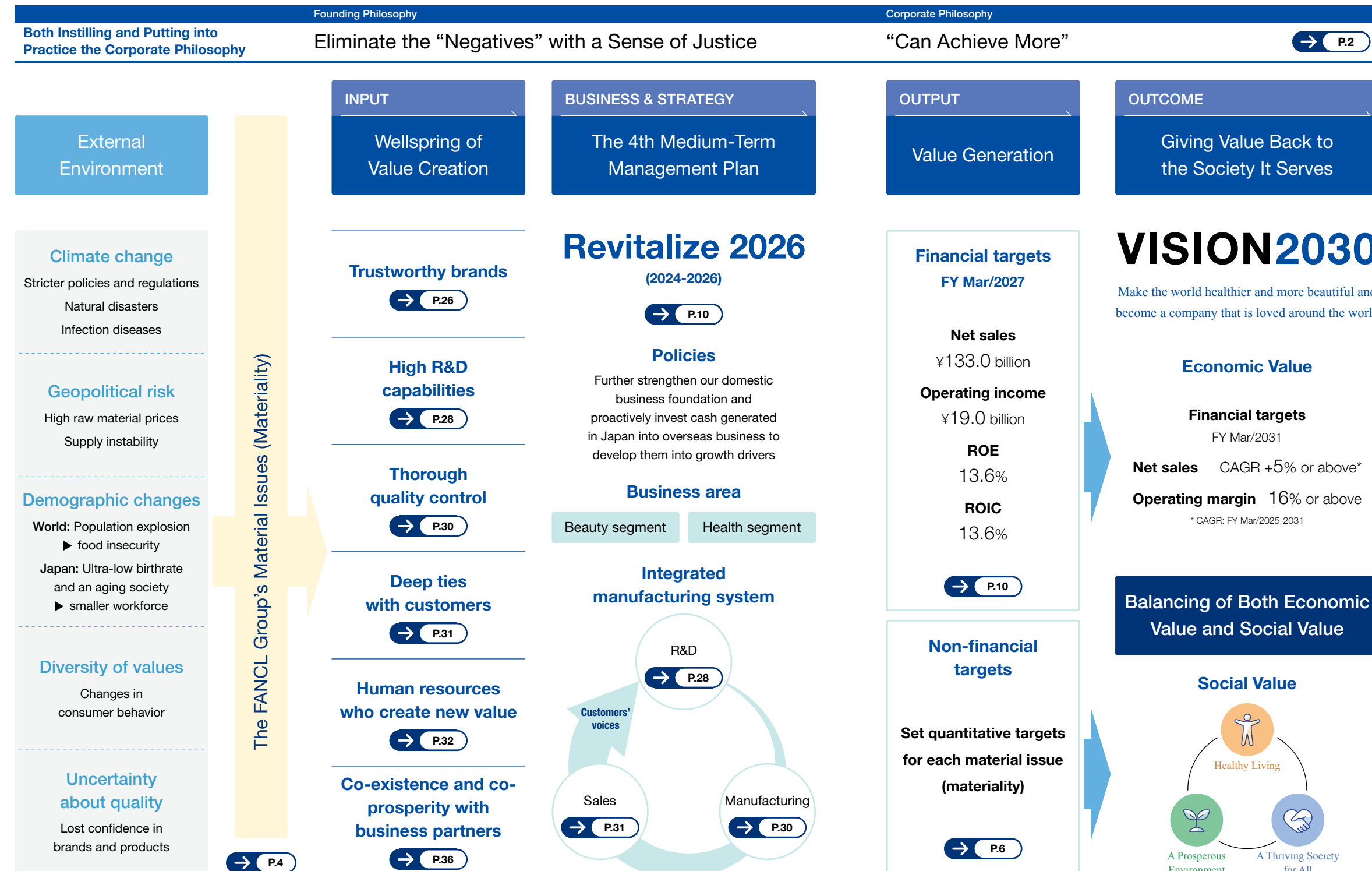
**Officer compensation** FANCL has introduced a system that links results to executive officer compensation. For details, please see P48.

\* Newly set targets under the 4th Medium-Term Management Plan Revitalize 2026

The data in the table on page 7 is for FANCL on a non-consolidated basis. The Women's Lively Workplace Comprehensive Assessment and stress check score data (results) are on a domestic consolidated basis. Ratio of employees with disabilities and satisfaction rate on supplier surveys data is for the FANCL Group as a whole.

## The FANCL Group's Value Creation Model

Taking full advantage of the wellspring of value creation that we have nurtured since our foundation, we will create both social and economic value by adhering to our Corporate Philosophy.



## Building a Bright Future Together

Guided by our founding philosophy of “Eliminate the ‘Negatives’ with a Sense of Justice,” 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.



## Long-Term Vision and New Medium-Term Management Plan

Under the 3rd Medium-Term Management Plan (FY Mar/2022-2024) FORWARD 2023, FANCL 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 by strengthening ties with its customers.

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.

FY Mar/2019 ..... FY Mar/2021    FY Mar/2022 ..... FY Mar/2024    FY Mar/2025 ..... FY Mar/2027

### The 2nd Medium-Term Management Plan

## ACTION 2020

“Creating the Future”

**Maintain growth trajectory, and raise profitability. Establish a robust platform for overseas growth**

- Implement a consistent production process, from research through to sales, to develop products with unique value
- Evolve sales channels to grow both customers and products
- Continue to adopt new approaches to maximize PR and advertising impact
- Solidify the foundation for overseas business growth
- Take on new business opportunities with a venture spirit and a sense of justice
- Promote forward-looking investment and diverse employee activation to achieve greater growth and profitability
- Further boost corporate value and refine our “Upholding Quality”

### The 3rd Medium-Term Management Plan

## FORWARD 2023

“Conquer Adversity and Shape Our Future”

**Aim for sustainable growth in Japan and overseas while adapting to social changes**

- Create and promote products with unique value
- Implement OMO that is unique to FANCL
- Foster and develop new business
- Promote full-scale globalization
- Create synergies with the Kirin Group
- Implement human resource development and utilization
- Promote sustainable business, make lasting SDGs contributions

### The 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**

### The FANCL Group’s 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 are working to balance both economic value and social value.

#### Priority Themes

- A Prosperous Environment
- Healthy Living
- A Thriving Society for All

### Results and FY Mar/2027 Plan

	FY Mar/2021	FY Mar/2024	FY Mar/2027
	Results	Results	Plan
Net sales	¥105.1 billion	¥110.8 billion	¥133.0 billion
Operating income	¥11.5 billion	¥12.5 billion	¥19.0 billion
Operating margin	11.0%	11.3%	14.3%
ROE	11.7%	11.4%	13.6%
ROIC		9.9%	13.6%

Note: Applying “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., from FY Mar/2022.  
Consolidated net sales and operating margin for FY Mar/2021 are estimated values when the same standard is applied.

### Long-Term Vision

# VISION2030

Establish a business foundation for growth in Japan and overseas

### FY Mar/2031 KPIs

Net sales	CAGR +5% or above*
Operating margin	16% or above

\* CAGR: FY Mar/2025-2031

## Revitalize 2026 Major Policies

### Business Strategy

#### Cosmetics Business (Domestic)

#### FANCL Cosmetics

Review brand diversification and establish a position as a brand that resolves skin concerns. Concentrate resources on the FANCL brand and evolve it into a strong brand.

- Expand basic skin care users
- Expand share in the cleansing and facial wash
- Cross-sell to basic skin care users
- Explore new business areas

#### 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.

#### 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 years old in addition to a strong customer base of women in their 40s and 50s.
- Establish a strong portfolio of products that represents FANCL’s strengths and addresses various health needs through a field-based approach, rather than a single product approach, with a focus on products that are easy to incorporate into one’s daily life to achieve healthy living, and products that help to resolve individual health concerns.

### Sales Channel Strategy

#### 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.

#### Overseas Development

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

#### Cosmetics Business

##### ATTENIR

- 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).

##### BRANCHIC

- Position China as a key market 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 the 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 to 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.

### Shareholder Returns 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 dividend on equity (DOE) ratio of approximately 5%

#### Share buybacks

Share buybacks will be carried out flexibly in consideration of capital needs and the stock price

#### Cancellation of treasury stock

Treasury stock in excess of 10% of the total number of outstanding shares will be cancelled

## To Our Shareholders and Other Stakeholders

# The 4th Medium-Term Management Plan, Revitalize 2026, is positioned as a period during which we will facilitate a second founding of the company.



President & CEO  
Representative Director

*Kazuyuki Shimada*

### Profile

Born in Hiroshima Prefecture in 1955. After graduating from Doshisha University's Faculty of Law, joined The Daiichi, Inc. in 1979. After having been in charge of sales floors and worked as a headquarters staff member, served as secretary to the founder Isao Nakauchi for eight years. Joined FANCL Corporation in 2003. Responsible for the Corporate Planning Dept., developed the foundation for business expansion and growth, and executed strategy promotions. In 2007, he became Executive Director and was appointed General Manager of the Management Strategy Division, and in 2010 he oversaw all Group staff departments as Executive Director and General Manager of the Administration Dept. After founder Kenji Ikemori had returned to management in 2013, Shimada was assigned to the frontline to promote and execute strategies.

He was appointed President & CEO, Representative Director in 2017.

## Reflecting on the 3rd Medium-Term Management Plan

Amid the period of significant global change since the COVID-19 pandemic, we continued to transform while leveraging the strengths that kept directly connected with our customers during our 3rd Medium-Term Management Plan.

In specific terms, COVID-19 accelerated the promotion of Online Merges with Offline (OMO) initiatives that are unique to FANCL through the full-scale operation of its in-house FIT3 core IT system as well as the use of such digital technologies as online information distribution and event hosting. In our overseas business, although the Chinese supplement business and ATTENIR's cross-border e-commerce were affected by lockdowns and the Chinese government's reaction to releases of treated water from a nuclear power plant in Japan, those companies proactively disseminated information, implemented promotions, and were able to increase sales. Having launched the new BRANCHIC brand in 2021, sales began to grow at a steady pace.

From a capital investment perspective, in addition to the Kansai Logistics Center, the Mishima Factory, which is working to increase production of supplements, and a factory dedicated to *MILD CLEANSING OIL* commenced operations. Accordingly, we were able to further fortify our logistics and production foundations, which will lead to future growth.

As a representative example of sustainability activities that are unique to FANCL, the FANCL Recycling Program, which was launched in July 2021, also put in place a system that would enable the collection of cosmetic containers at all directly managed stores nationwide by the end of March 2024.

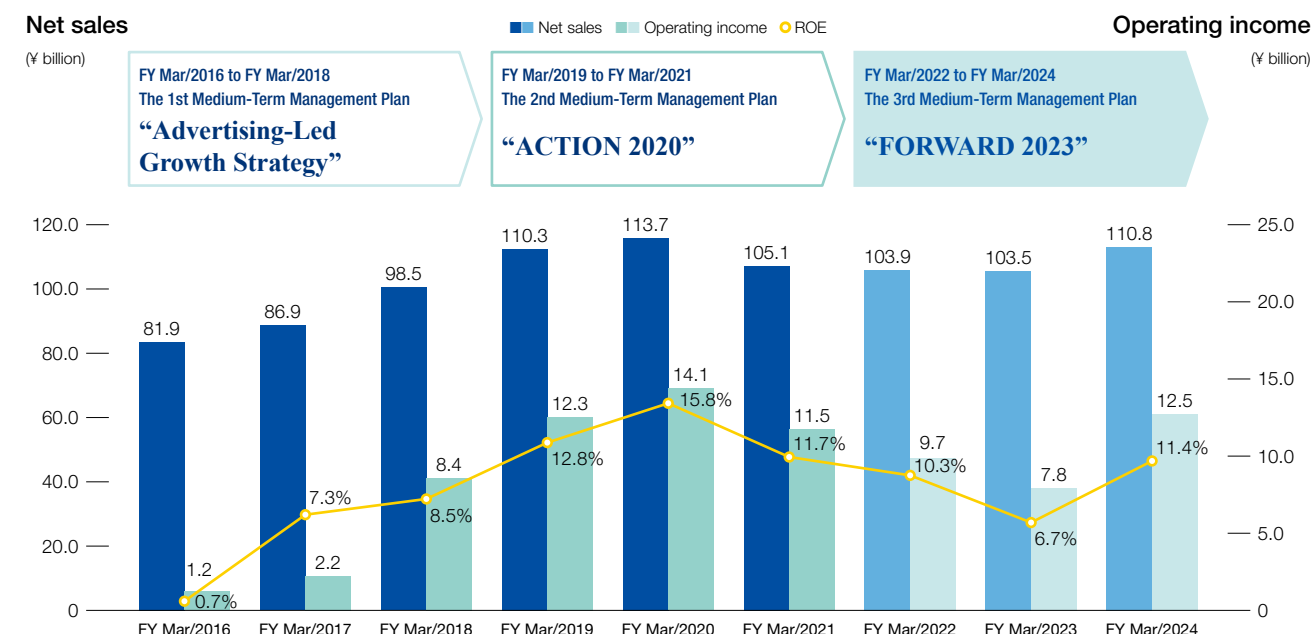
In contrast, the biggest challenge we confronted was that our traditional winning formula was no longer working. Previously, we

achieved growth by investing in advertising for products with unique value while strengthening our relationships with the new customers we had acquired through multiple channels. However, since the COVID-19 pandemic, due to an increase in the number of competitors entering the e-commerce market, it became difficult to achieve the same results even by investing the same amount of money as before. We therefore worked to change direction from 2023, reducing expenses on direct response advertising on the one hand, while implementing reforms to strengthen promotional expenses to enhance connections with existing customers on the other, through which we were able to achieve certain results.

Improving experience value is also important in enhancing connections with our customers. Having previously conducted initiatives, promotions, events, and the like, which had become points of work for each department, we had been strongly urging each department to work together to turn those points into connecting lines and then expand them into aspects of our corporate activity.

We were also buffeted by a variety of other headwinds, including the impact of the release of treated water from the nuclear power plant in August last year and issues involved in the safety and security of nutritional supplements that arose in March this year.

Although issues remain from a business performance perspective, I feel that by working quickly and urgently to deal with various crises, the power of teamwork within the Company has been fostered to an unprecedented extent. I believe that the last three years were ones that we will be able to look back on in a few years from now and say, "It was because of those times that we are where we are today."



Note: Applying "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc., from FY Mar/2022. Sales for FY Mar/2016 to FY Mar/2021 are estimated values when the same standard is applied.



## FANCL's Vision for 2030

Under its long-term vision VISION2030, which was formulated in 2018, FANCL is working to make the world healthier and more beautiful and become a company that is loved around the world.

The world has changed rapidly over the past three years, and the 2030 we had in mind when we formulated VISION2030 is different to the 2030 we imagine today. However, as the declining birthrate and aging society trend continues, including in Japan, China, and some ASEAN countries, concerns about beauty and health are certain to become even more pressing.

Therefore, what we can do is to assist our customers with their beauty and health. In recent years, skin problems caused by, for example, air pollution, ultraviolet rays, and stress have been on the increase. To address these concerns, not only cosmetics but also other solutions are in sight. We will also look at what else we can do, including supplements, to prevent illnesses before they occur.

In light of these changes in the environment, we have conducted a review of the FANCL Group's material issues (materiality) with an eye toward 2030 and to move closer to our vision. Taking into account the opinions of our stakeholders, we have redefined our key issues to three priority themes: a prosperous environment, healthy living, and a thriving society for all. Having also set targets and performance indicators for key material issues, we will be monitoring progress on a regular basis.

In particular, healthy living is a theme unique to FANCL, which has developed Mutenka cosmetics and supplements and provided health and beauty solutions. We will work to realize healthy living through proposals for dealing with the health and beauty issues that arise with age, health challenges faced by women, and increasingly common skin concerns while promoting the adequate intake of basic nutrition.

### Process to Enhance Corporate Value by Solving Social Issues

## Three Priority Themes

### A Prosperous Environment

We will prioritize our response to climate change, incorporate an appreciation for the blessings of nature into all aspects of our corporate activities, and contribute to the preservation of the global environment.

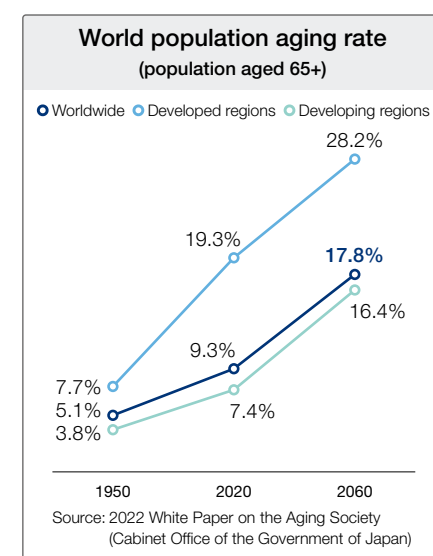
### Healthy Living

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.

### A Thriving Society for All

We will strive to create an inclusive society where everyone can shine in their own unique place, acknowledging differences and fostering mutual respect.

### Themes that only FANCL can contribute to society



### Health Business

- Strengthen products that address health issues specific to pre-seniors, senior individuals, and women
- Promote adequate intake of basic nutrition

Eliminate health concerns through our unique products

### Beauty Business

- Grow customer base, with primary focus on consumers of basic skin care products

Eliminate skin concerns through Mutenka cosmetics

Improve quality of life (QOL) and provide balance of both economic and social value

## Developing Human Resources Who Will Lead the Way to 2030

The past three years of the COVID-19 pandemic has led me to strongly believe that unexpected things will inevitably happen in the years ahead. When those times come, it will not be me or the current directors who will be dealing with them, but the FANCL people of the future. To that end, the only thing we can do now is to develop human resources. In order to resolve those issues that will arise in the future, I am convinced that today's young people must garner a broad array of experiences, including harsh situations.

As a typical initiative in human resource development, we reshuffled the majority of our directors in January and October 2022. By so doing, I believe this necessitated an adjustment, as

reassigned directors thought long and hard, but with a sense of urgency in their new departments, thereby changing the atmosphere and working methods.

To develop the next generation of management, we began a succession plan in the spring of 2023. I also meet regularly with the next CEO and director candidates and continue to report on progress to the Nomination and Compensation Committee. Naturally, things will not change immediately in the space of a year, but I have become more determined to consider a host of factors, including the need to develop a person or the need to give candidates similar experiences.

## Putting in Place the 4th Medium-Term Management Plan, Revitalize 2026 with a View to 2030

I have consistently stated that FY Mar/2024 will represent a turning point for FANCL, when the Company will break away from its previous winning pattern. With the three years of the new Medium-Term Management Plan positioned as a period during which we will facilitate a second founding of the Company, we decided on Revitalize 2026 for its title.

A major pillar in formulating the 4th Medium-Term Management Plan is redefining the Company's brand. To become the preferred brand of choice, it is imperative that we redefine the FANCL brand, ensure that each of our businesses are then connected to this

redefined brand, and engender a sense of empathy in our customers. When we ask employees within the Company, "What kind of company do you want FANCL to be in the years ahead?," the unanimous answer is, "We want to closely support the beauty and health of our customers throughout their lives." The message designed to convey our new stance, "A little joy, every day," puts this feeling into words. Based on this new stance message, the FANCL Group aims to remain customers' preferred brand of choice in the years ahead.

Based on our new stance message

"A little joy, every day,"  
we will establish a strong brand  
that will continue far into  
the future.



## Further Strengthening Our Domestic Business Foundation

Domestically, in our two major businesses of health and beauty, we will strengthen our connections with customers, consolidate our business foundation, and thereby bring about steady growth.

Previously, analyses were based on purchased products, unit prices, and the number of purchases, but these lacked a perspective that would enable us to gain an understanding of our customers in a fundamental manner. Going forward, in addition to past purchasing data, we will also compile data on the ratio of online and in-store use, the registration status of various information tools, and customer service content at stores. By comprehensively ascertaining and analyzing customer behavior, we will get to know and understand our customers better, thereby strengthening our connections with them.

Over the three years of the COVID-19 pandemic, the Company also made the difficult decision to rationalize by closing more than 50 stores. Finally, starting last year, we began renovations at some of our stores, including those that cater to younger customers and those that offer internal and external beauty treatments. The greatest strength of FANCL stores lies in the customer service provided by our staff, who possess meet and greet skills in abundance and care about their customers. By focusing on customer service and carrying out renovations to suit the characteristics of the location and the retail facility, we are promoting the creation of stores that people will want to visit while working to

devise ways to maximize the value of the customer experience.

In our distribution and wholesale channels, another strength we possess lies in having FANCL-branded shelves for cosmetics and nutritional supplements in drug stores across the country. At the present time, each drug store is strengthening its customer retention and fan base by utilizing social media and other platforms. This is an area in which we are hoping to leverage the digital strengths and know-how that we have been accumulating over the years.

As described in the foregoing, by rebuilding our business model to strengthen our connections with customers in Japan, we will steadily generate profits and advance investments in overseas as well as new businesses that will serve as next-generation pillars of earnings.

## Accelerating Overseas Business Development

Under the current 4th Medium-Term Management Plan, we are mobilizing all of the FANCL Group's resources to make active investments overseas.

Our main area of operations will continue to be China, with our focus on strengthening sales of our supplements and ATTENIR cosmetics. In the meantime, to avoid relying too heavily on China, we will try to expand into the ASEAN region. First, starting in the fall of 2024, we will launch ATTENIR cosmetics in Vietnam. We will also work to collaborate with Blackmores (an Australian nutritional supplements company), which has recently joined the Kirin Group.

Possessing strengths in China and the ASEAN region, Blackmores possesses knowledge that we do not have, so we will now enter into serious discussions and work to come up with some kind of plan during the course of the current Medium-Term Management Plan.

Since the latter half of last year, FANCL directors have been conducting overseas inspection tours to China and ASEAN countries, and to a great extent momentum is building to accelerate our overseas expansion.

Even within the Company, people are beginning to view overseas business as something that concerns them personally. For example, IT departments have begun to consider overseas security and customer information management, while in product planning, each department is beginning to think about a variety of factors, such as whether our current products are suitable for entering the ASEAN market. In terms of production, rather than insisting on Made in Japan, we are also giving consideration to local production for the future.

## New Business Creation

Under the previous 3rd Medium-Term Management Plan, we were able to put in place processes to generate new ideas, such as



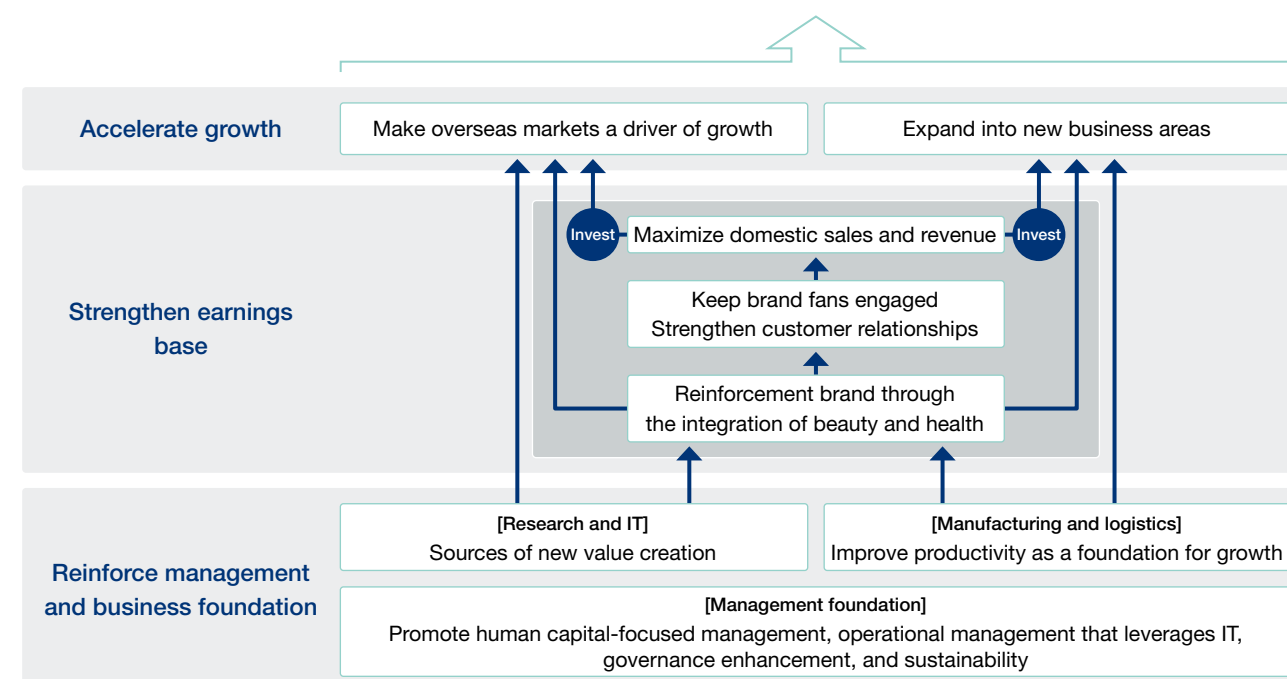
FY Mar/2025 Group-wide policy presentation

establishing a New Business Development Division and holding a cross-departmental idea contest in which all employees could participate. Going forward, as a company we will provide support to help turn the ideas that originate from our employees into businesses. Since a new business does not generate sales or profits immediately, we recognize the need to remain vigilant and to persevere. To that end, we will steadily generate profits in our existing businesses and promote efforts to confront new challenges in the areas of health and beauty.

