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## FANCL Corporation

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TSE Code: 4921 <https://www.fancl.jp/en/>

## 1. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

FANCL positions full and proper corporate governance as an important management issue to enable us to become a corporation that our shareholders and all our stakeholders can rely upon. While closely following corporate ethics and the law, our basic policy calls for the enhancement of our internal control systems (which include risk management), the efficiency of management and the maintenance of transparency.

In addition, based on the principles below, we will work to develop and improve internal control based on this philosophy.

- “Can achieve more”

The FANCL Group is a corporation that truly cares for people, and seeks to eliminate customers' "negative" experience and pursue gentleness, safety, and assurance. We always put ourselves in customers' shoes and the happiness of our customers forms the basis of everything we do.

### Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company has implemented all principles of the Corporate Governance Code.

### Disclosure Based on the Principles of the Corporate Governance Code **[Updated]**

(Principle 1.4) Cross-shareholdings

The Company does not have any cross-shareholdings. Furthermore, it is our basic policy not to have any cross-shareholdings unless the significance of such holdings is recognized. We will exercise the voting rights of the shares that we are deemed to hold appropriately, after examining the content of the agenda items to be voted upon and judging whether such items contributes to the improvement of shareholder value.

(Principle 1.7) Related Party Transactions

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

(Supplementary Principle 2-4-1) Ensuring Diversity of Core Human Resources

1. Ensuring diversity in the appointment of core human resources

Under the slogan of “Embrace differences” FANCL Group seeks to continually generate new value by ensuring that diverse talent with various values and viewpoints demonstrate their uniqueness and skills.

In FY Mar/2022, the Group formulated the FANCL Group Human Rights Policy, and we will endeavor to have not only our employees but also by all of our business partners involved in our products and services to understand this policy. We recognize the importance of respecting human rights in all of our activities and will request compliance with it.

We respect and acknowledge the diversity of gender, age, disabilities, values, ways of thinking, and ways of working, and strive for teamwork in an environment where each individual can shine with vitality.

One of the 7 Major Policy Challenges of the 3<sup>rd</sup> Medium-Term Management Plan, “Forward 2023” is to “Implement human resource development and utilization,” with the goal of increasing the ratio of female managers to 50% and female senior managers to 30% by FY Mar/2024.

\*Senior managers refers to manager positions (excluding directors) that are Division Manager or higher.

\*The 3rd Medium-Term Management Plan is available on our website.

<https://www.fancl.jp/en/ir/management/plan/>

2. Current status and future voluntary and measurable goals for ensuring diversity of core human resources, etc.

Ratio of female managers

FY Mar/2021: 46.5%; FY Mar/2022: 47.1%; FY Mar/2023: 47.1% FY Mar/2024 target: 50%

Ratio of female senior managers

FY Mar/2021: 22.5%; FY Mar/2022: 25.3%; FY Mar/2023: 28.0% FY Mar/2024 target: 30%

### 3. Human resource development policy and internal environment improvement policy to ensure diversity of core human resources [ Human resource development policy ]

The Company has established "FANCL College," an in-house institution specializing in education, to provide education tailored to the Company's situation, while developing various systems to enable it to respond quickly to its surrounding environment. The Company is striving to develop the next generation of human resources who can operate on a global stage, and who possess a high level of expertise.

For more information on our specific initiatives for human resources development and utilization, please refer to our website.

<https://www.fancl.jp/en/sustainable/society/rearing/index.html>

#### [ Improvement of the internal environment ]

We support employees' ability to balance work and family life by allowing them to work in a variety of ways, regardless of their circumstances relating to gender, childbirth, childcare, nursing care, or other.

For details, please refer to "III. 3. Measures to Ensure Due Respect for Stakeholders" in this report and our website.

Promotion of Work-Life Balance: <https://www.fancl.jp/en/sustainable/society/worklifebalance/index.html>

ESG Data Book: <https://www.fancl.jp/en/sustainable/data/esgdata/>

The Company does not set or disclose targets for the promotion of non-Japanese employees and mid-career hires to management positions at this time, as they are appointed on the same conditions as new graduates, regardless of nationality or hiring period.

However, in order to achieve our long-term vision "VISION 2030," we are more actively recruiting non-Japanese employees and are promoting globalization within the Company, as well as employee training, in preparation for full-scale growth overseas.

\*For detailed information on the number of employees, number of non-Japanese employees, number of mid-career hires, ratio of male to female employees, and diversity and work styles, please refer to the ESG Data Book posted on our website.

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

#### (Principle 2.6) Roles of Corporate Pension Funds as Asset Owners

The Company has prepared basic policies and operational guidelines to ensure the safe and effective management of our reserve funds. After we grant permission to the trustees who will manage these, we periodically monitor their operations. In addition, by individually delegating to each investment management institution the selection of investees and the exercising of voting rights, there is no conflict of interest between the beneficiaries of our corporate pension and the Company. We have appointed our Human Resources Department to be the department in charge of our Group's corporate pension fund. The Department has acquired the necessary business knowledge by attending various seminars held by the investment institutions.

#### (Principle 3.1) Full Disclosure

(1) Please see "I. 1 Basic Views" in this report for information about our management philosophy.

For information about our Medium-Term Management Plan, please visit our website.

<https://www.fancl.jp/en/ir/management/plan/index.html>

(2) Please see "I. 1 Basic Views" for information about our basic policy concerning corporate governance.

(3) Please see "II.1 Director Remuneration" for information about our policies for deciding the remuneration, etc., of Directors and Audit & Supervisory Board Members.

(4) In the appointment of our Senior Management and in the nomination of Directors and Audit & Supervisory Board Members, we do not discriminate on the grounds of gender, age or nationality. We carefully consider the personal qualities and business insights of each person, and it is our policy to appoint people who properly understand and practice our Group's founding philosophy of "Eliminating the 'negatives' with a sense of justice" and our management philosophy of "Can achieve more" and can fulfill their duties and responsibilities. Candidates are considered and discussed by the Nomination and Compensation Committee (of which the Chairperson and the majority of Committee members are Independent Outside Directors) which then refers the nominees to the Board of Directors for final decision-making. With regard to outside members, we appoint people who possess a high level of insight and specialized expertise, and who can supervise and advise on management from an objective standpoint based on a wealth of experience.

The process of dismissal of Senior Management is as follows. If the qualities stipulated in the appointment policy are found to be lacking, then following the advice and recommendations of the Nomination and Compensation Committee, the person is dismissed following comprehensive judgment by the Board of Directors.

(5) The reasons for the nomination of Director and Audit & Supervisory Board Member candidates are published in our Convocation Notice.

[https://www.fancl.jp/en/ir/stock\\_meeting/index.html](https://www.fancl.jp/en/ir/stock_meeting/index.html)

#### (Supplementary Principle 3-1-3) Sustainability Initiatives

##### 1. Sustainability Initiatives

Since our founding in 1980, FANCL Group has continued to grow as a company that provides solutions to social issues. Our founding philosophy of working to eliminate the 'Negatives' with a sense of justice, has been carried on through to the present day. In 2018, we developed the FANCL Group's Sustainable Declaration: "Building a Bright Future Together" to express our desire to contribute to

building a sustainable society in line with the Sustainable Development Goals (SDGs), and we are engaged in a variety of initiatives. Furthermore, based on our Medium-Term Management Plan "FORWARD 2023," –Conquer Adversity and Shape our Future, which commenced in FY Mar/2022, we have set three priority themes - Environment, Healthy Living, and Local Communities and Employees - with the aim of contributing to the realization of a sustainable society and achieving sustainable growth for the Group. We have organized our priority issues and set quantitative targets to be achieved.

\*For details of FANCL Group's Sustainable Declaration, please refer to our website.

<https://www.fancl.jp/en/sustainable/guideline/>

In addition, in October 2021, we established a 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 priority themes.

2. Investments in human capital and intellectual property, etc., with an awareness of consistency with management strategies and issues

[ Investment in human capital ]

One of the seven major policy challenges of the 3rd Medium-Term Management Plan, "Forward 2023," is to "Implement human resource development and utilization". FANCL College, our in-house education and training division, is playing a central role in this effort, focusing on producing human resources who can embody our philosophy, who can lead the next generation, who can work globally, who can quickly adapt to the environment surrounding the company (Sustainability, Diversity & Inclusion, IT, Digital human resource training), and who can learn autonomously.

The annual education and training cost per employee (domestic consolidated) for FY Mar/2023 was ¥148,715, and the cost excluding the personnel cost of "FANCL College," the in-house education and training division, was ¥65,232.

For details, please refer to the ESG Data Book posted on the Company's website.

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

[ Investment in Intellectual Property ]

FANCL's Research Institute conducts research and development activities in the areas of beauty and health, from basic research to product development, while constantly keeping in mind FANCL's corporate philosophy of "eliminating negatives" through science. In the 3rd Medium-Term Management Plan, we have set the goals of (1) accelerating business strategies, promoting research on solutions to eliminate negatives and (2) developing new products utilizing Kirin Group technologies and materials. In addition to tackling individual research themes with a broad perspective and flexible thinking, we also actively engage in joint research with universities, manufacturers, and various research institutions in Japan and overseas, with R&D expenses totaling ¥3,408 million in FY Mar/2023. (Cosmetics Business: ¥1,752 million; Nutritional Supplements Business: ¥1,500 million; Other Businesses: ¥155 million). In addition, the Research Strategy Office, a support division of the Research Institute, protects the inventions and research results created as intellectual property (patents) and actively applies for patents. 71 domestic and 2 foreign patents were applied for in FY Mar/2023.

With regard to the application, acquisition, and maintenance of trademarks, the Legal Department discusses future product development and overseas expansion plans with the business divisions and affiliated companies as appropriate, and carries out procedures in consideration of cost effectiveness. As of March 2023, FANCL Group had acquired approximately 2,800 trademark rights in 60 countries and regions. In addition, from the perspective of brand protection, we are also working on countermeasures against counterfeit products, mainly in Asia. We consider intellectual property to be an important management asset, and we aim to maximize the value of our intellectual property through its effective utilization.

