



# Contributing to a sustainable world through management balancing business and ESG

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## Message

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Thank you to all of our stakeholders for their continued support of FineToday Group.

We have grown our businesses steadily since our founding in July 2021 as Fine Today Shiseido Co., Ltd. Today, we are advancing efforts to establish an autonomous management structure integrated from research and development through manufacturing and sales with a sense of urgency. At the same time, as our supply chain grows so does the scope of the stakeholders with whom the Group interacts. We recognize the need for even more active efforts in areas such as responding to climate change and human rights in the supply chain as integral parts of business management. We also recognize the importance of proactive disclosure of related

information, in order to build even stronger trust among all stakeholders and fulfill our responsibilities as a member of society.

This Report plays an important role in our disclosure initiatives by providing information on current initiatives centered on those related to sustainability. Nothing would make me happier than for this Report to help readers to understand the Group even better.

While the lengthy COVID-19 pandemic has at long last begun to show signs of settling down, the business environment continues to face numerous factors contributing to change, such as skyrocketing prices of raw materials and foreign-exchange instability. Even under these conditions, the Group was able to increase profits in FY2022. In FY2023 as well, all of us will continue working together to enhance our corporate value—including sustainability initiatives—toward our short-term target of an IPO.

**Our Purpose is like the guiding star of the good ship *FineToday's* navigation.**

The Group's businesses began in July 2021, succeeding to the personal care businesses of Shiseido Company, Limited and FT Shiseido Co., Ltd. Powered by our richly diverse organization and unceasing spirit of opening up new frontiers, we deliver products and services to enrich body and mind, based on aesthetic intelligence, to "Make Every Day a Fine Day" for people around the world.

When we marked our first anniversary in July 2022, we established our "Purpose" (our reason for being) and "Values," (Our ideals and principles) to express the vision to "Make Every Day a Fine Day" for people around the world that is the origin of our company name more vividly and to identify clearly our target courses of action.



These incorporate our determination to contribute to sustainable growth as a role model of a glocal enterprise in the region of Asia for the personal care field. We do this by supplying products localized for the needs of each country and region while valuing our inherited aesthetic intelligence as a company with roots in Japan and the principles of truth, goodness, and beauty.

Our employees, including those at Group companies overseas, played leading roles in formulating each of these important precepts. The Purpose is like the guiding star we will use to navigate our *FineToday* on its voyage toward being a group of companies beloved by our children's and grandchildren's generation a century from now. With this Purpose serving as a principle that we created ourselves, each employee will play an important role in charting our course and continuing to deliver sustainable value to all the stakeholders.

**The importance of ESG to FineToday Group**

Based on this Purpose, business administration and promotion of environmental, social, and governance (ESG) initiatives serve as the integral twin axles of our business. Without these two axles, the organization would be incomplete, as the Group continues to take on the challenge of making every day a positive experience by enriching the lives of people around the world.

The supply chain of the personal care products business is built on a wide range of stakeholders. We consider our ability to provide stakeholders with value not only in business aspects but also in those concerning sustainability, including the environment and

human rights, to be extremely important. We build trust, empathy, and inspiration through means that include supplying products that embody not only functional value but emotional value as well and carrying out various ESG initiatives. By doing so, we will generate in concert with our stakeholders' behavioral changes that will lead to positive action for people, society, and the environment. This also helps us to make progress toward further business growth and ESG initiatives at an even higher level. Through this cycle we will aim to increase our corporate value integrating both financial and nonfinancial aspects.

**Practical ESG initiatives**

To be a sustainable enterprise, it is vital to contribute to sustainability around the world. Based on this understanding, the Group has continued to enhance its sustainability initiatives ever since its founding.

In FY2022, we formulated "Fine Today & Tomorrow 2030," our mid- to long-term vision for realizing our Purpose and Values as we move forward toward FY2030 based on the four "P's" (Principles of Governance, People, Planet, and Prosperity). We see "Fine Today & Tomorrow 2030" as a roadmap for continuing to provide value to all of our diverse stakeholders, and today we are promoting a wide range of initiatives in line with this vision.