## Revitalize 2026 — The Big Picture

# VISION2030

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



We will further strengthen our domestic business foundation while proactively investing in overseas businesses to develop them into growth drivers.





## Message from the Officer in Charge of Group Finance & Accounting

### Working to Maximize Corporate Value through Medium- to Long-Term Profit Growth and the Allocation of Cash.

Executive Officer, in Charge of Group Finance & Accounting;  
General Manager, Corporate Planning Division

**Yuhei Komine**

After joining FANCL in 1999, Yuhei Komine was engaged in the launch of the *Hatsuga Genmai* (germinated brown rice) business spending many years as the head of sales. He later served as a member of the Purchasing Division, General Manager of the Administration Division, and General Manager of the Human Resources Division, before his appointment to the position of General Manager of the Wholesale Division in 2020. He has served as General Manager of the Corporate Planning Division since January 2022.



#### Reflecting on the 3rd Medium-Term Management Plan FORWARD 2023

The three-year period covered by the 3rd Medium-Term Management Plan was more challenging than expected due to the prolonged impact of COVID-19, sluggish consumption in China, and the release of treated water from a nuclear power plant in Japan.

Although our customer base temporarily weakened owing to the Company's decision to scale back advertising expenditures over the first year and a half from 2020 when COVID-19 emerged, our aggressive advertising expenditures starting in the second half of FY Mar/2022 helped to successfully strengthen our customer base. At this time, we also undertook the challenge of adopting new marketing approaches designed to deepen connections with customers. This led to a major recovery in both sales and profits in

FY Mar/2024.

Despite falling short of our established financial KPI targets, I feel we have returned to a trajectory of growth. In this regard, operating income for FY Mar/2024 recovered to the second highest level in our history, only exceeded by our record high in FY Mar/2020.

#### The 3rd Medium-Term Management Plan Financial Targets and Results

	FY Mar/2024 Target	FY Mar/2024 Result
Net sales	¥120.0 billion	¥110.8 billion
Operating income	¥15.0 billion	¥12.5 billion
ROE	12.5%	11.4%
ROIC	11.0%	9.9%

#### About the 4th Medium-Term Management Plan Revitalize 2026

In order to achieve VISION2030, as part of the 4th Medium-Term Management Plan we will further strengthen our domestic business foundation, and develop overseas businesses into growth drivers by proactively investing cash generated in Japan. In an effort to secure steady sales growth on the domestic front, we will further strengthen sales through large-scale product launches of both cosmetics and supplements, and will enhance customer life-time value (LTV) through the new marketing approaches we have undertaken since the previous year. Overseas, we will position China and ASEAN as priority areas in which we will aggressively invest.

Despite strategic marketing expenditures overseas and higher personnel costs coinciding with greater employee benefits, we still aim to achieve ¥19 billion in operating income, which would greatly exceed our previous highest earnings, by increasing gross profits through higher sales.

#### The 4th Medium-Term Management Plan Financial Targets

	FY Mar/2027 Target
Net sales	¥133.0 billion
Operating income	¥19.0 billion
ROE	13.6%
ROIC	13.6%

coinciding with sluggish consumption in China. Meanwhile, although return on equity (ROE) fell in FY Mar/2023 due to a shrinking profit margin, it recovered in FY Mar/2024 to 11.4% thanks to an uptick in profits. Although we recognize that ROE has exceeded the generally required cost of capital, we still see the need for further improvement.

#### Action to Achieve Management That Considers the Cost of Capital and the Stock Price

We analyzed the stock market's assessment of the Company and the financial standards required using PBR and the cost of capital.

Comprised of the price book-value ratio (PBR), our price earnings ratio (PER) has trended downwards since FY Mar/2023 due to a decline in growth expectations for overseas businesses

$$\text{PBR} = \text{PER} \times \text{ROE}$$

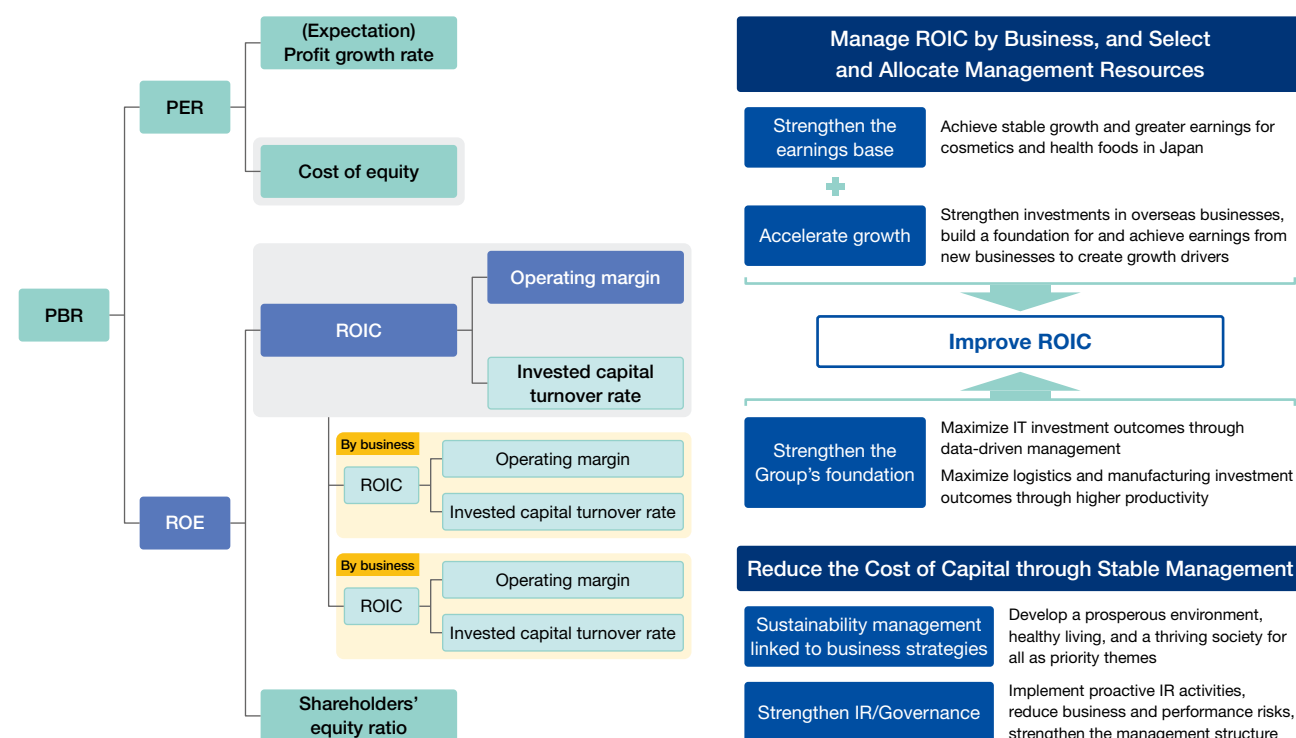
	FY Mar/2019	FY Mar/2020	FY Mar/2021	FY Mar/2022	FY Mar/2023	FY Mar/2024
PBR (times)	5.3	4.9	5.7	5.5	4.0	3.6
PER (times)	38.4	32.2	50.0	54.3	61.1	32.6
ROE (%)	12.8	15.8	11.7	10.3	6.7	11.4

\* The stock price, a factor in the calculation of PER and PBR, is calculated as the average of the high and low prices during the period.

In order to enhance corporate value, we recognize that we must improve profitability by steadily bringing to fruition the business plans within the Medium-Term Management Plan, put forward a stance for achieving growth over the medium to long term through growth investments overseas, and raise the level of

expectation from the market.

Moreover, we will strive to curtail the cost of capital by promoting sustainability management, and by strengthening our IR and governance functions.



#### Shareholder Returns and Cash Allocation

Although we do not plan to implement major capital expenditures during the current Medium-Term Management Plan, we will maintain our existing shareholder returns policy. This reflects our intention to engage in M&As and other activities to strengthen overseas businesses. As part of the next Medium-Term Management Plan, which will begin in FY Mar/2028, we will revise

our shareholder returns policy as necessary with an awareness of the cost of capital and in a way that ensures the Company does not hold excessive cash and deposits.

To meet the expectations of our shareholders, we will seek to maximize corporate value through medium- to long-term profit growth and the allocation of cash.

#### Shareholder Returns Policy

Dividends	Determine the dividend amount based on a target consolidated payout ratio of approximately 40% and dividend on equity (DOE) ratio of approximately 5%
Share buybacks	Share buybacks will be carried out flexibly in consideration of capital needs and the stock price
Cancellation of treasury stock	Treasury stock in excess of 10% of the total number of outstanding shares will be cancelled

\* Dividend on equity (DOE) = Total Dividend Amount ÷ Consolidated Net Assets

#### Cash Allocation

FY Mar/2025 – FY Mar/2027	
+ Operating CF cash inflows	Approx. ¥45.0 billion
- Capital expenditure	Approx. ¥8.5 billion
- CB redemptions	¥10.0 billion
- Shareholder returns	Approx. ¥14.0 billion
<b>Net</b>	<b>Approx. +¥12.0 billion</b>

## Business Overview and Future Strategies

### FANCL Cosmetics

We aim to create a brand that can make people feel positive and brighten society.

Executive Officer  
General Manager, Cosmetics Division

**Makoto Doumoto**

#### Profile

After joining FANCL in 2003, Makoto Doumoto acquired experience in the customer service center and store operations at FANCL Ginza Square. Following his work in sales planning for directly managed stores and online and catalogue sales, he served as the General Manager of Marketing in the Cosmetics Business and as an ATTENIR director. He was appointed General Manager of the FANCL Cosmetics Division in January 2022.



### Reflecting on the 3rd Medium-Term Management Plan FORWARD 2023

Under the previous Medium-Term Management Plan, FANCL successfully launched new products that addressed customers' changing needs. Recognizing people's growing interest in and concerns surrounding pore care attributable to the near mandatory use of masks during the COVID-19 pandemic, we launched *CLAY GEL FACIAL WASH* in 2022. This was followed by the release of *MILD CLEANSING OIL —BLACK & SMOOTH—* in 2023. Through these means, we successfully increased our share of the pore care market. Moreover, in light of the mounting need for skin foundation care solutions as people increasingly refrained from going out, and subsequent shifts in skincare awareness, we actively put forward such special care products as the high-performance *CORE EFFECTOR* serum. In this manner, we took steps to promote cross-selling.

In contrast, initial plans to address issues concerning brand diversification continue to linger. Owing to the scattered nature of advertising investment in Beauty BOUQUET and AND MIRAI, products that were developed for the domestic market, we were unable to achieve the necessary results. At the same time, efforts to improve the brand image of FANCL Cosmetics failed to produce

the desired results.

In today's cosmetics market, the emergence of new competitors and amount of information on the Web are expanding, significantly increasing the choices available to customers. In addition, owing to a variety of factors, including climate change and increased social stress, more and more people around the world are voicing such concerns as rough and dull skin. Against this backdrop, it is imperative that FANCL responds to these changes in the environment and address the myriad of skin concerns to become the preferred brand of choice. FANCL's Mutenka cosmetics are distinguished by the unique ability to eliminate roughness and bring out the natural beauty of a person's skin. Based on the premise that Mutenka cosmetics alone can address today's skin concerns, we have positioned evolving into a robust FANCL brand as the cornerstone of our new Medium-Term Management Plan.

### Basic Strategy of the 4th Medium-Term Management Plan Revitalize 2026

Under Revitalize 2026, we will review brand diversification endeavors and concentrate resources on the FANCL brand. Most importantly, we will prioritize the area of basic skin care, which is



MILD CLEANSING OIL  
—BLACK & SMOOTH—



High-performance  
CORE EFFECTOR serum

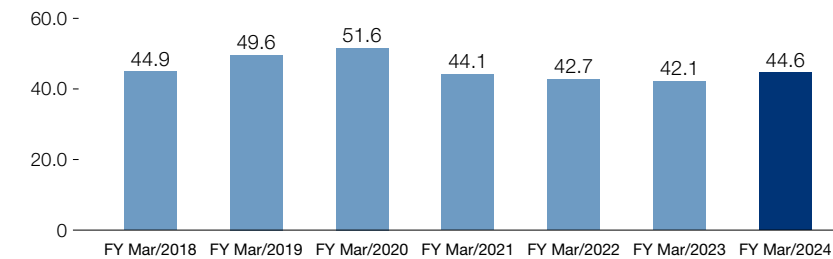


Toiro basic skin care product  
(quasi-drug)

### FANCL Cosmetics

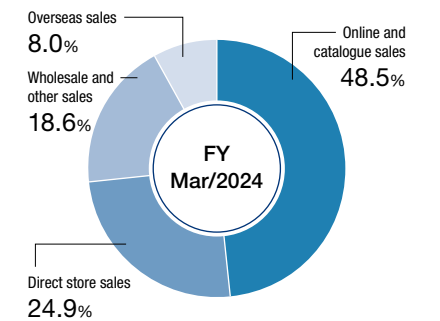
#### Net sales

(¥ billion)



Note: Applying "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc., from FY Mar/2022. Sales for FY Mar/2018 to FY Mar/2021 are estimated values when the same standard is applied.

#### Sales by Sales Channel



critical to addressing skin concerns. As the first step, we launched the new basic skin care product *Toiro* in April 2024. Targeting people around the age of 30, who are prone to skin conditions, this highly anticipated product is capable of addressing skin concerns on multiple levels, while moisturizing and brightening the skin. Responding to requests for use in greater amounts, we also took steps to increase the volume of lotion from 30 ml to 120 ml for the first time in 22 years. We will position *Toiro* as a springboard to expand our basic skin care customer base and strengthen our brand platform. In FY Mar/2026, we plan to launch a new basic skin care product targeting people in their 40s and 50s. In addition, we will work to secure a leading share in the cleansing market, launch new products in the facial wash category tailored to channel characteristics, and promote cross-selling of special care and make-up products.

In addition, we will actively take on the challenge of exploring new areas. In specific terms, we launched skin care products for men in their 30s from July 2024, and plan to release kids' skin care products developed jointly with elementary school students during FY Mar/2025. Furthermore, we will reorganize and strengthen

Beauty BOUQUET as a mainstay series for senior customers.

In this manner, we plan to vigorously release new product under Revitalize 2026. To this end, we will increase the speed of manufacturing and strengthen systems to respond quickly to prevailing needs while guaranteeing both safety and quality. Drawing on the insights of customers, we will provide unique and exceptional products that move the hearts and minds of customers as well as new value.

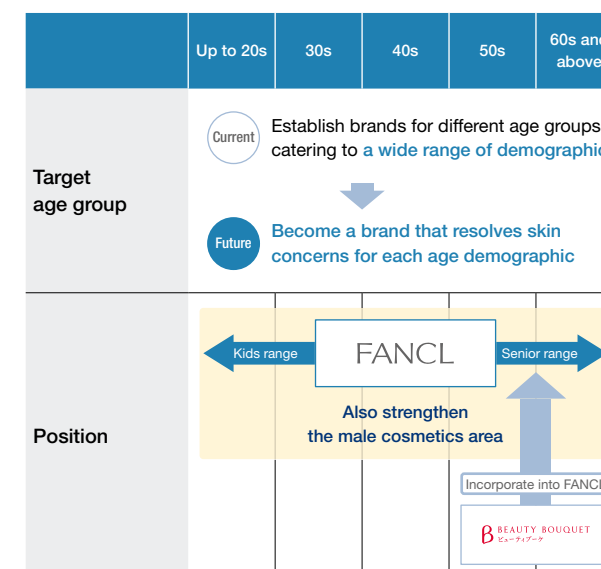
### In Conclusion

Healthy Living



FANCL has grown through the development of businesses that provide solutions to social issues while eliminating the "negatives." Under Revitalize 2026, we have identified efforts to address increasingly common skin concerns as a material issue. By increasing the number of customers who use FANCL's Mutenka skin care products, we will eliminate the "negatives" of skin concerns that afflict many people in Japan and overseas. Moreover, we will become a brand that helps people feel positive and brightens society by supporting everlasting healthy skin beauty.

### Concentrate Resources on FANCL Brand



### Pursuing Four Plans for the Market in Japan

	FY Mar/2025	FY Mar/2026	FY Mar/2027
<b>Expand basic skin care users</b>	Launch <i>Toiro</i> for consumers aged around 30	Launch new basic skin care products for consumers in their 40s and 50s	
<b>Expand share in cleansing/ facial wash</b>	<b>Cleansing:</b> Begin sale of refill type (wholesale) <b>Facial wash:</b> Launch new products (mainly direct sales)	Launch new and limited edition products	
<b>Cross-selling of special care and make-up</b>	<b>Special care:</b> Renew core products <b>Make-up:</b> Renew and make products market staples	Launch and renewal of new products	
<b>Explore new business areas</b>	<b>Men:</b> Launch new products for men in their 30s <b>Kids:</b> Launch multiple new products	Launch and renewal of new products	



## Business Overview and Future Strategies

### Health Foods

We aim to provide products and services that cater to the mental and physical well-being of each individual and to be the most trusted health support company.

Executive Officer  
General Manager, Health Food Division

**Tomoko Saito**



#### Profile

After joining FANCL in 1997, Tomoko Saito was assigned to the customer service center. After transferring to ATTENIR, where she worked in the Product Planning Department and the International Business Division, she served as the head of the Sales Strategy Office and then Director, and was appointed to the position of President and Representative Director in 2019. In October 2022, she was appointed General Manager of the Health Food Division at FANCL.

### Reflecting on the 3rd Medium-Term Management Plan FORWARD 2023

In its Health Food Business, FANCL secured renewed growth of star products under the previous Medium-Term Management Plan. As one example in the highly competitive diet supplement category, we took steps to convey the unique value, delicious taste, and pleasurable appeal of *Calolimit*® to customers, which helped trigger a continued upswing in sales. For *Enkin* (Anti-aging eye care), we revamped and released a new commercial series and most recently expanded the products appeal to include total care for the eye issues experienced by adults, in addition to improved near-sighted focusing capabilities. In adopting an aggressive advertising approach, we have witnessed a considerable improvement in product awareness as well as an understanding of product features. This in turn has contributed to an increase in the number of regular registered customers. In answering such customer concerns as “I have no idea what to choose” and “I only want to take what is right for me,” and closely matching market needs, the distinctive features of our one-pack *Age Bracket-Based Supplements* coupled with their popularity both in Japan and overseas remain the foundation for Health Food Business sales.

We also worked to cultivate new products that meet customer needs. Shining a light on the iron deficiency of today's female populace, we have focused on providing iron-related supplements through external online and catalogue platform channels. This has helped stimulate and expand a new customer base.

Products developed in collaboration with the Kirin Group also continue to steadily expand. One such example, *Meneki Support* (Immunity Support), witnessed robust sales growth on the back of increased awareness toward immunity during the COVID-19

pandemic. Moreover, we launched various beverages in the *Calolimit*® series, which helped expand the profile of the *Calolimit* brand.

Despite each of the aforementioned, while the connection to our customers through products remains firm, this does not extend to our brand. Moreover, the dietary supplement market is becoming increasingly harsh owing to the entry of a number of competitors. Simply promoting each product's features as we have done in the past will only result in further competition over the amount of advertising investment. Moving forward, we must therefore adopt a different approach.

### Basic Strategy of the 4th Medium-Term Management Plan Revitalize 2026

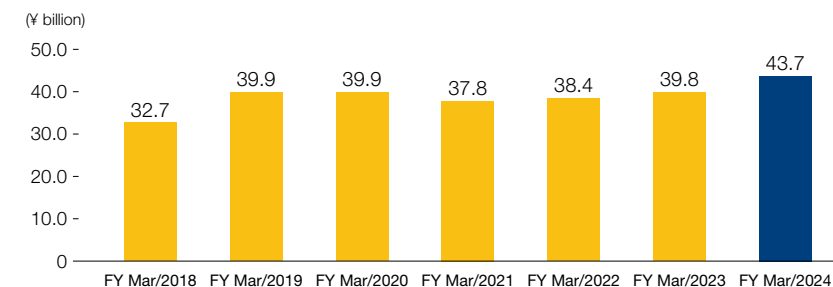
With this in mind, we will narrow down mainstay target groups and allocate management resources focusing on how to best connect with customers as a brand that supports the total health care of each individual under Revitalize 2026.

In addition to our strong customer base of women in their 40s and 50s, we must first develop the pre-senior group of 55- to 64-year-olds. Recognizing the importance of linking with three generations of parents and children, we must seize the opportunity to expand our customer base of women in their 40s and 50s. Meanwhile, as a segment that is increasingly concerned about health, we will strengthen proposals to the pre-senior group, who are looking for solutions, including supplements.

From a product perspective, we will work especially hard to enhance the understanding of each customer segment focusing on women in their 40s and 50s as well as the pre-senior group. To this end, we will build a strong portfolio for each segment. Moreover, we will shift from a product-based approach that forms

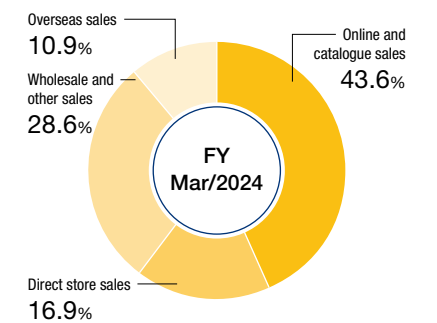
### Nutritional Supplements Business

#### Net sales



Note: Applying “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc., from FY Mar/2022. Sales for FY Mar/2018 to FY Mar/2021 are estimated values when the same standard is applied.

#### Sales by Sales Channel



connections through single star products to a field approach using products that address a variety of target customer issues. Historically, energies were directed toward minus to zero needs where our focus was on addressing individual concerns. While continuing in this vein, we will pay equal attention to the zero keep domain, which we recognize as the original role of supplements, namely ongoing fundamental improvement and prevention, by supporting the daily health habits of customers. As a prime example, we plan to launch groundbreaking anti-aging supplements for the pre-senior demographic in FY Mar/2026. In order to meet the fervent “plus-on” needs of our target female demographic, who are searching for more beauty and youth, we intend to release large-scale products during FY Mar/2025 followed by new products in the beauty field from FY Mar/2026.