3. Enhancing the quality and quantity of disclosure of the impact of climate change-related risks and opportunities on the Company's business activities and earnings, based on the TCFD framework or equivalent framework

FANCL Group announced its support for the recommendations of TCFD\* in October 2020. We will take serious measures to counter climate change, deepen our understanding of the opportunities and risks that affect our business, and proactively disclose our efforts to address them.

The TCFD recommendations include disclosure of information on each of the following topics related to climate change: governance, business strategy, risk management, and indicators and targets. Along with disclosing information in line with these four disclosure recommendations, we conducted scenario analysis and assessed the risks and opportunities associated with climate change.

\*For more information, please refer to our website.

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

(Supplementary Principle 4.1.1) Scope of delegation to Management

We have established the Board of Directors' meeting criteria, clarified the matters to be resolved at the meetings of the Board, and have delegated other decisions to Management. Management carries out their duties based on their authority to make decisions, depending on the size and nature of the transactions and operations concerned.

(Principle 4.9) Independence Standards and Qualifications for Independent Outside Directors

On the premise that the independence of our Outside Directors is able to satisfy the requirement of the Tokyo Stock Exchange's requirements for independence, we appoint people to the position of Outside Director who have a high level of expertise and abundant experience, and who can actively come up with proposals in response to the management issues of the Company, and who can

provide management oversight functions in their position.

(Supplementary Principle 4.10.1) Independence, Authority, and Role of Nomination Committee or Remuneration Committee

The Company has established the Nomination and Compensation Committee under the Board of Directors, with the Chairperson and the majority of Committee members being Independent Outside Directors, in order to ensure the fairness, transparency and objectivity of the procedures and to have independent Outside Directors proactively participate in the nomination of candidates for Directors and decisions on compensation for Directors.

The Committee examines the appropriateness of the content of the proposals made by the President and Chief Executive Officer and other Directors to the Board of Directors for the nomination or dismissal of the Company's Directors, Executive Officers, special officers, and representative directors of the Company's consolidated subsidiaries (hereafter, "Directors, etc."), succession planning, and other important matters regarding the nomination of Directors, etc., and reports the results to the Board of Directors. In addition, as matters related to the remuneration of Directors, etc., the Committee examines the basic policy of the remuneration systems, the design of specific remuneration systems, and the appropriateness of the content of remuneration (including basic remuneration and stock-based remuneration) for each individual Director, etc., and reports the results to the Board of Directors. The Committee also deliberates on the skills that the Board of Directors should have and the skills of each Director in light of the corporate strategy.

(Supplementary Principle 4.11.1) Stance on Balance among Knowledge, Experience, and Skills, and on Diversity and Size of the Board of Directors, and Policies and Procedures for the Appointment of Directors

Our Articles of Incorporation permit us to appoint up to 15 Directors and up to 5 Audit & Supervisory Board Members.

We currently have 9 Directors, of which 5 are Outside Directors. We appoint Directors who have various forms of knowledge, experience and abilities for the execution of their duties, and who can function effectively in meetings of the Board of Directors.

In the appointment of our Directors, we do not discriminate on the grounds of gender, age or nationality. We carefully consider the personal qualities and business insights of each person, and it is our policy to appoint people who properly understand and practice our Group's founding philosophy of "Eliminating 'Negatives' with a sense of justice" and our management philosophy of "Can achieve more" and can fulfill their duties and responsibilities. Candidates are considered and discussed by the Nomination and Compensation Committee (of which the Chairperson and the majority of Committee members are Independent Outside Directors) which then refers the names to a meeting of the Board of Directors for final decision-making. With regard to Outside Directors, we appoint people who possess a high level of insight and specialized expertise, and who can supervise and advise on management from an objective standpoint based on a wealth of experience. The Nomination and Compensation Committee deliberates on the skills that the Board of Directors should have and the skills of each Director in light of the corporate strategy and reports its findings to the Board of Directors. For details, please refer to the Convocation Notice of the 42nd Ordinary General Meeting of Shareholders.

\*For more information, please refer to our Convocation Notice.

[https://www.fancl.jp/en/ir/stock\\_meeting/index.html](https://www.fancl.jp/en/ir/stock_meeting/index.html)

(Supplementary Principle 4.11.2) Concurrent Positions of Directors

Important concurrent positions of Directors and Audit & Supervisory Board Members are published in our Convocation Notice.

(Supplementary Principle 4.11.3) Summary of the Results of Evaluation of the Effectiveness of the Board of Directors

Every year beginning from FY Mar/2016, each Director and Audit & Supervisory Board Member conducts a self-evaluation of meetings of the Board of Directors, so that we can gain a better understanding of the state of the Board and enable it to operate more effectively. The evaluation is conducted by sending a questionnaire survey to each Director and Audit & Supervisory Board Member that asks them about general matters relating to the Board of Directors, such as the roles and responsibilities of the Board of Directors, its size, composition and diversity, and its state of operation, the role and activities of the Outside Directors, as well as the support system and training for Directors, and communication with stakeholders. The results of the questionnaire were assessed.

In the Board evaluations of FY Mar/2023, we determined that overall, the Board of Directors is operating appropriately, and that the effectiveness of the Board is being maintained.

Result of FY Mar/2023 Board evaluations

1. Meetings of the Board of Directors are held under the leadership of the Chairperson of the Board in an atmosphere that is welcoming of candid comments, and opinions raised are speedily adopted, leading to further comments, thereby creating a virtuous circle.
2. The composition of the Board of Directors is appropriately balanced between executive and non-executive directors. The Internal Directors are appointed in a well-balanced manner in the areas of sales, production, administration, and the promotion of synergies with the Kirin Group. The Outside Directors include lawyers, certified public accountants, and specialists in brand strategy and human resources, and have different business experience and areas of expertise, ensuring a diversity of perspectives.
3. The number of matters to be resolved and their content are appropriate. Themed sessions and advance briefing sessions on matters to be resolved, are conducted in a comprehensive and detailed manner. The advance briefing sessions provide an opportunity to ask questions, helping to deepen understanding, and the supplementary information provided through the discussions at these sessions help to invigorate the discussions during the Board of Directors' meetings.

It was recognized that the Board of Directors should work on the following areas.

- Discuss medium- and long-term management issues
- Further increase diversity, including the appointment of female directors from within the Company, as a medium- to long-term issue
- Create materials that are more concise and focused on important points for management decision making, as explanatory materials are sometimes too detailed

Regarding issues recognized in the FY Mar/2022 evaluation

Efforts were made to improve the following issues identified in the previous fiscal year.

1. Further increase diversity, including the appointment of female directors from within the Company

The Company has set a target of 50% female managers and 30% female senior managers by FY Mar/2024, and continues to implement the following initiatives.

[Ratio of female managers: FY Mar/2022: 47.1% FY Mar/2023: 47.1%]

[Ratio of female senior managers] FY Mar/2022: 25.3% FY Mar/2023: 28.0%]

\*Senior managers: Managers at the rank of deputy manager and above (excluding directors)

1. Women's Leadership Training

2. Management School (leadership program for senior managers)

3. Formulation of succession plans to systematically select and train successor candidates who can assume key positions to promote management and business strategies

2. Implement the regular monitoring of management issues discussed at the Board of Directors' meetings

Regular reports were submitted to the Board of Directors on important topics such as the China Supplement Business, BRANCHIC, bosia, and other overseas businesses, and on sustainability and risk compliance.

Based on the results of this evaluation, we will strive to ensure and improve the function and effectiveness of the Board of Directors.

(Supplementary Principle 4.14.2) Measures for Training of Directors and Audit & Supervisory Board Members

When newly appointed Outside Directors or Outside Audit & Supervisory Board Members take their positions, in addition to explaining to them our management philosophy, business details, management strategy, the business environment and issues surrounding our operations, we use outside training courses to enhance their knowledge of their legal roles and duties.

In addition to this training, we make efforts annually to ensure that all Directors and Audit & Supervisory Board Members acquire necessary knowledge and we promote the understanding of their roles and responsibilities. This is done through holding study sessions run by lawyers who cover the Companies Act and the latest situations. We also provide appropriate information about corporate governance and other areas that is necessary, and we endeavor to promote their acquisition of required knowledge and understanding of their roles.

(Principle 5.1) Policy for Constructive Dialog with Shareholders

The systems we have put in place and the initiatives we have taken to encourage constructive dialog with shareholders are as follows.

- In our dialogue with individual shareholders, we place the highest priority on the General Shareholder Meeting. By holding the Meeting on Saturdays or Sundays it is easier for shareholders to attend, so many can be present. At the Meeting, we carefully explain our future business strategies and business prospects, using videos for ease of understanding, and the Director in charge or the Chairman can answer questions from the shareholders. Starting from the 2022 General Shareholder Meeting, we have streamed our General Shareholder Meetings live via the Internet.

<Status of dialogue with shareholders, etc.>

- Business Management Division Directors and Executive Officers engage in dialogue with analysts, institutional investors and others.

- Individual discussions with analysts and institutional investors are held, and the details are reported to our Directors and Executive Officers.

- We hold financial results briefings for analysts and institutional investors (4 times a year) in which the Representative Director explains the outcomes.

- Each of our divisions (IR, Corporate Planning, General Affairs, Accounting, and Legal) collaborate in the release of financial results and in the General Shareholder Meeting and other events, and strive to deliver accurate information.

Actions to achieve management conscious of cost of capital and stock price

In addition to ROE (return on equity), we have designated ROIC (return on invested capital) as a KPI to further promote management that is conscious of cost of capital and the profitability and investment efficiency of each business. ROIC is checked once a year for each business and channel, and the management team discusses measures for businesses that are considered to require improvement in relation to their cost of capital. In the fiscal year ending March 31, 2024, the final year of the 3rd Medium-Term Management Plan, we aim to achieve consolidated net sales of ¥111,000 million, operating income of ¥12,000 million, ROE of 10.5%, and ROIC of 9.5%.