We have amassed a number of achievements through today. For example, we have identified priority materiality topics and expressed our support for international norms including the

United Nations Global Compact and the Roundtable on Sustainable Palm Oil (RSPO). In the area of climate change, we have calculated greenhouse gas emissions, declared our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), published a TCFD Report, and submitted a commitment letter for Science Based Targets (SBT) accreditation. We also earned a Silver Medal from EcoVadis\* in 2022, our first year of undergoing review by that organization, ranking us among the top 25% in its assessment.

Under our medium- to long-term vision “Fine Today & Tomorrow 2030” as well, we will aim to achieve targets on KPIs established in the four “P’s” of Principles of Governance, People, Planet, and Prosperity. We also will strengthen our initiatives in the area of human rights, through means including formulation of a human-rights policy and launching a human-rights working group.

At the same time, we recognize that as our company grows rapidly in scale, we will need to develop a structure for thinking and acting autonomously on measures based on the actual conditions in each country and region (e.g., differences in receptivity to ESG initiatives). We also should make sure to deploy best practices horizontally across the organization in the future.

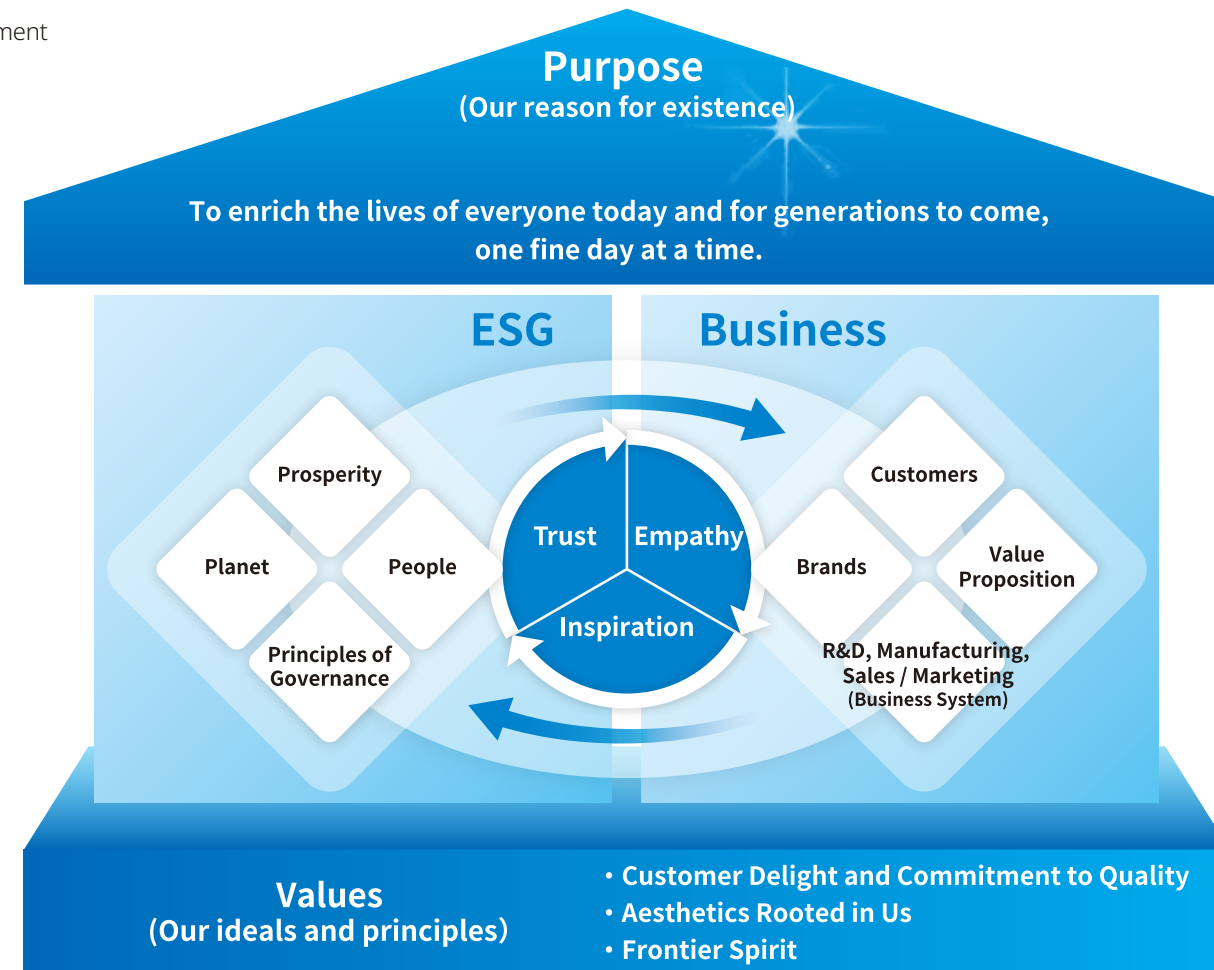
We will aim for even broader and more in-depth sustainability initiatives by sharing information and creating opportunities for discussion, to achieve even closer cooperation among individual countries and regions.

