

**Fujibo Holdings, Inc.**

**SUSTAINABILITY  
REPORT**

**SUSTAINABILITY  
REPORT**

**2023**



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### ■ SCOPE OF REPORT

The Fujibo Group (Fujibo Holdings, Inc. and its domestic and overseas Group companies)

### ■ REPORTING PERIOD

Mainly for FY 2022 but including certain periods before and after the fiscal year

### ■ DATE OF ISSUANCE

September 2023

# CORPORATE OVERVIEW



## Corporate Philosophy

We will always support leading-edge industries by providing new technologies and products demanded by the times, capitalizing on our technology and experience cultivated over more than a century of Fujibo's history.

In this way, we are committed to realizing a more prosperous and sustainable future for people, society, and the global environment.

The Fujibo Group abides by its corporate philosophy “we will always support leading-edge industries by providing new technologies and products demanded by the times, and are committed to realizing a more prosperous and sustainable future for the people, society and the global environment.” Our corporate slogan is to become “a high value-added company leading the future with organic materials technology.” We have always valued the spirit of “The Focus on Innovation,” which is to challenge the future and innovate ourselves by leveraging the technologies we have cultivated for more than 100 years since our establishment. In order to achieve a sustainable future based on this “innovative spirit,” we will incorporate the constantly changing demands of society and the market into our management strategies by implementing our three visions, and aim to achieve these demands as our medium- and long-term goals.

In addition, we will strive to create a prosperous and sustainable future together with our stakeholders, including shareholders, employees, business partners and local communities, by establishing a robust governance that emphasizes global environmental stewardship.

## Fujibo Vision

### Making a Breakthrough and Going ahead of the Times — Guidelines for Being a Manufacturer

We will contribute to human life and industrial development by constantly overcoming challenges to make breakthroughs, such as strengthening the competitiveness of our core businesses and creating new businesses in growth markets.

### Management with Integrity and Sustainable Growth — Guidelines for Corporate Management

Recognizing the importance of enhancement in our corporate governance and risk management, we will pursue sincere corporate management that is trusted by shareholders and other stakeholders in accordance with our corporate philosophy.

### Respecting the Individual and Fostering Harmony — Guidelines for the Working Environment

We provide each employee with fair opportunities and fair evaluations, and create an environment where they can work together to improve through friendly competition. By respecting the individual, we will create a workplace that fosters competitiveness and teamwork.



In order to realize our corporate philosophy, the “Fujibo Group Charter of Conduct,” which recognizes the importance of corporate social responsibility, was established as a concrete guideline not only for complying with laws and regulations, but also acting in a fair and honest manner with social common sense.

## **/ Charter of Conduct**

### **1. Contribution to sustainable economic growth and social challenges**

The Group will develop socially useful and safe products and services to meet customers’ expectations, and strive for sustainable economic growth and solutions to social challenges through innovation and business activities.

### **2. Fair and sound business activities**

The Group will engage in fair and free competition, appropriate transactions and responsible procurement, and will not provide nor receive improper benefits. The Group will also maintain a sound relationship with politicians and governments.

### **3. Fair information disclosure and constructive dialogue with stakeholders**

The Group will proactively and effectively disclose corporate information in a timely and fair manner and engage in constructive dialogue with various stakeholders of the Group to enhance our corporate value.

### **4. Environmental initiatives**

Recognizing that efforts to address environmental issues is a common challenge for all humankind, the Group will work to reduce environmental loads, achieve a recycling-based society, and reduce environmental risk in all our business activities to contribute to the realization of a sustainable society.

### **5. Respect for human rights**

The Group will support universal initiatives related to human rights from an international perspective, and carry out management that respects human rights.

### **6. Customer trust**

To obtain customer trust, we will provide appropriate information on our products and services in accordance with laws and regulations, and will be fully accountable for quality assurance.

### **7. Contribution to social engagement and development**

As a good corporate citizen, the Group will proactively participate in society and contribute to its development.

### **8. Work style reforms and enhancement of the work environment**

The Group will promote a work style that enhances our employees’ capabilities and respects their diversity, personality and individuality. In addition, the Group will create a comfortable work environment that takes health and safety into consideration.

### **9. Thorough crisis management**

The Group will thoroughly implement organizational crisis management in preparation for natural disasters, pandemics, terrorism, cyberattacks and other events that threaten civil life and corporate activities.

### **10. The role of top management**

The top management will establish an effective governance system for the Group in order to implement this Charter. The top management will also encourage our supply chain to work in accordance with the spirit of this Charter.

In the event that a violation of this Charter of Conduct occurs that undermines the trust of society, the top management will take the initiative to resolve the problem, investigate its cause, prevent a recurrence, and will fulfill our responsibilities.

## About Fujibo Holdings

### Corporate Facts

Company Name	Fujibo Holdings, Inc.
Address	Tokyo Headquarters 1-18-12 Nihonbashi Ningyocho, Chuo-ku, Tokyo 103-0013, Japan Osaka Branch Oak Sakaisuji Honmachi Building, 1-8-12 Honmachi, Chuo-ku, Osaka 541-0053, Japan
Establishment	March 24, 1896
Capital	6,673,832,000 yen
Representative	Masahide Inoue, Representative Director and President
Number of Employees	1,273 (Consolidated, as of March 31, 2023)

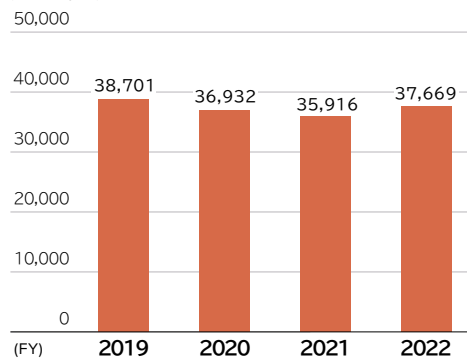
As of September 30, 2023

CATEGORY	MAJOR PRODUCT	MAJOR COMPANY POSITIONING	
		MANUFACTURING	SALES AND SERVICING
Polishing Pad Business	Polishing Pad for Ultra-high Precision Work, Nonwoven Fabric and Artificial Leather	Fujibo Ehime Co., Ltd. Taiwan Fujibo Precision Materials Co., Ltd.	Fujibo Ehime Co., Ltd. Fujichemi Co., Ltd. Taiwan Fujibo Precision Materials Co., Ltd.
Industrial Chemicals Business	Industrial Chemicals	Yanai Chemical Industry Co., Ltd.	Yanai Chemical Industry Co., Ltd.
Lifestyle Apparel Business	Spun Yarn, Knitted Material and Functional Fibers, etc.	Fujibo Textile, Inc. Thai Fujibo Textile Co., Ltd.	Fujibo Textile, Inc. Thai Fujibo Textile Co., Ltd.
	Secondary Products such as Asamerry and B.V.D.	Fujibo Textile, Inc. Fujibo Apparel Corporation Jintana Fujibo Corporation	Fujibo Textile, Inc. Fujibo Apparel Corporation Fujibo Shanghai Co., Ltd.
Other Businesses	Vehicle and Automotive Components, etc.	—	Fujichemi Co., Ltd.
	Chemical Products	Fujichemi Co., Ltd. Tokyo Molding Co., Ltd. IPM Co., Ltd.	Fujichemi Co., Ltd. Tokyo Molding Co., Ltd. IPM Co., Ltd.

## Key Management Indicators

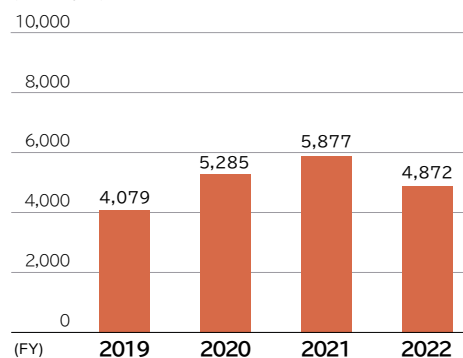
### Net Sales

(million yen)



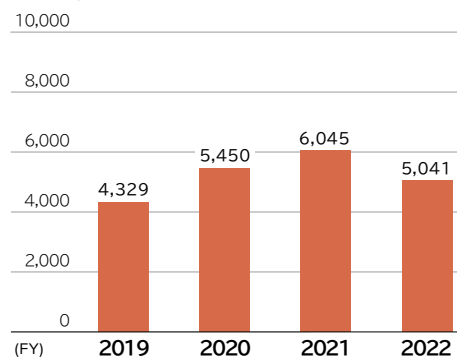
### Operating Profit

(million yen)



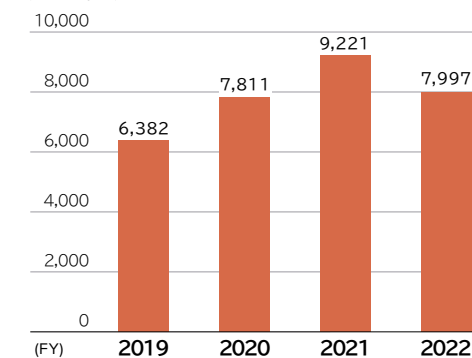
### Ordinary Profit

(million yen)



### EBITDA

(million yen)



## Business Description

### Polishing Pad Business



Ultra-high Precision polishing pads which are used for processing “semiconductors,” a key part in the digital society

The “semiconductor,” a key part in the digital society, is a device essential to the creation of a sustainable society as it is used in various fields, including smartphones, tablets, 4K LCD TVs and hard disks for storage devices. The business of Ultra-high Precision polishing pads maintains a substantial share of the global market for polishing for the fabrication of most-advanced logic/memory semiconductor devices and silicon wafers for semiconductor substrates, and it supports the realization of a sustainable society. Starting with the Nyugawa Plant in Ehime Prefecture, we have unparalleled production capacity with five bases in Japan and abroad, and with an organizational structure in which development, manufacturing and sales departments work closely together to provide products and services, the business will continue to contribute to the realization of a sustainable society as the core business of the Fujibo Group. At the same time, the business will also serve as a driving force for our own sustainable growth.

### Industrial Chemicals Business



One of the largest domestic contract manufacturers specializing in industrial chemicals

The Industrial Chemicals Business, among the top tier of businesses specializing in contract manufacturing in Japan, possesses manufacturing technologies and know-how in organic synthesis cultivated over many years. The Industrial Chemicals Business is growing significantly due to the high reputation from customers for the high quality and high-mix, low-volume manufacturing required for contract manufacturing of organic synthesis intermediates, such as electronic materials including 5G and EV materials, functional chemicals, raw materials for pharmaceuticals that contribute to healthy and fulfilling lives. In addition to the Yanai Headquarters Plant, we have further increased our production capacity by expanding the Plant to establish a production system to meet customer needs. Through the provision of high-performance chemical products and technologies, we will improve customer satisfaction and contribute to the realization of a better and more sustainable society.

### Lifestyle Apparel Business



Unique business development in apparel production and sales

As one of the three elements of “clothing, food and housing” that support our daily lives, the clothing business plays the role of “clothing,” and we have kept the craftsmanship of manufacturing technology and commitment to quality that we cultivated as an ancestor business, and have developed our business mainly in the downstream sector. The B.V.D. brand, which internally produces from original yarns, has established a highly transparent “supply chain” emphasizing respect for human rights and environment conservation in the production process. We will take the lead in social and environmentally-friendly activities and contribute to the creation of social value. In addition, we have also been focusing on the reuse and recycling of clothing for a long time, and as the main sponsor of the FUKU-NO-WA Project, we are supporting the realization of a sustainable society.

### Other Businesses (Chemical Products Business)



Manufacturing of molded items for medical and precision fields and metal molds

The Fujibo Group is engaged in the manufacturing of molded items for medical and precision fields and metal molds as the fourth pillar. The injection molding division, which has an established reputation for its plastic molding technologies, is expanding its business by focusing on the medical device field and precision device field, in addition to its high-quality molding technology. In the mold division, we have been building a system that will respond to a wide range of needs in serving the automotive and precision fields. To such ends, we made IPM Co., Ltd., which possesses substantial technological strengths in the field of precision molds, part of the Fujibo Group on November 1, 2022, and have accordingly been leveraging Group synergies encompassing everything from small precision molds to medium and large molds.

## Top Message

# Embracing Innovation and Achieving Disruptive Growth

Representative Director  
and President  
Fujibo Holdings, Inc.

**MASAHIDE INOUE**



## Embracing Innovation in a Highly Uncertain Business Environment

Having set Henshin (Transformation) as its top management priority under the Medium-term Management Plan “Zokyo 21-25” (Increase and Strengthen), the Company has been working to achieve operating profit of ¥10 billion by FY2025. This entails improving profitability through a shift to high profit businesses, strengthening and increasing earning power, and aiming to serve as the No. 1 player in a niche segment chosen by customers.

Currently, the world is exhibiting signs of economic recovery as a trajectory toward containment of the COVID-19 pandemic ensues. However, the outlook remains uncertain amid factors that include persisting inflation with resource and energy prices remaining at high levels against a backdrop of deteriorating global affairs. In addition, the increasing severity of climate change issues that include regular occurrence of heatwaves, droughts, massive forest fires, and flooding due to torrential rains suggests the need to return to fundamentals in order to address these concerns. Moreover, companies are expected to disclose non-financial information that warrants the trust of all stakeholders particularly given a scenario where disclosure of information related to sustainability (responding to climate change, human capital, diversity, etc.) in annual securities reports has become mandatory effective from the fiscal year ended March 31, 2023.

As such, whereas substantial uncertainty is bound to persist when it comes to the business environment surrounding companies, Fujibo will strengthen its sustainability management practices toward achieving objectives of its Medium-term Management Plan “Zokyo 21-25” (Increase and Strengthen), which will entail embracing innovation while closely monitoring world affairs and economic trends.

## Promoting Sustainability Management

As part of its sustainability promotion efforts, the Company actively engages in initiatives that entail reducing its environmental loads and enhancing work-life balance in looking toward addressing issues of the environment, society, and governance relevant to its business processes. Our initiatives in FY2022 have primarily involved promoting efforts to address the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), promoting health and productivity management taking into account employee

safety and well-being, establishing workplace environments that empower women, and promoting support for balancing careers with childcare and nursing care.

First, we have taken steps on the environmental front to address the TCFD recommendations. We have calculated Scope 3 greenhouse gas emissions, thus enhancing the visualization of our supply chain emissions. We also engaged in initiatives to reduce greenhouse gas emissions that have entailed seeking to reduce environmental loads through use of renewable energy with Yanai Chemical Industry Co., Ltd.’s establishment of a new warehouse featuring a Net Zero Energy Building (Net ZEB) design.

Next on the social front, we have been promoting human capital management practices by fostering a culture that empowers a diverse range of human resources, premised on the notion that innovation stems from where employees equipped with diverse traits fully unleash their individual strengths. Having established our Health and Productivity Management Declaration in September 2022, we have been promoting employee health management and were recognized under the large enterprise category of the 2023 Certified Health and Productivity Management Outstanding Organizations Recognition Program in March 2023. Meanwhile, we have been appointing women to management positions at our plants including those of Fujibo Ehime Co., Ltd. under our efforts to facilitate career development for encouraging involvement in management among our female employees. We have also been implementing work style reforms by which we have been proceeding with initiatives to elevate employee productivity and motivation by harnessing DX tools to reshape individual employee attitudes and approaches with respect how they do their jobs.

Finally on the corporate governance front, we stringently engage in risk management through ongoing compliance with laws and regulations, social norms, ethics, and internal regulations. Going forward, we seek to maximize shareholder value by strengthening our internal control functions to ensure reliability of our sustainability information, pursuing management efficiency while also ensuring transparency and soundness of our sustainability information.

We will strengthen our sustainability management practices as we hold to our commitment of maintaining harmony with our communities, society, and the global environment going forward. In so doing, we will contribute to development of a sustainable recycling-based society with the aim of serving as a company that gains the trust of its stakeholders.

# THE FUJIBO GROUP SUSTAINABILITY

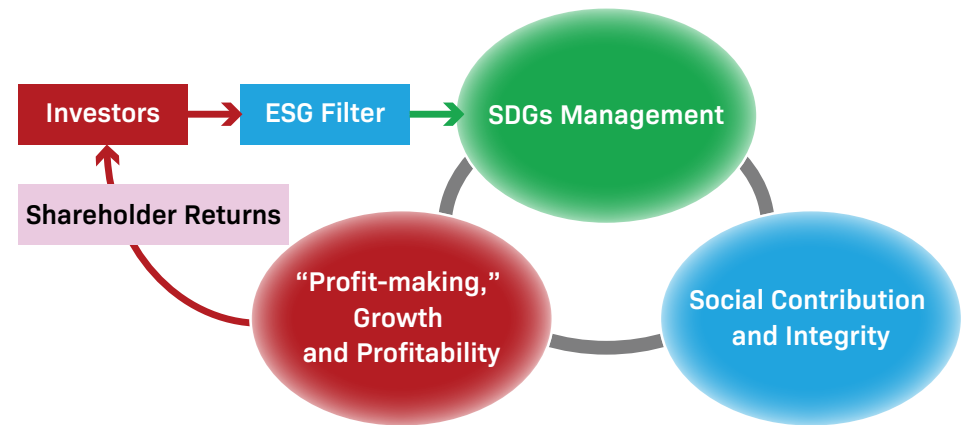
## Basic Policy

The Fujibo Group implements “sustainability management” that incorporates sustainability at the core of our business strategy.

The Group’s sustainability management is characterized by achieving sustainability through a well-balanced implementation of “profit-making,” growth, profitability, social contribution, and fair and transparent SDGs management founded on integrity.

A company must be financially profitable in order to pay dividends to its shareholders and achieve sustainable growth. In addition, focusing on being a public institution, it is important to establish a strong relationship with stakeholders as a company that is more trusted by the society under proper corporate governance. Our Group will continue to work toward the sustainable enhancement of our corporate value.