## 2. Capital Structure

Foreign Shareholding Ratio: At least 10% but less than 20%

### Status of Major Shareholders **[Updated]**

Name/Company name	Number of Shares	Percentage (%)
Kirin Holdings Company Limited	39,540,400	32.64
The Master Trust Bank of Japan, Ltd. (trust account)	15,102,700	12.47
Custody Bank of Japan, Ltd. (trust account)	5,932,400	4.90
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3,925,389	3.24
MSIP CLIENT SECURITIES	2,447,947	2.02
JPMorgan Securities Japan Co., Ltd.	2,154,974	1.78
Nomura Securities Co., Ltd. (Proprietary Account)	1,935,000	1.60
FANCL Employee Stock Ownership Plan	1,301,413	1.07
Morgan Stanley MUFJ Securities Co., Ltd.	1,186,587	0.98
STATE STREET BANK WEST CLIENT – TREATY 505234	1,019,900	0.84

Controlling Shareholders (except for Parent Company)	--
Parent Company	None

### Supplementary Explanations **[Updated]**

- The Status of Major Shareholders is as of March 31, 2023.
- In addition to the above, the Company holds 9,220,547 treasury shares. The number of treasury shares does not include the 209,915 of the Company's shares held by the BIP Trust for Director remuneration.
- A large shareholding report (change report) submitted by T. Rowe Price Japan, Inc. on June 22, 2022 stated that T. Rowe Price Japan, Inc. own shares of the Company as shown below as of June 15, 2022. However, as it is not possible for the Company to confirm the actual number of shares held as of March 31, 2023, the above Status of Major Shareholders has been stated based on the content of the shareholder registry.  
The content of the change report is as follows.

T. Rowe Price Japan, Inc.; Number of shares: 2,026,100 shares; Ratio of shareholding: 1.55%

- A large shareholding report (change report) submitted by Nomura Securities Co., Ltd. on March 3, 2023 stated that Nomura Securities Co.,Ltd., NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd. each own shares of the Company as shown below as of February 28, 2023. However, as it is not possible for the Company to confirm the actual number of shares held as of March 31, 2023, the above Status of Major Shareholders has been stated based on the content of the shareholder registry.  
The content of the change report is as follows.

Nomura Securities Co.,Ltd.; Number of shares: 2,639,246 shares; Ratio of shareholding: 2.01%  
NOMURA INTERNATIONAL PLC; Number of shares: 282,029 shares; Ratio of shareholding: 0.22%  
Nomura Asset Management Co., Ltd.; Number of shares: 3,812,900 shares; Ratio of shareholding: 2.93%

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime Market
Fiscal Year-end	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥100 billion but less than ¥1 trillion

Number of Consolidated  
Subsidiaries as of the End of the  
Previous Fiscal Year

Less than 10

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

**None**

**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

**None**



## // Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organizational form

Company with Audit & Supervisory Board Members

#### Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office of Directors Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Outside Directors who are designated as Independent Directors	4

#### Outside Directors' Relationship with the Company (1) [Updated]

Name	Attributes	Relationship with the Company (%)												
		a	b	c	d	E	f	g	h	i	j	k		
Mitsuaki Nakakubo	Lawyer													
Keiichiro Hashimoto	From another company													
Akira Matsumoto	Certified Public Accountant													
Junko Tsuboi	From another company							○	○					
<b>Mika Takaoka</b>	University professor													

#### \* Categories for "Relationship with the Company"

\* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past.

\* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past.

- Executive of the Company or its subsidiaries.
- Non-executive Director or Executive of the parent company of the Company.
- Executive of a fellow subsidiary of the Company.
- A party whose major client or supplier is the Company or an Executive thereof.
- Major client or supplier of the Company or an Executive thereof.
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director.
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- Executive or a company or organization that receives a donation from the Company (the director himself/herself only)
- Other



Name	Designation as an Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Mitsuaki Nakakubo	○	—	<p>Mr. Mitsuaki Nakakubo has a wealth of experience and extensive knowledge as an attorney specialized in corporate legal affairs. In the deliberations of the Board of Directors' meetings, he has been actively providing advice and proposals based on his experience and knowledge. Since June 2020, he has also been serving as the Chairman of the Nomination and Remuneration Committee, an advisory body to the President and CEO. For these reasons, in the expectation that we will contribute to the realization of the Company's management plan and the enhanced effectiveness of the Board of Directors, he is elected as an Outside Director. He is not an employee of an affiliated company, a major shareholder, or a major business partner, and has been designated as an independent director because his independence has been sufficiently secured and there is no risk of conflict of interest with general shareholders.</p>
Keiichiro Hashimoto	○	—	<p>Mr. Keiichiro Hashimoto possesses a wealth of experience as an executive of financial institutions and as a corporate manager of companies operating globally. In addition, he has broad knowledge in IT and social/economic fields. In the deliberations of the Board of Directors' meetings, based on his experience and knowledge, he has actively provided advice and proposals. For these reasons, in the expectation that he will contribute to the realization of the Company's management plan and the improvement of the effectiveness of the Board of Directors, he is elected as an Outside Director. He is not an employee of an affiliated company, a major shareholder, or a major business partner, and has been designated as an independent director because his independence has been sufficiently secured and there is no risk of conflict of interest with general shareholders.</p>
Akira Matsumoto	○	—	<p>Mr. Akira Matsumoto possesses expertise in finance and accounting as a certified public accountant, and a wealth experience and extensive knowledge regarding management accumulated through his involvement in consulting business as a corporate manager. In the deliberations of the Board of Directors' meetings, based on his experience and knowledge, he actively provides advice and proposals. For these reasons, in the expectation that he will contribute to the realization of the Company's management plan and the improvement of the effectiveness of the Board of Directors, he is elected as an Outside Director. He is not an employee of an affiliated company, a major shareholder, or a major business partner, and has been designated as an independent director because his independence has been sufficiently secured and there is no risk of conflict of interest with general shareholders.</p>
Junko Tsuboi		<p>Ms. Junko Tsuboi is a Director of the Board and Senior Executive Officer of Kirin Holdings Company, Limited, which is a major shareholder of the Company with 30.3% of the Company's stock. There is a</p>	<p>Ms. Junko Tsuboi has long engaged in the marketing, brand strategy, corporate communications related duties, and personnel affairs at Kirin Group, thereby accumulating a high level of expertise, especially in marketing, and contributing to business expansion. In the deliberations at the Board of Directors' meetings, based on her experience and knowledge, she has been actively providing advice and proposals. For</p>

		trade relationship between the Company and Kirin Holdings Company, Limited relating to raw materials and products.	these reasons, in the expectation that she will contribute to the realization of the Company's management plan and the improvement of the effectiveness of the Board of Directors, she is elected as an Outside Director.
<b>Mika Takaoka</b>	○	—	Mika Takaoka has extensive experience and a wide range of knowledge as a university professor, with expertise in business administration and other fields, and has also served as outside director at other companies. We have determined that she will be able to appropriately perform her duties as an outside director from a specialist standpoint. She is not an employee of an affiliated company, a major shareholder, or a major business partner, and has been designated as an independent director because her independence has been sufficiently secured and there is no risk of conflict of interest with general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson **[Updated]**

	Committee's Name	All Committee Members (No. of people)	Full-time Members (No. of people)	Inside Directors (No. of people)	Outside Directors (No. of people)	Outside Experts (No. of people)	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Compensation Committee	6	0	2	4	0	0	Outside Directors
Committee Corresponding to the Compensation Committee	Nomination and Compensation Committee	6	0	2	4	0	0	Outside Directors

Supplementary Explanation **[Updated]**

- The Nomination and Compensation Committee is a committee that bears the functions of both the Nomination Committee and the Remuneration Committee.
- The Nomination and Compensation Committee has been established under the Board of Directors, with the Chairperson and the majority of Committee members being Independent Outside Directors, in order to ensure the fairness, transparency and objectivity of the procedures and to have independent Outside Directors proactively participate in the nomination of candidates for Directors and decisions on compensation for Directors. The Committee examines the appropriateness of the content of the proposals made by the President and Chief Executive Officer to the Board of Directors for the nomination of the Company's Directors, Executive Officers, special officers, and representative directors of the Company's consolidated subsidiaries (hereafter, "Directors, etc."), and reports the results to the Board of Directors. In addition, as matters related to the remuneration of Directors, etc., the Committee examines the basic policy of the remuneration systems, the design of specific remuneration systems, and the appropriateness of the content of remuneration (including basic remuneration and stock-based remuneration) for each individual Director, etc., and reports the results to the Board of Directors. The Committee also deliberates on the skills that the Board of Directors should have and the skills of each officer in light of the corporate strategy.
- The Committee met 8 times in FY Mar/2023. All members of the Committee were present at all meetings. The Committee examined the executive structure, conducted evaluations of individual executives and their compensation amounts, etc., reviewed and deliberated on succession plans, and considered how to strengthen corporate governance. As the cornerstone of the Company's governance, the Committee has made a significant contribution to the enhancement of governance functions.

\*Mika Takaoka was elected as an outside director at the General Meeting of Shareholders held on June 24, 2023, and was appointed at the Board of Directors meeting held on the same day.

## Audit & Supervisory Board Members

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

### Cooperation amount Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

- Audit & Supervisory Board Members hold regular meetings with the Accounting Auditors to gather information on audit plans, important audit issues, findings in audits, and audit results, and work to encourage close collaboration. In addition, we have established a system that enables collaboration at any time, so that if any issues are found during the audit by the Audit & Supervisory Board Members that require clarity, they may seek advice from the Accounting Auditors as accounting audit experts.
- The Internal Audit Office audits the status of business execution of each department in accordance with the audit plan, and reports the audit results to the Audit & Supervisory Board Members. We have a system that encourages collaboration, and when necessary, the Audit & Supervisory Board Members may request investigations.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

### Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company (%)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tsuneyoshi Seki	Certified Public Accountant													
Hideki Minamikawa	Other													
Miyuki Nakagawa	Lawyer													

\* Categories for "Relationship with the Company"

\* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past.

\* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past.

a. Executive of the Company or its subsidiaries.

b. Non-executive Director or Accounting Advisor of the Company or its subsidiaries.

c. Non-executive Director or Executive of a parent company of the Company.

d. An Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company.

f. A party whose major client or supplier is the Company or an Executive thereof.

g. Major client or supplier of the Company or an Executive thereof.

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member.

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive or a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Other

## Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as an Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Tsuneyoshi Seki	○	—	Mr. Tsuneyoshi Seki is qualified as a certified public accountant. He has a wealth of experience and knowledge in the accounting field as a result of having worked for an audit firm for many years. He has been appointed as an Outside Audit & Supervisory Board Member because he is able to utilize his experience and knowledge in the Company's auditing operations. In addition, he is not from an affiliated company, major shareholder, or major business partner, etc., and has been designated as an independent officer, judging that his independence has been sufficiently secured and that there is no risk of conflict of interest with general shareholders.
Hideki Minamikawa	○	—	Mr. Hideki Minamikawa, in addition to his wealth of specialized knowledge and experience in the environmental field, has extensive experience with government agencies. He has been appointed as an Outside Audit & Supervisory Board Member because he can utilize these experiences and knowledge in the Company's auditing operations. In addition, he is not from an affiliated company, major shareholder, or major business partner, etc., and has been designated as an independent officer, judging that his independence has been sufficiently secured and that there is no risk of conflict of interest with general shareholders.
Miyuki Nakagawa	○	—	Ms. Miyuki Nakagawa has abundant experience and a wide range of knowledge in the legal field as a prosecutor and an attorney at law. She has been appointed as an Outside Audit & Supervisory Board Member because it is expected that she can utilize her experience and knowledge in the Company's auditing operations. In addition, she is not from an affiliated company, a major shareholder, or a major business partner, etc., and has been designated as an independent officer, judging that her independence has been sufficiently secured and that there is no risk of conflict of interest with general shareholders.

### Independent Directors/Audit & Supervisory Board Members

Number of Independent Directors/Audit & Supervisory Board Members **[Updated]**

7

## Matters relating to Independent Directors/Audit & Supervisory Board Members

### Incentives

Incentive Policies for Directors

Introduction of performance-linked compensation plan and stock-option system

## Supplementary Explanation

Described in the following "Policy for Determining Remuneration Amounts and Calculation Methods" in "Director Remuneration"

## Recipients of Stock Options

Inside Directors, employees, Directors of subsidiaries

### Supplementary Explanation

For the purpose of ensuring transparency and profit-sharing between Directors and shareholders, the Company abolished its retirement benefit program at the 26th Ordinary General Meeting of Shareholders in June 2006 and granted stock options to its Directors, Executive Officers and Directors of its subsidiaries as a replacement long-term remuneration incentive.

## Director Remuneration

### Disclosure of Individual Director's Remuneration

Individual Director's remuneration is not disclosed.

### Supplementary Explanation **[Updated]**

The total amount for each Director and Audit & Supervisory Board Member is described in the securities report and in the convocation notice.

Total amount of remuneration, etc. in FY Mar/2023 for Directors and Audit & Supervisory Board Members

	Monthly remuneration	Performance-linked stock based compensation (performance-linked grants)	Performance-linked stock based compensation (fixed grants)	Total amount
Directors (9 people)	¥203 million	¥10 million	¥42 million	¥256 million
Of which 4 are Outside Directors	¥37 million	—	—	¥37 million
Audit & Supervisory Board Members (5 people)	¥57 million	—	—	¥57 million
Of which 3 are Outside Audit & Supervisory Board Members	¥21 million	—	—	¥21 million

(Notes)

1. The number of remuneration recipients does not include one unpaid Director (Outside Director).
2. The performance-linked stock based compensation plan is a stock compensation plan (non-monetary compensation) under which the Company's shares and money equivalent to the conversion of Company shares into cash, in proportion to job position, and the degree to which targets are achieved, will be granted. The performance-linked portion of this system consists of performance-linked compensation in which the number of shares, etc. to be granted is adjusted in accordance with the degree to which the performance targets have been achieved in the final fiscal year of the Medium-Term Management Plan. Please refer to "Matters Concerning Policy on Determining Remuneration Amounts, etc. of Officers, and Calculation Methods" for the selected performance indicators and the calculation method of shares, etc. to be granted to applicable Directors, etc.
3. As the performance-linked portion of the performance-linked stock based compensation will be determined after the completion of the 3rd Medium-Term Management Plan (FY Mar/2022 - FY Mar/2024), the amount to be recorded as expenses for FY Mar/2023 is stated.

### Policy for Determining Remuneration Amounts and Calculation Methods **[Updated]**

Established

### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

## Matters Concerning Policy on Determining Remuneration Amounts, etc. of Officers, and Calculation Methods

### a) Policy details

The remuneration, etc. (the compensation, bonuses and other property benefits received from the Company as compensation for the execution of their duties; hereafter the same), of Officers in the Company is comprised of monthly remuneration that is a fixed monthly amount, and a performance-linked stock based compensation plan that is both a long-term and medium-term incentive. Monthly compensation can be divided into basic compensation and variable compensation. Note however that Outside Directors are only paid basic compensation.

The basic compensation is decided considering the gravity of the role and responsibility, regardless of the results or evaluation of performance. Variable compensation is determined each year based on the achievement rate of the fiscal year plan (consolidated operating income) in the previous fiscal year and the evaluation of personal performance in the previous fiscal year. Consolidated operating income was selected because it is an important indicator for measuring the performance of our business. The amount for FY Mar/2023 was ¥7,843 million.

In the performance-linked stock based compensation plan, the Company grants and pays (hereafter "grants, etc.") Company shares and money equivalent to the conversion of Company shares into cash (hereafter "Company Shares, etc.") to Directors and Executive Officers in proportion to their job positions and the degree to which they have achieved their targets. The system consists of "performance-linked grants" in which the delivery of Company shares, etc. is based on the degree of achievement of the Medium-Term Management Plan, and "fixed grants" in which the delivery of Company shares, etc. is based on the job position of each Director and Executive Officer. The "performance-linked grant" is positioned as a medium-term incentive to realize the Group's Medium-Term Management Plan, while the "fixed grant" is positioned as a long-term incentive to increase corporate value throughout the term of office. The performance-linked index may vary in the range of 0% to 200% and will be proportional to the degree that performance targets in the final fiscal year of the Medium-Term Management Plan are achieved. For "fixed grants," the amount is determined so that the amount accounted for in each fiscal year is a ratio of around 20 to 30% of the annual total of monthly remuneration for Directors and Executive Officers. Please refer to the 43rd Securities Report for details.

### b) Method for Determining Remuneration, etc.

To ensure that the Independent Outside Directors are proactively involved in the nomination of Officer candidates and in the setting of Officer remuneration and to ensure the fairness, transparency and objectivity of procedures, the Company established the Nomination and Compensation Committee to be an advisory body to the Board of Directors.

The Chairperson and the majority of the members of the Nomination and Compensation Committee are Independent Outside Directors. In addition to matters relating to the nomination of our Directors, Executive Officers, special officers and the representative directors of our consolidated subsidiaries (hereafter, "Directors, etc.") the Committee considers policy relating to remuneration, etc. for Directors, etc., considers the amount of remuneration for individual Directors, etc., and passes its findings on to the Board of Directors, and notifies the President & CEO, Representative Director.

Kazuyuki Shimada, the President & CEO, Representative Director respects the opinion of the Nomination and Compensation Committee and determines the amount of remuneration, etc., for individual Directors, etc. within the scope set by the resolutions of the General Meeting of Shareholders and the Board of Directors. Furthermore, at the 38th Ordinary General Meeting of Shareholders held on June 23, 2018 the limit to remuneration, etc. for Directors was set to within an annual limit of ¥830 million (for 15 Directors at the time of resolution). Regarding the performance-linked stock based compensation plan, at the 41st General Meeting of Shareholders held on June 26, 2021 it was resolved that the maximum amount of money to be contributed by the Company shall be ¥248 million multiplied by the number of years of the applicable period, and that for the three fiscal years from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024, the initial applicable period, the maximum amount of money to be contributed shall be ¥744 million and the maximum number of shares of the Company to be delivered, etc. shall be 177,000 shares (five directors eligible for performance-linked stock based compensation at the time of the resolution).

With regard to the individual remuneration, etc. of Directors for FY Mar/2023, as it is thought to be appropriate for the President & CEO to decide on the details of remuneration, taking into consideration the status of each Executive Officer's execution of duties while overlooking the Company's performance, Representative Director, President and CEO Kazuyuki Shimada, who was delegated by the Board of Directors to make such decisions within the limit of the amount of remuneration, etc. as per the resolution of the General Meeting of Shareholders, made the decision while respecting the opinion of the Nomination and Compensation Committee. The Nomination and Compensation Committee deliberates on the draft proposals prepared by the Representative Director, President and CEO regarding individual Officers' remuneration amounts, the details of performance-linked stock based compensation and the number of points to grant to each individual, and relays its opinions on to Board of Directors as well as notifying the Representative Director, President and CEO. The Company has received a report that the details of individual director remuneration, etc. for FY Mar/2023 were determined in accordance with the opinions expressed to the President & CEO after deliberation by the Nomination and Compensation Committee, and therefore, the Company believes that it is in line with the Policy on Determining Remuneration Amounts.

