

Environment

- 24 FineToday Group Basic Environmental Policy
- 25 Our responses to climate change
- 28 Action towards a sound material-cycle society (circularity)

FineToday Group Basic Environmental Policy

FineToday Group Basic Environmental Policy

Basic Philosophy

- **Realization of a Sustainable Society**

We in the FineToday Group believe in the importance of balancing our business activities with conservation of the global environment so that we may pass on a beautiful global environment to future generations. Through our personal care products, we strive to provide people all around the world with a fine day, and at the same time, we are contributing to the realization of a sustainable society by working to protect the global environment through our business activities in order to beautify and enrich the lives of those in future generations.

- **Corporate Social Responsibility**

We in the FineToday Group recognize the social responsibility that we bear as a company, and in addition to complying with laws, regulations, and international rules aimed at conserving the global environment, providing our employees with environmental education, and collaborating with local communities, we also intend to proactively disclose information and engage in other forms of environmental communication.

Action Agenda

- **Priority Areas and Basic Approach**

- (1) Initiatives in Response to Climate Change
Through our business activities and value chain, we work to promote energy-efficiency and reduce greenhouse gas emissions, which cause climate change.
- (2) Initiatives in Biodiversity Conservation
We work to assess the impact of our business activities and value chain on biodiversity and endeavor to reduce any negative effects in order to promote sustainable use of natural capital in harmony with nature.
- (3) Sustainable Management of Water
Through our business activities and value chain, we engage in sustainable use and management of water resources, in regard to both water withdrawal and water discharge.
- (4) Initiatives in Realizing a Sound Material-Cycle Society (Circularity)
In order to promote sustainable consumption, we contribute to the realization of a circular economy through appropriately managing and efficiently utilizing resources as well as through reducing waste in our business operations, product usage, and product life cycles, including used product packaging.

- (5) Air Quality Control and Chemicals Management

We strive to reduce our environmental impact and prevent pollution by reliably managing the chemical substances used in our business activities and value chain.

- **Environmental Management System**

We in the FineToday Group have established an environmental management system and intend to work continuously to maintain and improve this system through application of the PDCA cycle.

Our responses to climate change

Basic policy

In line with our Basic Environmental Policy, the FineToday Group strives to fulfill its social responsibility to protect the environment and help realize a sustainable society.

The medium- to long-term vision “Fine Today & Tomorrow 2030” identifies addressing climate change as a priority area. We are enhancing our climate-change initiatives as a management priority.

Our responses to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

In FY2022, the Climate Change Working Group (WG) was established. Eight divisions and nine departments participate in the WG. We are advancing the response to climate change through means including identification of climate-related risks and opportunities, assessment of their financial impacts, and scenario analysis.

Website **TCFD Report**
<https://www.finetoday.com/en/sustainability/environmental/climate/>

Climate-related risks and opportunities

Information on climate-related risks and opportunities reported by eight divisions and nine departments through the Climate Change WG initially reached 71 items.

Through assessing the financial impact of each of these items, we identified priority topics (five risks and five opportunities) climate-related risks and opportunities assessed as “Medium” to “High” according to FineToday’s criteria.

Science-Based Targets (SBT)

FineToday has established the SBT WG to formulate greenhouse-gas (GHG) emissions reduction targets consistent with the levels called for in the Paris Agreement. We have completed calculation of Scope 1, 2, and 3 GHG emissions (see p. 64) with the cooperation of six departments and two factories.

Next, we plan to formulate specific reduction targets, including medium- to long-term targets, and commence drafting of plans for their achievement.

Our responses to climate change

– Priority items

Risk

	Item	Overview	Financial Impact ^{*1}			Timeframe ^{*2}		
			Sales Item	Expense Item	Investment Item	Short-term	Mid-term	Long-term
Physical Risk	Large Typhoon, Heavy Rain, Flood	Delay of transportation caused by supply chain segmentation, loss of sales opportunities, and loss of assets due to the product damage at logistics bases	Medium	High		○	○	○
	Rising Mean Temperature	Decrease in demand for autumn and winter products	Medium				○	○
Transition Risk	Carbon Tax	Increase in transportation costs		Low - Medium			○	○
	National Climate Change Policy	Reducing carbon emissions in logistics, rising manufacturing costs, and increased cost due to decarbonization measures		Low - Medium			○	○
	Shift in Consumer Purchasing Towards Low Carbon Products	Costs increase due to the use of alternative raw materials and promotion of low carbonization of product lifecycle			Medium		○	○

*1 FineToday assesses the financial impact by sales, expenses, and investment items based on the annual profits and expenses using the criteria of “High,” “Medium,” and “Low.”