The Fujibo Group’s Sustainability Management





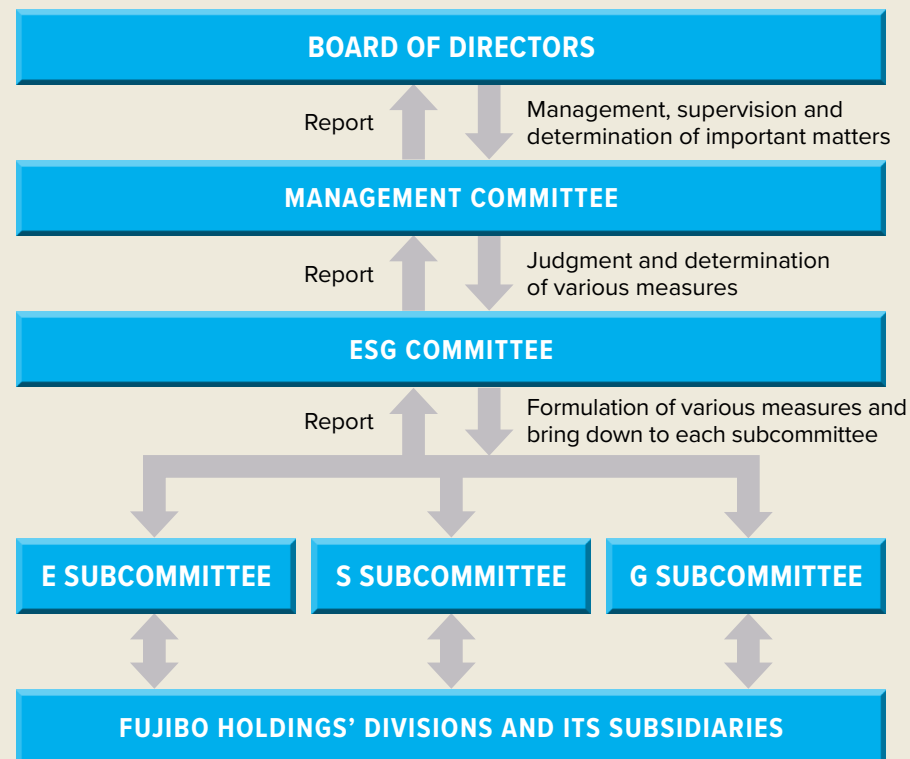
## / Sustainability Management System

At present, the world is facing many serious social challenges, including climate change, and society’s expectations of companies as a leader in solving these issues are increasing. Against this backdrop, we established the ESG Committee in April 2021 to promote sustainability management across the entire Fujibo Group by addressing important issues related to the SDGs, in line with the launch of our Medium-term Management Plan “Zokyo 21-25.”

The ESG Committee is headed by the President and consists of three subcommittees: the Environment Subcommittee, the Social Subcommittee and the Governance Subcommittee. The Committee will make recommendations to ensure that the Group responds appropriately to sustainability issues and that its sustainability efforts lead to medium- to long-term improvements in corporate value. In this system, each subcommittee addresses various issues related to sustainability promotion, and then consults with the ESG Committee, the Management Committee, or the Board of Directors depending on the level of importance. Therefore, the Board of Directors makes final decisions on important policies and initiatives for overall management and also controls and supervises the Management Committee and the ESG Committee, and other relevant bodies.

Although the Polishing Pad Business, Industrial Chemicals Business, Lifestyle Apparel Business and Other Businesses have different requirements for sustainability, we will proactively tackle them from the perspective of risks and opportunities.

### The Fujibo Group’s Sustainability Management System



## / ESG Basic Policy

The Group is committed to the realization of its corporate philosophy, “we are committed to realizing a more prosperous and sustainable future for people, society, and the global environment,” through its business activities.

### 1 Environmental Policy

In order to realize a sustainable global environment, the Group will respond to climate change, consider biodiversity, and promote a recycling-based society through the effective use of resources and energy.

In addition, the Group will establish an environmental management system to achieves the above goals and will further strengthen our environmental conservation initiatives in compliance with environmental laws and regulations.



### 2 Social Policy

The Group will work to realize a better society while respecting diversity regardless of gender, age or nationality, providing opportunities to demonstrate capabilities, and promoting the improvement of the working environment, as well as actively connecting with various stakeholders. The Group will also actively engage in community contribution activities and play a role in helping to solve social challenges as a member of the local community.



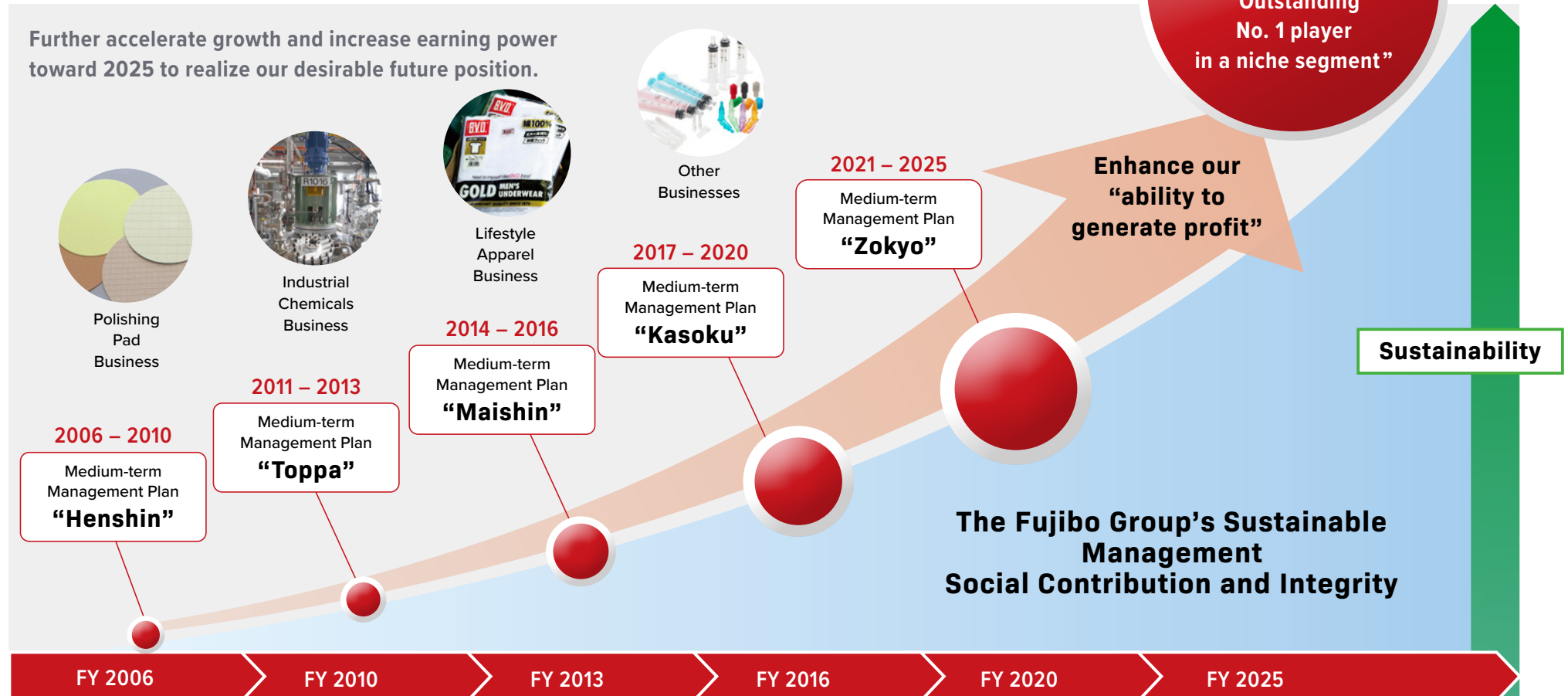
### 3 Governance Policy

In accordance with the Fujibo Group Charter of Conduct, the Group will further enhance management transparency and maintain its management oversight function to prevent accidents and fraud, and aim for sustainable growth. In addition, the Group will strengthen its business risk management system, including those of its Group companies, and further promote BCP (Business Continuity Plan) against disasters.



## Roadmap to the “Desirable Future Position” of Fujibo Group

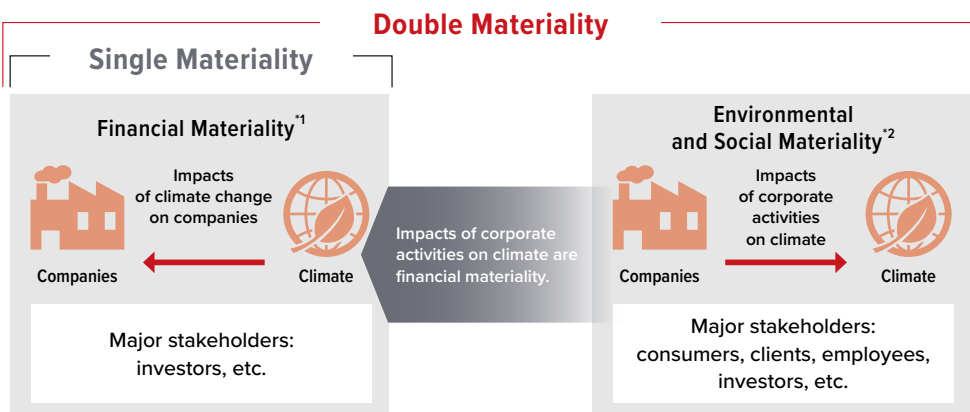
The Fujibo Group has formulated and implemented five medium-term management plans (“Henshin 06-10,” “Toppa 11-13,” “Maishin 14-16,” “Kasoku 17-20” and “Zokyo 21-25”) since 2006 to resolve management challenges of the time. At present, we are aiming to strengthen our ability to generate profit through fair and transparent management based on growth, profitability, social contribution, and integrity, which are the characteristics of the Group’s sustainability management, and once again aim to become “an outstanding No. 1 player in a niche segment” and an irreplaceable sustainable company for people, society, and the environment.



## Double Materiality in Enhancing Sustainability Management

In order to achieve a sustainable society, the Group has analyzed the magnitude of the effects and the impact of our business activities on stakeholders, the economy, society and the environment. At the Board of Directors meeting, we identified five materialities based on the concept of “double materiality,” which integrates materiality from the investors’ perspective (financial materiality) and materiality from the stakeholders’ perspective (environmental and social materiality).

The concept of double materiality is defined in an update to the Non-Financial Reporting Directive (NFRD) based on the Corporate Sustainability Reporting Directive (CSRD) issued by the European Commission in April 2021, which provides a framework for future disclosures.



### The Concept of Double Materiality

Based on the Corporate Sustainability Reporting Directive (CSRD) issued by the European Commission in April 2021, the Non-Financial Reporting Directive (NFRD) has been updated to provide a framework for disclosures in the future.

\*1 Financial Materiality / Events essential to understanding the financial developments and results and financial conditions of a company

\*2 Environmental and Social Materiality / Impacts that corporate decision-making and business activities have on the outside world

### Five Materialities

#### 1. Sincere Efforts toward the Realization of a Sustainable Environment and Society

In order to maintain the sustainability of the global environment, we aim to establish a stable and sustainable procurement and supply system by working on the preservation of the natural environment and biodiversity and promoting effective utilization of resources.

#### 2. Adaptation to Climate Change

We will work to reduce the environmental loads of our business activities to achieve a decarbonized society and respond appropriately to the potential impacts of climate change on companies that may arise in the future.

#### 3. Co-creation of Value with Various Stakeholders

Through our business activities, we will emphasize dialogue with various stakeholders and contribute to the sustainable growth and development of local communities and other organizations.

#### 4. Creation of an Environment that Accepts Diversity and Maximizes Individual Capabilities

We will respect diversity regardless of gender, age, nationality, etc., and promote the development of a work environment that will enable employees to demonstrate their abilities free from anxiety.

#### 5. Enhancement of Corporate Governance and Thorough Compliance and Risk Management

We aim to achieve sustainable growth by implementing high transparency in our management practices and maintaining a risk management system to prevent the occurrence of accidents and fraud.

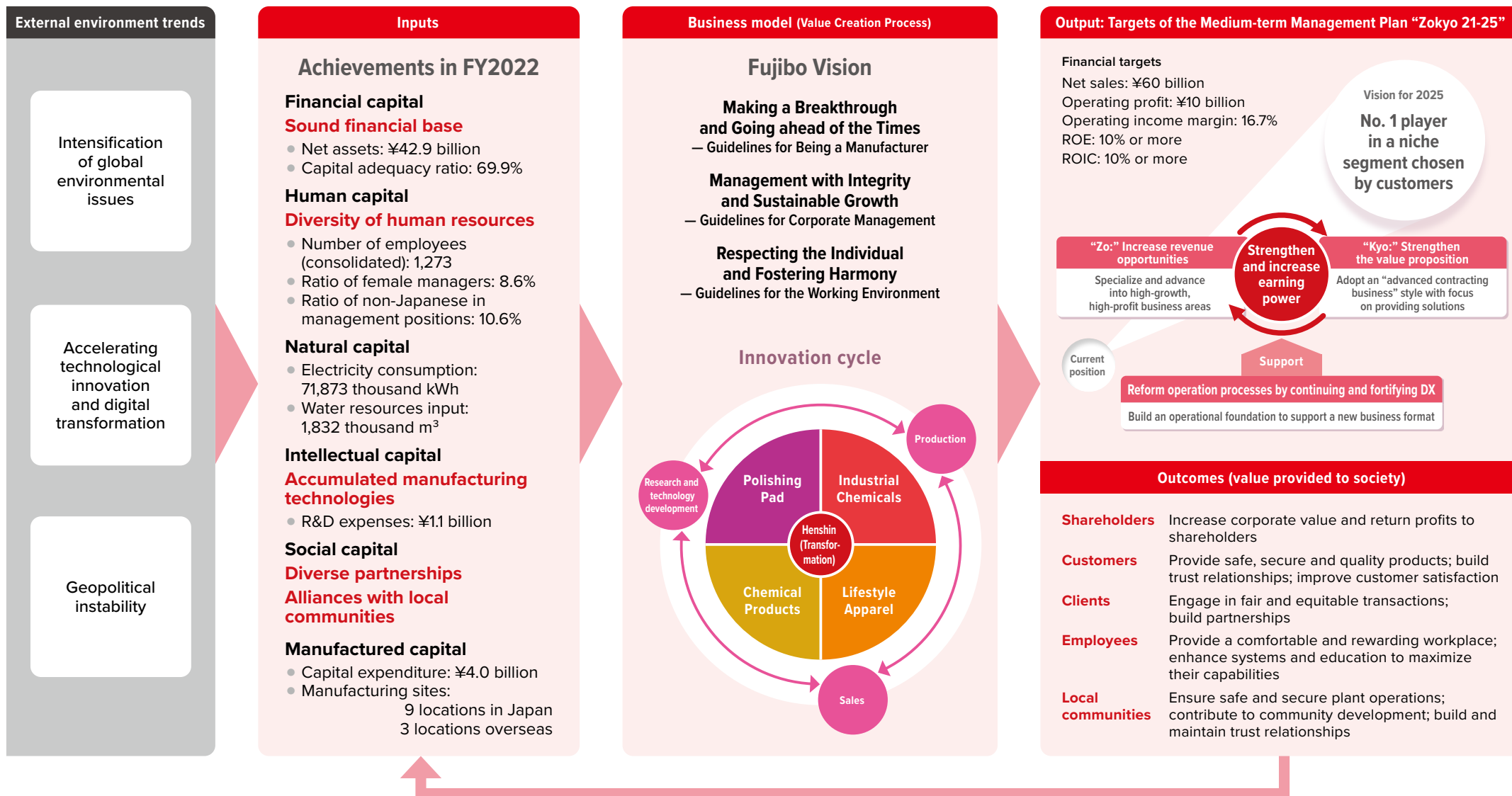
## Materiality: Initiatives for Important Themes

The Fujibo Group is promoting the following initiatives through our business activities in order to achieve a sustainable society together with all of our stakeholders:

Important Themes	Specific Initiatives	Achievements in FY2022	Related to SDGs
<b>Sincere Efforts toward the Realization of a Sustainable Environment and Society</b>	<ul style="list-style-type: none"> <li>Conservation of the natural environment and biodiversity</li> <li>Conservation of water resources</li> <li>Reduction of soot and smoke</li> <li>Management of chemical substances based on the Pollutant Release and Transfer Register (PRTR) Act</li> <li>Reduction of marine plastic pollution and the promotion of eco-plastic products</li> <li>Recycling of resources</li> </ul>	<p>Water resources input: 1,832 thousand m<sup>3</sup> (Down by 226 thousand m<sup>3</sup> year on year)                      Water resources discharge: 1,372 thousand m<sup>3</sup> (Down by 263 thousand m<sup>3</sup> year on year)                      Soot and smoke emissions: 40 tons (Up by 2 tons year on year)                      Amount of PRTR substances treated: 7,812 tons (Down by 249 tons year on year)                      Waste discharge: 47.9 thousand tons (Down by 0.2 tons year on year)                      Participation in the FUKU-NO-WA Project and the promotion of reuse</p>	
<b>Adaptation to Climate Change</b>	<ul style="list-style-type: none"> <li>Addressing the TCFD recommendations</li> <li>Initiatives to reduce greenhouse gases</li> <li>Reduction of greenhouse gas emissions</li> <li>Conversion to renewable energy</li> </ul>	<p>Greenhouse gas emissions (Scope 1 + Scope 2): 62.9 thousand tons (Up by 2.7 thousand tons year on year)                      (Scope 3): 128.7 thousand tons (Up by +4.2 thousand tons year on year)</p> <ul style="list-style-type: none"> <li>CO<sub>2</sub> reduction attributable to electricity derived from renewable energy at Fujioka Factory: 163 tons</li> <li>Establishment of new warehouse with Net Zero Energy Building (Net ZEB) design at Yanai Headquarters Plant                      CO<sub>2</sub> reduction: 20 tons (5 months from November 2022 to March 2023)</li> </ul>	
<b>Co-creation of Value with Various Stakeholders</b>	<ul style="list-style-type: none"> <li>Dialogues with stakeholders</li> <li>Contribution to solving social contribution issues through business activities</li> <li>Timely and appropriate information disclosure and listening to the voices of the capital market</li> <li>Strengthening of partnerships and building of a better supply chain</li> <li>Coexistence with local communities</li> <li>Development and evaluation of human resources</li> </ul>	<p>Sales activities                      Shareholders' meetings and financial results briefing sessions                      Quality assurance support                      Cleanup activities                      Career development training</p>	
<b>Creation of an Environment that Accepts Diversity and Maximizes Individual Capabilities</b>	<ul style="list-style-type: none"> <li>Diverse organizations and respect for human rights</li> <li>Response to work style reforms</li> <li>Support for women's career development</li> <li>Strengthening of education and training systems and educational programs</li> <li>Promoting employee health maintenance and enhancement (promoting health and productivity management)</li> </ul>	<p>Response to the revised Child Care and Family Care Leave Act                      Promotion of Robotic Process Automation (RPA) deployment                      Expansion of language training                      Provision of career development training for junior and middle-level employees                      Recognition under 2023 Certified Health and Productivity Management Outstanding Organizations Recognition Program (large enterprise category)                      Implementation of smoking cessation program</p>	
<b>Enhancement of Corporate Governance and Thorough Compliance and Risk Management</b>	<ul style="list-style-type: none"> <li>Highly transparent management</li> <li>Promotion of response to the Corporate Governance Code (CGC)</li> <li>Strengthening of the Risk Management System</li> </ul>	<p>Effectiveness of Board of Directors</p> <ul style="list-style-type: none"> <li>Increased diversity</li> <li>2 female outside directors, of whom 1 is a foreign national (ongoing)</li> </ul> <p>Enhancement of cybersecurity                      Established CSIRT framework to handle unforeseen incidents</p>	

## Value Creation Process

In serving as the “No. 1 player in a niche segment chosen by customers,” the Fujibo Group creates economic and social value through providing high-value-added products.