Remuneration, etc., for Audit & Supervisory Board Members is within the scope set by the resolutions of the General Meeting of Shareholders and is determined through consultation with Audit & Supervisory Board Members. Furthermore, at the 26th Ordinary General Meeting of Shareholders held on June 17, 2006 the limit to remuneration, etc. for Audit & Supervisory Board Members was set to within an annual limit of ¥60 million (for 4 Audit & Supervisory Board Members at the time of resolution).

## Supporting System for Outside Directors and Outside Audit & Supervisory Board Members

- Outside Directors use the secretarial office as a point of contact and for the sharing of information.



- Outside Audit & Supervisory Board Members communicate information through the Full-time Auditors at the monthly meetings of the Audit & Supervisory Board. In addition, there is one staff member in the Auditing Office dedicated to this function.

## Status of Persons who have Retired from the Position of Representative Director and President, etc.

Name of Consultants, Advisors, etc. who have Retired from the Position of Representative Director and President, etc.

Name	Title/Position	Description of Tasks	Form and Condition of Services (Full-time, Part-Timer, Paid or Unpaid, etc.)	Date of Retirement from President, etc.	Term
Yoshifumi Narimatsu	Advisor	Industry group activities	Part-time Remunerated	March 31, 2013	1-year
Kenji Ikemori	Honorary Senior Advisor, Founder	Succession of Founding philosophy and Corporate philosophy	Part-time Unpaid	December 31, 2019	1-year
Kazuyoshi Miyajima	Senior Advisor	Support for external relations	Part-time Unpaid	December 31, 2019	1-year

Total number of Consultants, Advisors, etc. who have retired from Representative Director and President, etc.

3

Other matters **[Updated]**

- The process of appointment of a Consultant or Advisor involves discussion by the Nomination and Compensation Committee of the role to be expected and how it will be handled. The final decision is made by a resolution of the Board of Directors.
- Consultants and Advisors are not involved in the management of the Company in any way.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **[Updated]**

An executive officer system was introduced in June 1999 to separate the functions of management supervision and business execution. In June 2004 the positions of president, senior managing director, managing director and other executive director positions were abolished and those titles were assigned to Executive Officers. In June 2005 the term of Directors was shortened from 2 years to 1 year to enable the Company to organically build the optimal management team to respond to changes in the business environment. From June 2019 we reduced the number of Directors from 15 to 9, and increased the proportion of Outside Directors, so that management decision-making could be sped up and the management oversight function of the Board be enhanced. Furthermore, from June 2020, we have increased the number of Audit & Supervisory Board Members by one in order to strengthen and enhance the audit system.

### Board of Directors

Meetings of the Board of Directors are held at least once a month. The Board is composed of 9 Directors (of which 4 are Outside Directors). The Board makes important business decisions and decides other statutory matters. It also receives reports about the state of management of the Company's subsidiaries and supervises their management. In addition, the Company appoints Outside Directors. From their standpoint of independence, the Outside Directors attend meetings of the Board of Directors, and oversee its management from their diverse range of perspectives and a wealth of experience and insight.

In FY Mar/2023 a total of 17 meetings of the Board were held. The attendance of each Director and Audit & Supervisory Board member is as follows:

### Name/Attendance

Kazuyuki Shimada: 17 out of 17 meetings (100%); Tomochika Yamaguchi: 17 out of 17 meetings (100%); Akihiro Yanagisawa: 17 out of 17 meetings (100%); Yasushi Sumida: 17 out of 17 meetings (100%); Shinro Fujita: 17 out of 17 meetings (100%); Mitsuaki Nakakubo: 17 out of 17 meetings (100%); Keiichiro Hashimoto: 17 out of 17 meetings (100%); Akira Matsumoto: 17 out of 17 meetings (100%); Junko Tsuboi: 17 out of 17 meetings (100%); Seiichiro Takahashi: 17 out of 17 meetings (100%); Naoya Maruo: 17 out of 17 meetings (100%); Tsuneyoshi Seki: 17 out of 17 meetings (100%), Hideki Minamikawa: 17 out of 17 meetings (100%), Miyuki Nakagawa: 17 out of 17 meetings (100%)

\*Mika Takaoka was elected at the General Meeting of Shareholders held on June 24, 2023.

Audit & Supervisory Board



The Company has an Audit & Supervisory Board. Of the 5 members of the Audit & Supervisory Board, 3 are Independent Outside Audit & Supervisory Board Members. To improve the effectiveness of audits on management decision-making, the members of the Audit & Supervisory Board attend meetings of the Board of Directors and other important meetings where they give their opinions. The Audit & Supervisory Board also exchanges opinions with top management to ensure a fair system of corporate management. In addition, Outside Audit & Supervisory Board Member Toshio Takano is a qualified lawyer, while member Tsuneyoshi Seki is a certified public accountant. See the Audit & Supervisory Board Members column for information about our initiatives to enhance the Board's auditing and supervisory functions.

In FY Mar/2023 the Board met 12 times. The attendance status of each corporate auditor is as follows.

#### Name/Attendance

Seiichiro Takahashi: 12 out of 12 meetings (100%); Naoya Maruo: 12 out of 12 meetings (100%); Tsuneyoshi Seki: 12 out of 12 meetings (100%); Hideki Minamikawa: 12 out of 12 meetings (100%); Miyuki Nakagawa: 12 out of 12 meetings (100%)

#### Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee as an advisory body to the Board of Directors in order to ensure the fairness, transparency and objectivity of the procedures and to have independent Outside Directors proactively participate in the nomination of candidates for Directors and decisions on compensation for Directors. The Committee, with the Chairperson and the majority of Committee members being Independent Outside Directors, is comprised of 6 members: 4 Independent Outside Directors and 2 Inside Directors (the President & CEO, Representative Director, and Representative Director, Senior Managing Director). The Committee is responsible for matters relating to the nomination of the Company's Directors, Executive Officers, special officers, and representative directors of the Company's consolidated subsidiaries (hereafter, "Directors, etc."), as well as considering the design of specific remuneration systems, and the amount of remuneration for each individual Director, etc., and submits its opinion to the Board of Directors and notifies the President & CEO. The President & CEO determines the remuneration, etc. for each individual Director and Executive Officer, respecting the opinions of the Nomination and Compensation Committee, within the scope of delegation by resolution of the General Meeting of Shareholders and by resolution of the Board of Directors.

In FY Mar/2023 the Committee met 8 times to examine and deliberate on the executive structure, individual evaluation of executives, compensation amounts, succession plans, and the strengthening of corporate governance, thereby making a significant contribution to the enhancement of governance functions.

The attendance status of each committee member is as follows.

#### Name/Attendance

Kazuyuki Shimada: 8 out of 8 meetings (100%); Tomochika Yamaguchi: 8 out of 8 meetings (100%); Mitsuaki Nakakubo: 8 out of 8 meetings (100%); Keiichiro Hashimoto: 8 out of 8 meetings (100%); Akira Matsumoto: 8 out of 8 meetings (100%)

\*Mika Takaoka was elected as an outside director at the General Meeting of Shareholders held on June 24, 2023, and was appointed at the Board of Directors meeting held on the same day.

#### Group Management Conference

The Group Management Conference is comprised of Directors, Executive Officers and Full-time auditors. The Conference deliberates matters before they are decided upon by the Board of Directors and also deliberates important matters of management within the scope of the authority delegated to it by the Board of Directors.

#### Group Risk Compliance Committee

Chaired by the President and CEO, the Group Risk Compliance Committee, in cooperation with the relevant departments, identifies the Group's material risks, compiles risk analyses and evaluations, and reports them to the Board of Directors. The Committee also monitors risk related to legal violations, quality assurance, finance and accounting, information security and other materials risks, and reports response measures to the Board of Directors.

#### Sustainability Committee

Based on our founding philosophy of "eliminating the negatives with a sense of justice," and in line with the Sustainable Development Goals (SDGs), the Sustainability Committee carries out analysis of environmental risks anticipated for each climate change scenario and human rights risks in our supply chain, and reports its findings, together with measures to address them, to the Board of Directors, for the realization of a sustainable society.

#### Accounting Audits

We commission the auditing firm of Ernst & Young ShinNihon LLC to audit our accounts from an independent position, and receive their opinions regarding accounting matters. The certified public accountants who audited our accounts in FY Mar/2023 are Yonako Emura and Masatoshi Komiya. The employees engaged in the accounting audits for FY Mar/2023 were assisted by 10 certified public accountants, 4 certified accountant examiners and 14 others.

### 3. Reasons for Adoption of the Current Corporate Governance System **[Updated]**

The Company has adopted the system of having an Audit & Supervisory Board. By appointing 5 Outside Directors and 3 Outside

Audit & Supervisory Board Members, we ensure that our management takes into account opinions and suggestions from a wide range of perspectives outside the Company. In addition, the Audit & Supervisory Board is comprised of auditors (2 internal auditors and 3 external auditors, all of whom are independent directors) who do not have the authority to execute business operations, and they cooperate with the Internal Audit Office to strengthen and reinforce our auditing system. As a result, our current auditing system enhances the effectiveness of our corporate governance and we consider this to be the optimal system for us.

