

## 1

## FANCL Corporation

## Companies' approach

**□ Background and purpose of accounting**

[Background] In formulating long-term goals, we will clarify how to support the energy needs of the world population, which is expected to reach 9.7 billion by 2050, what kind of projects we will undertake, and what we lack to do so.

[Purpose] To utilize the accounting results in formulating a long-term business strategy for 2030 (VISION 2030)

- To identify supply chains, products, and services that use large amounts of energy.
- To use the accounting results as a basis for investment decisions.
- To utilize the accounting results as materials used to develop talented individuals who are able to keep abreast of changes in society and raise environmental awareness among employees .

**□ Utilization of accounting results**

The accounting results are utilized to:

- clarify what we should invest in and in which direction we should take the company to help realize a sustainable society;
- develop products, services, and technologies that will contribute to creating a low-carbon society;
- achieve sustainable procurement (establishment of policies, goals, and standards); and
- provide more efficient promotion.

**□ Benefits of accounting**

The accounting enables us to:

- provide quantitative data used as a basis for management and investment decisions;
- give investors more confidence to invest in the company;
- share common goals with suppliers (point vectors in the same direction); and
- learn about carbon-free practices adopted by other companies leading the way on carbon management.

**□ Internal system for accounting**

- The data compiled and managed at the head office, laboratories, and factories are gathered and calculated by the Corporate Social Responsibility Promotion Office.

## 2

## FANCL Corporation

	<b>Companies' approach</b>
<p><b>□ Efforts to reduce supply chain emissions</b></p>	<ul style="list-style-type: none"> <li>• We have announced a long-term plan and goals and develop an environment that facilitates collaboration among internal and external organizations. We also announced a sustainable procurement policy in February 2018 and have conducted a survey and assessment of major suppliers' efforts toward global environment, and so on.</li> <li>• CO<sub>2</sub> emissions from Category 1 (Purchased goods and services), Category 11 (Use of sold products), and Category 4 (Transportation and delivery) account for more than 80% of our total Scope 3 emissions.</li> <li>• To reduce emissions from the procurement of raw materials, we are promoting the size reduction of products, weight saving of containers and packing materials, adoption of bio-raw materials, and wider use of refills. We are also optimizing our investment in paper media such as catalogs and electronic media such as websites to increase our advertising efficiency.</li> <li>• To reduce emissions from the use of products, we are developing and offering water-saving products that remove makeup easily and other products that contribute to curbing our environmental impact.</li> <li>• To reduce emissions from transportation, we are working to reduce re-delivery by offering a service that allows customers to designate where they want their product to be left when delivered, as well as to introduce compact packages that can be placed inside mailboxes.</li> </ul>
<p><b>□ Issues in supply chain emissions accounting</b></p>	<ul style="list-style-type: none"> <li>• We performed calculations using the industry's average values and standard scenarios, but there is a need to improve the accuracy in calculation for categories and suppliers with high emissions.</li> <li>• We need closer collaboration with suppliers to obtain their emissions data in order to bring the accounting results closer to the actual status.</li> <li>• We need to listen more closely to customers' comments and opinions to bring scenarios in the product use stage closer to the actual status.</li> <li>• We need to build internal and external awareness regarding the emissions accounting and develop accounting experts.</li> </ul>
<p><b>□ Other</b></p>	<ul style="list-style-type: none"> <li>• Going forward, we will endeavor to monitor not just our CO<sub>2</sub> emissions but also our environmental impact on water resources and natural capital.</li> </ul>

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## FANCL Corporation

Category	Accounting methods ※Accounting period : April 2020 - March 2021	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> <li>Weight and value of raw materials, materials, and services purchased</li> </ul>	<ul style="list-style-type: none"> <li>IDEAv2 Basic Database, Supply chain emissions unit values v3 database</li> </ul>
Category 2: Capital goods	<ul style="list-style-type: none"> <li>Value of capital investment</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain emissions unit values v3 database</li> </ul>
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> <li>Energy consumption</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain emissions unit values v3 database</li> </ul>
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> <li>Weight transported × distance transported (ton-kilometers transported)</li> </ul>	<ul style="list-style-type: none"> <li>IDEAv2 Database</li> </ul>
Category 5: Waste generated in operations	<ul style="list-style-type: none"> <li>Amount of waste generated by type</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain emissions unit values v3 database</li> </ul>
Category 6: Business travel	<ul style="list-style-type: none"> <li>Number of employees</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain emissions unit values v3 database</li> </ul>
Category 7: Employee commuting	<ul style="list-style-type: none"> <li>Number of employees by office and factory</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain emissions unit values v3 database</li> </ul>
Category 8: Leased assets (upstream)	<ul style="list-style-type: none"> <li>Included in Scopes 1 and 2</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
Category 9: Transportation and delivery (downstream)	<ul style="list-style-type: none"> <li>Estimated from product transportation data in Category 4</li> </ul>	<ul style="list-style-type: none"> <li>IDEAv2</li> </ul>
Category 10: Processing of sold products	<ul style="list-style-type: none"> <li>No or insignificant amount of emissions generated due to the nature of our business</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
Category 11: Use of sold products	<ul style="list-style-type: none"> <li>Energy consumption based on assumption that products were used in a standard manner for face and hair washing and cooking</li> </ul>	<ul style="list-style-type: none"> <li>IDEAv2 Database</li> </ul>
Category 12: End-of-life treatment of sold products	<ul style="list-style-type: none"> <li>Amount of containers and packing materials left after the use of products, estimated from the sales quantity</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain emissions unit values v3 database</li> </ul>
Category 13: Leased assets (downstream)	<ul style="list-style-type: none"> <li>No or insignificant amount of emissions generated due to the nature of our business</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
Category 14: Franchises	<ul style="list-style-type: none"> <li>No or insignificant amount of emissions generated due to the nature of our business</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
Category 15: Investments	<ul style="list-style-type: none"> <li>No or insignificant amount of emissions generated due to the nature of our business</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>
Other	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>

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## FANCL Corporation

## Accounting results

## ● Supply chain emissions