## **/ Communications with Stakeholders**

The Fujibo Group takes various opportunities to communicate with shareholders, investors and other stakeholders. Through such communications, we will work together to create new corporate value.

### **Dialogues with Stakeholders**

	<b>Roles of The Fujibo Group</b>	<b>Communication tools</b>	<b>Status of communications</b>
<b>Shareholders and investors</b>	Timely information disclosure such as operating results, management policies and medium-term management plans Building trust relationships Shareholder returns	Financial results, reference materials for financial results and video distributions Annual Securities Reports Corporate governance reports Completion of CDP (climate change) questionnaire	Shareholders' meetings Financial results briefing sessions Financial results briefing videos Meetings with institutional investors
<b>Customers</b>	Providing safe, secure and quality products Building trust relationships Improving customer satisfaction	Product brochures Quality Assurance Certificates Contact TV commercials Corporate website Suzu Bra (Cool Bra) Community website	Direct response by the person in charge Quality assurance support Various exhibitions Audits Customer service office Joint research
<b>Clients</b>	Fair and equitable transactions	Sustainability Procurement Guidelines	Purchase activities Opinion exchanging meetings Quality support
<b>Employees</b>	Providing a comfortable and rewarding workplace Enhancing systems and education to maximize their capabilities	The Group's internal newsletters Intranet Internal Reporting Contact Office (corporate ethics hotline)	Labor-management council Various training Dialogues with management Interviews with junior and middle-level employees Women's conference
<b>Local communities</b>	Ensuring safe and secure plant operations Contributing to community development Building and maintaining trust relationships	Corporate information (video and pamphlets)	Actively participating in local communities Exchanging opinions and cooperating with local governments and neighboring companies Information disclosure (website) Recruitment campaigns (universities, etc.)

## What is the FUKU-NO-WA Project?

The Fujibo Group promotes SDGs management and is working on a Group-wide basis toward achieving the SDGs as a means of contributing to society. As one such example, we engage in efforts to address social challenges of resource recycling through the FUKU-NO-WA Project clothing reuse activity.



It is an activity to reuse usable clothes donated by companies and individuals, sell them to domestic or foreign specialized dealers or at the FUKU-NO-WA Marché, and donate the sales proceeds to para-sport associations. This project was hosted and managed by SANKEI SHIMBUN CO., LTD. and selected as a “model business for sustainable use of resources” by the Environmental Bureau of the Tokyo Metropolitan Government in 2016 and 2017. The Fujibo Group agrees with the purpose of the activity and joins it as an official partner.

### Five SDGs We are Working on through the FUKU-NO-WA Project

The FUKU-NO-WA Project supports the principles of the United Nations Sustainable Development Goals (SDGs) and aims to contribute to 5 goals out of 17 goals through the promotion of reuse of clothes.



#### Quality Education

Unique classes and activities are given at schools from kindergartens to universities to learn environmental problems and an inclusive society using FUKU-NO-WA as a case study. The FUKU-NO-WA Project will continue to provide various opportunities for learning.



#### Decent Work and Economic Growth

The FUKU-NO-WA Project sells home delivery kits called FUKU-NO-WA at home. The production of special kits for sales is outsourced to welfare service facilities in Tokyo, aiming to realize an inclusive society through work sharing.



#### Responsible Consumption and Production

Japan is one of the biggest consumers of clothes, where about 1 million tons of clothes are disposed of every year, of which 70% is incinerated. The FUKU-NO-WA Project contributes to building a sustainable cycle of production and consumption by developing an environment for reuse and recycling of clothing and reusing as much clothes as possible.



#### Climate Action

Since its launch in 2016, the project has reused and recycled approximately 500 tons of clothes and reduced CO<sub>2</sub> emissions which otherwise would have been produced if such clothes had been incinerated. We have also taken steps to reduce CO<sub>2</sub> emissions from collection, transportation, and distribution of clothes.



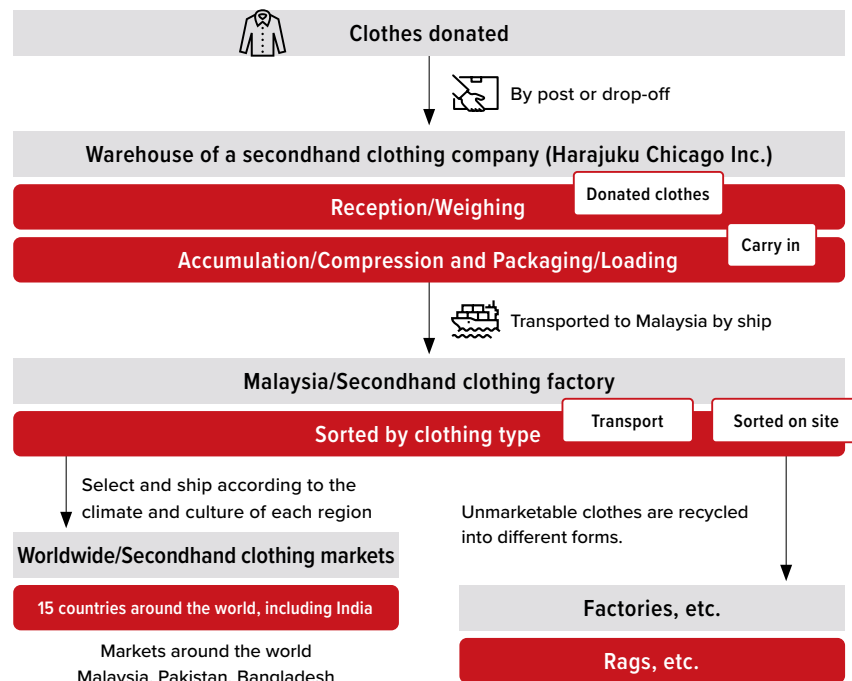
#### Partnerships for the Goals

The FUKU-NO-WA Project has built partnerships with companies, industry groups, governments and schools and aims to contribute to development of para-sports and SDGs through the promotion of reuse of clothes (efficient collection and more adoption of reuse).



### Reuse and Recycle to the Maximum Extent

In the FUKU-NO-WA Project, we regularly check whether donated clothes are reusable. Then we sell some of the donated clothes at the FUKU-NO-WA Marché in Japan, and the others are sent to more than 15 countries such as India, Pakistan, or Cambodia after being sorted in a factory in Malaysia, and resold at clothing markets. Unmarketable clothes are sent to factories and recycled into rags or other products.



### Toward the Realization of an Inclusive Society

As an official partner of the FUKU-NO-WA Project, Fujibo Holdings regularly collects clothes to be donated to the project at its Tokyo Headquarters. We also contribute to the initiative in a variety of ways, such as supplying clothing developed throughout the selling process for charity sale events. Proceeds from the events are used to cover the cost of making uniforms for Japan’s para-sports national teams, as well as lecturer fees for para-sports players who are sent to schools and other groups participating in FUKU-NO-WA activities.

In FY2022, experiential para-sports workshops and experiential paravolley (sitting volleyball) workshops were held.



Experiential paravolley (sitting volleyball) workshop and FUKU-NO-WA activities



FUKU-NO-WA Marché

# ENVIRONMENT

## Basic Concept

In order to reduce our environmental loads and to fulfill our corporate social responsibility, the Fujibo Group has established an environmental policy and has set a management strategy to resolve issues through our business. Our Group recognizes that global environment issues, which have become urgent issues in the international community, are of the top priority, and strives to achieve our corporate philosophy “we are committed to realizing a more prosperous and sustainable future for people, society and the global environment.” Specifically, we are promoting efforts to reduce the environmental loads at each of our business sites, including preservation of air and water environment, preservation of biodiversity, resource saving or reduction of waste, and proper management of chemical substances.

## Environmental Policy

### Basic Philosophy

The Fujibo Group will work together to realize its corporate mission of “we are committed to realizing a more prosperous and sustainable future for people, society and the global environment.”

### Basic Policy

#### 1. Compliance with environmental laws and regulations

The Group will comply with environmental laws and regulations, and agreements we have agreed upon.

#### 2. Responding to climate change

The Group will give due consideration to the mitigation of climate change and adaptation to the effects of climate change.

#### 3 Consideration for biodiversity

The Group will give due consideration to the preservation of the environment such as natural systems, and the maintenance and conservation of biodiversity.

#### 4. Effective use of resources and energy

Recognizing the finite nature of resources and energy, the Group will strive for waste control, reuse, recycle, and make effective use of waste.

#### 5. Establishment of an environmental management system

The Group will strive to continuously enhance and improve its environmental management system.

#### 6. Dissemination and disclosure of environmental policies

We will widely disclose this environmental policy as well as inform all employees of the Group.



## Priority Themes of Environmental Activities

The Fujibo Group incorporates the following items in its management strategy as priority themes of environmental conservation and focuses on achieving each initiative.

### 1. Reduction of greenhouse gas emissions

The Fujibo Group's greenhouse gas emissions from energy use consist of only CO<sub>2</sub> (carbon dioxide), with no emissions of CH<sub>4</sub> (methane), N<sub>2</sub>O (nitrous oxide) or other gases. We will continue to actively promote the shift to renewable energy to further reduce greenhouse gas emissions.

### 2. Efforts to reduce the environmental loads of water resources

At each of our business sites, we implement environmentally-friendly drainage treatment using the activated sludge process and in compliance with laws including the Water Pollution Control Act and the Sewage Act. We also are actively working on the efficient use of water resources.

### 3. Promotion of the reduction of industrial waste

We are promoting detoxification by incineration of industrial waste such as waste liquid (organic pollutant) generated in the production process. We process unstable chemical substances internally to enhance safety, and reuse some of them as energy resources as fuel for incineration equipment.

### 4. Reduction of the environmental loads of chemical substances

The Group properly manages the amount of PRTR substances (chemical substances that are subject to the PRTR) handled, released, and transferred. We are also working on activities together with our customers to reduce our environmental loads.

### 5. Efforts for resource recycling and energy saving in operation

With the understanding of the finite nature of resources and energy, we are working on energy-saving activities and also promoting the reduction, reuse and recycling of waste.

## Addressing the TCFD Recommendations and Completing the CDP Questionnaire

The Fujibo Group recognizes that climate mitigation measures to realize a decarbonized society are an important management issue. Accordingly, in November 2021, the Group announced its support for the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations,<sup>\*1</sup> which provide guidelines for starting the disclosure of climate change-related information. The following discloses key information about our response to climate change-related risks and opportunities, in line with TCFD recommendations.

In addition, the Group has completed questionnaires (results for FY2022) issued by CDP,<sup>\*2</sup> which provides investors, companies and others with a global information disclosure system to manage their environmental impact. The Group intends to use the CDP score on the questionnaire responses to address climate change issues in the future.

<sup>\*1</sup> TCFD: A task force established by the Financial Stability Board (FSB), which is an international organization consisting of central banks and financial authorities of major countries and regions in the world. The TCFD published its final report in June 2017, recommending that companies disclose their "governance," "strategy," "risk management" and "indicators and goals" (11 items in total) related to risks and opportunities arising from climate change.

<sup>\*2</sup> CDP (formerly Carbon Disclosure Project): CDP is a non-governmental organization (NGO) managed by a charity in the United Kingdom. CDP runs the global disclosure system used by investors, companies, states, regions, and cities to manage their environmental impacts. Based on the requests of institutional investors who conduct ESG investment and suppliers, CDP sends questionnaires to companies to obtain their environmental information. There are three types of questionnaires for climate change, forests, and water security.

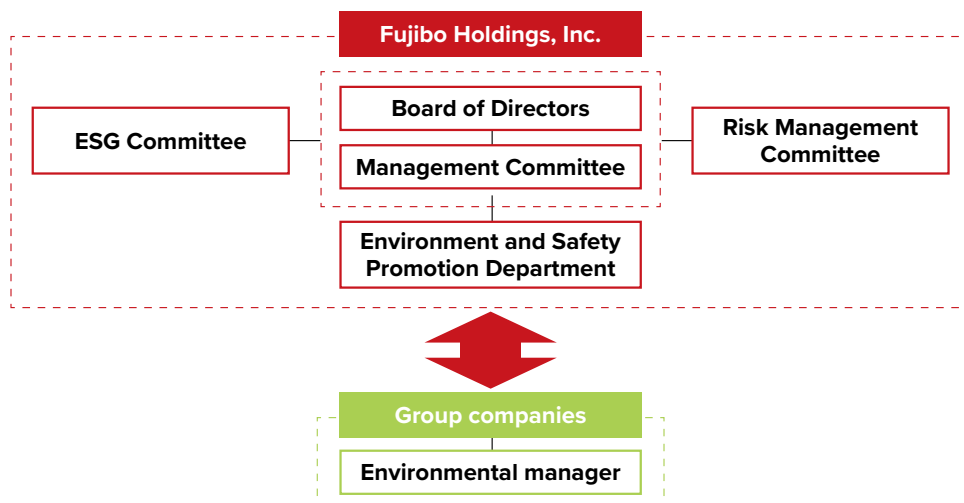
### 1. Governance

The Fujibo Group's ESG Committee, chaired by the President, makes decisions on important environment-related targets and initiatives. In that regard, we enlist a system whereby climate change-related risks and opportunities are identified by the ESG Committee, which meets twice annually. The Environment Subcommittee, operating as a subcommittee of the ESG Committee then addresses such challenges and accordingly consults with either of the ESG Committee, Management Committee, or the Board of Directors, depending on the level of importance. The Board of Directors makes final decisions upon having received reports from the relevant bodies such as the ESG Committee, then controls and supervises progress thereof.

2. Risk Management

We have been engaged in establishing and maintaining a system for identifying and managing Group-wide information on risk, including climate change-related risk. We have accordingly established the Risk Management Committee, which collects and analyzes information pertaining to risk management and takes action if a risk materializes. Meanwhile, the ESG Committee also identifies risks and opportunities from the standpoint of their likelihood of occurrence and monetary importance, and takes action accordingly. Specifically, the Environment Subcommittee coordinates with each operating company to examine and implement countermeasures. Efforts of the Risk Management Committee and ESG Committee to engage in risk management entail reporting matters to the Board of Directors and Management Committee, depending on the level of importance.

■ Governance System for Climate Change



3. Strategy

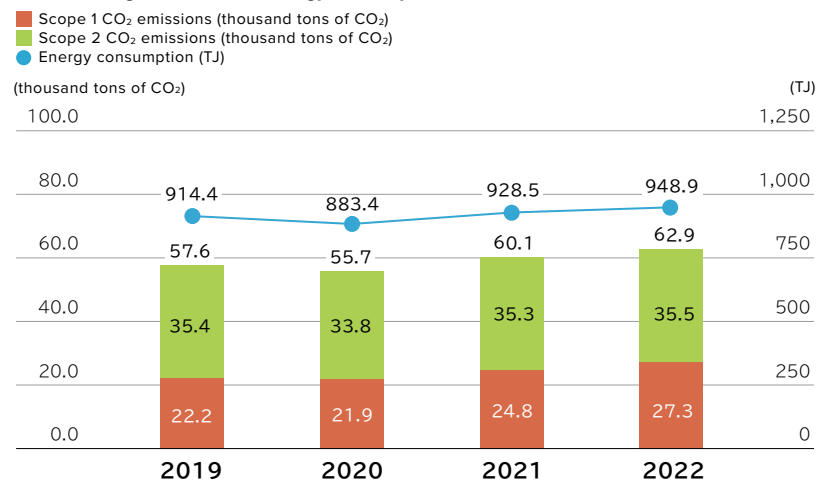
The Fujibo Group enlists the five procedural considerations listed below with respect to identifying risks and opportunities related to climate change, evaluating the impact of such risks and opportunities on its business activities, formulating strategies, and taking action accordingly.

- (1) Identification of climate change-related risks and opportunities
- (2) Assumptions for scenario analysis (define applicable businesses and climate change scenarios)
- (3) Impact of risks and opportunities on business, strategy, and financial planning
- (4) Strategies (transition planning) and resilience pertaining to risks and opportunities
- (5) Main risks and opportunities and measures to address such risks and opportunities

4. Metrics and Targets

Greenhouse gases emitted as a result of our business activities consist solely of CO<sub>2</sub> with no emissions of CH<sub>4</sub> (methane) or N<sub>2</sub>O (nitrous oxide). Whereas we are likely to consume more energy moving ahead amid our ongoing expansion of production, we are striving to reduce our greenhouse gas emissions by promoting a transition to renewable energy. Going forward, we will strive to increase our corporate value and contribute to achieving a decarbonized, low-carbon society by persisting with business activities that place even greater emphasis on environmental concerns.