\* The world's largest sustainability assessment agency, with more than 100,000 registered companies in 175 countries.

### The importance of ESG to FineToday Group

Business management and ESG are the twin axles of our Purpose-driven management

## Basic Concept of Purpose-Driven Management



## Our aims in business operation

We consider the Group to be a “Big Venture”—that is, an organization that incorporates elements of both a major firm and a startup, recording net sales of more than 100 billion yen soon after its launch.

Overseas sales account for more than 50% of the net sales of our brands, which demonstrate competitive strengths on a global basis in the three priority regions of Japan, China, and the Asia-Pacific region (APAC). They include brands that are building flexible business promotion structures capable of adapting swiftly to local needs, through means such as deployment of products localized for individual countries and regions.

In light of these circumstances, our medium- to long-term vision calls for us to achieve by FY2030 the status of a role model in Asia for the glocal firm that the world of today expects. The entire organization will take steps toward achieving this vision together. As the first step, we will aim for further growth centered on Asia, by swiftly establishing autonomous business operations.

Toward this aim, in the roughly two years since we began business operations we have laid the foundations of business in a wide range of areas. In FY2022, we added 10 business entities in the APAC region to the Group, as well as completing the process of bringing in-house our IT systems in 11 countries and regions, including Japan. Furthermore, in FY2023, we acquired the Kuki Factory from Shiseido Company, Limited to as a manufacturing facility. It got a new start in April as Fine Today Industries Co., Ltd. We plan to acquire a factory in Vietnam in the second half of the

same fiscal year as well. We also are making steady progress on preparations to bring an R&D facility in-house.

Through these initiatives, we will focus on building a business system integrated from research and development through manufacturing and sales. This way, we will further accelerate and achieve flexibility in our ability to supply appropriate quantities of a diverse range of high-quality products to meet market needs in each country and region. We also will advance optimization of the entire supply chain while further promoting the competitive strengths of our brands, which have earned the support of numerous customers.

Together with this business growth, we expect the number of employees in the entire Group, including overseas operations, to reach a total of about 3000 people during FY2023, after starting at about 300 people. Under such conditions, it is vital to work toward solutions autonomously in teams that extend above and beyond sectional and hierarchical boundaries. We believe that doing so will promote inclusion naturally, leading to glocal innovation. As one example, the manufacturing facility Fine Today Industries Co., Ltd. is striving toward solutions across organizational boundaries through means such as factory employees, who also are consumers themselves, proposing improvements to packaging materials and contents, to function as a factory that generates solutions.

To be a group of companies that will remain beloved and respected in the world a century from now, we in FineToday Group will continue to navigate the seas of a world of uncertain prospects and an unpredictable future while overcoming various

business challenges, using our purpose and our values as our navigator. We would appreciate the continued guidance and support of all stakeholders.



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