### In Conclusion

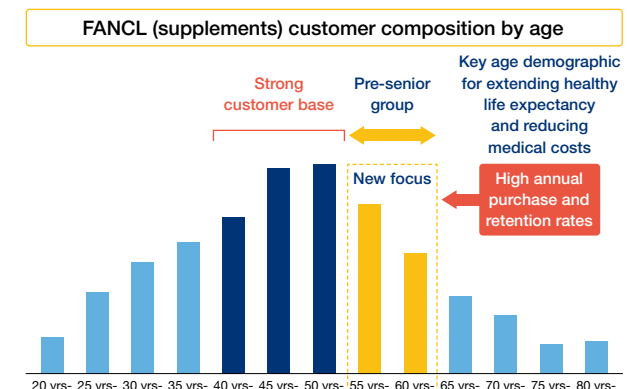
Under Revitalize 2026, FANCL has identified health and beauty issues that arise with age, specific health challenges faced by women, and adequate intake of basic nutrition as materiality issues that need to be addressed. We believe that building a

#### Healthy Living



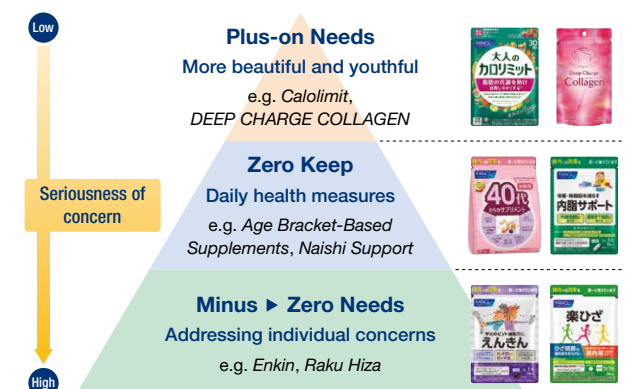
### Basic Strategy

**Target group** Develop the pre-senior group of 55- to 64-year-olds in addition to a strong customer base of women in their 40s to 50s



#### Health needs segmentation

Build a strong portfolio based on target needs



## Business Overview and Future Strategies

### Overseas Business

We are committed to eliminating the “negatives” in every country, delivering beauty and health to customers around the world, and becoming a brand that is loved by customers.

Executive Officer  
General Manager of International Business Division

Hiroaki Hori



#### Profile

After joining FANCL in 1999, Hiroaki Hori was assigned to the Store Sales Division. He joined the International Business Division in charge of China, working with local partners to launch new businesses and expand sales channels in 2003. In 2012, he was transferred to the Wholesale Division, where he was responsible for strategic planning as general manager. In 2020, he returned to the International Business Division as general manager.

### Reflecting on the 3rd Medium-Term Management Plan FORWARD 2023

Over the three years of the 3rd Medium-Term Management Plan, we took a long and hard look at what action we should take and implemented various strategies in the face of a challenging external environment marked by such events as lockdowns attributable to the COVID-19 pandemic and the release of treated water from a nuclear power plant.

Under these circumstances, sales in our health foods business in China expanded, especially for *Age Bracket-Based Supplements*. Furthermore, we took steps to enable work on the development of products as well as branding initiatives as a brand owner going forward by reviewing the terms and conditions of our contract with partner, China Sinopharm International Corporation (Sinopharm).

In the Cosmetics Business, we were able to increase sales through ATTENIR's cross-border e-commerce, and in 2021, commenced development of the prestige brand BRANCHIC in China to achieve growth.

In addition, we strengthened our human resources by adopting a local recruitment policy in China. This included proactively hiring Chinese nationals at our head office. In this manner, we have created an environment in which we can work together to

understand each other's business practices and culture as we pursue our strategies.

During the period of the new Medium-Term Management Plan, we will further expand our overseas business and establish a foundation for growth through aggressive investment.

### Basic Strategy of the 4th Medium-Term Management Plan Revitalize 2026

Under Revitalize 2026, we will further strengthen our operations in China in both the Cosmetics and health foods businesses, while taking on the challenge of expanding into other ASEAN countries.

In the health foods business, in addition to the mainstay *Age Bracket-Based Supplements*, we will position and nurture *Naishi Support* (Weight and body fat care), *Calolimit*, and *Ukon kakumei EX* as well as the new product *DOUBLE-DETO* for the China market as priority products. We will also work with distributors other than Sinopharm in a bid to strengthen our business development endeavors tailored to China's diverse markets. As a first step, we commenced sales of *NMN x CoQ10*, a supplement containing the anti-aging ingredient NMN, from March 2024, mainly through the e-commerce platform on WeChat. Starting with this initiative, we will continue to cultivate new channels.



NMN x CoQ10



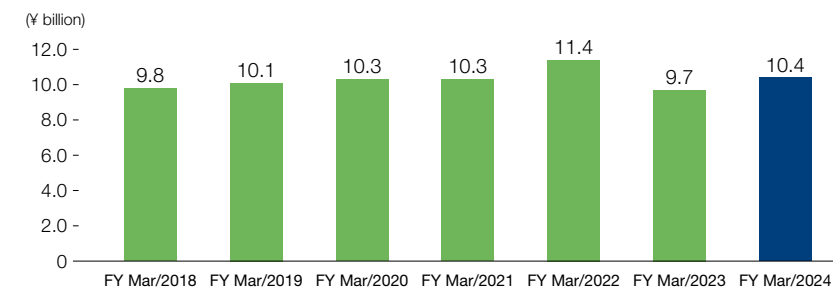
New product DOUBLE-DETO for the China market



ATTENIR Dress snow

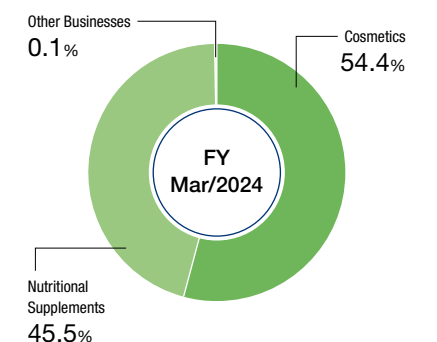
### Overseas Business

#### Net sales



Note: Applying "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc., from FY Mar/2022. Sales for FY Mar/2018 to FY Mar/2021 are estimated values when the same standard is applied.

#### Sales by Business



Moreover, we are looking into the launch of a new brand in Vietnam as an initial step toward expanding into ASEAN markets. Much like Japan, this region has large numbers of people suffering from pre-existing lifestyle-related diseases. Against this backdrop, the need for supplements is expected to increase going forward.

In the Cosmetics Business, ATTENIR is positioned as a growth driver. As far as the China market is concerned, we will commence general trade sales and work to expand points of customer contact. Plans are also in place to aggressively expand into each ASEAN country, and with this in mind, will enter Vietnam in the fall of FY Mar/2025. Starting in late 2022, four employees were dispatched to each ASEAN country to conduct market research. As a country that has a high average annual growth rate for skin care products as well as significant consumption of cosmetic products, and the growing popularity of e-commerce as a sales channel, research has shown that Vietnam is a market in which we can fully demonstrate our strengths. Surveys of Vietnamese consumers have also shown considerable demand for anti-aging and skin brightening products. Consumers who were asked to sample the Company's ATTENIR products expressed considerable praise. With Vietnam as a kick-off point, we intend to then expand into Thailand and Malaysia.

Returning once again to our endeavors in China, we will

continue to invest in BRANCHIC with a view to achieving further sales growth.

### Establishing a Foundation for Growth in Our Overseas Business

In the future, our goal is to leverage the strengths of our integrated manufacturing and sales systems in our overseas business. While much of our efforts to date have revolved around marketing products that are popular in Japan and overseas, moving forward, we will also develop products that meet local needs. We are also looking to obtain Halal certification as we develop supplements and will work to expand into Islamic markets.

As far as human resources are concerned, we will create a system in which all FANCL Group organizations work together as one, and develop human resources who can play an active role overseas. By more effectively deploying these initiatives within our overseas subsidiaries, we will build a system that allows each base to take the central role in expanding business over the medium to long term.

FANCL is a brand loved by many customers in Japan. Working to eliminate the “negatives” in every country overseas, we will also become a brand loved by customers around the world by delivering beauty and health.

Brand	Country	FY Mar/2025	FY Mar/2026	FY Mar/2027
	China	<b>[Sinopharm]</b> Develop priority products that follow in the footsteps of <i>Age Bracket-Based Supplements</i> , and strengthen general trade sales <b>[New businesses]</b> Cultivate new partners and sales channels		
FANCL	China	Sales through various channels, including department stores and shopping centers		
Attenir	China	Commence general trade sales		
	ASEAN	Initiate steps to enter the market in Vietnam / Expand into Thailand and Malaysia		
BRANCHIC	China	Work toward further sales growth targeting beauty-conscious consumers in their 20s and 30s		
New Brands	ASEAN	Launched a new brand for the ASEAN market, entered Vietnam, plans to acquire Halal certification in the future, and expand into Indonesia		

Health Foods      Cosmetics

## Wellspring of Value Creation

### Strengthening the Brand for the Future

#### Background and Purpose Underpinning Efforts to Strengthen the FANCL Brand

In 2016, we formulated the corporate stance message “Upholding Quality” based on our founding philosophy and by launching an advertising campaign achieved some success in spreading the word about FANCL’s passion for manufacturing and our corporate stance. Amid intensifying competition, however, our inability to fully communicate the type and content of the FANCL brand has become increasingly apparent. There has also been a change in consumer awareness, and when selecting a particular product, importance is now placed not only on that product’s value, but also on whether consumers can empathize and identify with the brand’s story and image.

#### Establishment of a Unified Brand Image

Building on the trust in our brand that we have cultivated over many years, Revitalize 2026 was designed to convey to the world in an impressive manner what kind of company FANCL is and what we can offer. Through these means, we are taking steps to reinforce the FANCL brand.

By increasing the number of fans who empathize with the FANCL brand, rather than just by the value of our products, we will become a strong and popular brand. Based on this belief, we have established a corporate brand identity that clearly expresses the features unique to FANCL that we had in mind.

The desire and attitudes of the FANCL brand that we want to convey to our customers are also expressed in the message designed to convey our stance: “A little joy, every day.” Based on a unified brand image, we hope to create a synergistic effect in promoting both our beauty and health businesses. I also expect that the benefits to accrue from the branding of FANCL, the core brand of the FANCL Group, will extend throughout the entire Group.

#### Outlook for Future Brand Strategies

All employees will share the same vision for FANCL in all of its corporate activities, including its products, services, and communications. Through our words and actions, I would like to communicate more essentially and impressively as well as with greater consistency what kind of brand FANCL is and ensure that this image remains in people’s memories. The consistent image of the FANCL brand will be attractively conveyed to people around the world and serve as a factor in an increasing number of people who feel empathy toward choosing our products because the brand is FANCL. That is our goal, and I believe that it will lead to increased corporate value and sustainable corporate growth. With our thoughts as one, I would like us to continue to provide more and more “little joys” to our customers on a daily basis. It is my fervent hope that with everyone’s participation, we can create a strong brand that will remain loved for a long time to come, and one of which we can be justly proud.



Executive Officer  
General Manager of the Advertising Division **Mika Ishizawa**

**Profile**

After joining FANCL in 2006, Mika Ishizawa was assigned to the Direct Sales Division. In addition to the e-commerce site and customer relationship management (CRM), Ms. Ishizawa gained experience in sales planning, the disclosure of information utilizing social networking services, and online advertising. After serving as Deputy General Manager of the Direct Sales Division, she was appointed General Manager of the Advertising Division in October 2022. Later overseeing the Company’s public awareness and advertising endeavors as well as direct response advertising and corporate branding as a deputy executive officer from June 2023, she was appointed an executive officer in June 2024.

#### Diagram Showing the Correlation Between Brands



#### Communicating FANCL’s Vision

The new stance message—“A little joy, every day.”—expresses FANCL’s stance toward its customers and the world in an attractive and concise manner. We also formulated a statement, a declaration to convey our intentions more specifically. This statement embodies FANCL’s underlying principles—the strength

of our desire to care for our customers, being by their side for even the smallest of anxieties and dissatisfactions and delivering a life filled with little joys—and our strong determination to continue to change together with them far into the future.

#### Statement

Life comes with moments of emotion that move the world  
and others that simply make your day.  
Times your skin feels just right,  
times your body feels light,  
It’s those little joys we like to bring you every day.  
That’s why FANCL truly cares about you.  
Giving shape to ideas that establish new values  
is what we’re all about  
and our additive-free cosmetics and supplements  
are the essence of our dedication.  
In this day and age of rapid change,  
we’re here for you every step of the way  
to bring you a lifetime of those simple, heartfelt moments.  
So-let’s make your day.

A little joy, every day.  
**FANCL**



## Wellspring of Value Creation

### Research / Intellectual Property That Accelerate the Pace of Innovation

#### R&D

#### FANCL Research Institute VISION

### Expanding the future possibilities and happiness of each and every one of our customers

Beauty and health represent important elements that support future wants and aspirational desires. We believe that we should become more involved in our customers' lives and happiness, not only with respect to beauty and health, but also to other areas of their lives. Through R&D, we will expand the future possibilities and happiness of each and every one of our customers.



Senior Executive Officer  
General Manager of FANCL Research Institute

**Kazumasa Wakayama**

#### Profile

After joining FANCL in 2005, Kazumasa Wakayama was involved in product development and local overseas production as part of the Cosmetics Business. Also involved in establishing the foundation for the Overseas Business in 2013 and in the Health Food Business since 2015, he has been promoting business and product strategies as an executive officer since 2017 and as a senior executive officer since 2019. He was appointed Senior Executive Officer and General Manager of FANCL Research Institute in October 2022.

The Research Institute is working on a range of R&D projects with the aim of becoming the launch site for creating the future of FANCL. We have now established a new research vision for the future of our research departments.

FANCL believes that it is a company that eliminates customers' negative experiences and helps them achieve their dreams and goals for the future through its health and beauty-related activities. Going forward, we will continue to conduct R&D with the aim of expanding the future possibilities and happiness of each and every customer from a "Can Achieve More" perspective.

#### Promoting Research Strategies to Eliminate Future "Negatives"

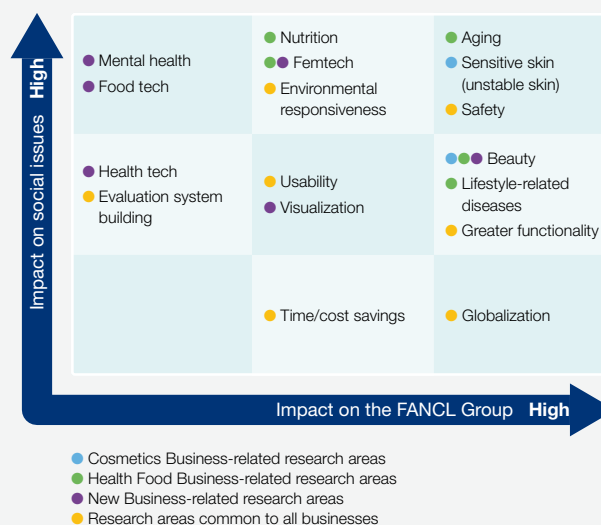
Due to changes in the social environment, we expect that the circumstances surrounding us will continue to change significantly in the years to come. To quickly and appropriately respond to the new social issues that will arise in the future and the customer needs that will emerge as a result, it is important to not only deepen existing efforts, but also to think about and realize the creation of new technologies through backcasting, without being bound to past methods.

Under our research strategy, from FY Mar/2025 onwards, we will set new research areas from two future-oriented perspectives—"responses to social issues and customer needs" and "FANCL's growth"—and promote R&D toward their achievement.

In the cosmetics area, we will develop skin stabilization technology to deal with diversifying skin sensitivity (skin concerns). In the health food area, we will develop unique anti-aging

approaches and propose products targeting the senior market. Also, actively engaging in new areas of research that combine beauty and health-related research with technology will lead to

#### FANCL Research Institute Research Strategies (Overall)



their implementation in products and services that contribute to the future possibilities and happiness of society and of each and every customer.

#### Intellectual Property

##### Intellectual Property Policy

We are aiming to maximize corporate value by effectively managing and utilizing our intellectual property (IP), which represents an extremely important asset in management. Protecting our ideas and research results as IP (patents and know-how), we are proactively filing patent applications for ideas that we believe will make particularly large contributions to our business.

With regard to trademarks, we take steps to obtain rights through appropriate discussions with business divisions and affiliated companies in accordance with future plans for brand, product, and advertising development as well as overseas expansion, while giving careful consideration to their cost-effectiveness. In the years to come, we will also be strengthening

our IP strategy to comprehensively protect our products and services by combining multiple IP rights, including patent, design and trademark rights. Through this initiative, we will synergistically bring about improvements in the value of the products and services we provide to our customers and contribute to the sustainable growth of the FANCL Group.

#### Maximizing Corporate Value through IP Mix

We engage in life cycle management in preparation for product renewals due to functional enhancements and the lapsing of patents.

As far as trademarks are concerned, we accurately obtain trademarks, such as for product names, product concepts, slogans, and collaborative products, with an eye toward expanding our brand development.

By combining multiple IP rights, we are aiming to develop unique products and services, improve brand power, and maximize corporate value.

#### Calolimit® Patent Life Cycle Management and Examples of IP Mix



1999	Patent application submitted for "anti-obesity and suppression of postprandial blood glucose rise by combination of two ingredients, mulberry leaves and gymnema" (Discovery ①)
2000	<b>First-generation Calolimit® launched</b>
2001	Calolimit® trademark (for supplements, etc.) obtained
2002	Patent obtained (Discovery ②)
2005	<b>First renewal launched</b>
2006	Calolimit® trademark (for beverages, etc.) obtained
2012	<b>Second renewal launched</b>
2016	<b>Third renewal launched (foods with function claims)</b>
	Concerning "suppression of postprandial blood glucose and lipid increases by a combination of three ingredients: mulberry leaf extract, chitosan, and tea flower extract"
2018	Patent application and request for expedited examination (Discovery ③)
2019	Expiration of patent for Discovery ①, obtaining of patent for Discovery ②
2020	<b>Fourth renewal launched (The 20th anniversary of a proprietary blend that combines the three functional ingredients mulberry leaf extract, chitosan, and tea flower extract.)</b>
2022	Calolimit® trademark (for food, alcohol, pet food, etc.) obtained "Make Your Diet HAPPY" trademark (for supplements, beverages, food, alcohol, etc.)

### Promoting Research into the Solutions for Eliminating New "Negatives"

In order to bolster the growth of cosmetics, nutritional supplements, *Hatsuga genmai* (germinated brown rice), *Kale Juice*, and other existing business products, we promote safety and functional research with a focus on peace of mind and safety through basic technological research and product development research activities. At the same time, we engage in product development based on scientific evidence.

We conduct a wide range of activities, including joint research with the R&D Division at Kirin Holdings Company and other domestic and international research institutes, and participate in industry-government-academia collaboration projects. In each case, these activities are constantly evolving as we promote efforts to establish a research institute that is capable of addressing social issues and creating new businesses.

#### Major Achievements in FY Mar/2024

Number of products developed	Number of patent filings Domestic: 36, Foreign: 9	Number of Researchers and Professional Qualifications
FANCL Cosmetics	42	Researchers 189
Nutritional Supplements	8	Ph.D.s 21
ATTENIR Cosmetics	30	Pharmacists 8
<i>Hatsuga genmai</i> , <i>Kale Juice</i> , and other food products	5	Registered dietitians and dieticians 10
		Research and development expenses ¥3,385 million

Wellspring of Value Creation

High-Quality Manufacturing and Manufacturing / Logistics That Enable Stable Supply

Manufacturing Commitment to Quality

At our six production bases in Japan, we aim to provide “gentleness, safety, and assurance” to customers around the world. We consistently maintain high quality through our meticulous commitment to manufacturing, which includes a

management system that complies with GMP/FSSC 22000 standards, industry-leading hygienic environments and thorough hygiene management, and by using only ingredients that have been carefully selected according to standards unique to FANCL.

Standards for Production Bases (FANCL B&H CORPORATION)

Standards		GMP*1	FSSC 22000*2	Facility Clean Room
Bases and Major Products				
Chiba Factory	Cosmetics, supplements	●	—	●
Shiga Factory	Cosmetics	●	—	●
Gunma Factory	Cosmetics	●	—	●
Mishima Factory	Supplements	●	●	●
Yokohama Factory	Supplements	●	—	—
Nagano Factory	Germinated brown rice	—	●	●

\*1 Good Manufacturing Practices (GMP) was drawn up by the U.S. Food and Drug Administration to maintain production management and quality control for such items as cosmetics, pharmaceuticals and foods.  
\*2 Internationally recognized Food Safety System Certification (FSSC) 22000



Mishima Factory

Increases in Production Capacity

The Company’s core product, *MILD CLEANSING OIL* was previously produced at three locations. In March 2020, however, the production functions were consolidated in a new dedicated building built on the Chiba Factory premises, thereby realizing labor-saving and efficiency improvements through automation and high-speed operation. This has enabled annual production of 12 million bottles, more than 1.3 times the previous level.

For the *Age Bracket-Based Supplements* that are popular in China, a filling and packaging line was added at the Mishima Factory in June 2023, giving the factory more than 1.4 times its previous capacity and creating a production expansion system that can respond to sudden increases in demand.

BCP\* Measures

In aiming to develop an all-hazards BCP that will facilitate responses to a variety of crisis situations, the Company is deploying a cross-sectional project across its six domestic production bases. We are making preparations for unforeseen circumstances by establishing a system for manufacturing our core and other products that help support those affected in the aftermath of a disaster at multiple locations as well as by formulating plans for a rapid recovery at facilities that sustain damage due to a disaster.

\* A business continuity plan (BCP) is a plan that is prepared in advance to ensure business continuity in the event of a crisis or disaster.

Logistics

Inventory Allocation through a Two-Site Framework

The FANCL Group operates two logistics centers, the Kanto Logistics Center (in Kashiwa, Chiba Prefecture) and the Kansai Logistics Center (in Kadoma, Osaka Prefecture), which deliver freshly made products to customers across the country with the shortest possible transport distance. By optimizing inventory

allocations while properly maintaining stock quantities and the manufacturing and expiration dates of products stored at each logistics center, we are able to deliver products to customers more quickly and accurately.

Initiatives to Reduce Environmental Impact

To address the so-called 2024 logistics problem in Japan—possible service disruptions reflecting a truck driver shortage arising from new overtime regulations—and the need to reduce environmental impact, including reductions in CO<sub>2</sub> emissions, we are actively exchanging information with contracted delivery business operators and working to resolve issues. When transporting products between the two logistics centers, we took steps to improve loading efficiency by effectively utilizing the space above truck cargo beds, thereby reducing the number of trucks used by 25% between 2021, when the two-site framework began, and 2023. In terms of deliveries to customers, we are promoting the use of a variety of delivery services. This includes reducing redelivery, package drop services\*1, deliveries to mailboxes, picking up parcels at convenience stores, and consolidated deliveries\*2. In line with our responsibility as a pioneer in online sales of cosmetics and nutritional supplements, we considered it necessary to promote the package drop service more heavily to reduce the burden on drivers and implemented a points reward service for its users from January to February 2024. Going forward, we will conduct reviews of packaging materials, improve loading efficiency and reduce transportation costs while aiming to reduce environmental impact.

\*1 Package drop services: Services by which packages are delivered to specified locations without meeting the recipient (no receipt stamp required) regardless of whether the recipient is present or absent.  
\*2 Consolidated deliveries: When purchasing products other than those registered for under regular services, a system that facilitates reductions in the number of deliveries by letting recipients know that they can receive their orders together on a date close to their regular delivery dates.

Initiatives to Support “Connections” with a Strong Customer Base

In-House Developed FIT\* Core IT System

Having started out with online and catalogue sales, FANCL’s greatest strength lies in the Company possessing a strong customer base, with many customers who have remained loyal over long periods of time thanks to customer development that incorporates CRM.

To further strengthen our customer base, we are utilizing our in-house developed FIT core IT system, which supports “connections” with customers and underpins policies, while achieving communications that are tailored to each and every customer.

For FIT, we also utilize a common platform for online and catalogue sales, external online sales, and direct store sales. At our own call centers and directly managed stores, we provide close, attentive support to customers by utilizing their past purchase and counseling histories as we endeavor to maximize the value of our customers’ experiences and improve their levels of satisfaction.



\* Abbreviation for FANCL Information Technology.

Strengthening Customer-Tailored Communications

To strengthen “connections” with our customers, we are reinforcing the deployment of programs tailored to customer attributes and the utilization of a variety of information tools.