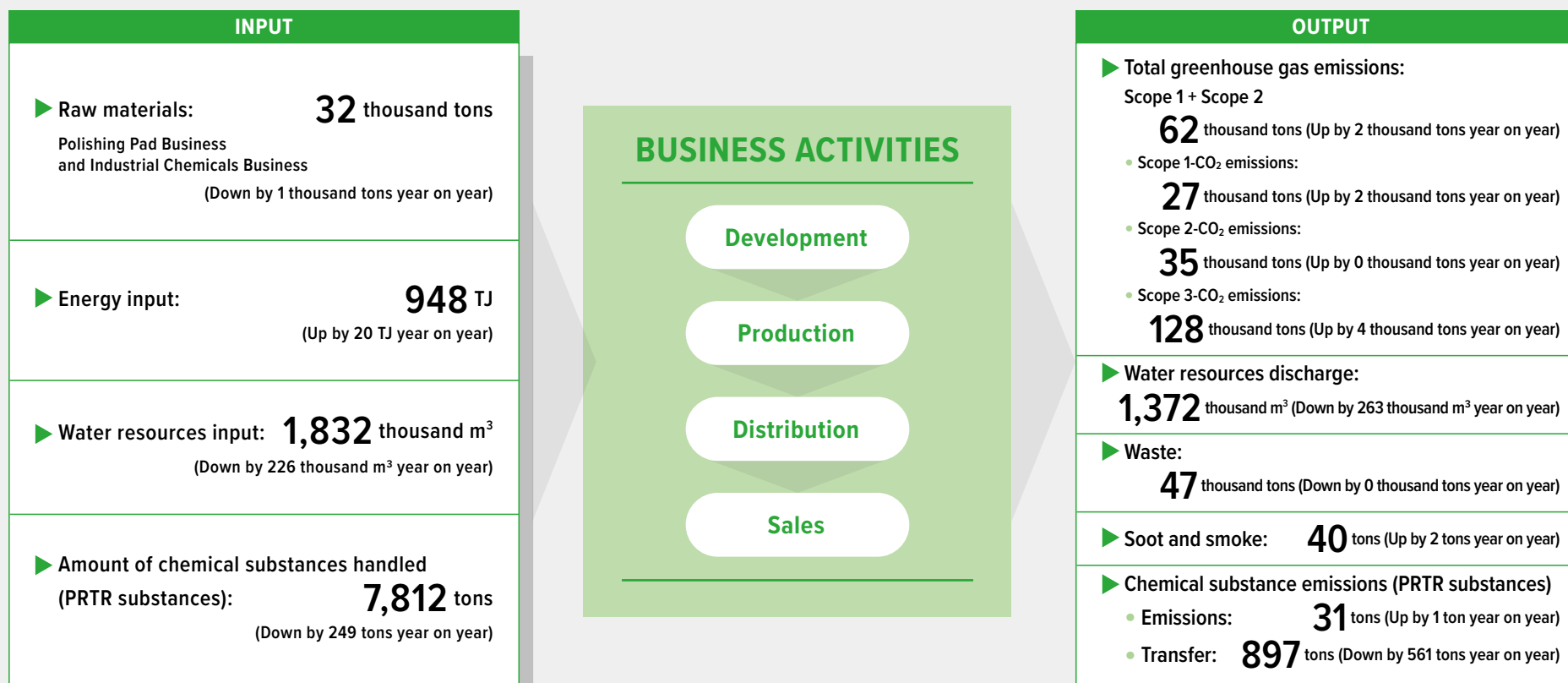
Greenhouse gas emissions / Energy consumption (domestic + overseas)



## Overview of the Environmental Loads of Business Activities

The Fujibo Group monitors the amounts of energy and chemical substances used in business activities, as well as the emissions of CO<sub>2</sub> and waste, to get an overall picture of the environmental activities each fiscal year to assess the achievement of our targets.

### Flow of Materials in Our Production Activities for 2022



## Efforts to Reduce Greenhouse Gas Emissions

### B.V.D. Packaging

From 2021, Fujibo Apparel Corporation has switched all packaging materials used for its flagship products to “Green Nano” packaging. “Green Nano” is a new environmental material manufactured and sold by Aitoz Machinery Co., Ltd. By adding only 3% of this material to conventional plastic raw materials, CO<sub>2</sub> emissions can be reduced by around 30% during incineration. The use of “Green Nano” has led to a reduction of CO<sub>2</sub> emissions of approximately 23 tons over the period between April 2022 and March 2023.



## Establishment of New Warehouse with Net Zero Energy Building (Net ZEB) Design at Yanai Plant

In November 2022, Yanai Chemical Industry established a new warehouse. The warehouse has obtained third-party organization Building Energy-efficiency Labeling System (BELS) Certification for its Net Zero Energy Building (Net ZEB) design equipped with solar panels as part of the building's specifications. We have established a system for using renewable energy for operations of the main warehouse building, office building, works facility, and existing warehouses.



Overhead view of warehouse enlisting Net ZEB design



BELS Certification obtained by the warehouse

## Reduction of Environmental Loads on Water Resources

The Fujibo Group’s business activities are dependent on abundant water resources, mainly the Seto Inland Sea. Recognizing that we are supported by water and the blessings of nature that produce it, we are working to reduce the environmental loads of our water resources.

Nyugawa Plant and Oita Plant, both of which face the Seto Inland Sea, have wastewater treatment facilities that use the activated sludge process. The activated sludge process uses microorganisms to decompose the wastewater and remove the sludge by sedimentation. The supernatant liquid is tested for water quality before being returned to the sea for environmentally friendly wastewater treatment. We also strive to maintain and manage appropriate water quality in compliance with the Act on Special Measures concerning the Conservation of the Environment of the Seto Inland Sea and other total volume control systems.

Each business site complies with the Water Pollution Prevention Law and the Sewage Act, regularly inspects water quality and discharges water in public water areas.

In addition, in order to contribute to the conservation of water resources in the Seto Inland Sea, we are also a member of “The Association for the Environmental Conservation of The Seto Inland Sea,” a public interest incorporated association.



Wastewater treatment facility in Oita Plant



Drainage treatment facility in Takefu Plant

## Efforts to Reduce Environmental Loads on Water Resources

A large amount of water is used in the dye process in production of textile products. Fujibo Textile Wakayama Factory is gradually replacing the dyeing machines with “low liquor ratio type” which significantly reduces the amount of water and dyes used, thereby reducing environmental loads.



## FY 2022 Water Quality Data (Average Value)

Item	Maximum permissible limit	FE		YC		FT
		Nyugawa	Oita	Yanai	Takefu	Wakayama
Quality of wastewater (average value)	Standard value					
pH	5.8 – 8.6	7.66	7.14	7.90	7.16	7.33
Mineral oil (mg/L)	5mg/L	0.01	—	0.00	0.52	0.00
BOD (mg/L)	160mg/L	—	—	0.00	0.81	58.30
COD (mg/L)	160mg/L	2.90	12.29	16.87	1.25	85.70
Total nitrogen (mg/L)	120mg/L	5.59	21.80	0.69	1.00	5.28
Total phosphorus	16mg/L	0.71	3.00	0.01	0.05	0.94
All items cleared		◎	◎	◎	◎	◎

FE Nyugawa, Oita: BOD test not required for ocean discharge.

YC Yanai: BOD test not required for ocean discharge. The mineral oil value was obtained through external analysis.

FT Wakayama: Discharged into the sewerage system.

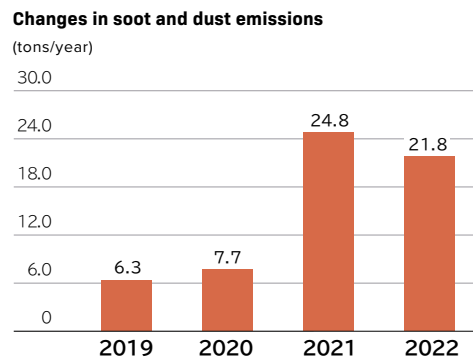
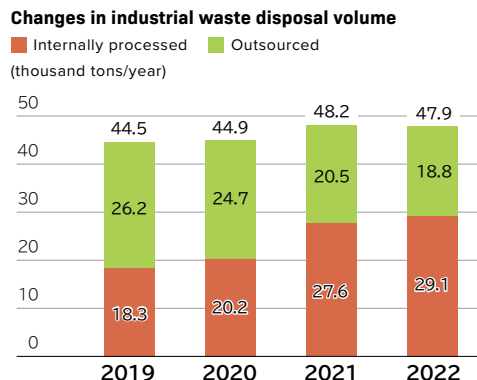
\*FE: Fujibo Ehime, YC: Yanai Chemical Industry, FT: Fujibo Textile

## Reduction and Recycling of Industrial Waste

The Fujibo Group is committed to reducing industrial waste and recycling resources. We sort waste into valuables, recyclables and industrial waste and store and dispose of them accordingly at each of our business sites. In addition, we emphasize efforts to cut down on waste through loss-reduction practices that involve reusing work in progress generated during the manufacturing process and implementing stringent yield management.

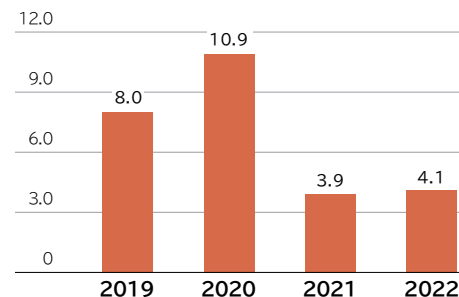
The Yanai Headquarters Plant detoxifies liquid waste generated in the production process by decomposing liquid waste into water and CO<sub>2</sub> through combustion treatment. We are working to reduce our environmental loads through internal processing of approximately 80 tons of liquid waste per day using a submerged combustion system. Moreover, this enables us to minimize the risk of secondary pollution, such as dioxins, through high-temperature combustion treatment. We manage the soot and smoke generated during combustion by keeping them below the standard level using a detoxification system. We also reuse some of the liquid waste as fuel for incinerators to reduce our environmental loads.

While the submerged combustion system burns waste liquid, it generates soot and smoke (soot and dust, sulfur oxides (SO<sub>x</sub>), nitrogen oxides (NO<sub>x</sub>)). We regularly measure, record and store soot and smoke data in compliance with the Air Pollution Control Act.

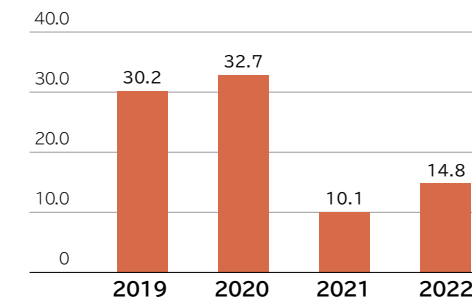


Submerged combustion system at Yanai headquarters plant (newly installed)

## Changes in SO<sub>x</sub> emissions



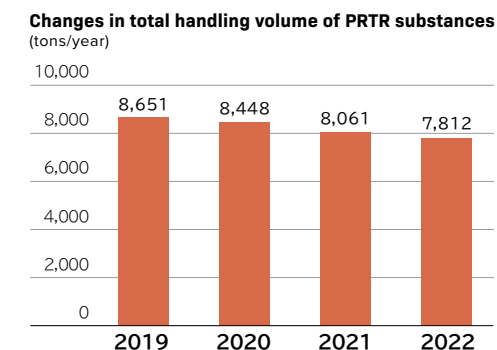
## Changes in NO<sub>x</sub> emissions



## Reduction of Environmental Loads of Chemical Substances

For the proper management of chemical substances generated at our manufacturing sites, we manage the amount of chemical substances handled, released, and transferred at each facility in accordance with the PRTR Act (the Act on Confirmation of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof). Regardless of the amount of emissions into the environment, we conduct proper monitoring and implement appropriate control measures to reduce the amount of use and emissions in accordance with environmental laws and regulations.

Furthermore, in addition to the work the Company does alone, we are also working together with our customers to reduce environmental loads.





## Conservation of Biodiversity

In order to create a society in harmony with nature where ecosystems are properly preserved and we can enjoy the gifts of nature for the future, the Fujibo Group is working on the conservation of the environment of the Seto Inland Sea. We will contribute to the conservation of biodiversity through community participation in solving the plastic waste problem, donation to the Keidanren Nature Conservation Fund, and use of certified forest conservation materials, etc.

### Investment in the Aquarium “Umitamago”

In interactions with local communities, our business sites and factories, which are surrounded by the rich ecosystem of the Seto Inland Sea, support biodiversity conservation efforts. We are involved in a variety of measures to safeguard the Seto Inland Sea’s unique biota, such as investing in Marine Palace Co., Ltd., which manages the Aquarium “Umitamago” in Oita.



## Our Efforts to Stop Marine Plastic Pollution

The Fujibo Group participated in the Japan Clean Ocean Material Alliance in 2018. This is an international business alliance project to solve marine plastic pollution, which is a global issue.

Member companies are required to properly manage waste, mainly to ensure prevention of plastic littering and to promote 3R technologies and development and dissemination of highly biodegradable alternative materials for plastic and paper products. In addition to promotion of eco-plastics, the Fujibo Group is working on biological conservation through the prevention of marine pollution together with various companies involved in the effective use of overall plastic products.



クリーン・オーシャン・マテリアル・アライアンス  
Japan Clean Ocean Material Alliance

## Donation to Keidanren Nature Conservation Fund

As a member of the Japan Business Federation (Keidanren), we agree with the purpose of the Keidanren Nature Conservation Fund. Furthermore, we provide support for conservation projects as a company and donations to a charitable trust, the Nature Conservation Fund, every year from the perspective of social contributions.

## Our Efforts to Preserve Forests

The B.V.D. brand uses FSC-certified sub materials (tags). FSC is a national system to identify and certify products that are made following “proper forest management” for the purpose of sustainable use and preservation of forests. The B.V.D. brand has switched all of its tags to paper made from FSC-certified wood since 2020.





**SOCIAL**



Clothing collected in FUKU-NO-WA activities

Paravolley (sitting volleyball) and FUKU-NO-WA activities

Japanese national sepak takraw (kick volleyball) team and FUKU-NO-WA activities

**/ Basic Concept**

The Fujibo Group respects diverse values regardless of gender, age, nationality, etc., and promotes the provision of opportunities to demonstrate one’s abilities and the improvement of the working environment based on the guiding principle of “constantly overcome challenges to make breakthroughs” set out in the corporate vision.

In the workplace, we will respect individual abilities and promote the creation of an environment where people can work together to improve under fair opportunities and fair evaluation, and create a workplace that fosters healthy competitiveness and teamwork.

We are also working together with our various stakeholders to realize a better society.

As a global corporate citizen, we will actively participate in local revitalization initiatives and local contribution activities and fulfill our roles in solving social challenges as a member of the local communities.

The Group has designated the following items as priority themes to be tackled through socially conscious management, and will focus on achieving each of them.

**1. Diversity & Inclusion**

We will build a corporate culture of mutual respect through inclusion of diversity.

**2. Respect for human rights**

In accordance with the “Fujibo Group Human Rights Policy,” we will respect human rights.

**3. Human resource development**

Recognizing that employees are our corporate asset, we will work to develop them.

**4. Health and productivity management**

We will aim to stimulate our organization and increase our corporate value by promoting employee health maintenance and enhancement.

**5. Safety and health of employees**

The Safety and Health Committee and a Group-wide organization, will play a central role in ensuring the health and safety of employees.

**6. Supplier management**

We will ensure responsible procurement in accordance with our Sustainability Procurement Guidelines.

**7. Quality assurance**

To provide customers with high-quality products, we will appropriately manage our internal quality management systems.

**8. Contribution to local communities**

As a member of the local community, we will actively get involved in local community activities to contribute to its revitalization.



## **/ Diversity & Inclusion**

The Fujibo Group believes that inclusion of diversity such as race, gender, age, gender identity, disability, etc., will create a corporate culture of mutual respect that will propel us to grow together.

### **Approach to Ensuring Diversity**

The Group's labor policy is based on the motto, "Respect the individual, cultivate harmony," and stipulates, "We provide fair opportunities and evaluations for each employee and create an environment where they can improve through friendly competition. Respect for individuality creates a workplace that improves competitiveness and team work." As we move forward with the upgrading of our business structure, we believe that respecting diversity regardless of gender, age, nationality, etc., providing opportunities for employees to demonstrate their abilities, and promoting the improvement of the working environment will contribute to sustainable growth and the enhancement of corporate value.

### **Human Resource Development and Internal Environment Policies to Ensure Diversity**

The Group provides opportunities for a diverse range of human resources to demonstrate their abilities and play an active role, regardless of gender, age, nationality, disability, etc. We are also promoting the development of an internal environment in which each employee can work with peace of mind and vigor in a healthy state.

1. Promotion of flexible work styles and improvement of work-life balance
  - (1) Support for balancing childcare and nursing care, regardless of gender
  - (2) Flextime system
  - (3) Work from home
  - (4) Post-retirement reemployment system
  - (5) Employment of people with disabilities
  - (6) Proactive promotion of leave usage
2. Paid leave utilization in FY 2022
  - Average annual paid leave utilization rate: 50.6% (Up by 2.9 pp year on year)
  - Average annual days of paid leave utilization: 10.0 days (Up by 0.3 days year on year)

## **Development of Work Environment for Work With Energy and Enthusiasm**

The Group has addressed the following policies to create a work environment where everyone can work with energy and enthusiasm:

1. Value teamwork at workplace;
2. Clarify goals and policies of each department to help each employee fully understand their role in the organization and fulfill their duties;
3. Avoid excessively long work hours and properly manage work hours;
4. Place an industrial physician and a person in charge of health insurance affairs at a workplace and provide mental care and healthcare.

### **Initiatives for Aging Society**

While our retirement age is 60, we have a policy to flexibly allow various work styles after the age of 60.

We are implementing the following measures to pursue employee satisfaction in an aging society:

1. Allow applicants to extend their employment until the age of 65 and to adopt various work styles after their retirement in accordance with our reemployment system;
2. Hold seminars for middle-aged and older employees;
3. Give healthcare and aftercare, mainly medical checkups for lifestyle diseases;
4. Encourage club activities for health improvement;
5. Give special consideration to employees with elderly family members in accordance with our leave of absence program for nursing care;
6. Promote self-development activities for lifelong education.

## Promote Women's Participation

We ensure fair and equal opportunities for employment, promotion and compensation, etc. and provide opportunities for education and training as well as development of the next generation regardless of gender. We also have taken steps to ensure that women's skill development and careers are not interrupted by enhancing the leave of absence programs system to support both childcare and nursing care. The ESG Committee is currently studying initiatives to further promote women's career development.