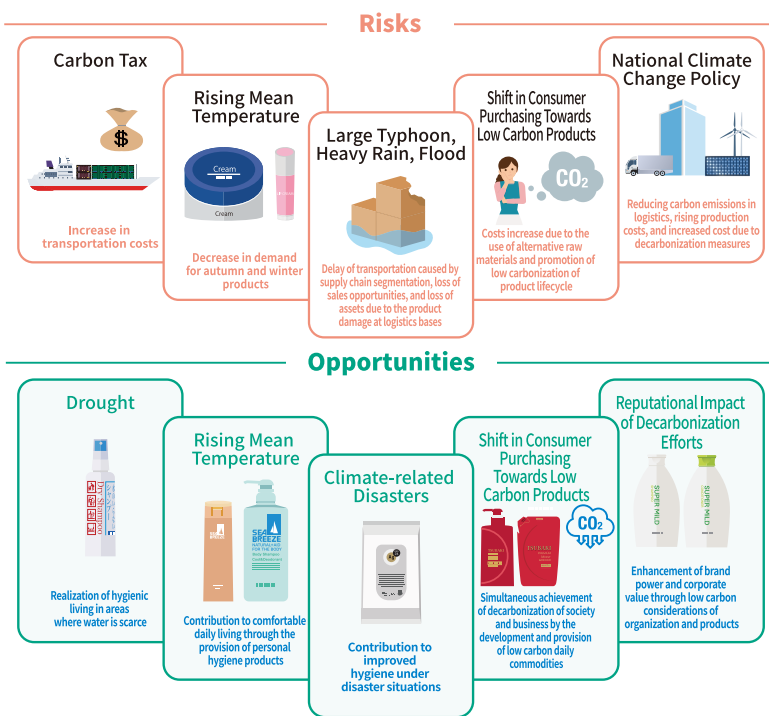
*2 FineToday specifies the timeframe as shown on the right. Short-term: 2022-2023 (The time of assessment) Mid-term: Around 2030 Long-term: Around 2050

Opportunity

	Item	Overview	Financial Impact ^{*1}			Timeframe ^{*2}		
			Sales Item	Expense Item	Investment Item	Short-term	Mid-term	Long-term
Physical Risk	Climate-related Disasters	Provision of products that can be used during disasters	Low - Medium	High				○
	Drought	Increased demand for products that do not require water	Low - Medium					○
	Rising Mean Temperature	Increased demand for personal hygiene products	Low - Medium				○	○
Transition Risk	Shift in Consumer Purchasing Towards Low Carbon Products	Increased sales resulting from the provision of low carbon products	Medium	Low - Medium				○
	Reputational Impact of Decarbonization Efforts	Enhancement of brand power and corporate value through low carbon considerations of organization and products		Low - Medium			○	○

Our responses to climate change

Strategic thinking on climate change



FineToday collected and quantitatively assessed information on climate-related risks and opportunities. As a result, it has become clear that the physical risks of climate change associated with the increase of extreme weather events, such as large typhoons, heavy rain, and flood, are inevitable. However, overall trends have emerged indicating that climate change is not always necessarily negative for FineToday products.

Based on the scenario in which the average temperature will increase 1.5 or 2 °C globally in the long term, we believe that it will become more important to promote the development of low carbon products along with the reduction of company-wide greenhouse gas emissions. In addition, we recognize that the importance of developing products that are helpful for people living under extreme weather conditions will increase based on the scenario in which average temperature will increase 4 °C.

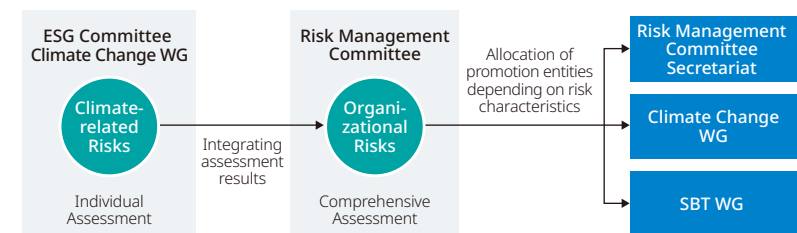
Climate-related risks management

The five climate-related risks identified by the Climate Change WG were classified into 3 categories based on their risk characteristics, and the Risk Management Committee, Climate Change WG, and SBT WG were assigned to address each category of risks. The only acute physical risk that was assessed as “short-term” and “high,” is “large typhoon, heavy rain, flood.” Currently, measures are being taken by dividing logistics warehouses into eastern and western regions and increasing inventory levels. However, in the future, the

Risk Management Committee responsible for natural disaster risks will take the lead in addressing this issue. Furthermore, regarding risks such as “rising mean temperature” and “shift in consumer purchasing towards low carbon products,” the Climate Change WG will promote countermeasures. As for the risks associated with “carbon tax” and “national climate change policy,” the SBT WG will advance measures by calculating and reducing CO₂ emissions.

Together with promoting activities to increase our resilience to climate-related risks, we will continue to disclose information in line with the TCFD recommendations in the future as well.