In FY Mar/2024, we began to deploy our Mama & Papa Smile Program, which supports parents who are doing their best at work and in bringing up children, and the Senior Active Support Program that brings us into close contact with the “active generation” aged 65 and above. We are working to expand and upgrade services and information that are tailored to customers’ needs. This includes covering the costs of shipping and offering special birthday benefits.

With an eye toward encouraging the registration and use of a variety of tools, such as email newsletters, social media, monthly newsletters, apps, and web content, we are promoting communications that deliver fresh, optimal information that is tailored to the customer.



The Mama & Papa Smile Program Website

Revamp of Information Magazines That Have Been in Print for around 40 Years

In January 2024, we revamped the information magazines we deliver to our customers, launching *FANCL Fleu:me* for people in their 30s to 50s and *FANCL Fleu:me+* for people in their 60s and above.

Having integrated our previously published cosmetics information magazine *ESPOIR* and health food information magazine *Genki Seikatsu* to develop information that supports beauty and health from both inside and outside the body, we are now maintaining an awareness of age groups, the 30s to 50s and 60s and above, and publishing separate booklets to convey the information necessary for each age group. The number of pages has also been significantly increased and now include not only product and campaign information, but also information useful for everyday life. We will continue to develop information that is closely tailored to our customers’ lives.



(Left) *FANCL Fleu:me* for people in their 30s to 50s  
(Right) *FANCL Fleu:me+* for people in their 60s and above

New Multiple Channel- and “Connections”-Based Customer Development Model

Handling a wide range of cosmetics and health food products as well as operating a variety of sales channels, including online and catalogue, directly managed stores, and wholesale, enables FANCL to maintain multi-faceted communications with its customers.

To build a new customer development model that takes full advantage of these characteristics, in FY Mar/2024, the Company grouped its customers based on the depth of their relationships with FANCL, strengthened connections by combining various information tools, and further demonstrated its multichannel strengths.

Providing information and services that are to an unprecedented level closely tailored to our customers, we are working to maximize their experience value while building strong customer “connections.”



## Wellspring of Value Creation

### Human Resource Strategy

#### Overview of the Human Resource Strategy

The FANCL Group has identified “creating the future with diverse human resources” as a materiality for its management foundation within its sustainability strategies under the Medium-Term Management Plan Revitalize 2026. At the same time, the Group is engaging in this effort from three perspectives, namely developing human resources, utilizing human resources, and fostering an organizational culture.

In order to build a robust corporate constitution that can rapidly address changes in the era of VUCA\*, we are developing a framework that allows employees to create new value. To do so, we are working to incorporate the acquisition of multiple fields of strength and a job rotation system into the Human Resources Development Policy.

After all, it is employees that execute value creation through business. We will therefore accelerate Diversity and Inclusion under an environment in which employees can work with enthusiasm, and execute our human resource strategy that encourages employees to demonstrate both their individuality and potential. And with our unique FANCL venture spirit, we will strive to create a culture in which all employees continue to take on the challenge of eliminating the “negatives.”

Through these efforts, we will bring about improvements in employee engagement and increase human productivity, thereby increasing earnings per person. In returning profits to our employees, we will create a virtuous cycle that will further heighten their sense of engagement, which will lead to increased corporate value.

#### Further Accelerating Efforts to Link the Management and Human Resource Strategies

To further accelerate efforts aimed at linking our human resource strategy to enhance the efficacy of our management strategy, we will establish the human resource portfolio necessary for bringing VISION2030 to fruition and implement the planned assignment of personnel as well as education and training. In specific terms, and in addition to the strengths of our business model in digital/DX and marketing, we will develop human resources with the global and management skills that will be key to our corporate growth in the years to come.

In addition to implementing cross-cultural understanding and language acquisition programs, with regard to global skills, we will systematically increase the number of employees assigned overseas and those engaged in overseas business within Japan to raise the Company's overall skill level.

As far as management is concerned, we are promoting the development of candidates for the next generation of leaders under our succession plan. In addition to practical experience, we are also running a management school where teams make recommendations to management, conducting training sessions on the knowledge necessary for executives (multi-stakeholder



Executive Managing Director  
In Charge of Group Management and Human Resources Strategy  
and General Manager of Administration Headquarters **Yasushi Sumida**

#### Profile

After joining FANCL in 2005, Yasushi Sumida has been involved in areas ranging from basic research on cosmetics to product development and other related operations. In 2008, he served as Executive Officer, General Manager of FANCL Research Institute and General Manager of Cosmetics Research Institute. From 2013, he served as Executive Director and General Manager of FANCL Research Institute. In June 2020, he served as Executive Managing Director and General Manager of FANCL Research Institute. Starting in October 2022, he has served as Executive Managing Director, General Manager of the Administration Headquarters, and General Manager of the Health Support Office. Since October 2023 Executive Managing Director, in charge of Group Management and Human resources Strategy and General Manager of Administration Headquarters and General Manager of Health Support Office of the Company.

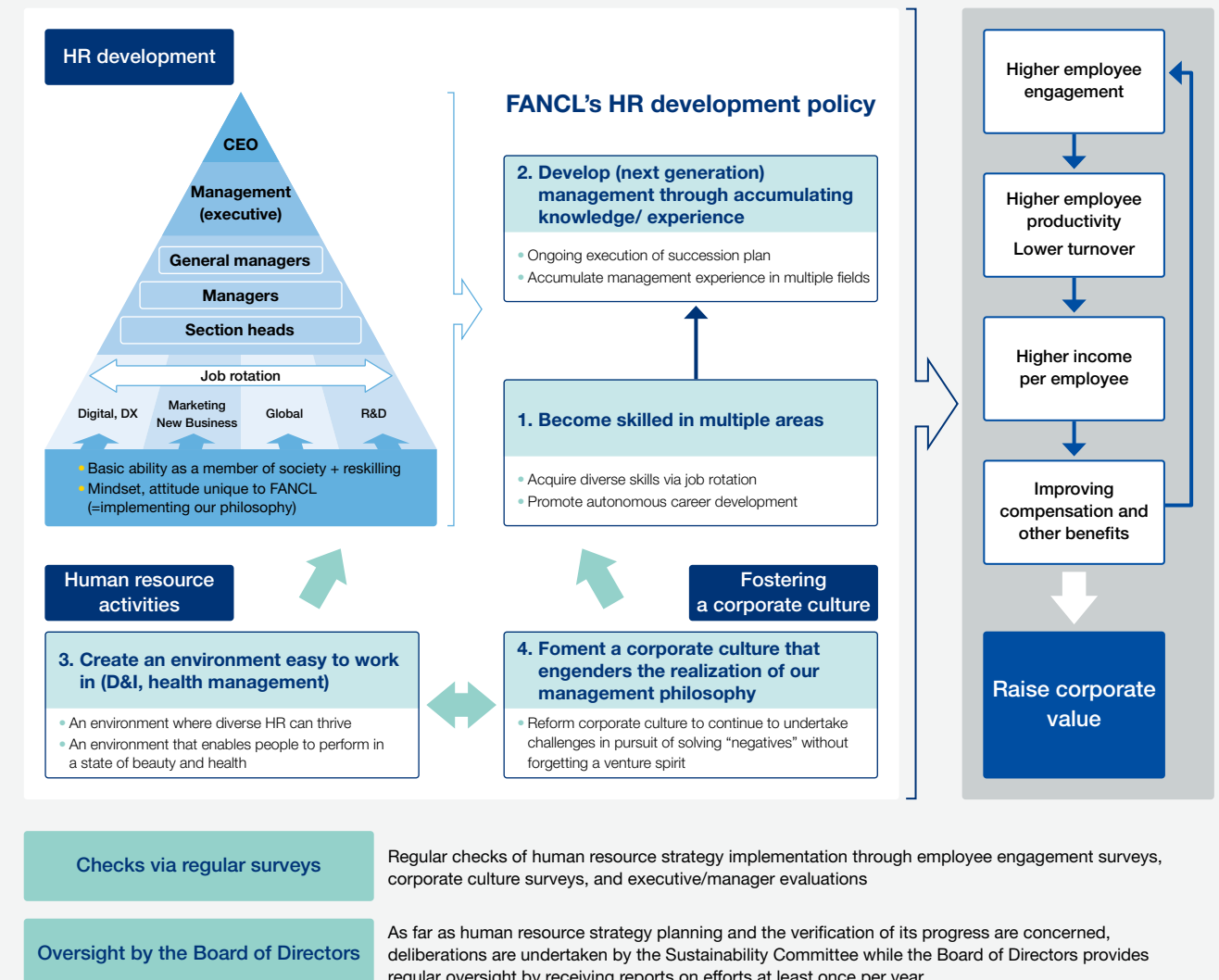
perspectives, investor relations, financial accounting, sustainability, human resources and labor, legal affairs, etc.), while providing them with programs for cross-cultural understanding and language acquisition.

#### Create an Environment Easy to Work in (1) Promoting diversity and inclusion

Under its diversity promotion slogan “embrace differences,” the FANCL Group has been aiming to remain a company where its employees can increase organizational diversity, respect and accept each other—regardless of age, gender, disabilities, sexual orientation/gender identity, nationality, race, religion, values, ways of thinking, and ways of working—and where each and every individual can showcase their individuality and abilities to the fullest extent and can have dreams as they shine with vitality over the long term. We have thus been working to create the environments and mechanisms to those ends.

We are promoting a raft of measures, such as Unconscious Bias Training to raise awareness of unconscious bias, the Women's Leadership Program to enable women to work in ways that suit them, the associate regular employee system aimed at

#### HR strategy



balancing work with caregiving, illness, or disabilities, and the Active Senior Employee System that enables employees to work without an age limit.

For details, please see A Thriving Society for All (P.42-43)

#### (2) Actively promoting health management

Based on the recognition that employee health forms the foundation of value creation, the FANCL Group works continuously to eliminate the negative aspects of its work and is proactively promoting health and productivity management. A specialized organization that supports employee health, the Health Support Office has six full-time public health nurses who, together with industrial physicians, have established a system for coordinating with workplaces and medical care, and are available to provide consultations with regard to, for example, lifestyle-related diseases and mental health. By utilizing a dedicated health management system that centralizes data from health checkups and stress checks and involves two-way communications with employees, we are able to prevent the onset of physical and mental illnesses. After each year's stress checks, we hold a workplace improvement seminar for each department to provide feedback on the results in

an effort to maintain and improve the work environment.

These efforts have been recognized with the Company being acknowledged as a Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category [White 500]) for the eighth consecutive year.



The six public health nurses from the Health Support Office



## Wellspring of Value Creation

### Special Interview ① Human Capital Management



## The Very Human Resources Who Continue to Confront Challenges Will Become Our Driving Force.

At FANCL, we link our management strategy with our human resource strategy to systematically assign and develop our human resources. By establishing uniquely FANCL career paths, we are also working to balance employee career development with the Company's growth. An outside director and an internal director exchanged opinions on the present and future of human capital management.

### The Importance of Human Resources Who Have Had Various Careers and Possess Diverse Skill Sets

**Sumida** As part of its efforts to develop human resources, FANCL encourages its employees to acquire expertise in multiple areas while regularly transferring human resources by means of the Company's job rotation system. As a result, not only have individual capabilities improved, but collaboration between departments has also become smoother and more efficient, revitalizing the Company as a whole.

**Tsuboi** This is an initiative to which I can really relate. In this VUCA\* era, the people who can thrive are those with a wide range of experience and who can flexibly adapt to change. Also, Kirin's human resource strategy revolves around the keywords, expertise × diversity. Kirin believes that it is important for its employees to refine their expertise and use it as their anchor, while possessing inner

diversity that stems from a wide range of experiences.

**Sumida** At FANCL, we believe that having diverse members with multiple areas of expertise in various departments creates new value in each area. While continuing to implement job rotations in the years to come, we will create environments in which young employees can advance while experiencing a variety of careers at an early stage.

**Tsuboi** Increasing human resource mobility helps to attract diverse human resources, which in turn helps revitalize the organization. Innovation is essential for a company to keep growing. FANCL's cross-departmental idea contest is also a great initiative that creates new businesses through collaboration with other departments and the bringing together of diverse strengths and values.

At the Kirin Group, we are trying to make KABEGOE—co-creation across businesses—a common keyword for all our global employees. This is because we want to embed in our culture the idea of co-creation extending beyond the boundaries of an individual's own mind, team, organization, and business, and continuing to generate new value. If you are someone who is satisfied with the status quo, new ideas are unlikely to materialize. I believe that it is only by confronting the obstacles that they face that organizations and individuals can grow, new value can be created, and companies can grow as a result.

### Human Resource Development That Gives Business Strategies Added Impetus

**Sumida** In line with the strong globalization drive under the 4th Medium-Term Management Plan, the plan under our human resources strategy is to focus on developing global human resources. Within the Company, there is a growing awareness toward overseas expansion, and it is a very positive trend that an increasing number of young employees are applying for overseas postings that are open to all.

**Tsuboi** The environment surrounding our human resource strategy is undergoing drastic changes, and I believe that it is necessary to link the management strategy with the human resource strategy in a more fundamental manner. Global talent is essential, and with the evolution of AI and robotics, the skills required will also change. I believe that the ability to think for oneself, the ability to envision the future without being bound by existing frameworks, the ability to adapt to change, and the ability to make decisions will all become increasingly important.

At Kirin, we also place importance on independent career development and place considerable emphasis on providing a variety of opportunities to human resources who possess the motivation to grow.

**Sumida** Under the 4th Medium-Term Management Plan, we will establish the human resource portfolio necessary to realize VISION2030. In addition to the digital/DX and marketing skills that will be important for the business model that we are targeting, we will thoroughly develop the human resources who possess the global skills and management expertise that will be the key to our future growth.

### Instilling Our Corporate Philosophy Represents a Strength

**Sumida** It is my belief that our corporate philosophy will gain in importance as we work to promote human resource strategies. The origins of FANCL lie in a story with which everyone can empathize, of wanting to solve the problems of a family that was precious to our founder. Having adopted since that time the philosophy of eliminating all that is negative in the world, we have been growing as a company. It is for that very reason that, even if we bring together human resources who have had



a wide range of experiences and possess diverse skill sets, we still believe that we will be able to remain a strong organization where diversity and unity coexist without losing sight of our vision.

**Tsuboi** FANCL's founding story stirs people's emotions and has the power to evoke empathy, doesn't it? The extent to which the Company's philosophy has been instilled in its employees is also remarkable. For the very reason that the human resources are so diverse, they need a North Star, something to guide them toward what they should be aiming for. A clearly defined North Star should be of great advantage in giving added impetus to human capital management.

### Cultivating a Culture in Which People Can Confront Challenges without Fear of Failure

**Tsuboi** As outlined in the 4th Medium-Term Management Plan, FANCL is undergoing a period of major transformation. While on the one hand we remain committed to the principle of aspects that we will not change, which has been important since our founding, there is also a need to boldly modify our business model and portfolio. This is to ensure that FANCL will continue to be loved by customers and society far into the future, and that our employees will be able to grow and thrive, even amid the drastic changes in the business environment.

Change requires the courage derived from KABEGOE. Now is the very time to possess a stronger sense of awareness that there must be something more we can do. You may make mistakes, but failure is not something to be avoided. Rather, you can learn something new and use it as room for growth that will lead to whatever



comes next. I think it is necessary for this to be conveyed clearly from the management side, too. I want to foster a culture where employees who confront challenges and learn from them are praised. Let's do our best together.

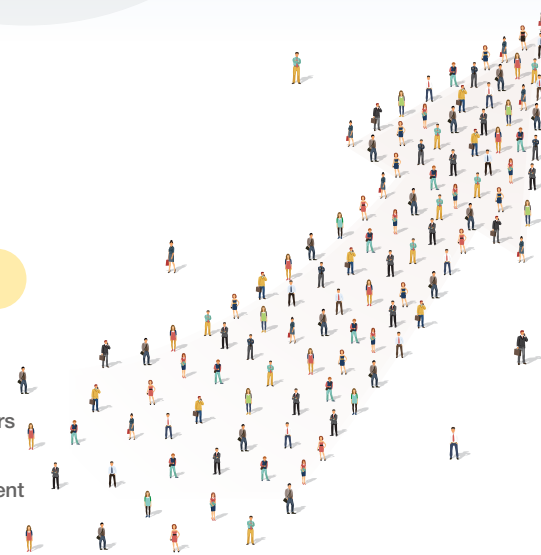
**Sumida** I also believe that evaluating those people who confront challenges will be the driving force behind the evolution and transformation of the FANCL Group. Transformation requires a lot of energy, but we want to take the lead in communicating that there is a bright future ahead. My next challenge will be to develop an optimal human resource portfolio to drive our business strategy and to expand and upgrade the personnel who will build the Company. I am currently working with various departments to develop the portfolio. If this were to enable further links between the management strategy and the human resource strategy, it would further increase opportunities for growth. I would like all stakeholders to certainly have high expectations for future developments at FANCL.

## Wellspring of Value Creation

### Special Interview ②

## What We Can Do to Achieve Co-existence and Co-prosperity with Our Business Partners.

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



### Dialogue with Suppliers Remains Most Important Factor in Sustainable Procurement

**Niimura** Having established the FANCL Group Sustainable Procurement Policy and Trading Partner (Supplier) Guidelines, we conduct business with suppliers who are in agreement with the former and adhere to the latter. In October 2022, we conducted a survey and interviews regarding the status of compliance with the Guidelines and were able to confirm that many of our suppliers were in compliance. The FANCL Group having joined Sedex\*1 in June 2023, we will continue to work to promote more responsible sustainable procurement in the years to come.

\*1 Supplier Ethical Data Exchange (Sedex) is a reporting platform for sharing and verifying information on labor standards, health and safety, the environment, and business ethics, to promote responsible business practices in the supply chain.

**Kawakami** We believe that we can achieve sustainable procurement by sincerely communicating our policies and thoughts to our suppliers and gaining their understanding and cooperation. In actual fact, with the cooperation of many of our suppliers, we are making progress in switching to certified raw materials for palm oil and paper. The Company handles a large number of raw materials, so this is not something that can be achieved overnight, but we would like to work on ensuring traceability going forward.

**Niimura** The stable procurement of raw materials may prove difficult due to political instability and climate change. How are you facing up to these difficulties?

**Kawakami** Supply instability may lead to a switch in raw materials or changes to trade flows, and measures designed to mitigate risk may result in reductions or sudden increases in the scale of transactions. In such cases, we will consult and negotiate with our suppliers in

good faith. We are extremely grateful to our many suppliers for providing us with their cooperation and long-term support.

To achieve sustainable procurement, we place the greatest importance on dialogue with our suppliers. It is our belief that repeatedly engaging in dialogue on a range of issues, thinking about and resolving them together will eliminate the “negative” experiences in society and lead to mutual growth and development.

### Showing Consideration for Human Rights and the Environment in the Supply Chain

**Niimura** To fulfill our responsibilities regarding human rights in the supply chain, we have stipulated that consideration be given to this issue in the FANCL Group Sustainable Procurement Policy and Trading Partner (Supplier) Guidelines. In accordance with the Guiding Principles on Business and Human Rights advocated by the United Nations, we have put in place a system for responding to human rights risks and identified the negative effects on human rights that the FANCL Group could have on society, while working to prevent and mitigate any such effects.

**Kawakami** While utilizing the Sedex platform, I would like to encourage human rights due diligence. We will clearly communicate to our suppliers the significance of working together across entire supply chains to address human rights issues.

**Niimura** In terms of environmental considerations, reducing CO<sub>2</sub> (Scope 3) emissions throughout the supply chain—from raw material procurement to manufacturing, logistics, sales and disposal—is becoming increasingly important as one initiative to address climate change. This accounts for more than 90% of the Company's CO<sub>2</sub> emissions, so we view

reducing these emissions as an urgent task.

**Kawakami** As our CO<sub>2</sub> emissions from purchased goods and services (Category 1) and upstream transportation and distribution (Category 4) are particularly high, we will ask each and every one of our business partner companies for their understanding and cooperation as we work to reduce these emissions.

**Niimura** Yes, close communication with business partners is essential to solving social issues, isn't it?



Interviewing business partners

### Building Relationships of Co-existence and Co-prosperity with Business Partners

**Kawakami** In September 2023, we held a Business Partner Appreciation Event to express our gratitude to those suppliers and business partners who have supported us since our founding and convey what we will be expecting of them in the years to come. The various anecdotes that I heard from our business partners served to make me realize once again that today's FANCL Group represents the result of efforts made by many people, to whom we are deeply and humbly indebted.

**Niimura** I agree. I was also very happy to learn that many of our suppliers are regular users of FANCL products.



Business Partner Appreciation Event

**Kawakami** In between times, the opinions received through Business Partner Questionnaire Surveys\*2 provide a good opportunity to set things straight. In those instances where we have imposed a “negative” experience on business partners, their feedback through the surveys provide us with the opportunity to improve our relationship. We are truly grateful for that. Each and every communication with our business partners contributes to the development of FANCL Group office employees.

**Niimura** Every year, more than 90% of the responses\*3 to the questionnaire survey are positive. While working with our business partners to eliminate society's “negative” experiences, we also want to be sensitive to the “negative” experiences of our business partners, right? Continuing to value dialogue with our business partners, we will build strong relationships of co-existence and co-prosperity while striving to achieve sustainable procurement.

\*2 Business Partner Questionnaire Surveys: Having as their basic philosophy co-existence and co-prosperity with business partners and the maintaining of fair and proper business relationships, surveys conducted since 2004 with the aim of monitoring, for example, the status of compliance with laws and regulations such as the Subcontracting Act which in turn can lead to improvements and corrections.

\*3 The percentage of companies that did not give negative responses in the above-mentioned survey.



# A Prosperous Environment



We will prioritize our response to climate change, incorporate an appreciation for the blessings of nature into all aspects of our corporate activities, and contribute to the preservation of the global environment.

## Response to Climate Change and Reduction of CO<sub>2</sub> Emissions

By making our climate change response and the reduction of CO<sub>2</sub> emissions a top environmental priority, we aim to contribute to the realization of a carbon-free society.

### Initiatives to Address Climate Change

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. To link these policies to specific actions, the Company expressed its support for the TCFD recommendations in October 2020.



### 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.

For details, please see Sustainability Governance (P.47)

### Strategy

Having reset material issues (materiality) in the sustainability strategy under the FANCL Group's 4th Medium-Term Management Plan Revitalize 2026, we will identify and promote quantitative targets throughout the FANCL Group.

For details, please see Sustainability The FANCL Group's Material Issues (Materiality) (P.4-5)

### 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 International Energy Agency (IEA)'s <i>World Energy Outlook</i> , IPCC* Sixth Assessment Report (1.5°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.

\* 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).

	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 costs due to the introduction of a carbon tax	Carbon tax cost increase <b>Approx. ¥270 million</b> (Assumed costs for FY Mar/2031)
	Tighter policies and regulations to address resource recycling	Increase in costs due to the use of plant-based and recycled plastics for cosmetics containers as a result of stricter policies and regulations with regard to resource recycling	Increase in the cost of raw materials for cosmetics containers <b>Approx. ¥100 million</b> (Assumed costs for FY Mar/2031)
	Restrictions on going out due to the outbreak of infectious diseases, decrease in inbound demand	Decrease in inbound sales due to travel restrictions, decrease in directly managed stores and wholesale sales due to people exercising self-restraint and refraining from going out (Calculated using COVID-19 trends as a reference)	Decrease in net sales <b>Approx. ¥3.3 billion</b>
Physical Risks	Increasing intensity of weather-related natural disasters and rising sea levels	Increase in costs owing to a downturn in production capacity due to damage to factory buildings caused by flooding	Costs of building repairs, demolition and removal, equipment expenditure <b>Approx. ¥350 million</b>
	Decrease in production volumes and deterioration in the quality of raw materials derived from agricultural products	Soaring procurement costs for raw materials derived from agricultural products, additional costs from switching to alternative products, etc.	Increase in the cost of <i>Kale Juice</i> , <i>Hatsuga genmai</i> as well as palm-derived raw materials, etc. <b>Approx. ¥150 million to ¥260 million</b>
Opportunities	Changes in consumer needs due to climate change and the outbreak of infectious diseases	Increase in sales of immune system- and hygiene-related products due to heightened consumer interest in health and hygiene (Calculated using COVID-19 trends as a reference)	Increase in net sales <b>Approx. ¥3.2 billion</b>
		Increase in sales of Mutenka skin care and basic nutrition-related products due to consumers' increasingly common skin concerns and heightened interest in basic nutrition	Increase in net sales <b>Approx. ¥1.6 billion</b> (Assumed net sales for FY Mar/2031)
		In the event of an infectious disease outbreak, increase in online and catalogue sales as a result of people exercising self-restraint and refraining from going out as well as the closure of stores (Calculated using COVID-19 trends as a reference)	Increase in net sales <b>Approx. ¥2.3 billion</b>
	Improvement in corporate value through ESG evaluations	Improvement in ESG evaluations due to efforts aimed at addressing climate change (Based on the assumption of a 1% increase in the Company's stock price)	Stock price valuation <b>Approx. ¥2.6 billion</b>

### Risk Management

In the belief that it is important to strengthen the Group's ability to meet the 1.5°C target, FANCL conducts qualitative analyses of possible risks and opportunities on the basis of various materials, including the IPCC Sixth Assessment Report (1.5°C scenario) 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 FANCL Group is working to reduce emissions by adopting targets that correspond to global trends and national policies relating to climate change.