As of March 31, 2023, the number of employees for the Group in Japan and overseas is 1,273, of which 441 (34.6%) are female. Of the 441 female employees, 13 are managers and the ratio of women in management positions is 8.6%. If the number of female managers increases in various workplaces such as development, manufacturing and sales, that will bring diverse perspectives and further enhance our corporate value.



## Voluntary and Measurable Targets and Their Achievements

We set a target of the ratios of females, non-Japanese and mid-career hires in management positions recognizing the importance of ensuring diversity at management level, who play a central role in management. We have set a target for the same ratios for FY2025, which is the final fiscal year of the current medium-term management plan, "Zokyo 21-25." We will further enhance diversity in the future by increasing the number of core personnel.

Item	Current	Target	Target Period
Ratio of female managers	8.6% (13 / 151) <small>*female managers/all managers</small>	10% or higher	End of March, 2026
Ratio of females in management candidate positions	15.2% (20 / 132) <small>*female candidates for management positions/ all candidates for management positions</small>	8% or higher	End of March, 2026
Ratio of non-Japanese in management positions	10.6% (16 / 151) <small>*non-Japanese managers/all managers</small>	13% or higher	End of March, 2026
Ratio of mid-career hires in management positions	20.5% (31 / 151) <small>*mid-career hires /all managers</small>	17% or higher	End of March, 2026

\* Managers are classified as supervisors under the Labor Standards Law, and are the sum of department managers and section managers.

\* Calculated based on figures including domestic and overseas Group companies.

\* "Current" represents the figures as of the end of March 2023.

## **/ Respect for Human Rights**

The Fujibo Group follows our corporate philosophy “we will always support leading-edge industries by providing new technologies and products demanded by the times, and are committed to realizing a more prosperous and sustainable future for the people, society and the global environment” and stipulates in the “Fujibo Group Charter of Conduct” that we will conduct management that respects the human rights of all people.

We have developed “The Fujibo Group Human Rights Policy” (hereinafter, the “Policy”) pursuant to the “United Nations Guiding Principles on Business and Human Rights” and Japan’s “National Action Plan on Business and Human Rights” developed in compliance therewith, and will address respect for human rights based on the Policy as a guide in order to fulfill our responsibility to respect human rights of all people involved in our business.

### **The Fujibo Group Human Rights Policy**

#### **1. Scope of application**

This Policy applies to all employees and officers of the Group. The Group also expects all business partners, including its suppliers, to understand and support this Policy.

#### **2. Basic concept**

The Group will respect human rights as stipulated in the “International Bill of Human Rights” and the “Declaration on Fundamental Principles and Rights at Work” by the International Labour Organization (ILO). In conducting business activities, the Group is taking initiatives to respect human rights pursuant to the “United Nations Guiding Principles on Business and Human Rights” and Japan’s “National Action Plan on Business and Human Rights” formulated in accordance with the UN’s Guiding Principles.

#### **3. Compliance with laws and regulations**

The Group understands and adheres to the laws, regulations and rules related to its business in all countries and regions where it conducts business activities. In the unlikely event that the laws and regulations in the relevant country or region differ from or conflict with international norms for human rights, the Group will seek ways to maximize respect for internationally recognized human rights principles within the scope of the laws, regulations and rules of the country or region.

#### **4. Corporate Human rights due diligence**

Based on the concept of human rights due diligence in accordance with the “Guiding Principles on Business and Human Rights,” the Group will strive to understand, prevent and mitigate human rights violations or effects that may result in indirect racial abuse.

#### **5. Establishment of remedy and grievance mechanism**

If it becomes evident that the Group’s business activities infringe on human rights or cause an impact that may indirectly result in human rights violations, the Group will endeavor to take the necessary steps to address the situation.

#### **6. Education and training**

The Group will strive to provide appropriate education and training in order to effectively implement this Policy throughout its business activities.

## Human Resource Development

The Fujibo Group aims to become the “outstanding No. 1 player in a niche segment” as its long-term vision. For this vision, we believe that employees are our corporate assets and have established an organization to promote human resource development since 2010. Based on our ideal of creating a small yet highly talented workforce, we will continue to support the development of multi-skilled workers in step with our business portfolio transformation. In order to support the growth of our employees, we provide a training system tailored to careers, such as theme-based training and re-skilling aimed at the digitalization of business processes. Moreover, in October 2021, we established a dedicated department for promoting human resource development at Fujibo Ehime Co., Ltd., which is working on skills development with a view to creating new value.

### 1. Develop problem-solving human resources

We provide well-developed career training to actively support employees to develop themselves into problem-solvers. After joining the company, the Human Resources Department and the department unit together to provide OJT, and then provide the employee with opportunities to solve problems and understand customer needs on the job site, as well as various training by the Human Resources Department, to prepare for promotion to managerial positions. We also fairly evaluate the knowledge, skills and attitudes of mid-career hires and actively help them get promoted to management.

### 2. Develop globally competent resources

In order to develop globally competent human resources, we provide language training covering mainly English, Chinese (including Taiwanese), Thai and Japanese and also offer language study programs in various countries to achieve higher personal development goals.

### 3. Develop next-generation leaders

In order to realize sustainable corporate management, we develop next-generation leaders to be able to have balanced capabilities and insights by giving them experience in leading a small group at first and gradually bigger groups or a subsidiary.

## Improvement of Education and Training Programs

The Group supports employees’ growth through various training programs. Training programs include education and training and next-generation development, as well as mental health education such as workplace safety education, environmental education and

self-development. In addition to human resource development and work-related training, we are also increasing opportunities for education while taking into account the work environment and employees’ health.

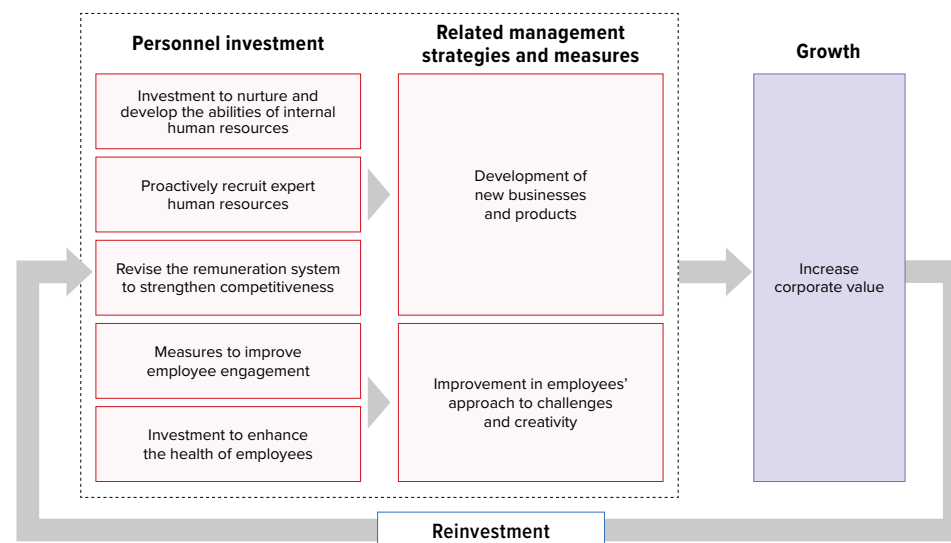
### Training System

Manager training upon appointment, training upon promotion (upgraded employment designation or job title), job category-specific training, occupation-specific training, rank-specific training, overseas language study programs, language instruction by class level (classroom-based learning, lessons provided in the workplace, online learning), allowance to cover costs of distance learning courses for self-development, theme-specific learning sessions at each of our business sites.

## Investment in Human Capital

Investment in human resources is fundamental to the sustainable growth of the Company, and the Group actively provides education and training opportunities to draw out and enhance the knowledge, skills, and abilities of individuals. We are committed to enhancing the capabilities of each and every one of our employees to realize a sustainable way of working.

### Investment in Human Capital to Increase Corporate Value



## Health and Productivity Management

Based on its corporate philosophy, the Fujibo Group has established a health and productivity management program enlisting strategic practices from a managerial perspective under its Medium-term Management Plan “Zokyo 21-25.” Our initiatives to promote employee health maintenance and enhancement stimulate our organization in part by enhancing employee vitality and heightening productivity, which in turn prompts expectations of better financial results and increased corporate value. We furthermore maintain an internal environment in which employees are able to work enthusiastically by implementing various initiatives under our system for promoting our Health and Productivity Management Declaration.

### Health and Productivity Management Declaration

Based on its recognition that employees serve as true corporate assets, the Fujibo Group works to establish workplace environments that are mindful of employee health and safety in seeking to achieve work styles that enhance their capabilities and respect their diversity, personalities, and individuality.

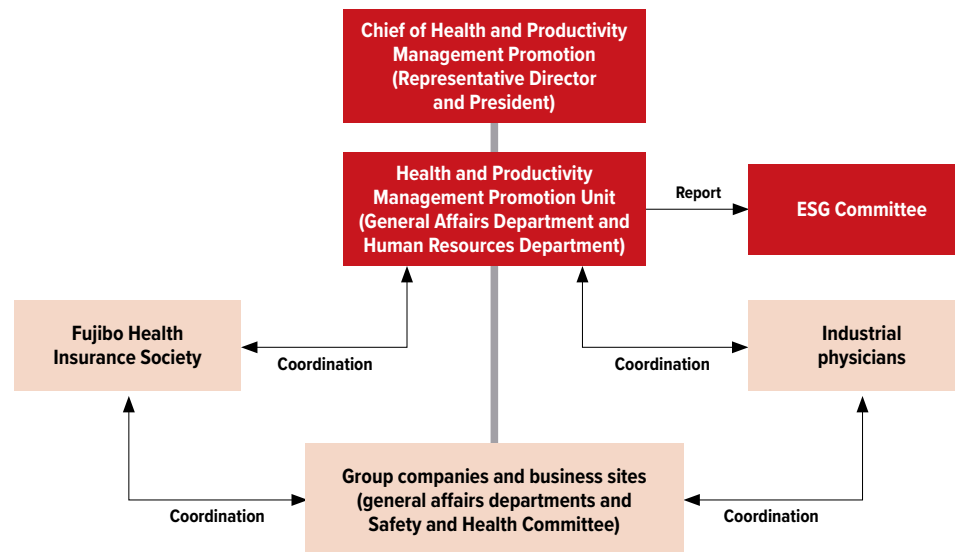
We are committed to realizing a more prosperous and sustainable future for people, society and the global environment. Our initiatives to such ends will entail ensuring the safety and security of our employees, actively promoting employee health maintenance and enhancement, and enabling each and every employee to work enthusiastically.

September 2022  
Masahide Inoue  
Representative Director and President  
Fujibo Holdings, Inc.

### System for Promoting Health and Productivity Management

We promote health and productivity management on a Group-wide basis enlisting a framework whereby the Representative Director and President of the Company serves as Chief of Health and Productivity Management Promotion and whereby the General Affairs Department and Human Resources Department primarily coordinate with the general affairs departments associated with each of our Group companies and business sites as well as the Safety and Health Committee. The departments also coordinate with the Fujibo Health Insurance Society and industrial physicians.

### System for Promoting Health and Productivity Management



### Recognition under 2023 Certified Health and Productivity Management Outstanding Organizations Recognition Program (large enterprise category)

On March 8, 2023, the Fujibo Group gained recognition under the 2023 Certified Health and Productivity Management Outstanding Organizations Recognition Program (large enterprise category) for its health and productivity management initiatives with respect to the Certified Health and Productivity Management Outstanding Organizations Recognition Program jointly implemented by Japan’s Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi.



## Safety and Health of Employees

The Fujibo Group is committed to ensuring the safety and health of employees at business sites, with the Group-wide organization Environment and Safety Promotion Department playing a central role. We launched a safety measures project in 2010 and established safety and health management regulations in April 2011. We are promoting zero workplace accident activities as the top priority goal by developing and improving our Group-wide safety and health management system and conducting regular safety inspections and guidance at all business sites.

### Initiatives for Safety and Health Education

We provide safety education at our manufacturing sites to ensure the safety of employees.

#### Specific Initiatives

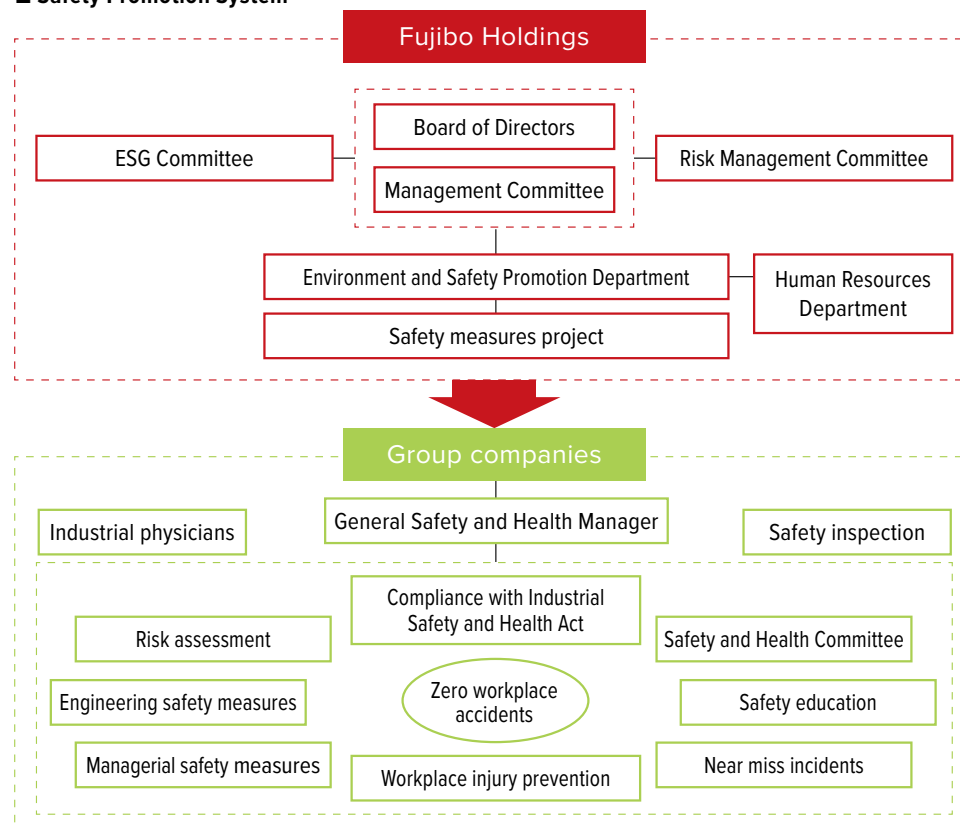
- Safety education tailored to different age groups (new employees, foremen, managers, age-inclusive for older workers, etc.)
- Education to heighten hazard awareness (risk assessment, workplace injury prevention training, near miss incidents, harmful effects of chemical substances on the human body, etc.)
- Education related to employee health (mental healthcare, etc.)



## Assessment of Safety Risks

The Fujibo Group is implementing initiatives to thoroughly identify and evaluate risks related to employee safety, including accidents and injuries. When making capital expenditures or upgrading facilities, we conduct multifaceted risk assessments and, if necessary, chemical substance risk assessments to ensure that all possible engineering and administrative measures are taken. The Environment and Safety Promotion Department inspects each workplace, evaluates risk countermeasures and instructs necessary measures in accordance with its annual plan. We will continue to strive to prevent serious accidents and further enhance the security and safety of our employees and the local communities.

#### Safety Promotion System





## Supply Chain Management

The Fujibo Group has established an appropriate transaction policy and is conducting responsible procurement in order to support the development of a sustainable society throughout the supply chain. The policies cover legal compliance, fair transactions, environmental considerations and respect for human rights (prohibition of child labor and forced labor) among others.

### Securing Sustainable Supply Chain



### Formulation of Sustainability Procurement Guidelines

The Fujibo Group is strengthening supply chain management to promote responsible corporate behavior in the supply chain based on the concept of sustainable management. We have established the Group's "Sustainability Procurement Guidelines" and will share our values with our business partners and implement the guidelines.

We have prepared this guideline in reference to the "CSR Supply Chain Guidebook" published by the Japan Electronics and Information Technology Industries Association (JEITA).

## Sustainability Procurement Guidelines

### 1. Organizational governance

- (1) Regulatory compliance and respect for international norms  
The Group will comply not only with laws and regulations applicable to its home country and the countries and regions where it operates, but also respect the International Code of Conduct.
- (2) Respect for sustainability  
The Group will respect the spirit of sustainability, establish policies to improve sustainability, and build an organizational structure to achieve this goal.

### 2. Fair trade and ethics

- (1) Prohibition of bribery  
The Group will neither give, offer or promise a bribe to any person, whether directly or indirectly, nor will it accept bribes.
- (2) Prevention of improper provision and receipt of benefits  
The Group will not provide, receive or tolerate improper benefits in relation to stakeholders.
- (3) Prohibition of abuse of superior bargaining position  
The Group will not take advantage of its superior position as a purchaser or consignor to impose any disadvantage to suppliers and contractors.
- (4) Prohibition of competition restricting practices  
The Group will not engage in any acts, such as cartels and bid-rigging, that impede fair, transparent and free competition.
- (5) Respect for intellectual property rights  
The Group will not infringe on the intellectual property rights of others, such as patent rights, utility model rights, design rights, trademark rights, copyrights and trade secrets.
- (6) Proper export control  
The Group will establish a clear control system for the export of goods and technologies regulated by laws and regulations, and carry out proper export procedures.
- (7) Information disclosure  
The Group will appropriately provide and disclose information on business activities, financial conditions, performance and risk information to stakeholders, regardless of whether or not disclosure is required by laws and regulations.
- (8) Prevention and early detection of misconduct  
The Group will prevent misconduct through personnel training and education and set up an internal reporting contact office to respond to early detection of misconduct.
- (9) Prohibition of insider trading  
The Group will not buy or sell shares of a client company based on non-public, important information regarding its business.
- (10) Confidentiality  
The Group will take protective measures for information security in order not to cause damage to its own company and others, and properly manage and protect personal information of customers, third parties and employees, as well as confidential information received from customers and third parties.