## /// Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Ensure the Smooth Exercise of Voting Rights [Updated]

	Supplementary Explanations
Early Notification of General Shareholder Meetings	<p>We are striving to issue notification before the statutory deadline. Notice of the 43rd Ordinary General Meeting of Shareholders of 2023 was issued on June 7 (Wednesday), 2 days before the statutory deadline.</p> <p>From 2015, to give our shareholders ample time to consider the meeting agenda, we began posting the convocation notice at the stock exchange and on our website, prior to the dispatching of the printed convocation notice.</p>
Setting a Date for our General Shareholder Meetings that Avoids Dates when Many Other Companies Hold Theirs	<p>We want as many shareholders as possible to attend our General Meeting of Shareholders and to better understand our Company, and so from 2000 we have chosen a weekend date for this meeting to avoid dates when many companies hold their general shareholders meetings. In addition, we also hold a social gathering to give shareholders the opportunity to speak with our Officers and gain a better understanding of our Company. Our 43rd Ordinary General Meeting of Shareholders of 2023 was held on Saturday, June 24.</p>
Allowing Electronic Exercise of Voting Rights	<p>From 2005 we have enabled shareholders to exercise their voting rights by electronic means (via the Internet).</p>
Participation in the Electronic Voting Platform and Other Activities to Improve the Environment for Institutional Investors to Exercise their Voting Rights	<p>From 2007, we have used an electronic voting platform and we have worked to improve the environment in which shareholders exercise their voting rights.</p>
Providing Convocation Notice in English	<p>We participate in an electronic voting platform operated by ICJ, Inc. In addition, we post an English language version of our convocation notice on the Tokyo Stock Exchange website and in the English version of our website.</p>
Other	<p>To help shareholders who attend our Ordinary General Meeting of Shareholders to better understand our Company, we present visuals our business reports and displays of our business activities at the meeting.</p> <p>We also present attendees with our Company's products as gifts.</p> <p>From the 37<sup>th</sup> Ordinary General Meeting of Shareholders of 2017 we have had an interpreter for the hearing-impaired present. This creates a meeting environment that makes it easier for shareholders with hearing disabilities to attend.</p> <p>From the 41st Ordinary General Meeting of Shareholders we have conducted a live broadcast of the Meeting so that shareholders who are unable to attend the meeting can view the proceedings at home.</p>

### 2. IR Activities

	Supplementary Explanations	Explanation by Representative(s) of the Company
Preparation and Publication of Disclosure Policy	<p>1. Basic Policy</p> <p>We disclose information in accordance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules stipulated by the Tokyo Stock Exchange (hereafter "Timely Disclosure Rules"). Moreover, we actively disclose information even if it is not subject to Timely Disclosure Rules, if we consider that our shareholders and investors need to know about it, regardless of whether it is positive or negative.</p> <p>We strive to ensure fair and timely information disclosure by avoiding selective disclosure of important information to any particular institution or individual.</p> <p>2. Method of Information Disclosure</p>	

	<p>We disclose information that is subject to Timely Disclosure Rules through the Tokyo Stock Exchange's Timely Disclosure network (Tdnet). To ensure fairness, the information we disclose on Tdnet is also published on our website. However, owing to the need to prepare PDF files or other tools, please be aware that there are instances in which the appearance of the information is delayed.</p> <p>3. Future Outlook The information we disclose may contain "forward-looking statements." These are based on uncertainties created by the management of the Company that is carried out based on certain assumptions. The actual outcomes may differ significantly, depending on the economic situation and changes in the market environment. Therefore, when reviewing the Company's business performance, corporate value, and other aspects, please refrain from over-reliance on these "forward-looking statements."</p> <p>4. Period of voluntary IR restraint To ensure fairness and prevent the leaking of earnings information, the period from the day after the end of the fiscal year until the date of publication of our financial results is a "period of voluntary IR restraint" in which we refrain from investor relations activities. During this period, we do not make any comments about nor do we answer any questions about our financial results. However, during this quiet period, in the event that there is a possibility that a performance forecast will be significantly inaccurate, we will make an appropriate announcement in accordance with the Timely Disclosure Rules.</p>	
Holding of Regular Meetings for Analysts and Institutional Investors	We hold financial results briefings for analysts and institutional investors quarterly in which the Representative Director explains the outcomes.	Yes
Posting of IR materials on our Website	Our website has a Shareholders/ Investor Relations page. Here, we post our annual securities report, quarterly reports, financial results, presentation materials at financial results briefings, shareholders' reports, the FANCL Report, notices of convocation of shareholders' meetings, notifications of resolutions, shareholder incentives and other information. We also post videos of our financial results briefings. Company IR page URL: <a href="https://www.fancl.jp/en/ir/index.html">https://www.fancl.jp/en/ir/index.html</a>	
Departments and/or Managers in Charge of IR	(Department in charge of IR) The Office of the President, Investor Relations Department (Department head) Eiji Imanishi, Department Manager of Investor Relations Department, The Office of the President (Department responsible for timely disclosure) The Office of the President, Public Relations Department	

### 3. Measures to Ensure Due Respect for Stakeholders **[Updated]**

	Supplementary Explanations
Internal Rules for Respecting the Position of Stakeholders	We have set out our FANCL Group Compliance Standards that stipulates our relationship with each stakeholder, and our obligations of care and respect. We have prescribed our Insider Trading Management Rules and are striving to prevent insider trading. We have set up a helpline and are working to prevent fraud, based on our FANCL Group Helpline Operation Rules.
Activities to Protect the Natural Environment, and CSR	<p>In June 2018 we formulated the Sustainable Declaration: Building a Bright Future Together document and declared our commitment to contributing to the realization of a sustainable society in line with the SDGs.</p> <p>In May 2021 we reorganized the priority issues to be addressed in our Medium-Term Management Plan, "Forward 2023." We have established three priority themes, "Environment," "Healthy Living," and "Local Communities and Employees," and have set targets and linked them to specific actions.</p> <p>[Environment]</p>

We will achieve our quantitative targets and enhance brand value through unique initiatives, including addressing climate change and reducing the amount of plastic used in product containers.

<Quantitative targets>

- Net zero CO<sub>2</sub> emissions by FY Mar/2051
- Employ the 4Rs\*<sup>1</sup> to achieve 100% sustainable packaging by FY Mar/2031
- Switch to plant-derived or recycled plastic for 30% of FANCL cosmetics plastic containers by FY Mar/2031
- Switch to 100% environmentally friendly paper\*<sup>2</sup> for containers and packaging materials by FY Mar/2026.
- Switch 100% of palm oil used in products to certified palm oil by FY Mar/2024

\*1 4Rs: Reduce (reduction of container resins), Reuse (reuse of containers), Recycle (recycling of collected containers) + Renewable (switch to recycled or plant-based materials)

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

Sustainable packaging based on the 4Rs, plant-based and recycled plastics used in FANCL cosmetics, and use of certified palm oil apply to cosmetics and health foods of FANCL CORPORATION and ATTENIR CORPORATION.

<Topics of Environment in FY Mar/2023>

"The FANCL Recycling Program ~Spreading Flowers and Greenery~"

From July 2021, at six stores across Tokyo and Kanagawa we began collecting used cosmetics containers from customers and recycling them. We have gradually expanded the number of collection stores, and now offer collection at direct stores nationwide. Containers are sorted, washed, dried, and crushed by FANCL Smile, a special subsidiary that promotes employment of people with disabilities, thereby contributing to diversity and inclusion. The collected containers are turned into flowerpots which are used in events sponsored by Yokohama City, allowing us to contribute to the city's greenery and the promotion of environmental education. Going forward, in cooperation with our capital and business alliance partner the Kirin Group, we aim to achieve a closed-loop recycling system, whereby used cosmetics containers are recycled into new cosmetics containers using chemical recycling technology.

[Healthy Living]

We will contribute to the extension of healthy life expectancy and improvement of quality of life of people around the world through the unique products and services of the FANCL Group.

<Quantitative Targets>

- Targeting a 50% health food (supplement) usage rate among Japanese people by FY Mar/2031

<Topics of Healthy Living in FY Mar/2023>

- At Kirara Nursery School, where Hatsuga Genmai (germinated rice) has been a staple in school lunches for more than 20 years, we organized a Hatsuga Genmai menu contest. The winning dishes were even served at the FANCL Ginza Square restaurant. As portion of the proceeds generated from the restaurant sales were donated to the National Children's Cafeteria Support Center, Musubie, a certified non-profit organization.
- FANCL conducted educational activities on basic nutrients through the Kanagawa Prefecture Health Support Program, the FANCL Kanagawa SDGs Lecture (Nutrition), and at the Kodomo-Shokudo.

[Local Communities and Employees]

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

<Quantitative Targets>

- Achieve a 50% ratio of female managers by FY Mar/2024
  - Achieve a 30% ratio of female senior managers\*<sup>3</sup> by FY Mar/2024
- \*3 Senior managers: Management positions at the rank of deputy manager or higher, excluding directors.
- Achieve a 5% staff ratio of people with disabilities by FY Mar/2031

<Topics of Local Communities in FY Mar/2023>

FANCL Kanagawa SDGs Lectures

Together with companies and organizations that support FANCL's Vision, we are providing lectures to elementary, junior high and high school students in Kanagawa Prefecture and