### Quantitative Targets

Materiality	Target	Target Year	Performance Indicators	FY Mar/2024 Results
Response to climate change and reduction of CO <sub>2</sub> emissions	Reduction of CO <sub>2</sub> emissions	FY Mar/2051	Net zero	<b>4,134t-CO<sub>2</sub></b> (Covering Scope 1+2)

The scope of CO<sub>2</sub> emission reduction is on a domestic consolidation basis.

### Reduction in CO<sub>2</sub> Emissions (Scope 1+2)

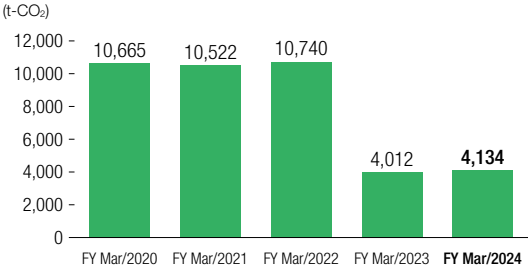
Operating solar power generation equipment at four domestic bases, including factories and logistics facilities, the FANCL Group reduced CO<sub>2</sub> emissions by 543 tons in FY Mar/2024. Having also introduced electric power derived from renewable energy sources at 12 domestic bases from April 2022, our CO<sub>2</sub> emissions (Scope 1+2) for FY Mar/2024 totaled 4,134 t-CO<sub>2</sub>. Furthermore, four factories with high energy usage have adopted carbon-neutral gas\*<sup>1</sup> as a fuel.

Going forward, we will set CO<sub>2</sub> emissions reduction targets that are consistent with the standards of the Paris Agreement and will work to obtain SBT certification\*<sup>2</sup>. At the same time, we will continue our efforts toward achieving zero CO<sub>2</sub> emissions by FY Mar/2051.

\*<sup>1</sup> Carbon-neutral gas is a gas-based fuel that can offset (carbon offset) the greenhouse gas emissions generated during the process of extracting raw materials to their combustion with CO<sub>2</sub> credits created by environmental conservation projects in various countries around the world, thereby achieving net zero CO<sub>2</sub> emissions.

\*<sup>2</sup> SBT (Science Based Targets) certification is an international confirmation that indicates that an organization or company has set greenhouse gas emission reduction targets that are consistent with the Paris Agreement.

### FANCL Group CO<sub>2</sub> Emission Trends (Scope 1+2)

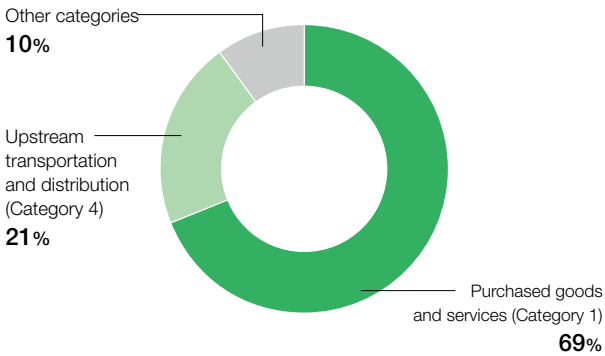


### Reduction in CO<sub>2</sub> Emissions (Scope 3)

Other than reducing CO<sub>2</sub> emissions from our own bases (Scope 1+2), we are also advancing initiatives designed to reduce CO<sub>2</sub> emissions throughout the entire sphere of influence of our business activities (supply chain, Scope 3), from raw material procurement to manufacturing, logistics, sales, and disposal.

Having launched an in-house cross-functional project, we worked to improve the accuracy of calculations with regard to our CO<sub>2</sub> emissions (Scope 3) performance in FY Mar/2024. Based on the concept of prioritizing efforts to reduce CO<sub>2</sub> emissions from purchased products and services (Category 1) and upstream transportation and distribution (Category 4), which have a large impact on the FANCL Group, we will formulate specific reduction plans and work to reduce emissions through repeated dialogue with our business partners.

### Composition Ratio of the FANCL Group's CO<sub>2</sub> Emissions (Scope 3) (FY Mar/2024 Results)



For details on efforts to combat global warming

<https://www.fancl.jp/en/sustainable/environment/tcfd/index.html>

FANCL's ESG data collection for FY Mar/2024 has been posted on the following website page:

<https://www.fancl.jp/en/sustainable/data/esgdata/index.html>



# A Prosperous Environment

## Promotion of Resource Recycling and Waste Reduction

We strive to improve our resource recycling rate to make effective use of limited resources with no waste. From the perspective of the 4Rs<sup>1</sup>, we will work to reduce plastic used in our products and services.

### Quantitative Targets

Materiality	Target	Target Year	Performance Indicators	FY Mar/2024 Results
Promotion of resource recycling and waste reduction	Packaging made from plastic wrap materials that adhere to the 4Rs <sup>1</sup>	FY Mar/2031	100%	55.4%
	Use of plant-based and recycled plastics in FANCL cosmetics containers	FY Mar/2031	50%	40.6%
	Number of customers participating in the collection and recycling of cosmetics containers (cumulative total from January 2023)*	FY Mar/2027	100,000 people	45,000 people

<sup>1</sup> 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)  
Packaging made from plastic wrap materials that adhere to the 4Rs covers FANCL Corporation, ATTENIR CORPORATION cosmetics, and health foods  
\* Newly set targets under the 4th Medium-Term Management Plan Revitalize 2026

### Basic Policy on Reducing Plastic 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 by adopting and incorporating a renewable perspective. Since progress is steadily being made with regard to the percentage of FANCL cosmetics containers made from plastic that are derived from plants and recycled materials, we set an even higher target for FY Mar/2031.

As far as our recycling endeavors are concerned, we are undertaking the recovery and recycling of FANCL cosmetics containers.

### Recovery and Recycling of Containers

The FANCL Recycling Program collects used cosmetics containers at directly managed stores throughout Japan. After the collected containers are sorted, washed, dried, and shredded by the special subsidiary FANCL SMILE Co., Ltd.<sup>\*1</sup>, recycling companies with which we have partnered on this program use material recycling to convert the shredded containers into items such as flowerpots. The recycled flowerpots are used by local communities in a variety of ways, including use at the Garden Necklace Yokohama flower

and greenery event and for environmental education at elementary schools in the city.

Originally launched at six stores in July 2021, steps have been taken to collect used cosmetic at all directly managed stores (159 stores<sup>\*2</sup>) since November 2023 following repeated consultations with local governments about introducing the program where directly managed stores are located.

By upgrading and expanding the dissemination of information to customers, the number of participants has steadily increased. Analysis has also revealed that participating in container collection and recycling leads to an improvement in customer LTV<sup>\*3</sup>.

Having developed new upcycled items, such as tote bags and accessories, we began selling them in limited quantities in April 2024. Going forward, we will bring about the further evolution of these efforts. This includes working toward horizontal recycling, by which collected cosmetic containers are renewed once again into cosmetic containers.



A tote bag and accessories made from recycled containers

<sup>\*1</sup> FANCL SMILE Co., Ltd.: A special subsidiary incorporated in 1999 for the purpose of supporting the independence of those with disabilities.  
<sup>\*2</sup> As at March 31, 2024  
<sup>\*3</sup> Customer Lifetime Value (LTV), an indicator based on the amount a customer spends on purchases.

## Sustainable Use of Biological Resources

In recognition of the impact our corporate activities have on biodiversity, we strive to conserve biodiversity and promote the sustainable use of biological resources.

### Quantitative Targets

Materiality	Target	Target Year	Performance Indicators	FY Mar/2024 Results
Sustainable use of biological resources	Sustainable palm oil procurement RSPO mass balance ratio	FY Mar/2027	80%	RSPO mass balance 77.9% RSPO book and claim method 22.1% (Results for January to December 2023)
	Adoption of environmentally-friendly paper <sup>1</sup> for paper-based container packaging	FY Mar/2026	100%	87.6%

<sup>1</sup> Certified paper, non-wood paper, recycled paper, etc.  
The procurement of certified palm oil, RSPO mass balance ratio, and adoption of environmentally-friendly paper for paper-based container packaging cover FANCL Corporation, ATTENIR CORPORATION cosmetics, and health foods.

### Heightening Interest in and the Importance of Biodiversity

Alongside climate change, the latest Global Risks Report<sup>\*1</sup> listed the loss of biodiversity as one of the top global risks that will occur over the next 10 years, and it has been suggested that this would also be a major risk factor for economic activity. Furthermore, the concept of nature positive<sup>\*2</sup> was established in the United Nations Convention on Biological Diversity, and awareness of the importance of biodiversity is spreading rapidly.

Acutely aware of the importance of many of the raw materials used in its products that are being supported by biological resources, the FANCL Group continues to proactively engage in the switch to sustainable raw materials such as palm oil and paper in its businesses. We have set quantitative targets for raw materials that have a particularly large impact on biodiversity and are working toward meeting those targets.

<sup>\*1</sup> Source: World Economic Forum *Global Risks Report 2024*, Global risks that will occur in next 10 years: 3rd Place Biodiversity loss and ecosystem collapse; 4th Place Natural resource shortages  
<sup>\*2</sup> The 2030 mission of the Kunming-Montreal Biodiversity Framework adopted at the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (COP15) in December 2022, Nature Positive is a global goal for efforts to halt and reverse biodiversity loss.

### Sustainable Palm Oil Procurement

Palm oil is a vegetable oil derived from the fruits and seeds of 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, the resulting loss of biodiversity 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 decided to make the procurement of sustainable palm oil a priority and adopted the policy of increasing the ratio of physically certified oils certified

under the RSPO mass balance\*. In FY Mar/2024, we switched 77.9% of our palm-oil derived materials to RSPO mass balance and achieved 100% sustainable palm oil by handling the remaining 22.1% through the RSPO book and claim method.



\* Raw materials certified under the RSPO physical supply chain model.

### Adoption of Environmentally-Friendly Paper

As forest resources are being lost around the world, and there are concerns that this will have a major impact on the environment, the FANCL Group is working diligently to contribute to forest conservation by using environmentally-friendly paper for its containers and packaging materials.

In FY Mar/2024, we switched some of our products (*Ukon kakumei EX*, *Kaimin Support* (Sleep care), and *Calolimit® Tea*) for which gusseted bags (outer plastic bags with gussets) had been used to packaging made from environmentally friendly, FSC-certified paper, achieving 100% adoption of environmentally friendly paper for the applicable FANCL cosmetics and health food products.

As far as ATTENIR products are concerned, we will aim for and make steady progress toward achieving a 100% adoption rate by FY Mar/2026.



Changed plastic gusset bags to environmentally friendly paper presentation boxes.



By having diverse people with different values and ideas come together, accepting their differences and ensuring mutual respect, the FANCL Group aims to create a society in which no one is left behind and in which everyone can shine in their own place.

## Respect for Diversity and Human Rights

Respect for human rights forms the foundation of all our corporate activities. To fulfill our responsibility to respect everyone's human rights, we will promote human rights initiatives throughout the entire Group.

Under our diversity slogan “Embrace differences,” we will also contribute to creating a society in which everyone can thrive, irrespective of, for example, age, gender, disability, race, nationality, sexual orientation or gender identity.

### Quantitative Targets

Materiality	Target	Target Year	Performance Indicators	FY Mar/2024 Results
Respect for diversity and human rights	Ratio of female employees in management positions	FY Mar/2031	50%	48.5%
	Ratio of female employees aspiring to hold management positions*	FY Mar/2031	70%	67.8%
	The Women's Lively Workplace Comprehensive Assessment*	FY Mar/2031	Maintain at 12.5 points	12.5 points
	① Ratio of male employees taking maternity leave*	FY Mar/2031	① Maintain at 100%	① 100%
	② Number of days taken by male employees for maternity leave (longer than 30 days)*		② 50%	② 9.1%
	Ratio of employees with disabilities	FY Mar/2031	5%	4.53%

\* Newly set targets under the 4th Medium-Term Management Plan Revitalize 2026  
Data in the above table is for FANCL on a non-consolidated basis. The Women's Lively Workplace Comprehensive Assessment data is on a domestic consolidated basis. Ratio of employees with disabilities data is for the FANCL Group as a whole.

### Promotion of Female Empowerment

Since our founding, we have fostered a culture in which female employees play a central role in providing our customers with beauty and health. The ratio of female employees is 57.2%, and the ratio of female managers is 48.5% (FY Mar/2024). While facilitating the creation of workplaces that are comfortable for all employees, not just women, to further promote female empowerment we are implementing the Women's Leadership Program and Women-Specific Health Issue Seminars as well as Unconscious Bias Training as an opportunity to recognize unconscious assumptions. In recent years, we have also been proactively encouraging male employees to take maternity leave.

#### Encouraging Men to Take Maternity Leave

Having male employees take parental leave helps them achieve work-life balance and leads to improved productivity and strengthened teamwork.

Employees who have taken parental leave have said things like, “In consideration of improved work efficiency I stopped doing overtime,” and “Communication has become more active than ever before because we want to cooperate with each other.” The



A male employee on maternity leave

rate of male employees taking parental leave in FY Mar/2024 was 100%\*, and we will continue to encourage this.

\* Including the use of leave to support childbirth.

#### Women's Health Seminars

We regularly hold seminars on women's health, including hormonal imbalance, to deepen understanding of the specific health challenges faced by women and to create a comfortable working environment.

By FY Mar/2023, 100% of executives and employees in managerial positions or above had taken the course.

### Promoting the Active Participation of People with Disabilities

The Company is actively working to expand employment opportunities and support the active participation of people with disabilities. There are 111 employees with disabilities working across the Group, bringing the employment rate of people with disabilities to 4.53% (FY Mar/2024). We provide a range of support that focuses on each individual's strengths so that they can maximize their abilities and potential. Special subsidiary FANCL SMILE Co., Ltd. hires employees year-round, and FANCL's head office hires new graduates (associate permanent employees) with disabilities.

#### FANCL SMILE

In 1999, we established our special subsidiary FANCL SMILE Co., Ltd. Our aim was not only to protect people with disabilities but also to help them to become independent as members of society. At multiple FANCL Group locations, they perform a variety of tasks, including packaging cosmetics and supplements, direct mail enclosure and shipping work, the cleaning work involved in the collection and recycling of containers, and cookie production as well as grooming seminar lecturers at schools for those with special needs.



Container cleaning



Packaging work

#### Associate Permanent Employee

Newly established in 2019, this employment category allows those who suffer from a physical illness requiring long-term medical care or nursing care, or have a physical disability to work flexibly during the hours and days they desire. Working to create environments in which people with various circumstances can balance their work and family life, we are working to help them actively participate over the long term with peace of mind as regular employees.

\* Meaning coworker or colleague, the term associate was chosen with the aim of creating workplaces in which human resources with diverse values can work enthusiastically together.



An employee actively participating as an associate permanent employee

### 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 talent can work with enthusiasm, we established Partnership Rules that, in principle, treat employees' common-law marriages and same-sex marriages in the same manner as legal marriages.

Having also established LGBTQ+ Ally,\*2 we are engaging in a variety of activities, such as raising awareness within the Company and interacting with Allies from other companies. We have been exhibiting at Tokyo Rainbow Pride since FY Mar/2024 and are expanding our activities.



Exhibiting at Tokyo Rainbow Pride, April 2024

\*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 371 LGBTQ Allies as of May 2024.

### Annual Training for Employees

Since FY Mar/2020, we have been holding annual training so that each and every employee can gain a basic knowledge on LGBTQ+ issues and participate in creating a comfortable working environment. In FY Mar/2024, a survey was conducted among managers of FANCL and ATTENIR directly managed stores nationwide as well as at all six factories. Going forward, we will continue to raise employee awareness and work to promote an accurate understanding of LGBTQ+ concerns.

### Received PRIDE Index Gold Award for the Second Consecutive Year

The PRIDE Index is an evaluation index developed by the voluntary organization “work with Pride,” whose goal is to “create LGBTQ+-friendly workplaces in Japan beyond the boundaries of companies and other organizations.” The award evaluates companies' efforts based on five indicators\*, and FANCL has now received the highest Gold rating for two consecutive years.



\* 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)



## A Thriving Society for All

### Contribution to Community and Society

Coexisting with local communities and society through its business activities, the FANCL Group will contribute to creating a society in which everyone can excel and live healthy lives. In addition to proactively promoting social activities that leverage our strengths in the fields of beauty and health, we will place importance on our relationships with people with disabilities, which form the starting point of our social activities, and will work to ensure that all stakeholders can lead healthy daily lives with joy and optimism.

#### Quantitative Targets

Materiality	Target	Target Year	Performance Indicators
Contribution to community and society	Number of employees participating in activities leading to a healthy future (cumulative total from FY Mar/2025)*	FY Mar/2027	19,000 people
	Number of employees participating in activities helping enable people with disabilities to live with joy and optimism (cumulative total from FY Mar/2025)*	FY Mar/2027	1,400 people

\* Newly set targets under the 4th Medium-Term Management Plan Revitalize 2026

#### Activities Leading to a Healthy Future

##### FANCL Kanagawa SDGs Seminar

In 2021, we launched the FANCL Kanagawa SDGs Seminar, at which we considered the SDGs with local children mainly in Kanagawa Prefecture. At the seminar, FANCL employees as well as companies and organizations that support this activity serve as lecturers and together consider actual examples of initiatives in conjunction with what each individual can do, based on the FANCL Group's three key sustainability themes (a prosperous environment, healthy living, and a thriving society for all).

On single-session courses, we conduct seminars on the environment, nutrition, and career education for elementary, junior high, and high school students. In long-term courses, for which we collaborate with one school for a year, we have worked with high school students on product development from the perspective of the SDGs. In FY Mar/2024, we launched a course to discuss children's skin care with children at Toin Gakuen Elementary School in Yokohama. In addition, we are expanding our activities to include summer vacation parent-child courses, courses for teachers, and online courses.

#### FY Mar/2024 Results

	Number of times held	Number of participants
Single-session courses (elementary, junior, high school students)	41 times	8,096 people
Long-term courses (elementary school students)	4 times	97 people
Summer vacation course	1 time	81 people
Special courses	12 times	377 people
<b>Total</b>	<b>58 times</b>	<b>8,651 people</b>



Single-session course (nutrition seminar)



Long-term course (skin care seminar)



#### 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

#### Nutritional Education Seminars at Children's Cafeterias

With the desire to support children and the local communities surrounding them in nurturing healthy bodies for the future, FANCL launched nutritional education activities at children's cafeterias in May 2023 in collaboration with the Kanagawa Prefectural Government, Okinawa Prefectural Government, and NPOs.

Utilizing the knowledge we have been cultivating through our nutritional food, *Hatsuga genmai* and *Kale Juice* businesses, we are working to nurture healthy bodies for the future by conducting nutritional education that teaches people about food and nutrition and helps them choose well-balanced diets.



Scene from nutritional education seminar

#### FY Mar/2024 Results

	Number of times held	Number of participants
Nutritional education seminars	8 times	179 people
Kanagawa Prefecture Health Support Program	3 times	62 people
ME-BYO STYLE Ambassadors	1 time	8 people

#### Activities Designed to Help People with Disabilities Lead Lives with Joy and Optimism

FANCL began its makeup seminars in 1988 based on the idea that we want everyone to be able to spend their time in a state of beauty and health. At present, we offer our FANCL seminars to people with disabilities, including those with visual impairments and students at high schools for special-needs education.

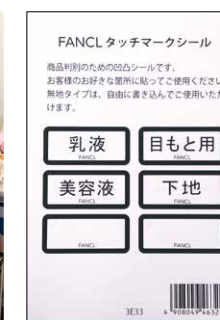
#### Makeup Seminars for the Visually Impaired

Stemming from our desire to enable visually impaired people to go out and meet people and enjoy dressing up, we launched these seminars in 2013. We hold seminars on skin care and makeup that is applied over foundation as well as on sunscreen and supplements. During the seminars, we will also introduce FANCL's unique touch mark stickers\*.

\* Touch mark stickers are FANCL's unique embossed stickers that allow the visually impaired to identify products by touching them with their fingers.



Scene from a seminar for the visually impaired



Touch mark stickers

#### Kanagawa Prefecture Health Support Program

Utilizing the know-how and human resources of companies and organizations, Kanagawa Prefecture is conducting a health support program in the area of "pre-illness improvement" that assists residents in their efforts to improve their health through diet, exercise, and social participation.

In an effort to "address health and beauty issues that arise with age," which has been adopted as a materiality issue, FANCL is offering two health programs for seniors and pre-seniors and holding seminars in municipalities within Kanagawa Prefecture.

#### ME-BYO STYLE Ambassadors

In collaboration with municipalities and companies, Kanagawa Prefecture is holding events to encourage many women to practice "pre-illness improvement." From FY Mar/2024, FANCL is acting as a corporate ambassador with employees who are qualified to talk on this topic as lecturers. With the aim of "addressing the specific health challenges faced by women," we hold seminars to help women think about how to deal with hormonal imbalance during perimenopause.



#### Personal Grooming Seminars for Special Needs Schools

The Group conducts practical seminars aimed at helping students attending special needs schools take care of their own basic grooming so that they can confidently take the first step toward becoming members of society before graduating.

In the case of face washing, skin care, sunscreen, and hair styling, the Company sends either products or samples in advance so that they can practice using them.