**3. Human rights and labor****(1) Prohibition of forced labor**

The Group will hire all employees of their own free will and will not subject them to forced or bonded labor. The Group will also ensure that employees can leave the company at their own discretion.

**(2) Prohibition of inhumane treatment**

The Group will respect the human rights of its employees and prohibit harsh and inhumane treatment of any kind, including abuse, sexual harassment, power harassment, and corporal punishment.

**(3) Prohibition of child labor**

The Group will not employ children under the minimum working age in countries or regions where it conducts business activities, nor will it allow young workers to engage in employment that would impair their development.

**(4) Prohibition of discrimination**

The Group will eliminate discrimination in recruitment and employment and strive to ensure equal opportunities and fair treatment.

**(5) Appropriate wages**

The Group will comply with statutory minimum wages in countries or regions in which it conducts business activities and will not make unreasonable wage reductions.

**(6) Appropriate working hours**

The Group will comply with the statutory limits of the countries and regions in which it conducts business activities, and appropriately manage the working hours, holidays and leave of employees. The Group will also strive to restrict long working hours, improve its system and create a workplace culture that encourages balance between work and personal life.

**(7) Employees' rights to organize**

The Group will respect employees' rights to organize as a means of realizing labor-management discussions, such as working environment and wage levels.

**(8) Approach to conflict minerals**

The Group will not procure raw materials, parts or products that use conflict minerals.

**(9) Industrial safety and health**

The Group will evaluate risks to workplace safety and ensure safety through appropriate design, technology and management measures. The Group will identify situations in the workplace with regard to risks from exposure to chemical substances, organisms, noise, offensive odors and other similar conditions that are harmful to human body, and take appropriate measures. In addition, the Group will also conduct appropriate health management for all employees.

**4. Environmental conservation****(1) Environmental management system**

The Group will build and operate an environmental management system to promote environmental practices appropriate for its business.

**(2) Minimize environmental loads (wastewater, sludge, exhaust gas, etc.)**

The Group will comply with laws and regulations related to air, water quality and chemical substances in countries or regions where it conducts business activities, and make further improvements through voluntary standards as necessary.

**(3) Environmental permits and administrative approvals**

The Group will obtain the necessary permits and approvals from local authorities in accordance with the laws and regulations of the countries or regions where it conducts business activities, and submit the requested management reports to local authorities.

**(4) Effective utilization of energy and resources**

The Group will set voluntary targets for resource and energy saving, and continue to make effective use of resources and energy.

**(5) Conservation of water resources**

The Group will strive to conserve water resources through efficient use of water and reuse by recycling.

**(6) Reduction of waste**

The Group will set voluntary targets for reducing final waste and strive for continuous reduction.

**(7) Reduction of greenhouse gas emissions**

The Group will set voluntary targets for reducing greenhouse gas emissions and work towards continuous reduction.

**(8) Biodiversity and environmental conservation initiatives**

The Group will assess the impact of its business activities on biodiversity, reduce negative impacts, and strive to conserve biodiversity and the environment.

**5. Quality and product safety****(1) Ensuring product safety**

The Group will strive to ensure sufficient product safety so that products meet the safety requirements stipulated by the laws and regulations of each country. The Group will also engage in preventive activities to prevent the occurrence of quality problems and respond promptly when problems occur.

**(2) Quality management system**

The Group will establish and operate a quality management system to promote quality assurance initiatives.

**(3) Accurate provision of product and service information**

The Group will provide customers and consumers with accurate information about products and services.

**6. Social contribution****(1) Contribution to society and local communities**

The Group will actively engage in activities that contribute to the development of international and local communities in order to realize a sustainable society.

## Raw Cotton Traceability

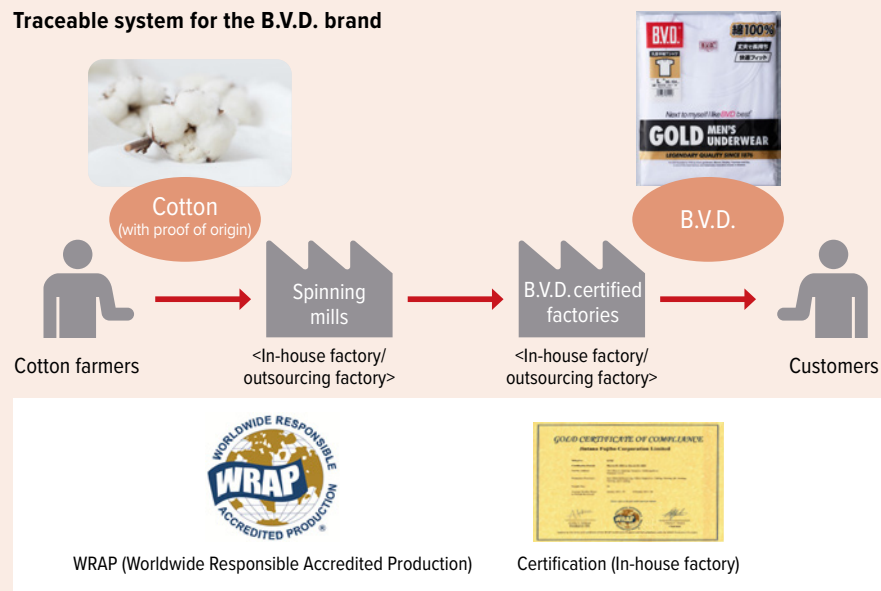
Given its labor-intensive nature, cotton cultivation undeniably tends to encompass social problems such as health hazards affecting those involved in production, child labor, and forced labor. However, raw cotton used in Fujibo Group's textile products addresses such concerns through measures that include our practice of obtaining proof of origin documentation.

### B.V.D. Brand Produced with Consideration for Human Rights and Working Environments

We have established a traceability framework with respect to our B.V.D. products. It begins with the process of spinning raw cotton bearing the aforementioned proof of origin documentation. Meanwhile, the framework furthermore enables us to verify that production has been carried out in ethical and safe factories that have acquired the WRAP certification (plant audit certification by a third-party organization).

As such, B.V.D. is a brand that gives rise to trust between the Company and our customers given that such products result from such stringently controlled production process.

#### Traceable system for the B.V.D. brand

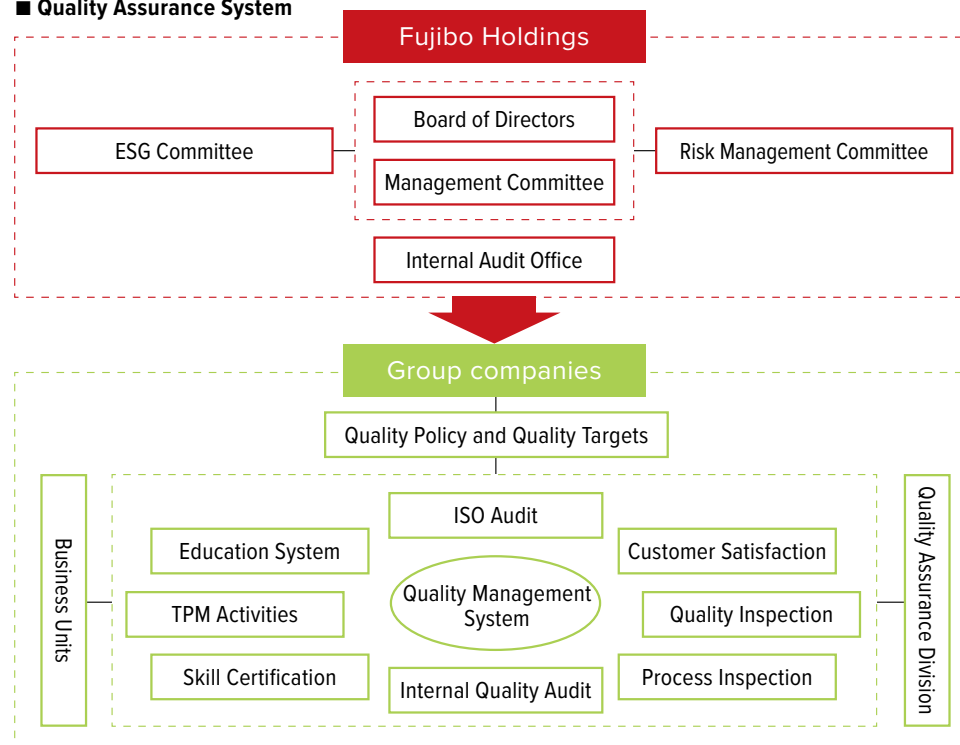


## Quality Assurance

In order to ensure a stable supply of high-quality products to our customers, the independent quality control departments of each company and business units of the Fujibo Group conduct quality control and quality assurance operations according to the characteristics of each product and respond to increasingly sophisticated needs through the promotion of quality management systems and various improvement activities.

The Internal Audit Office continuously monitors and measures the status of the development, from an independent perspective in order to prevent quality-related incidents, responds to customer requests, identifies issues and quickly corrects them.

#### Quality Assurance System



- Ten business sites have ISO9001 (Quality) certification.
- Five business sites have ISO14001 (The Oita Plant of Fujibo Ehime Co., Ltd. was registered in September 2022.)
- Two business sites have WRAP certification (a labor and environmental certification program).

## Contributing to Local Communities

As a member of the local community, the Fujibo Group actively participates in community activities to contribute to the revitalization of local communities. We are also working to interact and communicate with local residents by providing opportunities in order for them to learn more about our Group.

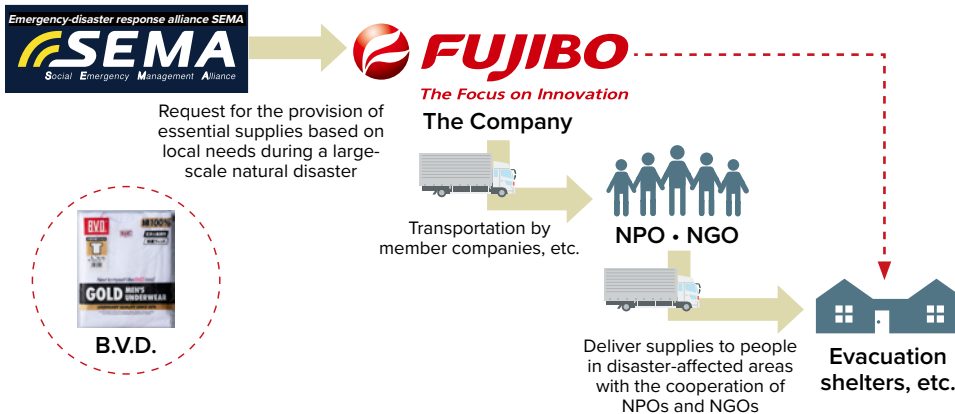
### Yanai City Budokan / Contribution to Naming Rights

Yanai Chemical Industry Co., Ltd. is committed to supporting local youth education. In 2016, at the request of Yanai City in Yamaguchi Prefecture, we acquired the naming rights to a sports facility in the city. We named the facility “FUJIBO Yanai Kagaku Budokan.” The facility has become popular among members of the local community and has been widely used as a venue for the promotion of sports in the city.



### Disaster Relief / Clothing Donation

The Fujibo Group donates underwear, which is a daily necessity, to assist people in areas affected by large-scale disasters such as earthquakes, typhoons and fires. Since December 2021, we have been a member of the Social Emergency Management Alliance (SEMA), which provides disaster relief in Japan through collaboration between private-sector companies and civil society organizations (CSOs). If there is a large-scale disaster, we will use the SEMA framework to supply men’s and women’s innerwear and underwear according to the needs of those in disaster-affected areas.



## Support for Sports

### Sponsorship of a Professional Golfer

We have signed and maintained a sponsorship agreement with female professional golfer Kana Mikashima since October 1, 2021. We provide her with Fujibo Apparel Corporation’s product “B.V.D. Power Athlete,” which is an ideal underwear for athletes aiming to achieve their peak performance.



Professional golfer Kana Mikashima

### Support for Sepak Takraw Competitions

We furnish support the sport of sepak takraw (kick volleyball). For instance, we provide athletes of the sport with Fujibo Apparel Corporation’s “B.V.D. Power Athlete” products, which are an ideal type of underwear for athletes aiming to achieve peak performance. In September 2023, the sepak takraw team representing Japan took part in the 19th Asian Games held in Hangzhou, China.

Going forward, we will continue to support sepak takraw competitions as the sport grows in popularity.



Sepak takraw (kick volleyball) competition

### Sponsorship of 37th East Japan Women’s Ekiden

This was the fifth consecutive competition that we have provided sponsorship for the East Japan Women’s Ekiden long-distance relay race, thereby showing our support for Fukushima’s recovery and the women’s track and field community (the race was canceled in 2020 as a result of measures to contain the spread of the COVID-19 pandemic).



Poster for the 37th East Japan Women’s Ekiden



# GOVERNANCE

## **/ Basic Concept**

Our primary goal is to maximize our shareholder value by pursuing management efficiency and ensuring soundness. In addition, we focus on ensuring management transparency, strive to disclose information to the maximum extent possible, and absorb various opinions from both inside and outside the company, thereby improving corporate governance and raising corporate ethics.

Based on our basic recognition as a member of society, we will comply with laws and regulations, observe social norms and corporate ethics, and operate in accordance with internal rules in order to earn the trust of our customers, employees, business partners, shareholders, investors, and other stakeholders, as well as society, by increasing our corporate value while aiming for sustainable development through sound management. To implement this, we also observe the Fujibo Group Charter of Conduct established as a corporate behavior charter.

We have established the Compliance Committee to ensure compliance with laws and regulations, fairness and ethics in corporate activities. In addition, to enhance functioning of the

Committee, we have established a corporate ethics hotline, including an external legal consultation service provided by lawyers, as a body to handle information on potential violations, thereby building a system enabling management to decide and handle material business information. We also have the Internal Audit Office to audit the execution of various management activities from a fair and independent standpoint and to contribute to the effective achievement of management goals.

Furthermore, we have taken measures to improve corporate governance, such as having corporate auditors (including outside auditors) properly audit management, including participation in the Board of Directors, where they are responsible for making decisions on our operation and supervising the execution of directors' duties, separating supervision from execution through introduction of the executive officer system, and reinforcing the management supervising function by outside directors.

## Corporate Governance System

Fujibo Holdings is a company with an Audit & Supervisory Board, and is taking initiatives to speed up the decision-making process of the Board of Directors, ensure greater transparency, and strengthen the oversight functions of the Audit & Supervisory Board.

Since June 2013, the Company has been inviting outside directors to oversee management from a more objective standpoint based on their abundant experience and extensive knowledge as executives. This enables the Company to build a system to strengthen the functions and roles of the Board of Directors, which include decision-making on business execution and supervision of the directors' execution of duties.

The Company's system allows corporate auditors to attend the Board of Directors and the Management Committee to understand the process of important decision-making and the status of business execution, and to conduct management audits appropriately.

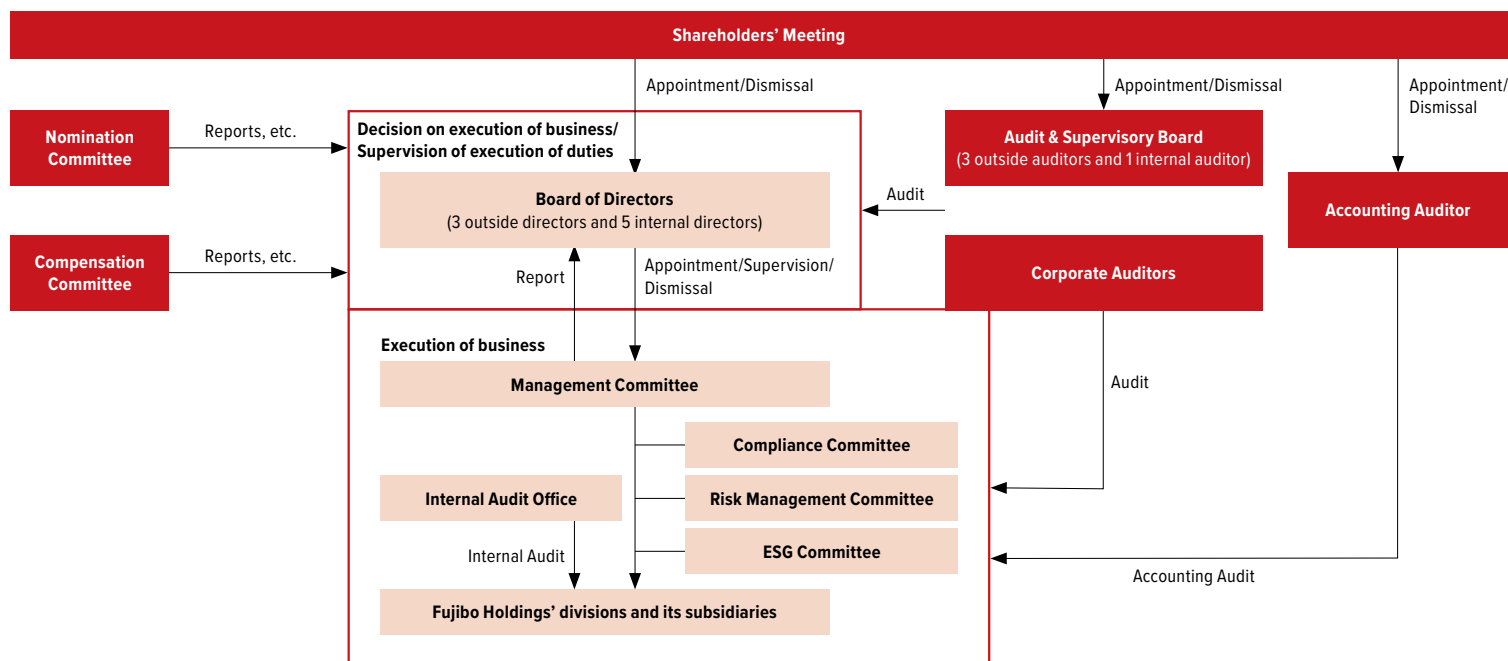
## Board of Directors, Audit & Supervisory Board, Committees, etc.

To ensure effective functioning of our corporate governance, the Company has established a system which enables the Board of Directors to execute its management oversight function with a high degree of independence, with independent outside directors accounting for more than one-third of the total number of directors.

