

Environmental

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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 June 2022, FineToday announced its support for the TCFD recommendations and conducted scenario analysis to assess climate change-related risk and opportunity impact on corporate management. The analysis results and other information were published in the TCFD Report issued in March 2023.

FineToday also joined the TCFD Consortium (see p. 05) in December 2023 and continues to promote climate change measures.

Website

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

Science-Based Targets (SBT)

FineToday is committed to reducing greenhouse gas (GHG) emissions throughout its value chain. We have set 2030 targets to reduce the company's greenhouse gas emissions*¹ compared to 2021 by 42% and our total indirect emissions*² (including the value chain) by 25%. The Science Based Targets initiative (SBTi) has validated our targets for its Business Ambition for 1.5°C.

To achieve the Fine Today & Tomorrow 2030 objectives, we will continue monitoring Scope 1, 2, and 3 GHG emissions (see p. 62) and are formulating detailed plans for reducing emissions over the medium and long term.

*1 Direct emissions (Scope 1) from the company's own fuel use and industrial processes and indirect emissions (Scope 2) from electricity and heating purchased by the company

*2 Other indirect emissions (Scope 3) from business activities and the value chain

Environmental initiatives at the Vietnam Factory

The Vietnam Factory, which joined the FineToday Group in December 2023, has installed a Central Energy Monitoring System. The system, which was brought over from Japan, provides visualization of the factory's energy usage and enables meticulous monitoring and control for minimizing energy consumption.

Solar power generation equipment has also been installed on the premises and buildings to incorporate renewable energy sources.

We will continue examining and advancing environmental measures, such as ISO 14001-based initiatives, to lower the factory's power consumption and transition further to renewable energy sources.

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 production 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.”

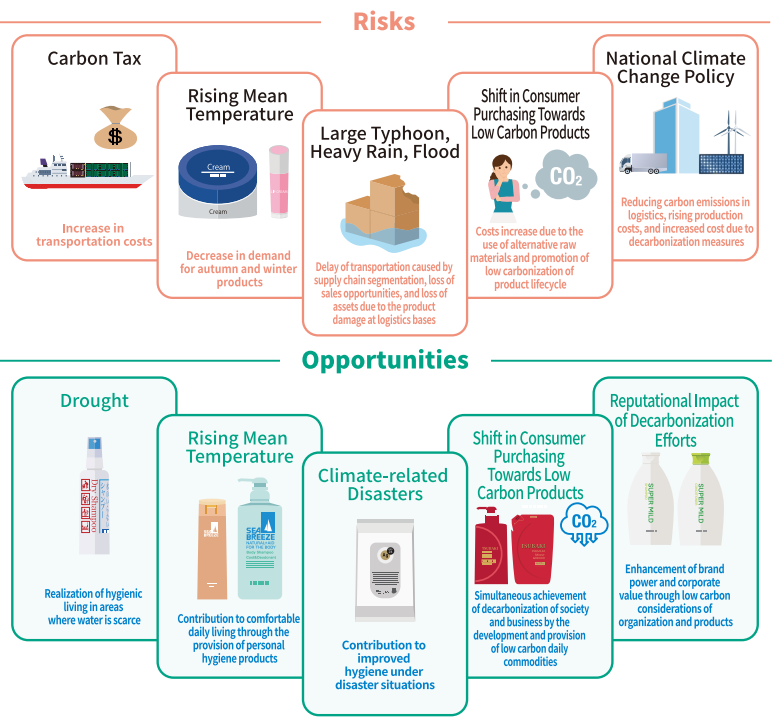
*2 FineToday specifies the timeframe as shown on the right. Short-term: 2022-2023 (The time of assessment) Mid-term: Around 2030 Long-term: Around 2050

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.

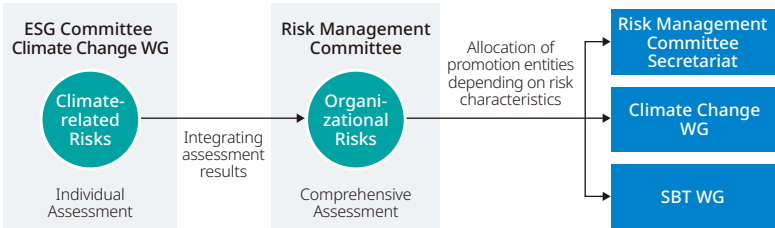
Climate-related risks management

The Risk Management Committee and the ESG Committee's Climate Change Working Group (WG) and SBT WG have been leading measures addressing the five climate-related risks.

The only acute physical risk that was assessed as “short-term” and “high” is “large typhoon, heavy rain, flood.” Current measures are under way to separate our logistics warehouses into eastern and western regions and increase inventory levels. The Risk Management Committee is now in charge of addressing natural disaster risk in addition to leading our risk response for “rising mean temperature,” “shift in consumer purchasing towards low carbon products,” “carbon tax,” and “national climate change policy.”