Scene from a personal grooming seminar

	Number of times held	Number of participants
Seminars for the visually impaired	15 times	111 people
Personal grooming seminars for special needs schools	18 times	287 people
<b>Total</b>	<b>33 times</b>	<b>398 people</b>

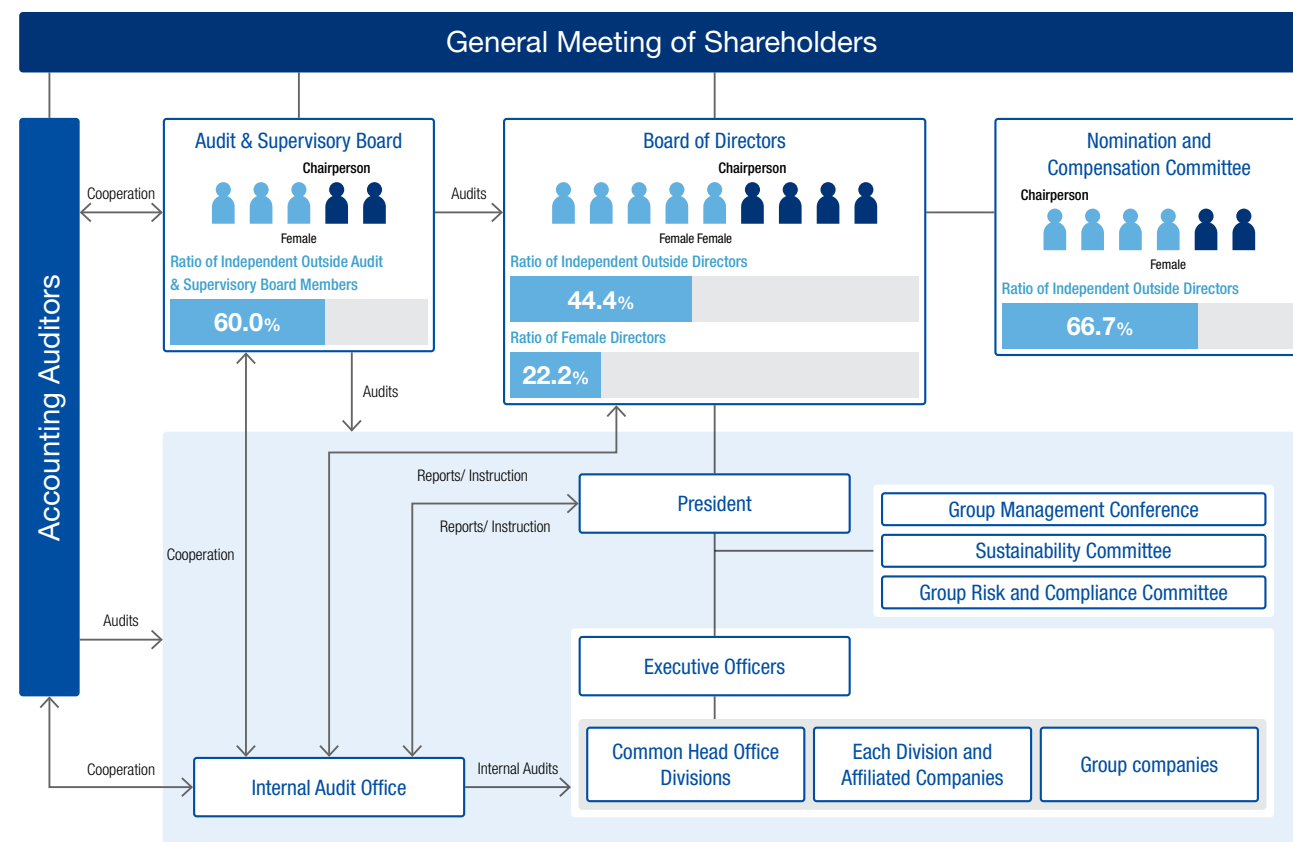


## Corporate Governance

### Corporate Governance Structure

(As of June 22, 2024)

Outside Inside



### Succession Plan

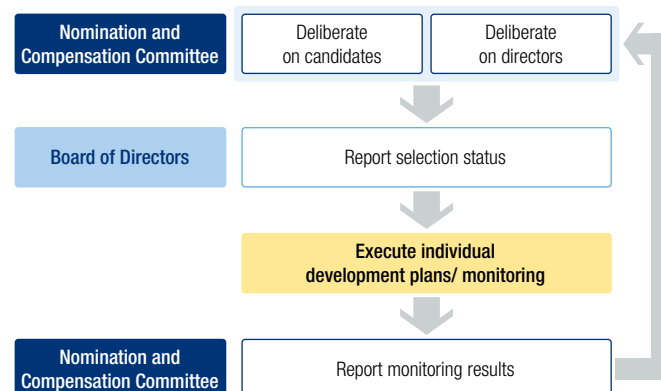
<b>Target group</b>	Future CEO and director candidates
<b>HR requirements</b>	Clarify requirements for managers into 20 items in four categories
Category	Key HR requirements
<b>Understands/embodies founding and management philosophies</b>	<ul style="list-style-type: none"> <li>Understands FANCL's strengths/weaknesses</li> <li>Has a deep affection for FANCL</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>Has broad experience overcoming difficulties</li> <li>Can identify issues and communicate both within and outside the company</li> </ul>
<b>Humanity/ability</b>	<ul style="list-style-type: none"> <li>Modest, can engage in self-reflection</li> <li>Cares about people</li> <li>Is a critical thinker</li> </ul>
<b>Experience/knowledge</b>	<ul style="list-style-type: none"> <li>Able to think from a multistakeholder perspective</li> <li>Has a broad range of experience</li> </ul>

#### • Operational Status

In accordance with the Succession Plan, the Company conducts systematic job rotations to cultivate experience in a wide range of fields, as well as conducts training that complements the skills listed in the skill matrix in such areas as capital markets, legal

#### Development/selection process

Conduct annual evaluation and select candidates based on the results following deliberation by the Nomination and Compensation Committee



affairs, and global operations. In addition, interviews with the President & CEO and 360-degree evaluations by all employees are used as evaluation indicators and monitored by the Nomination and Compensation Committee.

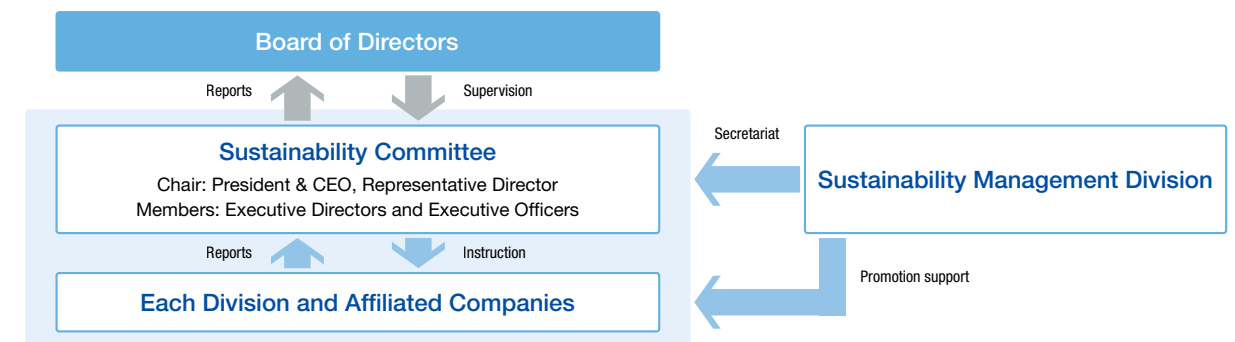
### Sustainability Governance

#### • Sustainability Management Structure

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 our material issues (materiality). Chaired by the President & CEO, Representative Director, the Committee is composed of executive directors and executive officers. In addition to prior deliberation on the policies and strategies to be resolved at Board of Directors' meetings to enable the Board of Directors to fulfill its supervisory and monitoring

functions, the Committee manages and evaluates the progress made toward goals and conducts deliberations on measures.

In FY Mar/2024, the FANCL Group reset its material issues (materiality) and sustainability strategy in conjunction with efforts to formulate its new Medium-Term Management Plan. At the same time, the Group managed and evaluated progress across a variety of activities, including the reduction of CO<sub>2</sub> emissions (improvements in the accuracy of Scope 3 calculations) and efforts to expand container collection and recycling to reduce plastic use as well as engage in sustainable procurement. Details of progress was then reported to the Board of Directors.



### Sustainability Committee Specific Deliberation Items

#### Resetting the FANCL Group's Material Issues (Materiality) (Implementation: April 2023 – April 2024, 5 times in total)

The FANCL Group engaged in repeated discussions throughout FY Mar/2024 regarding the resetting of its material issues (materiality) in line with its new Medium-Term Management Plan.

In April 2023, steps were taken to report on current materiality issues. In July, the Sustainability Management Division submitted a draft of materiality issues identified based on social concerns and stakeholder needs, and conducted a survey of management. A draft of the materiality matrix formulated based the results of the survey and stakeholder engagement was also put forward in October.

During this process, executives commented: "Materiality is a very extensive topic. If we are going to commit to this,

we should do so in greater detail," and "materialities that are closely related to the business should be plotted in a higher quadrant with conviction."

Based on the results of discussions, energies were directed toward brushing up the materiality matrix and drafting target as well as performance indicators. Following final discussions in January 2024 and approval of the direction to be taken in April, the matrix was resolved by the Board of Directors in April 2024.

Taking into account the FANCL Group's renewed material issues (materiality), the Company will work to solve social issues through its businesses with the aim of increasing both economic and social value.

#### Protection of Minority Shareholders in Transactions with Controlling Shareholders, etc.

When the Company is to conduct related party transactions and/or transactions involving a conflict of interest, the Board of Directors first deliberates on important matters such as the transaction terms and conditions and makes its decisions based on Board meeting criteria.

Kirin Holdings Company, Limited currently holds 32.64% (39,540,000 shares) of FANCL's voting rights, and the Company is an equity-method affiliate of Kirin Holdings Company, Limited. In its transactions with Kirin Holdings Company, Limited, the Board of Directors deliberates and resolves that the terms and conditions of each transaction are not unfair compared to those with other third parties from the perspective of protecting minority shareholders.

Corporate Governance

Officer Compensation System

•Decision-Making Process for Compensation and Related Matters

The Company has in place a Nomination and Compensation Committee as an advisory body to the Board of Directors to actively involve the independent outside directors in the nomination of director candidates and in deciding officer compensation as well as to ensure the fairness, transparency and objectivity of procedures. The chairperson of the committee as well as the majority of its members are independent outside directors. In addition to matters relating to the nomination of directors and executive officers of the Company, the committee drafts the compensation system, deliberates on the amounts of compensation for each individual and submits its opinions to the Board of Directors.

Within the scope of his mandate, and following resolutions passed at shareholders' and Board of Directors' meetings, the President & CEO, Representative Director will respect the results of the Nomination and Compensation Committee's deliberations in determining, for example, individual compensation for directors, etc.

•Details of the Compensation System

Officer compensation consists of monthly compensation, which pays a fixed amount each month, stock-based compensation as a long-term incentive, and performance-linked, stock-based compensation as a medium-term incentive. The monthly

compensation is further divided into basic compensation, which is determined based on the weight of the officer's roles and responsibilities, and variable compensation that is determined each year on the basis of factors that include the degree to which the annual plan (operating income) in the previous fiscal year was achieved and an individual performance evaluation. In the case of outside directors, however, only basic compensation is paid.

The performance-linked, stock-based compensation plan grants to eligible directors the Company's shares and other financial instruments in accordance with factors that include the position held by the eligible director and the level of achievement of performance targets. The plan comprises two portions: a performance-linked portion, in which shares in the Company are delivered in accordance with the level of achievement of the Medium-Term Management Plan; and a fixed portion that is in accordance with the position held by the eligible director.

The performance-linked portion is positioned as a medium-term incentive for the realization of the Group's Medium-Term Management Plan. In addition to the achievement rate of financial indicators, compensation is determined from multiple perspectives. For the purposes of strengthening relationships with various stakeholders and contributing to society in a sustainable manner, we have adopted non-financial indicators, such as CO<sub>2</sub> emissions, employee engagement, and business partner evaluations.




The fixed portion is positioned as a long-term incentive to improve corporate value throughout the director's term in office.

Improving the Effectiveness of the Board of Directors

Every year since FY Mar/2016, directors and Audit & Supervisory Board members have conducted self-evaluations of Board of Directors' meetings to gain a better understanding of the state of the Board and enable it to operate more effectively. In FY

Mar/2024, we utilized a third-party organization to evaluate the Board of Directors in order to confirm the effectiveness of the Board and identify multifaceted issues for the first time. The third-party organization's evaluation and proposals will be reflected into the Company's initiatives going forward.

Evaluation method

 Survey	<b>Target: All directors and Audit &amp; Supervisory Board members</b> In order to identify issues from multiple perspectives, questions relating to management and business strategies were enhanced in the FY Mar/2024 survey. Steps have also been taken to establish the new corporate ethics and risk management as well as management evaluation and training categories.  <b>Survey question categories</b> “Board of Directors Composition and Operation,” “Management Strategy and Business Strategy,” “Corporate Ethics and Risk Management,” “Management Evaluation and Training,” “Dialogue with Investors and Shareholders”
 Interviews	<b>Target: CEO and outside directors</b> Individual interviews conducted by third-party organization
 Board of Directors deliberations	We provide an opportunity to discuss and exchange opinions on the results of the survey and interviews and third-party evaluations and proposals, as well as consider future measures to address issues.

Composition of compensation paid to Directors

President & CEO, Representative Director

	Monthly compensation		Medium-term incentive	Long-term incentive
Form of payment	Monetary		Stocks	
Compensation composition ratio*1	Basic compensation 34%	Variable compensation 30%	Performance-linked portion*2 15%	Fixed portion 21%

Variable 45%

Fixed 55%

\*1 The compensation composition ratio is an image calculated based on a certain level of the Company's earnings and share price, and will fluctuate according to the Company's earnings and share price.  
\*2 The performance-linked portion of the medium-term incentive is paid after the final fiscal year of the medium-term management plan.

Medium-term incentive performance-linked compensation index

Evaluation items	Evaluation index	Target value	Evaluation weight
Financial indicators	Net sales	¥133.0 billion	30%
	Operating income	¥19.0 billion	50%
	ROE	13.6%	10%
Non-financial indicators (ESG indicators)	CO <sub>2</sub> emissions	CO <sub>2</sub> emission target achievement rate of 100% or more	10%
	Employee engagement	Stress check score 12.0 points or higher	
	Business partner evaluations	Satisfaction rate of 90% or more	

\* Financial indicators: Evaluated based on actual results in the final year of the medium-term management plan (FY Mar/2027)  
\* Non-financial indicators: CO<sub>2</sub> emissions are evaluated based on the results of the final year of the medium-term management plan (FY Mar/2027), and other indicators are evaluated based on the average values of the three years of the medium-term management plan.

Officer Compensation, etc., in FY Mar/2024

Officer classifications	Total Compensation, etc. (¥ million)	Total compensation, etc., by type (¥ million)			Number of eligible officers
		Monthly compensation	Performance-linked stock compensation		
			Performance-linked grants		
			Performance-linked compensation	Fixed grant	
			Non-monetary compensation	Non-monetary compensation	
Directors (Of whom Outside Directors)	247 (46)	200 (46)	5 (—)	42 (—)	9 (4)
Audit & Supervisory Board members (Of whom outside Audit & Supervisory Board members)	57 (21)	57 (21)	— (—)	— (—)	5 (3)
Total (Of whom outside officers)	305 (67)	257 (67)	5 (—)	42 (—)	14 (7)

(Note) The number of directors paid does not include unpaid directors (outside directors).

FY Mar/2024 effectiveness assessment results and future measures

Overall third-party organization evaluation

The third-party organization has confirmed that the Company's Board of Directors selects agenda items appropriately and provides sufficient advance explanations to outside officers. Against this backdrop, the Board of Directors engages in constructive deliberations of important management issues and works to reflect the opinions obtained through proactive dialogue with shareholders and investors in management activities. As a result, the Board of Directors has been deemed to have maintained overall effectiveness.

Main recommendations from the third-party organization and future courses of action

Proposal ①	Establish opportunities for communication between management and outside officers and utilize the knowledge of outside officers gained from such communication
Course of action	Follow-up after communication with outside officers on content discussed and proposals
Proposal ②	Enhance risk management during Board of Directors' deliberations
Course of action	Formulate guidelines to incorporate risk evaluations in Board of Directors' resolutions
Proposal ③	Enhance disclosure of measures to promote management that takes into consideration the cost of capital
Course of action	Engage in management by establishing a decision-making process that takes into consideration the cost of capital and disclose progress

Director and Audit & Supervisory Board Member Skill Matrix

In light of FANCL's management strategies, the Nomination and Compensation Committee identifies the skills that the Company's Board of Directors and each officer should possess and, after deliberation by the Committee, selects officer candidates.

Skill Definitions

Skill	Description	Reasons for Selection of Skill Items
Understanding of Management Philosophy	Understands the FANCL Group's Founding Philosophy and Corporate Philosophy.	Since its founding, the Company has continued to embody its founding philosophy and management philosophy and grow as a "company that provides solutions to social issues." The basic principles of FANCL's corporate activities are that we turn our eyes to the "negatives" and try to eliminate them with sensitivity and originality. The Company, therefore, selects the understanding of the founding philosophy and corporate philosophy as an important requirement for the Company's management.
Corporate Management (Representative Director experience)	Possesses the experience and skills of a representative director.	The Company has an integrated manufacturing and sales business model and has continued to grow through the development of several businesses and multi-channel sales. In the management of a wide range of organizations, the management of businesses, and the operation of organizations, comprehensive judgement is required. The Company, therefore, selects the experience of corporate management as a required skill.
ESG, Sustainability	Possesses knowledge, experience, and skills in non-financial factors that support corporate sustainability, such as ESG issues.	In the Company's founding philosophy, ESG management perspectives are essential. With the aim to contributing to the realization of a sustainable society and the achievement of sustainable growth for the Company, the Company has identified "A Prosperous Environment," "Healthy Living," and "A Thriving Society for All" as key initiative themes. To solve their respective issues and achieve the goals, the Company selects experience, insight and expertise, etc., regarding ESG as a required skill. (In the event that a candidate possesses one of E, S, and G, or several of them, ○ is marked.)
Manufacturing, Technology, R&D	Possesses knowledge, experience, and skills in research and development, technology, and the pursuit of safety and security.	The Company, as a research and development manufacturer that handles every aspect of its business, from research and development to production and sales, creates products that reflect the needs and voices of its customers, and achieves "Upholding Quality." The Company selects solid knowledge and experience in fields, from research on solutions to eliminate new "Negatives," development of products that are attuned to the "Negatives" of customers, to manufacturing that provides thorough safety and security, as a required skill.
Corporate Finance	Possesses knowledge, experience, and skills in corporate finance.	Not only accurate financial information but also the establishment of a robust financial base are important as is the development of financial strategies that aim to achieve the strengthening of shareholder returns targeted to enhance sustainable corporate value. The Company, therefore, selects solid knowledge, experience, and skills in corporate finance field as a required skill.
Quality & Safety, Compliance, Risk Management	Possesses knowledge, experience, and skills in quality & safety, compliance, and risk management.	Based on its founding philosophy and management philosophy, the Company has responsibilities for providing products and services that earn trust and satisfaction: a key theme related to corporate survival. The Company, therefore, selects this knowledge and experience as a required skill.
Brand Strategy, Marketing, Sales	Possesses knowledge, experience, and skills in brand strategy, marketing, and sales.	The Company is committed to eliminating the "Negatives," focusing mainly on its cosmetics-related and nutritional supplements-related businesses. It has been developing multiple channel sales in tune with the times, including mail order, direct store, wholesale, and overseas. Furthermore, in terms of products, services, etc., offering added value generates customer satisfaction and improvements in sustainable corporate value. The Company, therefore, selects the knowledge and experience as a required skill.
IR (dialogue with shareholders and investors)	Possesses knowledge, experience and skills in IR activities for shareholders and investors.	To be a company that earns the trust of shareholders and investors, the Company is implementing corporate activities and information disclosure in a fair and transparent manner. In terms of IR, the Company focuses on dialogue with shareholders and investors and makes use of their opinions in management and IR activities, bringing about improvements in corporate value. The Company, therefore, selects knowledge and experience in IR as a required skill.
ICT, Digital Technology, Digital Transformation	Possesses knowledge, experience and skills in ICT, Digital Technology and Digital Transformation.	The Company engages in promoting OMO that is unique to FANCL and continuing to create strong "bonds" with customers in its CRM strategy. IT systems are important and essential as a platform for this; the Company, therefore, selects knowledge, experience and skills in promotion of DX, practical use of ICT, etc., as a required skill.
Global Experience, Overseas Business Management	Possesses knowledge, experience and skills in overseas assignments or overseas business support and management.	The Company aims to help customers lead beautiful, healthy, and prosperous lives, not only in Japan, but also across the world. To promote the Company's global development, the Company selects this knowledge and experience as a required skill.

Skill Matrix

(Notes) Except for "Understanding of Management Philosophy," up to four main skills that each candidate possesses are marked with "○." Among them, the skills that possess particularly deep insight are marked with "◎."

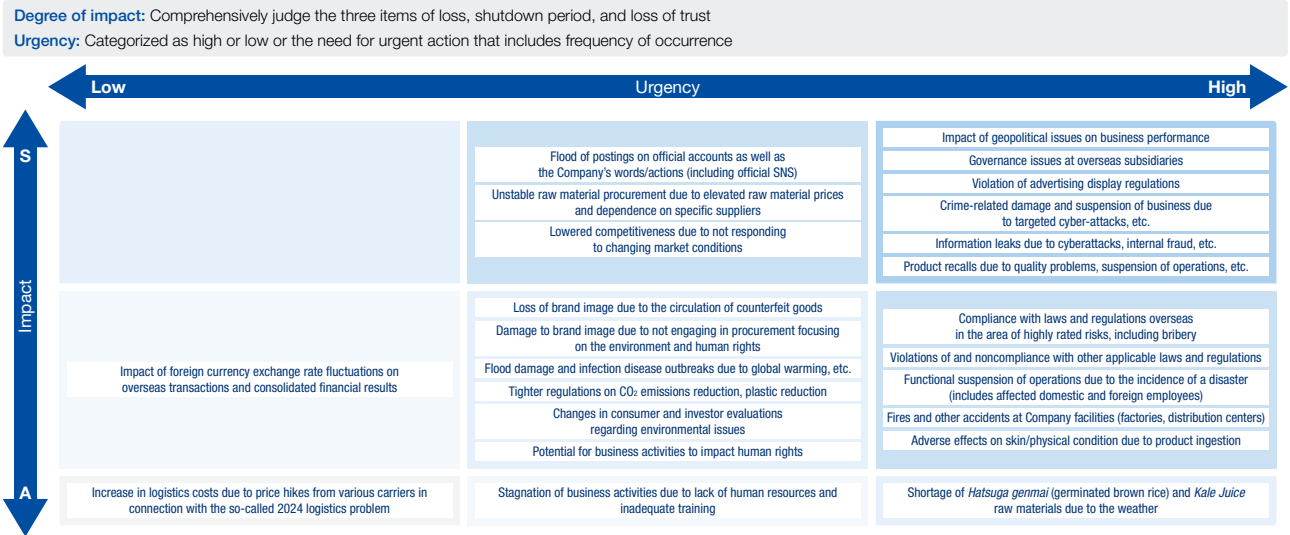
Name	Position within the Company	Nomination and Compensation Committee. ★ Chairman	Understanding of Management Philosophy	Corporate Management (Representative Director experience)	ESG, Sustainability	Manufacturing, Technology, R&D	Corporate Finance	Quality & Safety, Compliance, Risk Management	Brand Strategy, Marketing, Sales	IR (dialogue with shareholders and investors)	ICT, Digital Technology, Digital Transformation	Global Experience, Overseas Business Management
Kazuyuki Shimada	President & CEO, Representative Director	☆	●	◎					○	○	○	
Tomochika Yamaguchi	Representative Director, Senior Managing Director	☆	●	○					◎		○	○
Yasushi Sumida	Executive Managing Director		●		○	◎		○				
Shinro Fujita	Executive Managing Director		●	○			○		○			◎
Mitsuaki Nakakubo	Director	☆	●					◎		○		○
Keiichiro Hashimoto	Director	☆	●	◎			○				○	○
Akira Matsumoto	Director	☆	●	○			◎					○
Junko Tsuboi	Director		●	○	○				◎	○		
Mika Takaoka	Director	☆	●		○				◎			
Seiichiro Takahashi	Audit & Supervisory Board Member		●		○			◎				
Naoya Maruo	Audit & Supervisory Board Member		●	○			○	◎				
Tsuneyoshi Seki	Audit & Supervisory Board Member		●	○			◎	○		○		
Hideki Minamikawa	Audit & Supervisory Board Member		●	○	◎			○				○
Miyuki Nakagawa	Audit & Supervisory Board Member		●					◎				

Risk Management

Risk Management Process

- ① Committees and related divisions: Identify important risk items, analyze impact and urgency, evaluate the importance of each risk, and report to the Board of Directors
- ② Board of Directors: Determine important risk items and the level of importance
- ③ Committees and related divisions: Monitor and report as appropriate to the Board of Directors the status of measures to address important risks
- ④ Board of Directors: Verify and review the effectiveness of risk countermeasures

Business and Other Risks



(Risks and Main Countermeasures)