The Company's Audit & Supervisory Board consists of corporate auditors, including outside auditors, in order to further enhance the fairness, soundness, and transparency of management. To strengthen management monitoring and supervisory functions, the Company has appointed corporate auditors with expertise and knowledge of finance and accounting, and the corporate auditors collaborate with the internal audit department and accounting auditors.

In addition, the Company has established a Compliance Committee that deliberates on important compliance-matters and monitors the status of implementation, and the Risk Management Committee that promotes consistent risk management initiatives for the Company. Furthermore, in April 2021, we established the ESG Committee to promote sustainability management practices across the entire Group by responding to important issues related to SDGs.

### List of Corporate Governance Systems



## ■ Status of Independent Officers

Out of the eight directors of the Company, three outside directors -- Ms. Ruth Marie Jarman, Mr. Hisashi Kobayashi and Ms. Rieko Sato -- are independent officers who satisfy the eligibility requirements set by the Tokyo Stock Exchange. Selected outside directors are individuals who can contribute appropriately to corporate governance from a more objective standpoint and are unlikely to have conflicts of interest with general shareholders. They are also selected based on consideration of their gender and international background. Among our four corporate auditors, three outside auditors -- Mr. Hideaki Onishi (full-time), Mr. Kotaro Otsuka and Mr. Katsuya Fujii -- are also independent officers who make use of their high level of expertise and extensive experience in monitoring management, and providing appropriate advice at the Board of Directors as necessary.

## ■ Evaluation of Effectiveness of Board of Directors

To further strengthen the effectiveness of the Board of Directors, we conduct a Survey on Evaluation of the Effectiveness of the Board of Directors covering all officers, including outside directors and corporate auditors. We will continuously carry out self-evaluation surveys for directors and auditors every year, and discuss the results of the analysis at the Board of Directors to further improve the effectiveness of the Board of Directors to contribute to the enhancement of corporate value.

## ■ Messages from Outside Director and Outside Auditor

### Outside Director: Rieko Sato

I'm Rieko Sato. I was appointed as an outside director in June 2022. Since joining Tokyo Electric Power Company, Co., Ltd. in 1990, I've gained experience working in a variety of fields, including technology, sales, human resources development, assistance to those affected by the Fukushima Nuclear Power Station accident, management, and as an auditor. The start of the phased liberalization of electric power retailing in 2000 and an incident of misconduct in the nuclear power division facilitated the implementation of a vast array of reforms. Even as my position changed, I remained engaged in promoting those reforms. Although my experience is in a different business sector, I'm thrilled to participate in the management of the Fujibo Group, which has proactively implemented business transformation and achieved excellent results.

To realize sustainability management, which is a key priority in the Medium-term Management Plan "Zokyo 21-25," every employee's practical skills will be critical. I'd like to visit as many frontline business locations as possible, listen to the voices of employees, including their issues and requests, and apply this knowledge to management. I have participated in internal reforms and management at a predominantly male-staffed company. This experience, I believe, will enable me to provide valuable feedback in areas such as diversity and human resources development. Even if my contribution may be small, I intend to do everything in my power to ensure that the Company continues to be a firm with which its customers prefer to do business for many more years to come.



### Outside Auditor: Katsuya Fujii

After having joined Kao Soap Co., Ltd. (currently, Kao Corporation), I was put in charge of introducing and promoting investor relations (IR) and economic value added (EVA) management indicators, with a primary focus on accounting and finance. In that capacity, I encountered various challenges, which included enduring some failures, and gained support from many colleagues along the way. I served as a corporate auditor for six years at Kao Soap affiliated companies and for four years at the parent company.

The Fujibo Group persists in taking on challenges in seeking to help realize a more prosperous and sustainable future, as cited in its corporate philosophy. It is my hope that I will be able to be of some help as the Group engages in business while taking on risks inherent in such challenges. The role of a corporate auditor is that of performing audits to assess directors with respect to execution of their professional duties. I accordingly seek to facilitate long-term growth of our corporate value by further strengthening our on-site operations while taking on responsibility in corporate governance, which involves visiting our respective sites of business where I engage in open and candid discussions with our employees. I will accordingly contribute to Fujibo in terms of appropriately managing risks, upholding compliance, and setting the stage for business development by continuing to take on challenges.



## Compensation for Officers

The compensation for the Company's directors (excluding outside directors) consists of basic remuneration (monetary remuneration) as fixed remuneration and restricted stock compensation (non-monetary compensation). The amount of the monetary remuneration is determined by the Compensation Committee under delegation from the Board of Directors. Outside directors, who are responsible for supervising functions, shall be paid only basic remuneration (monetary remuneration) as fixed remuneration in light of their duties.

Non-monetary compensation consists of shares of the Company's common stock that are subject to a certain period of restriction on transfer and events of free acquisition by the company and other terms. We have adopted the restricted stock compensation with a view to give incentives to strive for the continuous enhancement of our corporate value and to promote further sharing of values between directors (excluding outside directors) and shareholders.

### Compensation for directors and corporate auditors, etc.

Classification of officers	Total amount of compensation, etc. (in million yen)	Total amount of compensation, etc. by classification (in million yen)			Number of eligible officers
		Basic remuneration	Performance-based remuneration, etc.	Non-monetary compensation, etc.	
Directors (outside directors)	185 (20)	171 (20)	—	13 (—)	10 (4)
Corporate auditors (outside corporate auditors)	49 (29)	49 (29)	—	—	4 (3)

## Policy and Procedures for Nominating Candidates for Directors

The Nomination Committee and the Compensation Committee, with the majority of members consisting of independent outside directors, have been established to consider important matters such as decisions on the nomination and remuneration of management and directors. The committees will review the appointment and dismissal of directors, etc., and decisions on remuneration in an effort to improve the independence, objectivity and accountability of the Board of Directors' functions.

In selecting candidates for directors, we consider candidates with the character and insight suitable for directors and those who will contribute to the sustainable growth of the Group. For internal director roles, we select candidates who are considered to have the expertise, experience, and capabilities in their areas of responsibility.

As for outside director roles, we select nominees from a wide range of candidates who have abundant experience as corporate managers and a high level of insight into world affairs, social and economic trends, etc., so that they can be expected to supervise management from a broader perspective and from an independent standpoint, further enhance the transparency and fairness of management, and provide appropriate advice on management from a medium- to long-term perspective.



## Corporate Officer Skill Matrix

Fujibo's Board of Directors is committed to achieving optimal performance from the perspective of helping the Company attain sustainable growth along with medium- to long-term gains in corporate value by enhancing its management oversight function. This entails striking an optimal balance with respect to its overall knowledge, experience, and capabilities, harnessing diversity, including that which involves international representation on the Board of Directors, and enlisting independent outside directors equipped with extensive experience.

As of September 30, 2023

	Execution of business	Independent officers	Name	Current position and responsibilities in the Company	Corporate management and strategy	Production technology/ Safety and quality	Sales and marketing	Legal affairs and risk management	Internationality	Finance and accounting
Directors	●		Masahide Inoue	Representative director and chairman of the Nomination Committee and the Compensation Committee	●	●	●			
	●		Yasuo Toyooka	Representative director and member of the Nomination Committee and the Compensation Committee	●		●			
	●		Osamu Hirano	Representative director	●			●		
	●		Yoshimi Mochizuki		●	●				
	●		Tatsuya Sasaki		●		●	●		●
		●	Ruth Marie Jarman	Member of the Nomination Committee and the Compensation Committee	●		●		●	
		●	Hisashi Kobayashi	Member of the Nomination Committee and the Compensation Committee	●		●	●	●	
		●	Rieko Sato	Member of the Nomination Committee and the Compensation Committee	●		●	●		
Corporate Auditors			Atsunori Noguchi	Full-time corporate auditor	●			●		●
		●	Hideaki Onishi	Full-time corporate auditor	●			●		●
		●	Kotaro Otsuka					●		
		●	Katsuya Fujii		●			●		●

# COMPLIANCE

## Basic Approach to Compliance

In order to realize our corporate philosophy of “we will always support leading-edge industries by providing new technologies and products demanded by the times, and are committed to realizing a more prosperous and sustainable future for the people, society and the global environment,” and to achieve sustainable growth and create medium- to long-term corporate value, we believe it is important for our directors, officers, and employees to recognize the importance of corporate social responsibility and to act with social common sense in compliance with social rules and regulations, both in Japan and abroad.

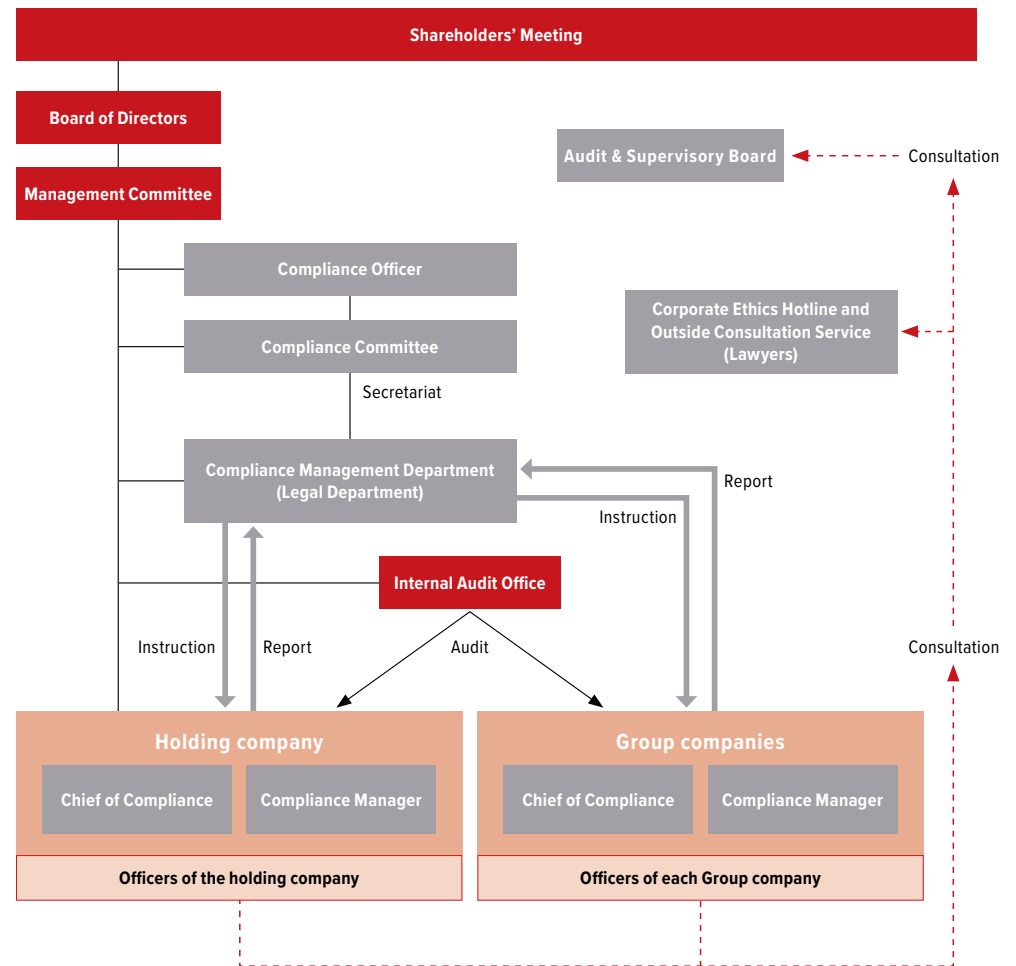
## Compliance Management

The Group has established the Fujibo Group Charter of Conduct to enhance the personal qualities of each employee and officer and to instill a strong sense of discipline within the Company, with the goal of conducting corporate management that ensures not only compliance with laws and regulations, but also adherence to social norms and corporate ethics.

To promote these efforts across the Group, we have selected a Compliance Officer, formed a Compliance Committee, and appointed chiefs of compliance and compliance managers at each business site and factory. Through these measures, we have created an organizational structure centered on the Compliance Committee.

As a whistleblowing body to augment and enhance those functions, a corporate ethics hotline, including an external legal consultation service provided by lawyers, has been established.

### Compliance Management System





## **/ Initiatives for Raising Compliance Awareness**

In order to conduct sound business activities, not only do we comply with laws and regulations, but also expand the range of subjects and scope to be observed, such as social norms and corporate ethics. In order to prevent anticipated risks associated with business activities, it is important to engage in compliance management and provide education to all employees to raise their compliance awareness. As part of the Fujibo Group's efforts to spread and raise compliance awareness, we make sure that our employees are familiar with the "The Fujibo Group Charter of Conduct" and "Principles of Conduct," and provide opportunities for employees to acquire correct knowledge of relevant laws and regulations (such as the Unfair Competition Prevention Act, Trade Secret Management Guidelines, and compliance with laws and regulations on product quality and labeling). We have also prepared a system in which the Legal Department and other relevant departments work with external experts to respond to possible legal risks, such as compliance violations due to lack of compliance awareness or knowledge. In addition, we strive to spread awareness of compliance by informing employees of revised laws and regulations, such as harassment prevention laws and the Work Style Reform Act, in our internal newsletter each time we respond to internal regulations.

## **/ Compliance Education**

Each business site conducts compliance awareness-raising activities (compliance programs) on a semi-annual basis, and provides compliance education for employees where they learn about important regulatory measures, etc. The results and issues are verified and reported to the Compliance Committee. We provide compliance education for each level of employees, including newly hired employees and those recently promoted to management positions. We also hold study sessions on individual topics such as information security and bribery.

## **/ Internal Reporting System**

In accordance with the "Corporate Ethics Hotline Operation Procedures," we have established an internal "Corporate Ethics Hotline" as a point of contact for inquiries and concerns about corporate ethics and regulatory compliance. The "Corporate Ethics Hotline" is operated not only in-house, but also in cooperation with external consultation services which include female lawyers. This is done to create an environment in which it is easy for employees to report any concerns, and to handle the consultations and reports fairly and

with respect to privacy. In accordance with the Whistleblower Protection Act, we give due consideration so as not to disadvantage not only the callers (whistleblowers), but also those who cooperate with them.

We are also working on a whistleblowing system that is not limited to internal use, but throughout the entire supply chain including the employees of our business partners.

## **/ Response to Compliance Violations**

In the event of an incident that may result in a potential compliance violation within the Group, the matter is reported immediately to the relevant department and the Compliance Committee. Following the report of the incident, the Compliance Committee responds immediately by conducting an investigation. If a compliance violation is found as a result, corrective measures and recurrence prevention policies are formulated and implemented not only in the relevant department, but also throughout the Group to thoroughly prevent the recurrence of compliance violation. A system has been established for compliance officers to report serious compliance violations to the Risk Management Committee.

## **/ Monitoring the Enhancement of Compliance Awareness**

In order to enhance awareness of compliance, we are working on the dissemination and thorough enforcement of the "The Fujibo Group Charter of Conduct", establishing an organizational structure centered on the Compliance Committee and setting semi-annual targets for awareness-raising activities such as priority legal measures to comply with important laws and regulations.

With regards to compliance promotion efforts, each department is required to report to the Compliance Committee on a semi-annual basis, examining the implementation of the compliance program and any problems that have arisen. In addition, the Internal Audit Office conducts multifaceted monitoring, including confirmation of the status of compliance with laws, regulations and internal rules in operational audits; confirmation of the status of development and operation of control to prevent frauds and errors, such as proper segregation of duties and IT control, in internal control assessments on financial reporting; and confirmation of whether the quality audits system, in compliance with quality-related laws and regulations, to prevent any inadequate incidents.



## Anti-Bribery Policy

The Fujibo Group recognizes bribery as a serious risk factor that undermines corporate credibility. We focus on preventing any form of corruption, including bribery, collusion, embezzlement and breach of trust, and ensuring a sound business environment. We have established the following Fujibo Group Anti-Bribery Policy to ensure thorough compliance with anti-bribery laws and internal regulations applicable in the countries and regions where we conduct business, and to demonstrate ethical and honest behavior. We request all officers, employees and business partners to thoroughly abide by this policy.

### [Fujibo Group Anti-Bribery Policy]

#### 1. Prohibition of bribery

The Group will not give, offer or promise bribes to any person, directly or indirectly, and will neither accept bribes.

#### 2. Appropriate approval procedures and post factum confirmation procedures

The Group will make payments to public officials following the appropriate approval procedures, and conduct appropriate post factum confirmation such as monitoring the status of compliance with this Policy through internal audits.

#### 3. Establishment of an anti-bribery promotion system

Through training etc., the Group will ensure full understanding and compliance with laws and regulations relating to bribery and this Policy.

#### 4. Bribery risk assessment and control procedures

The Group will conduct risk assessment related to anti-bribery laws and regulations, and establish and operate risk-appropriate control procedures. When commencing transactions with a new business partner or at the time of an M&A, etc., the Group will carry out a preliminary assessment of the counterparty according to bribery risk.

#### 5. Keeping of records and maintaining financial control

The Group will maintain records and financial control to ensure accountability in compliance with anti-bribery laws and regulations and this Policy. In addition, the Group will periodically review this Policy and its compliance procedures, and make the appropriate revisions and improvements as necessary.

#### 6. Penalties

In the event that an officer or employee violates anti-bribery laws or regulations or this Policy, the Group will carry out the necessary investigation properly and promptly, and will take the appropriate punitive action against the violating party in accordance with the internal regulations of each Group company.

## Tax Compliance

### 1. Basic position

The Fujibo Group's basic policy is to comply with the tax-related laws and regulations as well as the various rules of each country where it conducts business activities, while implementing tax measures in accordance with the transfer pricing guidelines and other rules established by the OECD (Organisation for Economic Co-operation and Development). We strive to properly report and pay taxes throughout the Group.

### 2. Tax governance

In the Fujibo Group Charter of Conduct, the Group states that it will comply with social rules, laws, and regulations both in Japan and abroad, as part of its efforts to conduct fair and sound corporate activities and to conform to the international community. It is critical to maintain and improve tax governance in order to increase corporate value. We collaborate with Group companies and divisions to share information about tax issues and report on tax enforcement conditions. Through these and other measures, we strive to develop our governance system.