We will continue advancing activities to bolster our resilience to climate-related risks and disclose relevant information in accordance with the TCFD recommendations.

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



(As of September 2023)

Action towards a sound material-cycle society (circularity)

Basic policy

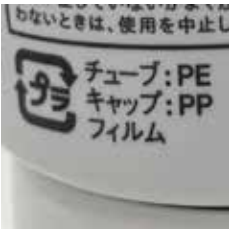
The FineToday Group has established the FineToday Group Basic Environmental Policy to contribute to a sustainable society. Together with climate change, realizing a sound material-cycle society (circularity) is an important topic of FineToday's management. In accordance with the medium- to long-term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

Container and packaging initiatives

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 materials to recycling operators as specified in the act. In addition, products provide information on the resources used in their packages to encourage recycling.

Reference

p. 26 Focus 1:
Development of environmentally friendly products



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

FineToday is committed to reducing the amount of waste generated from promotional and other materials.

- **Activities to put unneeded materials to prompt disposal**

For several years, FineToday has addressed the issue of inventories of promotional materials remaining unused over the long term by separating materials into those actively used and those not used as planned. 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.

- **More efficient deliveries of promotional materials**

We are taking steps to decrease truck usage by improving the distribution efficiency 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

Note: Measures prior to July 2021 are listed under Shiseido Co., Ltd. personal care business.

Focus
1

Development of environmentally friendly products

Birth of a new haircare brand that contributes to “enriching everyday life”

Bottle made of 66% recycled PET

Creating environmentally friendly, sustainable products

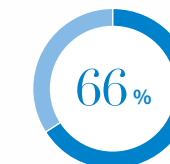
The FineToday Group seeks to minimize the environmental impact of all of its lifestyle products as part of its effort to contribute to a sustainable society. For our haircare and other products, we seek to reduce energy consumption and waste generation in the production processes, use environmentally friendly containers and packaging, and seek to minimize plastic usage.

Our new +tmr (Plus Tomorrow) haircare brand features bottles made with 66% recycled PET materials, excluding the pump. The packaging of our refillable products is 44% plant-based plastic and 7% recycled PET, and is

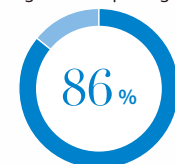
printed with biomass ink. The refillable products we offer enable consumers to reuse the product bottles, which reduces plastic waste by 86% compared to acquiring new bottles.

After the limited pre-sale campaign, the +tmr brand immediately attracted strong demand for meeting consumer beauty trends and modern sensibilities. We are accelerating development of products offering both high functionality and low environmental impact as we continue to work with our customers to create a recycling-oriented society.

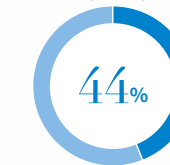
Recycled PET in bottle



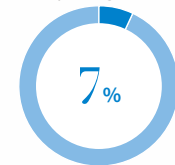
Plastic waste reduction from using refillable packaging



Plant-derived plastic in refill package



Recycled PET in refill package



The new haircare brand +tmr (Plus Tomorrow)

In February 2024, we launched nationwide sales of +tmr, the FineToday Group's first original haircare brand. Following the concept of “good hair makes a fine today, and tomorrow,” the brand is presented as providing “essential care” with a focus on enriching the protein content in hair. The +tmr formula delivers protein to the hair shaft and amino acids to repair cavities in damaged hair without using silicone, sulfate*, paraben, ethanol, mineral oil, or colorants.

* The shampoo formula contains no silicone or sulfate.

Comment from the manager



Meiko Horiuchi
+tmr Brand Manager
Marketing Strategy & Development Division

Our aim is to deliver value beyond quality and functionality to enrich daily lives

The brand name +tmr represents not just a “fine today” but also our desire to join with consumers to build a “better tomorrow.” We were looking to go beyond providing quality and functionality by also offering a product with a rich and full texture and fragrance. The package design was created to give a sense of iridescent clouds, which are said to bring good fortune to people who see them. When a person washes their hair, we want +tmr to provide a positive feeling for now and a sense of hope for the future.

FineToday Industries Environmental Initiatives

The FineToday Group’s manufacturing company Fine Today Industries (FTI) is committed to reducing the environmental impact of production processes as part of its responsibility as a member of the local community.



Futa 21 hybrid wind- and solar-powered street lighting, a symbol of FTI’s environmental initiatives (installed in December 2010)

Environmental management

Continual improvements to environmental activities based on ISO 14001

In 1997, when it was operating as the Kuki Factory of Shiseido Co., Ltd., FTI was the first facility in the cosmetics industry in Japan to earn ISO 14001 certification. By running through a plan-do-check-act (PDCA) cycle based on ISO 14001, it strives to enhance its environmental management structure and continually reduce its environmental impact.

It continues to maintain ISO 14001 certification through annual regular maintenance review and update review every three years, both conducted by external agencies.