Risk items	Main countermeasures
Impact of geopolitical issues on business performance	<ul style="list-style-type: none"><li>Establish a brand value that will be selected even in the event of an emergency</li><li>Optimize sales balance in each region by reinforcing expansion in the ASEAN region other than China</li></ul>
Governance issues at overseas subsidiaries	<ul style="list-style-type: none"><li>Strengthen the governance systems of overseas subsidiaries by establishing regulations and decision-making standards, and timely reporting lines for earnings and financial information</li></ul>
Compliance with laws and regulations overseas in the area of highly rated risks, including bribery	<ul style="list-style-type: none"><li>Translate and disseminate the FANCL Group Compliance Standards</li><li>Establish a system for timely collaboration with outside experts</li><li>Further enhance training systems</li></ul>
Violation of advertising display regulations	<ul style="list-style-type: none"><li>Periodic review and confirmation by the Quality Control Working Group and timely reporting to the Board of Directors</li></ul>
Violations of and noncompliance with other applicable laws and regulations	<ul style="list-style-type: none"><li>Conducted regular compliance training for employees</li><li>Early detection and resolution of problems through the receipt of internal reports including those from overseas subsidiaries</li></ul>
Crime-related damage and suspension of business due to targeted cyber-attacks, etc.	<ul style="list-style-type: none"><li>Reinforced IT security measures by establishing the IT Security Working Group</li><li>Compliance with relevant laws, guidelines, etc., and internal regulations, enhancement of information management system, and thorough employee training</li></ul>
Information leaks due to cyberattacks, internal fraud, etc.	
Functional suspension of operations due to the incidence of a disaster (includes affected domestic and foreign employees)	<ul style="list-style-type: none"><li>Formulation of an all-hazard business continuity plan</li><li>Operation of safety confirmation system, stockpiling of emergency rations, periodic drills in case of emergency</li><li>Diversification of raw material stockpiling/suppliers, production/distribution systems in multiple locations</li></ul>
Shortage of <i>Hatsuga genmai</i> (germinated brown rice) and <i>Kale Juice</i> raw materials due to the weather	
Fires and other accidents at Company facilities (factories, distribution centers)	
Adverse effects on skin/physical condition due to product ingestion	<ul style="list-style-type: none"><li>Set internal quality standards that are stricter than general standards</li><li>Manufacturing, quality control systems incorporating ISO and GMP mechanisms</li><li>Evaluate customer feedback by third-party specialist staff and share information among relevant departments</li></ul>
Product recalls due to quality problems, suspension of operations, etc.	
Flood of postings on official accounts as well as the Company's words/actions (including official SNS)	<ul style="list-style-type: none"><li>Formulation and internal knowledge/awareness of the crisis management response manual relating to SNS operations, and regular employee training</li></ul>
Loss of brand image due to the circulation of counterfeit goods	<ul style="list-style-type: none"><li>Dealing with distribution of counterfeit goods through various measures including the investigation of suspicious products on overseas e-commerce websites and suspension of imports in collaboration with customs</li></ul>
Unstable raw material procurement due to elevated raw material prices and dependence on specific suppliers	<ul style="list-style-type: none"><li>Reduce the impact of raw material price increases through negotiations to control the amount of price hikes, advance purchases</li><li>Multi-supplier, multiple manufacturing bases, switching between two distribution bases</li><li>Annual contract for natural raw materials</li></ul>
Damage to brand image due to not engaging in procurement focusing on the environment and human rights	<ul style="list-style-type: none"><li>Confirmation of working environments, etc., at suppliers through questionnaire surveys, etc.</li><li>Realize procurement that shows consideration for the environment, such as the active adoption of certified palm oil</li></ul>
Lowered competitiveness due to not responding to changing market conditions	<ul style="list-style-type: none"><li>Develop products based on customer needs and market surveys</li><li>Establish dedicated executive officers and specialized departments to create new businesses</li><li>Diversified response through multi-channel sales in Japan and overseas</li></ul>
Flood damage and infection disease outbreaks due to global warming, etc.	<ul style="list-style-type: none"><li>Reset FANCL Group material issues based on internal and external environmental changes</li></ul>
Tighter regulations on CO <sub>2</sub> emissions reduction, plastic reduction	<ul style="list-style-type: none"><li>Set quantitative targets on environmental issues</li></ul>
Changes in consumer and investor evaluations regarding environmental issues	<ul style="list-style-type: none"><li>Progress management, evaluation, and deliberation of individual measures by the Sustainability Committee, as well as supervision and monitoring by the Board of Directors</li></ul>
Stagnation of business activities due to lack of human resources and inadequate training	<ul style="list-style-type: none"><li>Create a comfortable work environment in which diverse employees can demonstrate their performance</li><li>Systematic human resource development by establishing a department specializing in employee training</li><li>Secure talented personnel and improve job satisfaction by reviewing various human resources systems and compensation packages to reflect social changes</li></ul>
Potential for business activities to impact human rights	<ul style="list-style-type: none"><li>Signatory to the UN Global Compact</li><li>Formulate the FANCL Group human rights policy</li><li>Training on human rights awareness for employees</li></ul>
Impact of foreign currency exchange rate fluctuations on overseas transactions and consolidated financial results	<ul style="list-style-type: none"><li>Appropriate foreign exchange forward contracts by monitoring exchange rate fluctuations of key currencies used in transactions</li></ul>
Increase in logistics costs due to price hikes from various carriers in connection with the so-called 2024 logistics problem	<ul style="list-style-type: none"><li>Reduce re-delivery by offering a variety of delivery services</li><li>Reduce transport costs by revamping packaging materials and delivery services</li></ul>



## Message from an Outside Director



### As a Business Management Expert, I Will Make Recommendations on Areas That Include the Optimal Allocation of Management Resources

Outside Director  
(Independent Officer)

Mika Takaoka

As a university professor specializing in business administration, my area of expertise lies in the merchandising of bricks-and-mortar stores, such as department stores, specialty stores, supermarkets, and convenience stores, as well as in e-commerce. FANCL possesses a very strong customer base through its directly managed stores and online and catalogue channels, and its e-commerce site also functions as a communication tool, for example by providing attractive reading content. However, consumers now have more options, such as e-commerce sites other than FANCL's own, drug stores, and convenience stores, and thus I believe that I can be of assistance in providing suggestions on sales channel strategies.

In formulating sales channel strategies, the most important thing is to carefully analyze customer preferences and lifestyles, factors that cannot be fully ascertained through information regarding such attributes as gender and age. I believe it is necessary to accurately predict customer insights, including what interests and resonates with them and when, and to develop and

deploy well-defined measures for each sales channel.

#### Effectiveness of the Board of Directors

FANCL's Board of Directors is made up of inside and outside directors and Audit & Supervisory Board members who possess a range of experience and skills. What is particularly worthy of note is that the Company side, including the president, has a strong will to actively reflect the opinions of outside directors and Audit & Supervisory Board members in its management, and lively discussions take place even when formulating medium- to long-term management plans or annual business plans and materiality. FANCL announced its new Medium-Term Management Plan Revitalize 2026 in May 2024. During the formulation process, detailed explanations of progress were provided on multiple occasions by the executive departments, and our opinions as outside directors were fully reflected in the Plan.

#### FANCL's Strengths and Current Challenges

FANCL's strengths are generally thought to lie in the appeal of its products and the power of its brand, but actually the Company possesses robust R&D as well as quality and safety assurance systems, which in turn underpin product appeal and the FANCL brand. The fact that we can truly sense that FANCL is doing something useful for society in eliminating negative experiences, and that the Company has in place a strict quality control system, from the selection of ingredients to after-sales, which allows the Company to then recommend its products to customers with peace of mind, leads to each and every employee taking pride in their work. Ultimately these factors and process contribute to substantial profits. An organization that is imbued with integrity is one that will prove resilient.

In contrast, the challenge lies in how to bring about expansion in FANCL's overseas business. This is true for many Japanese companies, but the market analyses and particularly the competitive analyses when entering overseas markets tend to be somewhat less detailed when compared with expanding into new areas domestically. To increase the likelihood of success in overseas business, more detailed analyses are essential. At the same time, there is an urgent need to recruit and train personnel with extensive knowledge and expertise in managing local subsidiaries and agencies.

Of course, promoting a human resource strategy of that kind is not so straightforward. I monitor the employment situation of students at my university, and it appears that they are currently in a seller's market. This is in fact a situation that is expected to

continue for some time. Companies that do not offer the prospects and appeal to attract students or people wishing to be hired mid-career will struggle to recruit talent. Even FANCL feels the necessity to promote to an unprecedented extent the future potential and appeal of the Company, such as its high growth potential in the health and beauty market both domestically and overseas, as well as its sustainability initiatives.

#### Contributing to Efforts Aimed at Enhancing Corporate Value as a Stakeholder Representative

As representatives of other stakeholders, such as shareholders and investors, we outside directors have a responsibility to contribute to enhancing corporate value. As mentioned in the Tokyo Stock Exchange's "Action to Implement Management that Is Conscious of Cost of Capital and Stock Price," which was announced in March 2023, the market is becoming increasingly stringent toward the costs of shareholders' equity. Currently, FANCL maintains a level of profitability that exceeds its cost of capital, but to further improve profitability, it is my belief that the Company needs to strengthen its cash allocation and business portfolio management. I would also like to see the Company proactively plan open innovation-style competitions in which external venture companies can participate, thereby unearthing original ideas and planting the seeds of new businesses on its own initiative.

Going forward, I will put my experience and knowledge to full use as I carefully take on my duties to enhance corporate value.

#### Profile

As a professor at the Rikkyo University College of Business, Ms. Takaoka undertakes research on the social and economic roles played by distribution. At Rikkyo's Graduate School, she teaches at a business school, while providing guidance to existing companies on planning with respect to the creation of new business ventures. She specializes in management and business planning that takes into consideration the cost of capital.



Directors and Audit & Supervisory Board Members (As of June 22, 2024)

Directors



President & CEO, Representative Director  
Kazuyuki Shimada



Representative Director, Senior Managing Director  
Tomochika Yamaguchi



Executive Managing Director  
Yasushi Sumida



Executive Managing Director  
Shinro Fujita

Audit & Supervisory Board Members



Audit & Supervisory Board Member  
Seiichiro Takahashi



Audit & Supervisory Board Member  
Naoya Maruo

Outside Directors



Outside Director (Independent Officer)  
Mitsuaki Nakakubo

**April 1995** Registered as an attorney (under Daini Tokyo Bar Association) (Current registration)  
**January 2001** Partner of Asahi Law Offices (Current position)  
**April 2008** Member, Regular Meeting, Daini Tokyo Bar Association  
**June 2017** Outside Company Auditor of Nippon Kodo Holdings Corporation (Current position)  
**June 2019** Outside Director of the Company (Current position)  
**March 2021** Outside Director of Nikkiso Co., Ltd. (Current position)



Outside Director (Independent Officer)  
Keiichiro Hashimoto

**April 1974** Entered The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)  
**June 2001** General Manager of Global Business Division of The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)  
**June 2003** Representative Member of the Board, Vice President and CFO of MITSUBISHI MOTORS CORPORATION  
**June 2005** Senior Executive Vice President of SEGA SAMMY HOLDINGS INC.  
**June 2010** Chairman and President of Metropolitan Expressway CO., Ltd.  
**May 2014** Vice President and COO of Shiota Tochi Co., Ltd.  
**June 2015** Audit & Supervisory Board Member of HIGASHI-NIPPON BANK, Ltd.  
**April 2016** Outside Audit & Supervisory Board Member of Concordia Financial Group, Ltd. (Current position)  
**April 2019** Vice Chairman & President of Japan Association of Corporate Executives  
**June 2020** Outside Director of the Company (Current position)  
**June 2021** Outside Director of Maeda Road Construction Co., Ltd. (Current position)  
**October 2021** Outside Director of INFRONEER Holdings Inc. (Current position)



Outside Director (Independent Officer)  
Akira Matsumoto

**April 1994** Entered Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation)  
**October 1999** Entered KPMG Century Audit Corporation (currently KPMG AZSA LLC.)  
**April 2003** President and Representative Director of MIT Corporate Advisory Services CO., LTD. (Current position)  
**May 2003** Registered as a certified public accountant  
**June 2020** Outside Auditor of DESCENTE LTD. (Current position)  
**June 2020** Outside Director of the Company (Current position)

Outside Directors



Outside Director  
Junko Tsuboi

**April 1985** Entered Kirin Brewery Company, Limited (currently Kirin Holdings Company, Limited)  
**March 2005** General Manager of Corporate Communications Dept. of Kirin Beverage Company, Limited  
**March 2010** President and Representative Director of YOKOHAMA RED BRICK WAREHOUSE Co., Ltd.  
**March 2012** General Manager of CSR Management Dept. and General Manager of Corporate Communications Dept. of Kirin Holdings Company, Limited  
**January 2013** General Manager of Corporate Brand Management Dept. of CSV Div. of Kirin Company, Limited  
**March 2014** Executive Officer, General Manager of Corporate Brand Management Dept. of CSV Div. of Kirin Company, Limited  
**April 2016** Executive Officer, General Manager of Corporate Brand Management Dept. of Kirin Company, Limited  
**March 2019** Senior Executive Officer and General Manager of Corporate Brand Management Dept. of Kirin Holdings Company, Limited  
**June 2020** Outside Director of the Company (Current position)  
**March 2022** Senior Executive Officer of Kirin Holdings Company, Limited  
**March 2023** Director of the Board, Senior Executive Officer of Kirin Holdings Company, Limited  
**March 2024** Director of the Board, Senior Executive Vice President of Kirin Holdings Company, Limited (Current position)



Outside Director (Independent Officer)  
Mika Takaoka

**April 2001** Assistant Professor of Institute for Economic Research, Osaka City University (currently Osaka Metropolitan University)  
**April 2002** Assistant Professor of College of Economics, Rikkyo University  
**April 2006** Assistant Professor of College of Business, Rikkyo University  
**April 2007** Associate Professor of College of Business, Rikkyo University  
**April 2009** Professor of College of Business, Rikkyo University (Current position)  
**June 2014** Outside Director of MOS FOOD SERVICES, INC. (Current position)  
**June 2015** Outside Director of Kyodo Printing Co., Ltd. (Current position)  
**June 2018** Outside Director of SG HOLDINGS CO., LTD. (Current position)  
**May 2019** Outside Director of FamilyMart UNY Holdings Co., Ltd. (currently FamilyMart Co., Ltd.)  
**June 2023** Outside Director of the Company (Current position)

Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member (Independent Officer)  
Tsuneyoshi Seki

**March 1991** Registered as a certified public accountant  
**August 1995** Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)  
**June 2003** Partner in Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)  
**July 2014** Head of Tsuneyoshi Seki Certified Public Accountant Office (Current position)  
**August 2014** Representative Director and President of Knowledge and Solution Consulting (Current position)  
**June 2016** Outside Audit & Supervisory Board Member of the Company (Current position)  
**March 2021** Partner in Accounting Corporation TENYU (Current position)  
**September 2023** Outside Director of OKWAVE, Inc. (Current position)



Outside Audit & Supervisory Board Member (Independent Officer)  
Hideki Minamikawa

**April 1974** Joined Japan's Environment Agency (currently Ministry of the Environment)  
**January 2011** Administrative Vice-Minister of the Environment  
**July 2013** Advisor, Japan's Ministry of the Environment  
**June 2014** President of the Japan Environmental Sanitation Center (Current position)  
**June 2017** Outside Audit & Supervisory Board Member of the Company (Current position)



Outside Audit & Supervisory Board Member (Independent Officer)  
Miyuki Nakagawa

**April 1990** Public Prosecutor, Tokyo District Public Prosecutors Office  
**April 2008** Counsellor, Judicial System Department of Minister's Secretariat, Ministry of Justice  
**January 2011** Counsellor, Cabinet Secretariat, Assistant Chief Cabinet Secretary Office  
**April 2013** Public Prosecutor, Tokyo High Public Prosecutors Office  
**April 2019** Professor at Chuo Law School, Chuo University (Current position)  
**April 2019** Registered as an attorney  
**May 2019** Representative of Kosui Law Office (Current position)  
**June 2019** Outside Director of NITTO KOGYO CORPORATION (Current position)  
**June 2021** Outside Director of Nissan Chemical Corporation (Current position)  
**June 2021** Outside Audit & Supervisory Board Member of the Company (Current position)  
**June 2022** Outside Audit & Supervisory Board Member of Shinsei Bank, Ltd. (currently SBI Shinsei Bank, Ltd.) (Current position)  
**August 2022** Outside Audit & Supervisory Board Member of ASKUL Corporation (Current position)

Executive Officers

Senior Executive Officers

**Kazumasa Wakayama** General Manager of FANCL Research Institute  
**Yuna Akashi** General Manager, Store Sales Division  
**Yoshihisa Hosaka** President, Representative Director, Attenir CORPORATION  
**Junji Nagasaka** President, Representative Director, FANCL B&H CORPORATION  
**Nobuyuki Uematsu** In Charge of IT/DX Strategy; General Manager of Information Technology Division  
**Akiko Matsugaya** General Manager, Customer Service Division  
**Kengo Muraoka** General Manager, Direct Sales Division

Executive Officers

**Koichi Matsumoto** General Manager, The Office of the President; General Manager, Secretary Department  
**Hiroaki Hori** General Manager of International Business Division; General Manager, Supervisory Office of Overseas Branches; Managing Director of FANCL ASIA (PTE) LTD  
**Tomoko Saito** General Manager, Health Food Division  
**Jun Saito** General Manager, Wholesale Division  
**Makoto Doumoto** General Manager, Cosmetics Division; President, Representative Director, NEOF CORPORATION  
**Yuhei Komine** In Charge of Group Finance & Accounting; General Manager, Corporate Planning Division  
**Maho Yamamoto** In Charge of Sustainability Promotion; General Manager, Sustainability Management Division  
**Sachiyuki Teramoto** General Manager of Functional Food Research Institute  
**Mika Ishizawa** General Manager, Advertising Division



## 11-Year Financial / Non-financial Summary

	Structural Reform Period		The 1st Medium-Term Management Plan “Advertising-led Growth Strategy”			The 2nd Medium-Term Management Plan ACTION 2020				The 3rd Medium-Term Management Plan FORWARD 2023			
	● Elimination of unprofitable businesses ● Reinforcement of wholesale channels, etc.		● Strategic investments in Advertising ● Expanding wholesale sales and direct store channels as part of our efforts to ensure that advertising produces the maximum effect			● Maintain a growth trajectory, raise profitability ● Establish a robust platform for overseas growth				● Aiming for sustainable growth in Japan and overseas while adapting to social changes			
(¥ million)	FY Mar/2014	FY Mar/2015	FY Mar/2016	FY Mar/2017	FY Mar/2018	FY Mar/2019	FY Mar/2020	FY Mar/2021	FY Mar/2021*1	FY Mar/2022	FY Mar/2023	FY Mar/2024	(¥ million)
Financial data													Financial data
Fiscal year													Fiscal year
Net sales	81,118	77,632	90,850	96,305	109,019	122,496	126,810	114,909	105,146	103,992	103,595	110,881	Net sales
Cosmetics	47,525	47,471	55,016	56,926	66,048	71,599	75,891	65,140	59,221	58,809	57,448	61,206	Cosmetics
Nutritional Supplements	25,386	23,285	28,612	32,085	35,933	43,919	44,006	41,191	37,854	38,471	39,871	43,723	Nutritional Supplements
Other Businesses	8,207	6,876	7,221	7,294	7,037	6,977	6,911	8,578	8,071	6,710	6,276	5,952	Other Businesses
Results by sales channels													Results by sales channels
Online and catalogue sales	39,696	36,545	40,078	43,037	46,206	46,806	49,896	56,813	54,071	52,902	54,318	57,132	Online and catalogue sales
Direct store sales	23,286	23,310	28,016	28,637	34,780	43,605	42,687	26,650	20,404	20,179	18,043	20,599	Direct store sales
Wholesale sales	10,216	11,356	14,573	16,388	17,813	21,676	23,549	20,970	20,361	19,444	21,480	22,687	Wholesale sales
Overseas sales	7,919	6,419	8,182	8,242	10,219	10,408	10,675	10,475	10,309	11,465	9,753	10,461	Overseas sales
Gross profit	55,393	54,295	63,878	67,810	77,431	87,378	90,543	81,110	69,948	69,116	69,213	74,189	Gross profit
Gross profit margin (%)	68.3	69.9	70.3	70.4	71.0	71.3	71.4	70.6	66.5	66.5	66.8	66.9	Gross profit margin (%)
Selling, general and administrative (SGA) expenses	51,450	50,294	62,673	65,565	68,983	74,990	76,417	69,534	58,371	59,345	61,370	61,618	Selling, general and administrative (SGA) expenses
SGA expenses to sales ratio (%)	63.4	64.8	69.0	68.1	63.3	61.2	60.3	60.5	55.5	57.1	59.2	55.6	SGA expenses to sales ratio (%)
Operating income	3,943	4,001	1,204	2,244	8,448	12,387	14,125	11,576	11,576	9,771	7,843	12,570	Operating income
Cosmetics	4,661	5,557	6,275	5,253	9,150	11,101	11,768	7,954	7,954	7,581	5,905	8,466	Cosmetics
Nutritional Supplements	1,125	(4)	(1,779)	(865)	864	3,519	4,095	5,042	5,042	3,902	3,429	5,908	Nutritional Supplements
Other Businesses	(4)	152	(1,774)	(599)	149	(299)	90	224	224	(25)	92	(285)	Other Businesses
Operating margin (%)	4.9	5.2	1.3	2.3	7.7	10.1	11.1	10.1	11.0	9.4	7.6	11.3	Operating margin (%)
Cosmetics (%)	9.8	11.7	11.4	9.2	13.9	15.5	15.5	12.2	13.4	12.9	10.3	13.8	Cosmetics (%)
Nutritional Supplements (%)	4.4	(0.0)	(6.2)	(2.7)	2.4	8.0	9.3	12.2	13.3	10.1	8.6	13.5	Nutritional Supplements (%)
Other Businesses (%)	(0.1)	2.2	(24.6)	(8.2)	2.1	(4.3)	1.3	2.6	2.8	(0.4)	1.5	(4.8)	Other Businesses (%)
Ordinary income	4,262	4,283	1,421	2,385	8,650	12,348	14,313	11,784	11,784	10,401	8,557	12,940	Ordinary income
Net income	1,343	2,301	522	5,146	6,191	8,649	9,985	8,016	8,016	7,421	4,970	8,833	Net income
Net income margin (%)	1.7	3.0	0.6	5.3	5.7	7.1	7.9	7.0	7.6	7.1	4.8	8.0	Net income margin (%)
ROE (%)	1.8	3.2	0.7	7.3	8.5	12.8	15.8	11.7	11.7	10.3	6.7	11.4	ROE (%)
Advertising expenses	8,265	7,907	15,035	14,816	15,164	15,919	15,402	11,850	11,848	12,577	14,868	13,219	Advertising expenses
Sales promotion expenses	9,426	9,451	11,888	12,833	12,839	13,430	14,542	15,668	8,649	7,645	6,887	7,424	Sales promotion expenses
Research and development expenses	2,428	2,353	2,852	3,277	3,112	3,464	3,440	3,145	3,145	3,492	3,408	3,385	Research and development expenses
Capital investment (cash flow basis)	2,439	7,612	3,726	4,074	2,476	3,683	11,233	8,207	8,207	5,089	2,026	2,436	Capital investment (cash flow basis)
Depreciation	2,972	2,973	3,207	3,185	2,826	3,057	3,307	3,665	3,665	4,563	4,377	4,032	Depreciation
Cash flows from operating activities	6,595	5,946	3,170	2,192	10,531	8,731	14,380	10,011	10,011	13,097	12,952	11,323	Cash flows from operating activities
Cash flows from investing activities	1,402	(5,972)	(3,389)	5,976	(2,392)	(3,160)	(11,309)	(8,135)	(8,135)	(4,673)	(1,867)	(2,201)	Cash flows from investing activities
Cash flows from financing activities	(3,956)	(1,820)	(4,647)	(2,552)	(3,126)	(23,559)	6,292	(4,170)	(4,170)	(4,155)	(4,247)	(4,249)	Cash flows from financing activities
Increase (Decrease) in cash and cash equivalents	4,149	(1,717)	(4,920)	5,568	5,031	(18,006)	9,355	(2,503)	(2,503)	4,620	6,931	5,040	Increase (Decrease) in cash and cash equivalents
Fiscal year-end													Fiscal year-end
Total assets	85,800	85,311	83,767	85,677	92,380	80,307	94,478	97,533	97,533	100,121	103,944	110,728	Total assets
Net assets	72,154	73,214	69,639	72,402	75,597	60,916	67,138	71,215	71,215	74,073	75,662	80,533	Net assets
Shareholders' equity ratio (%)	83.5	85.1	82.3	83.6	81.0	74.8	70.4	72.3	72.3	73.3	72.2	72.2	Shareholders' equity ratio (%)
Shareholder Return													Shareholder Return
Dividends per share (yen)*2	17.0	17.0	17.0	29.0*3	29.0*3	30.0	34.0	34.0	34.0	34.0	34.0	34.0	Dividends per share (yen)*2
Dividend payout ratio (%)	161.7	94.2	409.1	70.8	59.4	43.6	40.9	51.2	51.2	55.3	82.9	46.6	Dividend payout ratio (%)
DOE (dividend on equity) (%)	3.0	3.0	3.0	5.2	5.0	5.5	6.5	6.0	6.0	5.7	5.5	5.3	DOE (dividend on equity) (%)
Number of FANCL stores in Japan	167	164	176	201	197	204	212	211	211	198	172	159	Number of FANCL stores in Japan
Non-financial data													Non-financial data
CO <sub>2</sub> emissions (Scope 1+2) (t-CO <sub>2</sub> )	12,701	12,004	11,988	11,685	11,656	11,751	10,665	10,522	10,522	10,740	4,012	4,134	CO <sub>2</sub> emissions (Scope 1+2) (t-CO <sub>2</sub> )
Private power generation (solar panels) (MWh)	438	421	416	406	432	475	501	499	499	1,161	1,411	1,411	Private power generation (solar panels) (MWh)
Power derived from renewable energy (MWh)	—	—	—	—	—	—	—	—	—	2,772	17,860	17,925	Power derived from renewable energy (MWh)
Number of employees	1,106	1,128	1,223	1,278	1,288	1,381	1,432	1,277	1,277	1,270	1,281	1,276	Number of employees
Percentage of female employees in management (%)**4	40.6	41.4	42.0	43.4	45.5	46.2	43.6	46.5	46.5	47.1	47.1	48.5	Percentage of female employees in management (%)**4
Percentage of employees with disabilities (%)	—	2.55	2.64	2.39	2.45	2.31	3.07	3.76	3.76	4.29	4.46	4.53	Percentage of employees with disabilities (%)



\*1 Effective from FY Mar/2022, the "Accounting Standard for Revenue Recognition", etc., has been applied. For reference, results for FY Mar/ 2021 have been restated to conform to this accounting standard.