### 3. Transactions between related companies

The Group strives to ensure that transactions with overseas related parties are conducted properly based on the arm's length principle in accordance with OECD transfer pricing guidelines and various countries' transfer pricing taxation principles. With an understanding of the intent of generally accepted rules and guidance related to international taxation, such as the Action Plan on Base Erosion and Profit Shifting (BEPS), the Group pays taxes in a proper and timely manner in accordance with each country's tax laws and regulations, treaties and other rules in line with its business performance. The Group will not engage in any improper tax avoidance activity.

### 4. Relationships with tax authorities

The Group will respond to tax authorities with integrity and will maintain constructive and satisfactory relationships with them. The Group will conduct prior consultations as needed and will strive to conduct proper tax reporting, while working to reduce tax risk.

### 5. Ensure transparency

In accordance with the provisions of the Financial Instruments and Exchange Act, the Group discloses the amount of tax due, the reconciliation of the effective statutory tax rate, and other matters in its annual securities report.

# RISK MANAGEMENT

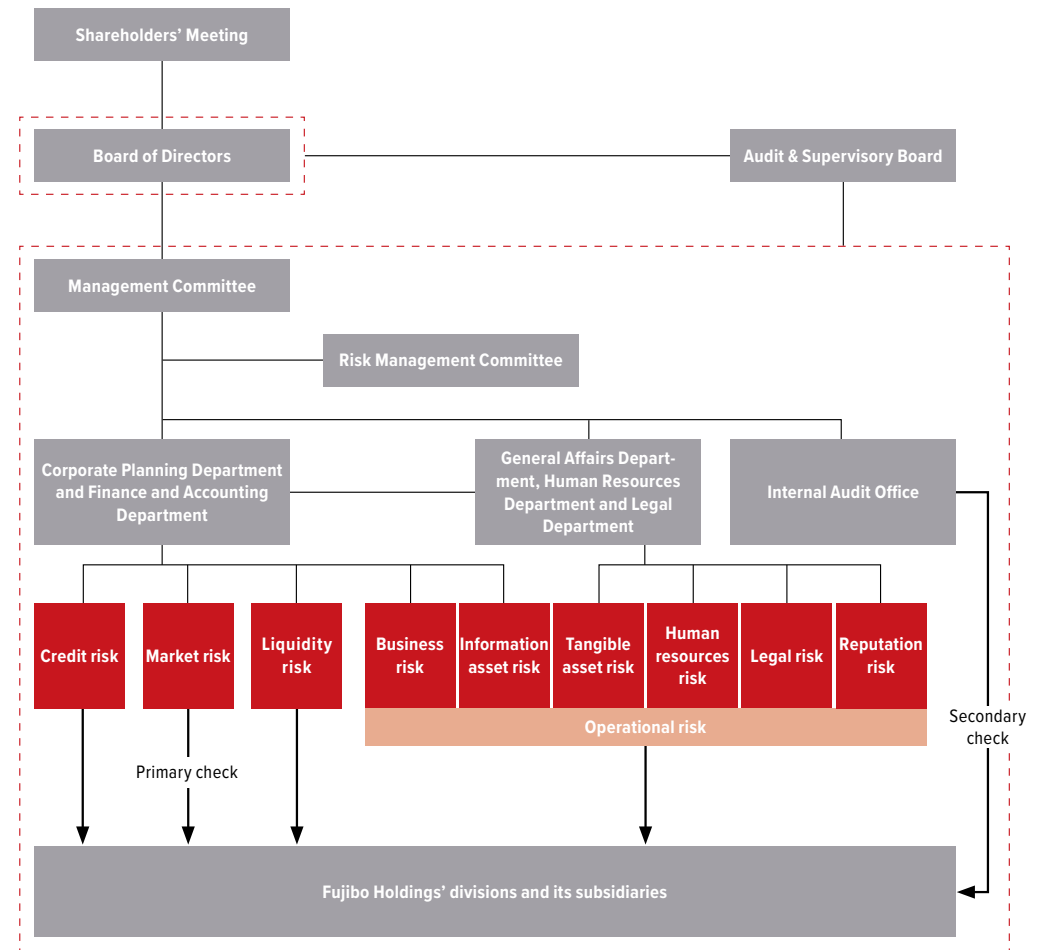
## Basic Concept

The Fujibo Group strives to ensure sound management and stable earnings to achieve sustained growth by detecting various risks that may have a material impact on our business operations at an early stage and managing them in a prompt and appropriate manner when they become apparent. Hence, we consider risk management as an important matter of our business strategy and have set a basic policy for risk management.

## Risk Management System

We are working on establishing and maintaining a system to identify and manage risk information pertaining to the entire Group. In our Risk Management System, we have established the Risk Management Committee to collect and analyze information on various risks surrounding the Group and to take measures when risks become apparent. Depending on the nature of risk, the committee consults with internal and external experts to take action from a more specialized perspective.

### Risk Management System



## Risk Determination Process

The Risk Management Committee addresses development of a process or system to prevent risk occurrence while visualizing and identifying potential material risks. Specifically, we identify material risks and assess their impact and frequency of occurrence in accordance with the following process:

1. Determine materiality of risks through risk analysis;
2. Develop a plan to manage each risk;
3. Evaluate and improve the plan afterward and implement continuous measures.

By continuously implementing the PDCA cycle of countermeasures, evaluation, and improvement in the risk management process, we believe that we can respond to risks more effectively.

## How to Deal with Material Risks

Based on the findings of internal audits and other factors, we identify “material risks” every year from the perspective of necessity of measures and the degree of impact on corporate management and society. The material risks in FY 2022 are as below: For these risks, respective risk handling departments have taken necessary measures:

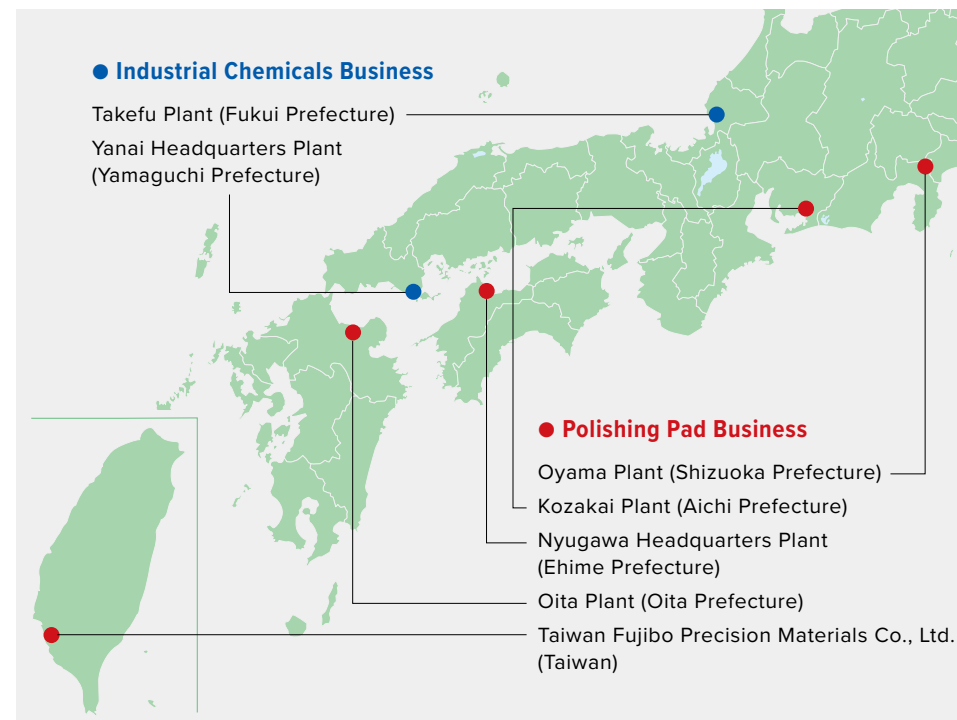
[Material Risks]

- Unusual changes in financial condition, business results and cash flows;
- Risks associated with important contracts;
- Dependence on particular products and customers;
- Risks concerning intellectual property;
- Legal restrictions;
- Product liability;
- Impact of natural disaster or power outage, etc.;
- Impact of infectious diseases such as COVID-19;
- Impairment loss on fixed assets;
- Risks associated with climate change;
- Risks associated with securing human resources.

## Business Continuity Plan

In the event of a major natural disaster, pandemic caused by an epidemic, large-scale terrorist attack or riot in Japan or overseas, war, or any other incident, accident, or problem that seriously interferes with the Group’s business operations, we will take the following actions to ensure the safety and security of its employees while continuing its business operations smoothly, ensuring an early recovery and a stable supply of products and services, and supporting the recovery and reconstruction of local communities and customers. In an emergency, we have established an emergency headquarters and a system to respond quickly and appropriately in cooperation with related departments.

Both the Polishing Pad Business and the Industrial Chemicals Business are establishing multiple business sites, which is a key component of the business continuity plan (BCP).





## Guidelines and Initiatives on Intellectual Property

The Fujibo Group is proactively undertaking strategic initiatives related to intellectual property to strengthen our technological competitiveness for global expansion and to enhance our corporate value. Specifically, we strive to secure the superiority of our business and contribute to a sustainable society through the appropriate protection of intellectual property rights, the proactive utilization of intellectual property rights, the pursuit of innovation in original technology, and the monitoring of patent registrations in the global market.

At the same time, we are striving to promote our business in a fair way so as not to infringe other companies' rights from the R&D phase.

### 1. Organizational system

The "Intellectual Property Office" has general control over patents, utility models, designs and trademarks among intellectual property. The Intellectual Property Office has established a management system to facilitate the strategic acquisition and management of our intellectual property and secures business advantages and a certain degree of freedom in research and development to promote the strategic use of the intellectual property as sources of the company's competitiveness.

### 2. Invention and innovation promotion system

As a system to promote the creation of intellectual property, we have established an award system for outstanding inventions that contribute to our business, and a reward system to return substantial benefits for employee inventions.

### 3. Education system

We hold workshops for relevant departments for the understanding and establishment of basic ideas of intellectual property and carry out activities to encourage all employees to protect and utilize intellectual property. Further, we are improving our education system on intellectual property, such as inviting external experts to give practical lectures for front-line development and sales personnel on how to handle risks associated with intellectual property and give lectures for new employees or candidates for promotion.

### 4. Actions against counterfeit products

Textile products, such as B.V.D., have a risk of brand damage caused by unauthorized use of the brand by third parties. For this reason, we are resolutely taking action against the sale of counterfeit products of our brand and the use and description of similar trademarks through the monitoring of Internet sales sites.

## Compliance with Anti-Monopoly Act

The Group strictly prohibits any actions that violate each country's competition laws. In order to ensure that all employees are aware of and thoroughly comply with competition laws, we have established a "Code of Conduct for Compliance with Anti-Monopoly Act" and provide training in competition laws and compliance. We are also working on the establishment of a company-wide compliance system to ensure compliance with the Anti-Monopoly Act, including the establishment of a hotline for consultation about suspicious conduct.

Furthermore, in order to prevent actual or suspected cartel activities, we have set criteria for attending meetings with competitors and industry group meetings, and prohibit inappropriate contact and information exchange with competitors.

## Information Security

The Group recognizes various information obtained in the course of our business activities as important assets. It is our responsibility to properly manage, and prevent leakage of all information assets, including information on research and development, technology and management and confidential information about our customers and clients. In order to properly protect and manage these important assets, we have formulated an "Information Security Policy," with an aim to establish and further improve our information security system. We are attempting to prevent unauthorized access from the outside by ensuring awareness of compliance rules relating to the protection of information, including corporate information and personal information, under the "Information Security Policy."

In order to maintain and manage information security, we also have established a comprehensive management system by instituting an Information Security Committee.

In terms of activities in FY2022, we increased the Group network's resilience to cyberattacks, provided e-learning programs to improve all employees' IT literacy and drills on targeted email attacks, and started developing a so-called Computer Security Incident Response Team (CSIRT) to put a framework in place for swiftly implementing countermeasures in the unlikely event of a cybersecurity incident.



# ESG DATA

The periods covered are the fiscal years ended March 31, 2020, 2021, 2022 and 2023, or as of March 31 of each year, unless otherwise noted.

## Governance Data

Corporate governance		2020	2021	2022	2023
Number of directors	Total	8	8	8	8
	Male	7	7	6	6
	Female	1	1	2	2
Number of outside directors (ratio)		3 (37.5%)	3 (37.5%)	3 (37.5%)	3 (37.5%)
Number of non-Japanese directors (ratio)		1 (12.5%)	1 (12.5%)	1 (12.5%)	1 (12.5%)

\*As of June 30 of each year

## Social Data

Employee composition		FY2019	FY2020	FY2021	FY2022
Number of employees (Consolidated)	Total	1,251	1,156	1,195	1,273

Diversity		FY2019	FY2020	FY2021	FY2022
Number of employees by gender (Consolidated) (ratio) *Excluding temporary employees	Total	1,251	1,156	1,195	1,273
	Male	771	732	761	832
	Female	480 (38.4%)	424 (36.7%)	434 (36.3%)	441 (34.6%)
Number of non-Japanese employees (Consolidated)		461	399	400	391

Managers		FY2019	FY2020	FY2021	FY2022
Number of managers (Consolidated) (ratio)	Total	162	139	153	151
	Male	151	127	140	138
	Female	11 (6.8%)	12 (8.6%)	13 (8.5%)	13 (8.6%)
Number of women at a general manager level or higher (ratio of female employees to all employees at a general manager level or higher)		3 (5.1%)	4 (8.5%)	4 (8.0%)	4 (8.3%)
Ratio of females at a section manager level (ratio of females to all employees at a section manager level)		8 (7.8%)	8 (8.7%)	9 (8.7%)	9 (8.7%)

Number of employees by employment type		FY2019	FY2020	FY2021	FY2022
Number of employees by employment type (Consolidated)	Regular	1,251	1,156	1,195	1,273
	Temporary	155	123	126	172

\* The number of temporary employees is the annual average.

Recruitment		FY2019	FY2020	FY2021	FY2022
*Domestic consolidated subsidiaries					
Number of hires (ratio) * Including mid-career hires	Total	32	53	77	103
	Male	25	44	68	83
	Female	7 (21.9%)	9 (17.0%)	9 (11.7%)	20 (19.4%)

Reemployment of retirees		FY2019	FY2020	FY2021	FY2022
Number of reemployed retirees (ratio)		12 (75.0%)	16 (88.9%)	9 (69.2%)	24 (88.9%)

Employment of people with disabilities		2020	2021	2022	2023
*Domestic consolidated subsidiaries					
Number of employees with disabilities (ratio)		15 (1.6%)	16 (1.9%)	15 (1.7%)	18 (1.9%)

\*As of June 1 of each year





Employee data		FY2019	FY2020	FY2021	FY2022
*Domestic consolidated subsidiaries					
Average age of employees	Total	41.8	41.6	41.8	41.2
	Male	42.0	41.6	41.6	40.9
	Female	41.1	41.8	42.3	42.2
Average years continuously employed	Total	18.0	17.4	17.3	16.0
	Male	18.1	17.4	17.0	15.8
	Female	17.2	17.6	18.2	17.2
Gender wage gap *Wages of female employees as a percentage of those of male employees	All employees	50.8%	54.0%	57.3%	60.3%
	Regular	61.9%	63.6%	68.5%	72.0%
	Temporary	40.1%	53.3%	51.4%	49.8%
Three-year new-graduate employee retention rate *The retention rate for new graduates hired three years ago as of the end of each fiscal year.)	Total	73.1%	60.9%	94.4%	96.3%
	Male	76.2%	60.0%	92.3%	95.8%
	Female	60.0%	66.7%	100.0%	100.0%
Total turnover rate *The ratio of those in Japan resigning during the year against the number of employees in Japan as of the end of each fiscal year		6.2%	6.6%	3.4%	3.8%

Work-life balance		FY2019	FY2020	FY2021	FY2022
*Domestic consolidated subsidiaries					
Number of days of paid leave given *Average of all employees and excluding paid leave carried forward		22.1	20.8	20.4	19.7
Rate of annual paid leave taken		43.3%	42.5%	47.7%	50.6%
Number of employees who took parental leave (Parental leave uptake rate)	Total	1 (5.3%)	3 (17.6%)	3 (20.0%)	9 (45.0%)
	Male	0 (0.0%)	1 (6.7%)	0 (0.0%)	3 (18.8%)
	Female	1 (50.0%)	2 (100.0%)	3 (75.0%)	6 (150.0%)
Number of employees who work shorter hours for childcare	Total	3	3	1	3
	Male	0	0	0	1
	Female	3	3	1	2
Employees' monthly average overtime hours		9.2	10.7	9.2	8.0

Employee health		FY2019	FY2020	FY2021	FY2022
Stress check participation rate		98.9%	98.3%	98.6%	98.6%
Percentage of individuals with high stress		12.8%	12.7%	14.7%	10.8%

## Environmental Data

Energy and greenhouse gas emissions		FY2019	FY2020	FY2021	FY2022
*Domestic and overseas consolidated subsidiaries					
Greenhouse gas emissions (thousand tons)	Scope 1 + Scope 2	57.6	55.7	60.1	62.9
	Scope 1	22.2	21.9	24.8	27.3
	Scope 2	35.4	33.8	35.3	35.5
	Scope 3	–	–	124.5	128.7
Energy consumption (TJ)	Total	914.4	883.4	928.5	948.9
Electricity consumption (thousand kWh)	Total	67,227	66,204	70,936	71,873

Water resources		FY2019	FY2020	FY2021	FY2022
*Domestic consolidated subsidiaries					
Water resources input (thousand m <sup>3</sup> )	Total	1,756	1,871	2,059	1,832
Water resources discharge (thousand m <sup>3</sup> )	Total	–	–	1,635	1,372

Waste and chemical substances		FY2019	FY2020	FY2021	FY2022
*Domestic consolidated subsidiaries					
Waste discharge (thousand tons)	Total	44.5	44.9	48.2	47.9
	Outsourced	26.2	24.7	20.5	18.8
	(Of which, recycled)	–	–	12.0	9.0
	(Of which, sent to landfill)	–	–	8.5	9.7
	Internally processed	18.3	20.2	27.6	29.1
Soot and dust emissions (tons)		6.3	7.7	24.8	21.8
SOx emissions (tons)		8.0	10.9	3.9	4.1
NOx emissions (tons)		30.2	32.7	10.1	14.8
Amount of PRTR substances treated (tons)		8,651	8,448	8,061	7,812