Responses to climate-related risks in which the Risk Management Committee plays a central role



Action towards a sound material-cycle society (circularity)

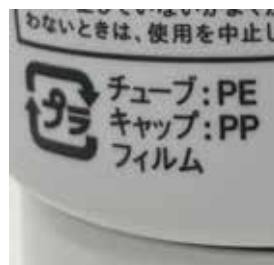
Basic policy

The FineToday Group has established the FineToday Group Basic Environmental Policy to contribute to a sustainable society. Together with climate change, realizing a sound material-cycle society (circularity) is an important topic of FineToday's management. In accordance with the medium- to long-term vision "Fine Today & Tomorrow 2030," the Group focuses on efficient use of resources and recycling.

Container and packaging initiatives

The FineToday Group strives to lessen the environmental impact of containers and packaging materials. For example, bottles* for the Super Mild natural haircare brand use approximately 96% eco-friendly bioplastics from sugarcane. In addition, products provide information on the resources used in their packages to encourage recycling. Pursuant to the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging, FineToday calculates annually the volumes of materials used in containers and packaging and sends them out for recycling by vendors as specified in the act.

* Sold in bottles in China only.



– Container and packaging wastes sent out for recycling <FineToday>

	FY2021*	FY2022*
Glass	4,532 kg	4,260 kg
Paper containers	110,390 kg	102,189 kg
Plastic containers and packaging	3,486,029 kg	3,484,604 kg

* Fiscal year of application under the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging (not year of waste generation)

Initiatives for promotional materials

FineToday uses various promotional tools to support product sales by retailers. These promotional materials play important roles displaying products and communicating product information and product visions to customers on the sales floor.

Most promotional materials are disposed of after use, and some are disposed of without being used as planned. FineToday actively strives to reduce wastes of promotional materials and change the materials to be more environmentally friendly.

Reducing wastes of promotional materials

FT Shiseido Co., Ltd., FineToday's predecessor, first launched these efforts to reduce wastes of promotional and related materials.

• Activities to put unneeded materials to prompt use

For several years, FineToday has addressed the issue of inventories of promotional materials remaining unused over the long term by separating materials into those planned for immediate use and those not expected to be used. Unused materials are disposed of through systematic monthly waste processing. This has helped to reduce inventories of promotional materials remaining unused over the long term and to cut wastes of promotional materials as a whole.

• Ordering promotional materials more efficiently

By nature, the volumes of promotional materials needed are not necessarily clear in advance. This can cause gaps between volumes of promotional materials produced and those actually used. In response, FineToday changed how Sales and Marketing cooperate, adopting a structure under which Sales, with their wealth of retail knowledge, decide on volumes of promotional materials. This helps to reduce waste by using promotional materials more efficiently.

• Efforts to prevent waste of resources

FineToday also conserves resources by improving how it packs promotional materials. For example, use of floor stands that reuse cardboard boxes, instead of disposing of the boxes after unpacking, conserves resources used for promotional materials.



Floor stand

Action towards a sound material-cycle society (circularity)

– Volume of wastes from promotional materials* <FineToday>

	FY2019	FY2020	FY2021	FY2022
Volume of wastes	100	103	109	25

FY2019 and FY2020 data are for FT Shiseido Co., Ltd. FY2021 data also include data for FT Shiseido Co., Ltd.

* Index calculated assigning a value of 100 to actual wastes in FY2019.

Review of materials used in promotional materials

FineToday’s promotional materials are made mainly of paper, but they may use plastic and metal as well. Since the United Nations Environment Assembly passed a resolution on international rules to prevent plastic pollution in February 2022, demands have been increasing for reducing use of plastic and disposing of it properly in order to protect marine ecosystems.

In-store promotional materials include product hanger displays. Many hooks on hanger displays are made of plastic, but since January 2022 FineToday has strived to reduce plastic use by switching to paper hangers where possible.

Highlight

Hanger displays using paper hooks successfully introduced

It is vital for in-store product displays to make it easy for customers to see and grab products. To transition away from plastics, FineToday studied replacing these plastic hooks with paper ones, but this led to practical issues with durability. Over several months beginning in January 2022, FineToday tested the durability of paper hooks in areas such as vulnerability to force and humidity, with the cooperation of about 30 retailers across Japan. The findings showed that the hooks tended to bend when people’s hands touched them and to sag when used for heavy products. Through trial and error, in autumn 2022 some retailers began using paper hanger displays to display Water In Lip lip creme products. The cooperation of retailers and other stakeholders will drive steady progress on transitioning away from plastics in the future as well.



Hanger display with paper hook

More efficient deliveries of promotional materials

FT Shiseido Co., Ltd. began efforts to reduce use of trucks through more efficient deliveries of promotional materials. Like other companies in the industry, FineToday had delivered promotional materials to stores independently, but since June 2019 deliveries to the same stores on the same day have been made jointly with Lion Corporation and Unicharm Corporation, in the same packages. In addition to saving on packaging materials, this helps to reduce CO₂ emissions from logistics.



Cardboard box containing promotional materials for the three companies

Highlight

FRESSY makes hair more comfortable while saving water

FRESSY is a dry shampoo that does not require any water. Users simply spray an appropriate amount on the hair and scalp, massage it gently into the scalp, and dry with a dry towel. Not only does FRESSY make it easy to refresh hair and scalp, but it also saves water.