	<p>other regions (Fukuoka, Hokkaido) on the importance of the SDGs based on the sustainability themes that FANCL is working on (Environment, Healthy Living, Local Communities, and Employees). By doing so, we are helping the younger generations, who will lead us into the future, to understand and promote the SDGs and create new hope for the future. This initiative received the "Encouragement Award" at the 12th METI Career Education Awards and the "Judging Committee's Encouragement Award" at the 2022 Ministry of Education, Culture, Sports, Science and Technology Award for Companies Promoting Youth Experiential Activities.</p> <p>For more details on the FANCL Kanagawa SDGs Lectures, please refer to the following website.  <a href="https://fancl-kanagawa-sdgs.jp/">https://fancl-kanagawa-sdgs.jp/</a></p> <p>For more information on the progress of our sustainability goals and details of our initiatives, please refer to the following website  <a href="https://www.fancl.jp/en/sustainable/index.html">https://www.fancl.jp/en/sustainable/index.html</a></p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>We have established our Disclosure Policy and are striving to disclose information on a timely basis.</p>
<p>Other</p>	<p><b>Respect for Human Rights and the Promotion of Diversity</b>  Under the slogan "Of course everyone is different" that we formulated in November 2017, we are encouraging diversity. The coming together of different viewpoints, different opinions and different careers is our corporate culture, and has been a management strategy ever since our Company was founded. In FY Mar/2023 among our employees we counted 60 non-Japanese, 78 aged 60 years or older, and 112 with disabilities (*group total).  In April 2013 we participated in the United Nation's Global Compact and are focusing on the 4 areas of human rights, labor practices, the natural environment, and anti-corruption.</p> <p><b>Efforts to Promote the Active Participation of Women</b>  The majority of our customers are women, so we need to be able to see things from a female perspective. This is why we have developed a corporate culture that accepts the changes in women's life-stages and works together with them. Our employees use their experiences in child-raising and family living to develop products and services that are a good fit for our customers. In addition, our Representative Director has contributed widely to the movement to help women become more active in society. From 2015 he has been a member of the "woman act." (a local government group in Kanagawa Prefecture that supports the advancement of women), and from 2016 he has been a member of the cabinet-supported group of "Male Leaders Who Will Create a Society in which Women Shine", contributing to the advancement of women in general.  FANCL also has a wide range of childcare support programs to ensure that employees can face the prospect of childbirth and child-raising with peace of mind, and can continue to work even after the birth of their child. These programs include spouse maternity leave and childcare support leave, and an expanded system of shorter working hours to assist with childcare.  In addition, to promote childcare leave among male employees, we actively encourage those eligible to take childcare leave and inform them of the details of childcare leave-related systems and consultation services via the company intranet and at company-wide meetings.</p> <p>For an overview of childcare support systems and their use, please refer to the ESG Data Book. (<a href="https://www.fancl.jp/en/sustainable/data/esgdata/index.html">https://www.fancl.jp/en/sustainable/data/esgdata/index.html</a>)</p> <p>As of March 31, 2023, women account for 62.2% (557) of our full-time employees, 47.1% (112) of our managers, and 28.0% (23) of our senior managers. We will continue to strive to promote women in our Company. Comparing the average annual income between men and women among regular employees in FY Mar/2023, women earned 77.3% of the amount of men, mainly due to the difference in the ratio of men and women in senior management positions. In FY Mar/2023, we conducted leadership training for female managers, supporting their efforts in promoting women's activities, and working to enable them to demonstrate their own unique style leadership in the field. We will continue to actively promote women to manager positions and provide career support to further accelerate the advancement of women.  For more information on the ratio of female managers and the wage gap between men and women, please refer to the ESG Data Book  <a href="https://www.fancl.jp/en/sustainable/data/esgdata/index.html">https://www.fancl.jp/en/sustainable/data/esgdata/index.html</a></p>



In July 2008 we were certified by Japan's Ministry of Health, Labour and Welfare as a childcare supporting company (as part of measures to offset Japan's falling birthrate) and obtained the right to use the Kurumin next-generation supporter's mark. In August 2016 we became certified as a second-stage "Eruboshi company" for our work to promote women's participation and advancement in the workplace.

Our efforts to promote the active workplace participation of women has had an impact on the corporate behavior of other listed companies have been recognized. In FY Mar/2015 we received a Corporate Behavior Award sponsored by the Tokyo Stock Exchange. In addition, we were selected by the Cabinet Office to be the FY Mar/2016 company taking the lead in the promotion women's participation and advancement in the workplace, and we received a Cabinet Office Minister of State for Special Missions (Gender Equality) Commendation. In October 2016 we became certified as a Kanagawa Prefecture Child and Child Care Support Promotion Company.

#### LGBTQ initiatives

FANCL Group aims to realize a society in which everyone can be themselves and work with vitality, regardless of their sexual orientation or gender identity. We conduct regular trainings every year to promote understanding of LGBTQ and other sexual minorities. Other initiatives include the establishment of partnership regulations in April 2022, whereby same-sex marriages and de facto marriages are covered under the company's benefit system in the same way as legally recognized marriages. In addition, we conduct an LGBTQ awareness survey on all employees, and have also launched an LGBTQ Ally group to create a comfortable workplace, with key LGBTQ Ally members forming project plans and implementing a variety of initiatives themselves.

In November 2022, we received a Gold rating in the PRIDE Index 2022, an index that evaluates workplace initiatives concerning sexual minorities, such as LGBTQ, which was created by 'work with PRIDE', a non-profit organization with the objective of "creating workplaces in Japan where LGBTQ people can work comfortably beyond the standard frameworks of corporations and other organizations.

#### Work style reform/Promotion of work-life balance

In August 2017 we drew up FANCL Group's Declaration of Health Management. We are working to improve the working environment and are taking initiatives that include the "full-scale roll-out of telework," "encouraging the taking of paid leave," and "mental care measures."

From April 2019 we introduced a new employment category for full-time employees: the "Associate Permanent Employee." This category is for people involved with "care-giving," those having "an illness requiring long-term medical treatment," or those with "disabilities," and lets us create a work environment where people can flexibly work the number of hours or days that they want to.

In addition, in April 2020, we revised the personnel system for permanent employees, extending the retirement age from 60 to 65 years of age. In what is now said to be in the era of the 100-year life, we will work to establish an environment where employees can continue to work with peace of mind and play an active role in the workplace regardless of their age. In addition, in cooperation with FANCL College, we provide second career training for employees in their 50s to consider their future careers, and 82 employees took the training in FY Mar/2021. In FY Mar/2023 we expanded the scope of the program and offered career training tailored to each age group (20s, 30s, 40s and 50s), and 779 employees took the training.



## IV. Matters Related to the Internal Control System

### 1. Basic Views on the Internal Control System and the Progress of System Development **[Updated]**

#### Status of Internal Control System

The following is a summary of our systems to ensure that our Directors' execution of their duties comply with laws, regulations and our Articles of Incorporation; and b) our systems to ensure the appropriate operations of our Company and our Group consisting of our Company and our subsidiaries.

#### 1. Basic policy

Based on the principle below, we will work to establish and develop internal control based on this philosophy.

- "Can achieve more"

The FANCL Group is a corporation that truly cares for people, and seeks to eliminate customers' "negative" experience and pursue gentleness, safety, and assurance. We always put ourselves in customers' shoes and the happiness of our customers forms the basis of everything we do.

#### 2. Storage and management of information regarding Directors' execution of their duties

In accordance with Document and Record-keeping Regulations, the Company stores and manages documents (or their versions stored on electronic media) under the responsibility of the managers of each office. These documents are the records of important meetings that Directors attend, such as the General Meeting of Shareholders, meetings of the Board of Directors, and meetings of the Group Management Conference, or they are the documents decided by the Directors requesting managerial decisions.

Directors and Audit & Supervisory Board Members can view the stored and managed documents (or their versions stored on electronic media) based on the Document and Record-keeping Regulations, as necessary.

We have established the Information Security Working Group to continuously consider and reconfigure our information management.

#### 3. Regulations regarding management of risk of losses and other systems

We maintain the following systems to manage risks of our Company Group.

The Group Risk and Compliance Committee, the Sustainability Committee, and the Group Management Conference manage the risks of FANCL Group's businesses and report their analysis of the Group's risks and response measures to the Board of Directors.

- With regard to business partners, we request that they abide by our policies/guidelines and manage risks through our transactions with them.
- We have created Crisis Management Procedures for FANCL Group, and in the event of unexpected risks, the President & CEO and executive officers who are designated as the overall responsible persons in accordance with regulations, will promptly appoint a person in charge and establish a response measures committee to take prompt action and prevent the spread of damages.
- By basing the auditing activities of the Internal Audit Office on the concepts of risk management, we are strengthening our systems for discovering risk and/or taking corrective action ahead of time, making our risk management a more integrated process.

#### 4. Systems to ensure that FANCL Group Directors, etc., perform their duties efficiently

FANCL Group holds meetings of its Board of Directors regularly to enhance the effectiveness of management through the vigorous exchange of opinions and prompt decision-making. The distribution of authority and decision making of each group, and the specific work of each department, are carried out under the Rules of the Board of Directors, Rules of Administrative Authority, Approval Standard Rules, Rules of Division of Duties, and Affiliated Company Management Rules, to ensure efficiency. Furthermore, we are enhancing our IT environment and are striving to enhance the efficiency of the performance of duties.

#### 5. Systems for ensuring that execution of the duties of directors, etc., and employees of FANCL Group comply with laws and regulations and the Articles of Incorporation

FANCL Group strives to establish a compliance system to ensure thorough compliance with laws and regulations, as follows.

- We have established and operate a Group Risk and Compliance Committee to create a cross-organizational compliance system.
- We established a system able to appropriately monitor operations at subsidiaries, with, in principle, the appointment of our Company's executives, etc., to key positions at subsidiaries.
- We stipulate and enforce the FANCL Group Compliance Standards for all Directors and employees.
- We carry out compliance awareness training for all FANCL Group Directors and employees so that they can become familiar with the FANCL Group Compliance Standards.
- We operate a helpline to enable early detection and correction of actions that violate laws, regulations and FANCL Group rules.
- We have set out our Disclosure Policy to promote investor trust, information transparency and appropriate public disclosure. We disclose information appropriately, based on this policy.

#### 6. Systems related to reporting the execution of duties of Directors, etc., and systems to ensure the appropriateness of other operations

We have established and enforce the following rules to ensure the appropriateness of operations in the Group.

- We have established Approval Standard Rules, specifying that important matters be approved by or reported to the Board of Directors. The Approval Standard Rules also specify that important matters at subsidiaries be approved by or reported to the Company.
- The Group Risk and Compliance Committee, the Sustainability Committee, and the Group Management Conference manage the risks of the Group, and by reporting to the Board of Directors, maintain a system that ensures the appropriateness of the Group's operations.
- The Internal Audit Office conducts internal audits of the Group.