\*2 As a 1:2 stock split was conducted, with December 1, 2018 as the effective date, the dividends per share after the split are stated.

\*3 FY Mar/2017 and FY Mar/2018 include the special dividend of ¥12.0.

\*4 The number of employees is on a Group consolidated basis, and the ratio of female employees in management positions is for FANCL on a non-consolidated basis.

Management Discussion and Analysis

Sales

During the consolidated fiscal year under review, sales increased 7.0% compared with the previous fiscal year to ¥110,881 million. This increase was driven by strong trending domestic sales in the core Cosmetics and Nutritional Supplements businesses, which outweighed the impact of the release of treated nuclear power plant water into the ocean causing consumer reluctance in China to purchase Japanese products.

Cosmetics Business

Sales from the Cosmetics Business increased 6.5% year on year to ¥61,206 million.

Sales of FANCL Cosmetics increased 6.0% to ¥44,648 million due to strong trending sales of make-up and special care products, in addition to *MILD CLEANSING OIL –BLACK & SMOOTH–* which was launched in April 2023.

Sales of ATTENIR Cosmetics increased 13.0% to ¥15,193 million, due to growth in sales of external online and catalogue platforms, in addition to strong sales of *SKIN CLEAR CLEANSER OIL*, which was renewed in November 2023.

Sales of boschia decreased 18.6% to ¥637 million due to sluggish wholesale sales to real stores.

Profit

Operating income increased 60.3% to ¥12,570 million, due to an increase in gross profit from higher sales as well as efforts to effectively use advertising and promotion expenditure. Ordinary income climbed 51.2% to ¥12,940 million, and net income attributable to owners of the parent jumped 77.7% to ¥8,833 million.

Research and Development Expenses

Total research and development expenses in the fiscal year under review came to ¥3,385 million.

At its Research Institute, FANCL engages in basic technological and product development research on cosmetics, nutritional supplements, *Hatsuga genmai* (germinated brown rice), and *Kale Juice* in an effort to promote safety and functionality research with a focus on peace of mind and safety as well as the development of products based on scientific evidence. In addition to leveraging its Yahho System, which collates and analyzes customer feedback received directly through the customer service center, in the development of products, FANCL also undertakes a wide range of research and development activities, including joint research with many domestic and international research institutions and participation in industry-government-academia collaboration projects. The Research Institute maintains a total complement of 185 researchers, many of whom have acquired Ph.Ds. in such fields as agriculture, pharmacy, and science. FANCL is also actively engaged in new business-related research, and is advancing initiatives targeting the health tech and food tech businesses.

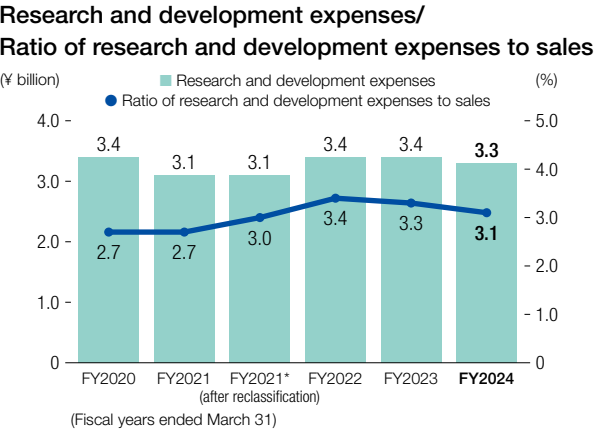
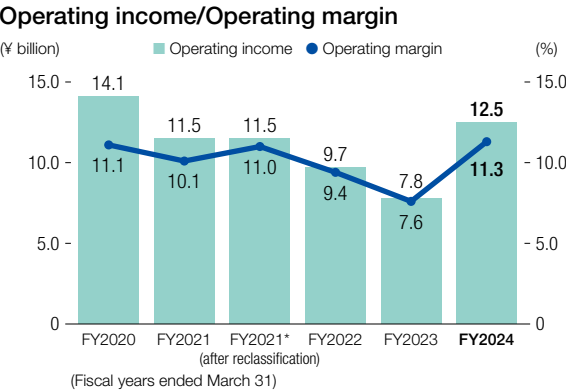
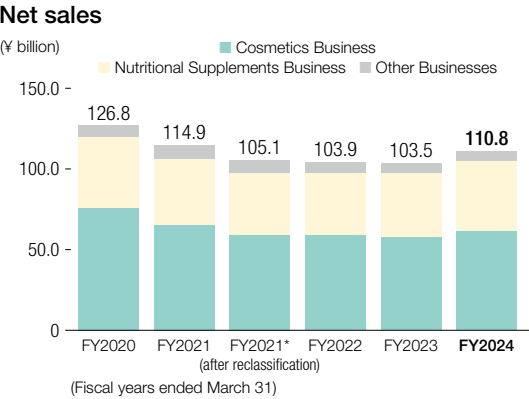
Nutritional Supplements Business

Nutritional supplement sales increased 9.7% to ¥43,723 million.

Overall product sales increased as a result of strong trending sales of *Calolimit® for the Mature Aged*, which was subject to strengthened advertising, and *Age Bracket-Based Supplements*, which benefitted from the recovery in inbound demand.

Other Businesses

Other business sales decreased 5.2% to ¥5,952 million.



\* Results are reclassified under "Accounting Standard for Revenue Recognition," etc.

Furthermore, FANCL began promoting joint research projects with the R&D Division of Kirin Holdings Company, Limited in accordance with the capital and business alliance agreement concluded with that company in August 2019. Synergies have emerged including the launch of products that apply the technology created through this

Capital Investment

Major capital investment undertaken during the fiscal year under review included expenditures related to production facilities, the restructuring of core systems, and store renovations.

FANCL also undertook capital investment including intangible fixed asset investment totaling ¥2,443 million. Looking at the amount of capital investment by segment, FANCL allocated funds of ¥1,299 million, ¥963 million, ¥120 million, and ¥60 million to the Cosmetics, Nutritional Supplements, Other Businesses, and Other, respectively.

Meanwhile, the Company did not dispose of or sell any major facilities.

Financial Position and Cash Flows

Assets increased ¥6,784 million from the end of the previous fiscal year to ¥110,728 million as of the end of the fiscal year under review. Despite a decrease of ¥1,899 million in fixed assets, this was primarily due to an increase of ¥8,683 million in current assets. The primary factors contributing to the increase in current assets was a ¥5,040 million increase in cash and cash equivalents and a ¥2,577 million increase in accounts receivable. The primary factor contributing to the decrease in fixed assets was a ¥1,675 million decrease in tangible fixed assets due to such factors as depreciation.

Liabilities increased ¥1,913 million to ¥30,195 million. Despite a decrease of ¥10,263 million in long-term liabilities, this was primarily due to an increase of ¥12,176 million in current liabilities. Factors contributing to the increase in current liabilities included a ¥10,000 million increase due to reclassification of the current portion of convertible bonds with stock acquisition rights from long-term liabilities to current liabilities, and a ¥1,055 million increase in accrued income taxes. Factors contributing to the decrease in long-term liabilities included a ¥10,050 million decrease due to the aforementioned reclassification of the current portion of convertible bonds with stock acquisition rights from long-term liabilities to current liabilities.

Net assets increased ¥4,870 million to ¥80,533 million. Contributing factors included an ¥8,833 million increase in retained earnings due to the recording of net income attributable to owners of the parent company, which more than offset the ¥4,119 million decrease in retained earnings due to dividend payments.

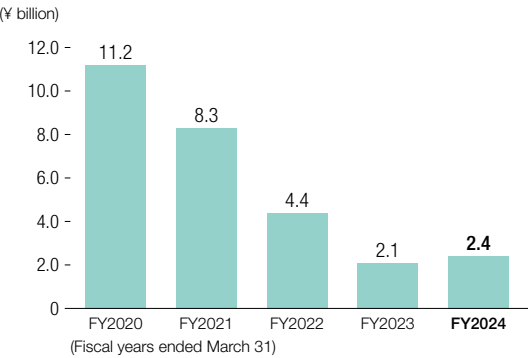
As a result, the shareholders' equity ratio remained unchanged from the end of the previous fiscal year, at 72.2%.

Cash and cash equivalents ("funds") as of March 31, 2024 were ¥42,080 million, ¥5,040 million higher than at the end of the previous fiscal year.

The main contributing factors to cash flows during the fiscal year ended March 31, 2024 are as follows:

joint research project each year since 2021. Looking ahead, we will pursue joint projects in a number of wide-ranging fields including cosmetic development as well as aging and intestinal environment research in a bid to secure additional research results.

Capital investment



Cash Flows from Operating Activities

Net cash provided by operating activities during the period under review was ¥11,323 million, down from ¥12,952 million in the previous fiscal year. Factors increasing operating cash flow included income before income taxes of ¥12,814 million and depreciation of ¥4,032 million. The main factor decreasing operating cash flows was income taxes paid of ¥3,188 million.

Cash Flows from Investing Activities

Net cash used in investing activities during the fiscal year under review was ¥2,201 million, up from ¥1,867 million in the previous fiscal year. This was primarily due to outlays of ¥1,620 million for the acquisition of tangible fixed assets as well as ¥816 million for the acquisition of intangible fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities during the fiscal year under review was ¥4,249 million compared with ¥4,247 million in the previous fiscal year. The main factor reducing cash flows from financing activities was ¥4,113 million for cash dividends paid.

Free cash flows, which is the sum of cash flows from operating activities and cash flows from investing activities came to ¥9,121 million in FY Mar/2024.

The Company's cash requirements are primarily due to the purchase of raw materials for the manufacture of its products, and to cover its ongoing operations including manufacturing, selling, general and administrative expenses. Operating expenses comprise mainly advertising and other marketing expenses, with the majority of research and development costs for quality improvement being recorded as expenses.



## Consolidated Financial Statements

### Consolidated Balance Sheet

(¥ million)	As of March 31, 2024	As of March 31, 2023
<b>ASSETS</b>		
<b>I. Current assets:</b>		
Cash and cash equivalents	42,080	37,039
Notes receivable	14	6
Accounts receivable	14,251	11,673
Merchandise and products	6,989	5,999
Raw materials and supplies	5,859	5,532
Others	1,545	1,801
Allowance for doubtful accounts	(94)	(91)
<b>Total current assets</b>	<b>70,645</b>	<b>61,962</b>
<b>II. Fixed assets:</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	34,327	34,216
Accumulated depreciation and accumulated impairment loss	(20,355)	(19,695)
Buildings and structures (net)	13,972	14,520
Machinery and transport equipment	17,285	16,928
Accumulated depreciation and accumulated impairment loss	(12,966)	(11,815)
Machinery and transport equipment (net)	4,319	5,113
Furniture, tools and fixtures	9,344	9,889
Accumulated depreciation and accumulated impairment loss	(8,177)	(8,677)
Furniture, tools and fixtures (net)	1,167	1,211
Land	13,897	13,914
Leased assets	241	317
Accumulated depreciation and accumulated impairment loss	(147)	(173)
Leased assets (net)	94	144
Other	138	124
Accumulated depreciation and accumulated impairment loss	(76)	(34)
Other (net)	61	89
Construction in progress	25	219
<b>Total tangible fixed assets</b>	<b>33,537</b>	<b>35,213</b>
<b>Intangible fixed assets</b>		
Other intangible fixed assets	2,430	2,485
<b>Total intangible fixed assets</b>	<b>2,430</b>	<b>2,485</b>
<b>Investments and other assets</b>		
Investment securities	125	125
Long-term loans	50	100
Deferred tax assets	2,786	2,642
Others	1,180	1,466
Allowance for doubtful accounts	(26)	(51)
<b>Total investments and other assets</b>	<b>4,115</b>	<b>4,283</b>
<b>Total fixed assets</b>	<b>40,083</b>	<b>41,982</b>
<b>Total assets</b>	<b>110,728</b>	<b>103,944</b>

(¥ million)	As of March 31, 2024	As of March 31, 2023
<b>LIABILITIES</b>		
<b>I. Current liabilities:</b>		
Accounts payable	3,881	3,378
Current portion of convertible bonds with stock acquisition rights	10,000	—
Lease obligations	117	116
Accrued liabilities	4,412	4,127
Accrued income taxes	2,973	1,918
Contract liability	2,956	3,002
Provision for bonuses	1,381	1,223
Others	2,547	2,326
<b>Total current liabilities</b>	<b>28,269</b>	<b>16,092</b>
<b>II. Long-term liabilities:</b>		
Convertible bonds with stock acquisition rights	—	10,050
Lease obligations	51	135
Provision for share awards for directors	356	259
Retirement benefit liabilities	1,066	1,223
Asset retirement obligations	415	448
Others	34	72
<b>Total long-term liabilities</b>	<b>1,926</b>	<b>12,189</b>
<b>Total liabilities</b>	<b>30,195</b>	<b>28,282</b>

<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Common stock	10,795	10,795
Capital reserve	12,170	12,189
Retained earnings	76,337	71,623
Treasury stock	(19,379)	(19,479)
<b>Total shareholders' equity</b>	<b>79,923</b>	<b>75,128</b>
<b>Other comprehensive income</b>		
Foreign currency translation adjustment	206	242
Total adjustments related to retirement benefits	(134)	(312)
<b>Total other comprehensive income</b>	<b>72</b>	<b>(70)</b>
<b>Stock acquisition rights</b>	<b>536</b>	<b>603</b>
<b>Total net assets</b>	<b>80,533</b>	<b>75,662</b>
<b>Total Liabilities and Net Assets</b>	<b>110,728</b>	<b>103,944</b>

### Consolidated Statement of Income

(¥ million)	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
<b>Net sales</b>	<b>110,881</b>	<b>103,595</b>
<b>Cost of sales</b>	<b>36,692</b>	<b>34,382</b>
<b>Gross profit</b>	<b>74,189</b>	<b>69,213</b>
<b>Selling, general and administrative expenses</b>		
Sales promotion expenses	7,424	6,887
Packing and transport expenses	5,694	5,478
Advertising expenses	13,219	14,868
Sales commission fee	3,439	3,111
Outsourcing expenses	6,167	5,413
Communications expenses	1,773	1,711
Directors' remuneration	411	415
Salaries and bonuses	11,007	11,016
Provision for accrued bonuses	1,179	1,027
Provision for share-based remuneration	110	156
Retirement benefit expenses	584	525
Compulsory welfare expenses	1,745	1,750
Welfare expenses	290	276
Depreciation	2,320	2,612
Research and development expenses	1,212	1,225
Rent expenses	1,070	1,172
Provisions for allowance for bad debt	24	28
Other	3,940	3,692
<b>Total selling, general and administrative expenses</b>	<b>61,618</b>	<b>61,370</b>
<b>Operating income</b>	<b>12,570</b>	<b>7,843</b>
<b>Non-operating income</b>		
Interest income	52	51
Dividend income	0	0
Foreign exchange gain	110	509
Rent income	125	119
Compensation payments received	30	17
Commissions earned	31	28
Other non-operating income	80	112
<b>Total net operating income</b>	<b>432</b>	<b>839</b>
<b>Non-operating expenses</b>		
Interest expenses	—	0
Rent expenses on fixed assets	8	8
Expense related to restricted stock	30	24
Allowance for doubtful accounts	—	50
Miscellaneous losses	22	43
<b>Total net operating expenses</b>	<b>62</b>	<b>126</b>
<b>Ordinary income</b>	<b>12,940</b>	<b>8,557</b>
<b>Extraordinary income</b>		
Income from sale of fixed assets	5	0
Gain on reversal of share acquisition rights	—	7
<b>Total extraordinary income</b>	<b>5</b>	<b>7</b>
<b>Extraordinary loss</b>		
Loss on sale of fixed assets	0	—
Loss on disposal of fixed assets	78	70
Impairment loss	22	204
Loss on store closings	22	74
Other	8	—
<b>Total extraordinary loss</b>	<b>131</b>	<b>350</b>
<b>Income before income taxes</b>	<b>12,814</b>	<b>8,214</b>
<b>Income and other taxes</b>	<b>4,202</b>	<b>3,186</b>
<b>Adjustments to income and other taxes</b>	<b>(222)</b>	<b>57</b>
<b>Total income before income taxes</b>	<b>3,980</b>	<b>3,244</b>
<b>Income before minority interests</b>	<b>8,833</b>	<b>4,970</b>
<b>Net income</b>	<b>8,833</b>	<b>4,970</b>

### Consolidated Statement of Comprehensive Income

(¥ million)	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
<b>Income before minority interests</b>	<b>8,833</b>	<b>4,970</b>
<b>Other comprehensive income</b>		
Foreign currency translation adjustment	(35)	141
Adjustments related to retirement benefits	177	(83)
<b>Total other comprehensive income</b>	<b>142</b>	<b>58</b>
<b>Comprehensive income</b>	<b>8,976</b>	<b>5,029</b>
<b>(Breakdown)</b>		
Comprehensive income attributable to owners of the parent company	8,976	5,029
Comprehensive income attributable to minor interests	—	—

Consolidated Financial Statements

Changes in Shareholders' Equity during the Period

(¥ million)	April 1, 2023 to March 31, 2024				
	Shareholders' equity				
	Common stock	Capital reserve	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,795	12,189	71,623	(19,479)	75,128
Changes of items during period					
Dividends of surplus	—	—	(4,119)	—	(4,119)
Net income attributable to owners of the parent company	—	—	8,833	—	8,833
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	(19)	—	99	80
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	(19)	4,714	99	4,794
Balance at end of current period	10,795	12,170	76,337	(19,379)	79,923

	Other comprehensive income				
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income	Stock acquisition rights	Total net assets
Balance at beginning of current period	242	(312)	(70)	603	75,662
Changes of items during period					
Dividends of surplus	—	—	—	—	(4,119)
Net income attributable to owners of the parent company	—	—	—	—	8,833
Purchase of treasury shares	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	80
Net changes of items other than shareholders' equity	(35)	177	142	(66)	75
Total changes of items during period	(35)	177	142	(66)	4,870
Balance at end of current period	206	(134)	72	536	80,533

(¥ million)	April 1, 2022 to March 31, 2023				
	Shareholders' equity				
	Common stock	Capital reserve	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,795	12,003	70,766	(20,003)	73,561
Changes of items during period					
Dividends of surplus	—	—	(4,114)	—	(4,114)
Net income attributable to owners of the parent company	—	—	4,970	—	4,970
Purchase of treasury shares	—	—	—	(0)	(0)
Disposal of treasury shares	—	186	—	525	712
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during period	—	186	856	524	1,567
Balance at end of current period	10,795	12,189	71,623	(19,479)	75,128

	Other comprehensive income				
	Foreign currency translation adjustment	Cumulative adjustments related to retirement benefits	Total other comprehensive income	Stock acquisition rights	Total net assets
Balance at beginning of current period	100	(228)	(128)	640	74,073
Changes of items during period					
Dividends of surplus	—	—	—	—	(4,114)
Net income attributable to owners of the parent company	—	—	—	—	4,970
Purchase of treasury shares	—	—	—	—	(0)
Disposal of treasury shares	—	—	—	—	712
Net changes of items other than shareholders' equity	141	(83)	58	(36)	21
Total changes of items during period	141	(83)	58	(36)	1,589
Balance at end of current period	242	(312)	(70)	603	75,662

Consolidated Statement of Cash Flows

(¥ million)	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023
I. Cash flows from operating activities		
Income before income taxes	12,814	8,214
Depreciation	4,032	4,377
Impairment loss	22	204
Increase (decrease) in allowance for doubtful accounts	(22)	(10)
Increase (decrease) in provision for bonuses	158	(11)
Increase (decrease) in provision for share awards for directors	110	156
Increase (decrease) in retirement benefit liabilities	99	222
Interest and dividend income	(53)	(51)
Interest expenses on borrowings and bonds	—	0
Loss (gain) on foreign exchange	(155)	(25)
Loss (gain) on sale of fixed assets	(5)	(0)
Loss on retirement of fixed assets	78	70
Loss on store closings	22	74
Decrease (increase) in accounts receivable	(2,577)	303
Decrease (increase) in inventories	(1,295)	(354)
Decrease (increase) in other current assets	807	1,360
Decrease (increase) in other fixed assets	(204)	(415)
Increase (decrease) in accounts payable	498	(91)
Increase (decrease) in contract liability	(45)	540
Increase (decrease) in other current liabilities	483	457
Increase (decrease) in other fixed liabilities	(37)	18
Others	(222)	438
Sub-total	14,509	15,478
Interest and dividends received	3	1
Interest paid	—	(0)
Income taxes paid	(3,188)	(2,527)
Net cash provided by (used in) operating activities	11,323	12,952
II. Cash flows from investing activities		
Payment for acquisition of tangible fixed assets	(1,620)	(1,143)
Income from sale of tangible fixed assets	23	0
Payment for acquisition of intangible fixed assets	(816)	(882)
Other payments	(62)	(131)
Other proceeds	274	288
Net cash used in investing activities	(2,201)	(1,867)
III. Cash flows from financing activities		
Proceeds from disposal of treasury stock	0	0
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(4,113)	(4,109)
Others	(135)	(137)
Net cash used in financing activities	(4,249)	(4,247)
IV. Effect of exchange rate changes on cash and cash equivalents	168	93
V. Net increase in cash and cash equivalents	5,040	6,931
VI. Cash and cash equivalents at the beginning of the period	37,039	30,108
VIII. Cash and cash equivalents at end of period	42,080	37,039