7. Systems to ensure that if our Company's Audit & Supervisory Board Members request assistance, employees will be made available for the task; the independence of these employees from the Directors will be assured; and that proper instruction will be given to these employees

When Audit & Supervisory Board Members request employees be made available to assist them in the operation of the Audit & Supervisory Board or in the execution of other duties, the Audit & Supervisory Board Members will discuss the matter with the Company to make the arrangements. The employees who assist the Audit & Supervisory Board Members will be assigned to the Audit & Supervisory Board. These employees will no longer be under the control of the Directors; the Audit & Supervisory Board Members will have authority over them instead. The Audit & Supervisory Board Members will review these employees. Matters of assignment, transfer and disciplinary action of these employees will be deliberated by the Audit & Supervisory Board Members and decided.

8. Systems of reporting to our Audit & Supervisory Board Members and ensuring that the reporting person does not receive any unfair treatment from having made the report

<Systems for FANCL Group Directors and employees to report to Company Audit & Supervisory Board Members>

- All Directors and employees will report to the Audit & Supervisory Board Members any of the following: matters causing (or with the potential to cause) significant damage to FANCL Group or its subsidiaries; serious deficiencies and problems that could seriously damage credibility, internal control systems, and procedures, etc.; violations of laws and regulations, or serious misconduct, etc.
- We have a process in place to ensure that the information gathered by the Internal Audit Office in its internal audits of the Company and its subsidiaries is shared among the Audit & Supervisory Board Members.
- We have systems to enable the Audit & Supervisory Board Members to attend Group Management Conferences and other meetings and receive timely reports of important information.
- We have a system that enables information relating to compliance and other matters throughout the Group as a whole (gained from the establishment of the Compliance Helpline) is centrally managed and Directors can confirm it directly.

<System for ensuring that people who make a report are not treated unfavorably for that reason>

- Based on the FANCL Group Helpline Operational Rules, we have a process in line with the purpose of the Whistleblower Protection Act. We make it clear that persons reporting under these Rules or otherwise reporting to our Audit & Supervisory Board Members will not be treated unfavorably for making the report.

9. Matters concerning policies for handling expenses or liabilities incurred by our Audit & Supervisory Board Members in the performance of their duties, such as prepayments or redemption procedures

We have set up a system in which the prepayment or redemption of expenses or liabilities incurred by our Audit & Supervisory Board Members in the performance of their duties is smoothly made, essentially without restrictions, except in cases where the expense is not considered to be necessary for an Audit & Supervisory Board Member's performance of his or her duties.

10. Other systems to ensure effective auditing by our Audit & Supervisory Board Members

It is made clear that in addition to the audits carried out by the Audit & Supervisory Board Members, the audits made by the Internal Audit Office based on the Internal Audit Regulations will be coordinated and made in cooperation, and that the outcomes of each audit as well as the recommended improvements to be made should be reported to our Audit & Supervisory Board Members.

Systems to ensure the reliability of financial reports

We use an internal control reporting system for financial reporting (based on the Financial Instruments and Exchange Act), establish systems of Company-wide internal control, and assess their operation and improve them. In addition, we select important business bases for our Company, assess and improve the operation of business processes and IT general controls, and strive to ensure the reliability of financial reporting as a group.

Our Internal Audit Office and each division involved in the management of our subsidiaries conducted audits in our subsidiary companies and visited them to make the necessary corrections. We also made efforts to maintain internal control systems in our subsidiaries.

## 2. Basic Views on Excluding Anti-Social Forces **[Updated]**

At our Company we have set forth the following basic policies in our FANCL Group Compliance Standards that are aimed at excluding anti-social forces.

The Company always acts in a resolute manner against individuals or groups that appear to be antisocial forces, and we reject their unreasonable demands in a firm manner. We will never use anti-social forces for our own gains.

Moreover, we will not engage in any transactions, not only with anti-social forces, but also with companies and individuals associated with such forces.

Basic views on the exclusion of anti-social forces

1. Departments to control our responses

Our divisions that are responsible for general affairs and law are the ones who control our responses to anti-social forces.

2. Collaboration with outside professional institutions and the gathering and management of information concerning anti-social forces

We are building close collaborative relationships with lawyers, the police and other professional institutions and are gathering information. If necessary, we will pass on this information to the relevant departments.

3. Response manual and training activities

In preparation for any unreasonable demands from anti-social forces, we have created the Compliance Standards Handbook to provide procedural guidelines including how to respond. We have posted it on the Company intranet, and distributed copies to business locations and stores to raise awareness of the law and of our FANCL Group Compliance Standards and ensure that they are closely followed.

**1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation

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**2. Other Matters Concerning the Corporate Governance System**

Outline of Organization for Timely Disclosure

Our Company uses the following methods to both gather important corporate information and to carefully manage data, based on our Insider Trading Management Rules. We also disclose information on a fair and timely basis.

1. Basic position on timely disclosure

Our Company discloses information in accordance with the Financial Instruments and Exchange Act and the Timely Disclosure Rules stipulated by the Tokyo Stock Exchange (hereafter "Timely Disclosure Rules"). Moreover, we actively disclose information even if it is not subject to Timely Disclosure Rules, if we consider that our shareholders and investors need to know about it, regardless of whether it is positive or negative.

We strive to ensure fair and timely information disclosure by avoiding selective disclosure of important information to any particular institution or individual.

2. Internal systems for the management and timely disclosure of information

1) Decisions by the Company

At the regular meetings of the Board of Directors (at least once a month) and at extraordinary meetings of the Board, important decisions are resolved. (The content of this information may be deliberated upon by the Group Management Conference prior to meetings of the Board of Directors when necessary.)

2) Financial information

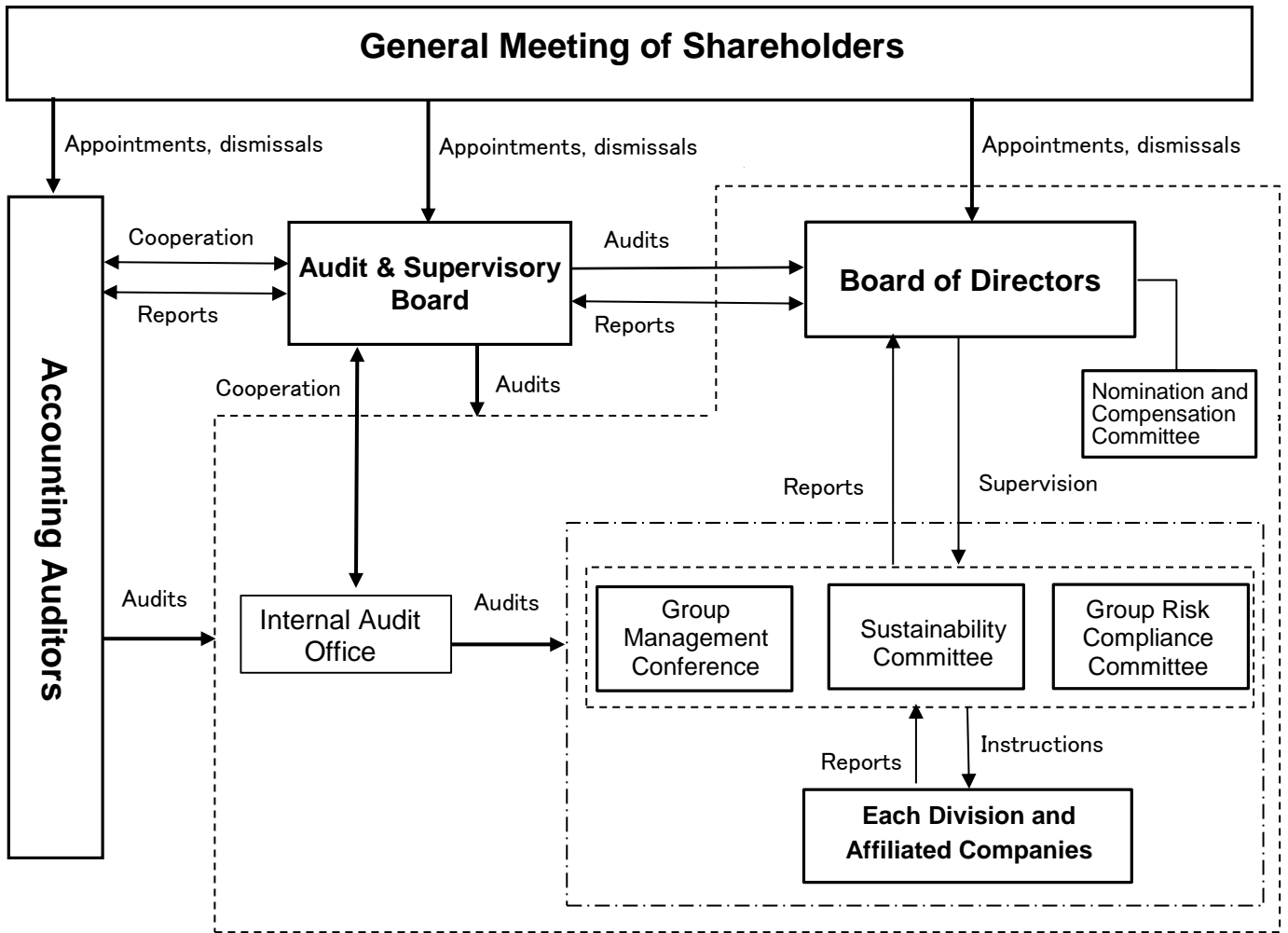
Financial figures are prepared in the Administrative Division and are then checked by the Accounting Auditors. These are then submitted to the Board of Directors for approval.

3) Occurrence of material facts

The heads of divisions immediately report any material facts relating to important corporate information to the administrative division as soon as they become aware of them. The administrative division discusses and considers the importance of the information in consultation with the relevant divisions and the person in charge of handling information, in light of the Timely Disclosure Rules. If the person in charge of handling information judges that its timely disclosure is necessary, he or she will first gain the approval of the President & CEO, Representative Director.

3. Timely disclosure of information

Following deliberation and approval by the Directors or the President & CEO, Representative Director, the person in charge of handling information notifies the Public Relations Group and carries out the procedure for timely disclosure without delay.



Internal Framework for Timely Disclosure