Compliance with environmental laws and regulations through a periodic checking structure

The manufacturing sections, whose activities involve larger environmental impacts, play leading roles in assessment of compliance with environmental laws, regulations, etc., based on ISO 14001, to ensure thorough compliance.

Promoting education and training to raise employees’ environmental consciousness

FTI provides a wide range of environmental education and training for employees. By raising the environmental awareness of each and every employee involved in diverse activities in each section, it aims to lessen its environmental impact while also maintaining and building positive relations with the local community.

Main education and training topics at FTI

- Sharing results and plans for environmental management, including protection of energy sources and responding to climate change
- Requests for cooperation in waste segregation, energy conservation, and paperless operations
- Raising awareness of measures to prevent outflows of raw materials and chemicals off site
- Requests for cooperation in refraining from idling vehicle engines

Lessening environmental impact

Reducing CO₂ emissions through systematic environmental investment

FineToday Group’s medium-to-long-term vision Fine Today & Tomorrow 2030 identifies the “Planet” as one important pillar of the Group’s activities. FTI too is striving to reduce CO₂ emissions through systematic investment.

Upgrading cogeneration systems

In 2012, FTI upgraded the gas-turbine generator system it had adopted in 2001 to a power-generation system based on two gas-engine generators. Waste heat generated by this system is used to produce hot water and steam for use in manufacturing areas. Stable operation of this generation system also supports manufacturing with little energy loss. It also supplies about 900 kW of electricity and makes it possible to secure power supplies even in the event of lengthy power failures or rolling blackouts due to natural disasters or other causes.

— Capital investment and measures to reduce CO₂

2012	<ul style="list-style-type: none"> • Upgrading from absorption chillers to heat-pump chillers • Upgrading cogeneration systems (two gas-engine systems)
2015	<ul style="list-style-type: none"> • Upgrading brine chillers • Changing method of connecting fluid supplies from semifinished-product tanks to filling lines (reducing CO₂ emissions by using less hot water, through switching from automated pipe connectors to a process under which workers connect fluid supply hoses manually)
2016	<ul style="list-style-type: none"> • Upgrading the electrical substation for factory building no. 4 from standard oil-immersed transformers to super-high-efficiency oil-immersed transformers (three units)
2017	<ul style="list-style-type: none"> • Upgrading the production chillers in factory building no. 4 and switching to LED lighting in the building
2018	<ul style="list-style-type: none"> • Promoting use of LED lighting
2019	<ul style="list-style-type: none"> • Switching some electricity used to hydroelectric power (3,455 MW)
2022	<ul style="list-style-type: none"> • Switching all electricity used to hydroelectric power (target power: 9,799 MW) • Use of carbon-offset credits (J-Credits) (purchase of CO₂ emissions credits) • Upgrading the electrical substation for factory building no. 5 to ultra-high-efficiency transformers • Upgrading the energy building’s compressor to an inverter-controlled compressor (one unit)
2023	<ul style="list-style-type: none"> • Updated the air conditioner systems in the filling and finishing rooms on the first floor of factory building no. 3

Note: Measures prior to July 2021 are listed under Shiseido Co., Ltd. personal care business.

Focusing on waste reduction and appropriate control of chemical substances

Together with advancing efforts to reduce wastes generated in manufacturing processes and the employee dining hall, FTI also properly controls harmful chemical substances used in its operations. It also carries out periodic environmental surveys in accordance with laws, regulations, etc., to prevent soil pollution and air and water pollution.

Waste reduction

Each type of waste is treated in accordance with applicable environmental work procedures.

- Various shredders and compactors have been adopted in the Recycling Center on site, where some wastes are compacted and reduced for recycling as valuable resources.
- FTI has adopted drum washers to wash the insides of polymer drums and composite packaging, previously disposed of as waste, so they can be recycled as valuable resources.
- Food waste, produced mainly in the employee dining hall, is reduced through biotreatment in food-waste disposal equipment.

Control of hazardous wastes

- Waste batteries are disposed of properly by industrial waste processing vendors.
- Ex.: Primary batteries (alkaline and manganese batteries) are disposed of properly through a process of segregation and nonferrous smelting (zinc recovery)

Control of substances subject to the PRTR Act

- Pursuant to the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement (PRTR Act), the names and quantities handled of specified chemical substances produced or used are reported to the Atmospheric Environment Department of the Saitama Prefecture Environment Bureau in June of each year.

Prevention of soil pollution

- A review conducted in FY2021 showed that soil pollution levels conformed to reference values. FTI renovates facilities such as the interior and exterior drainpipes of individual buildings and underground piping on the factory site in a timely manner.

Prevention of air and water pollution

- FTI has adopted equipment and technologies to reduce atmospheric pollutants such as NOx and SOx and organic substances included in wastewater generated in manufacturing processes to within the reference values stipulated by laws and regulations and values agreed to with local governments. It measures NOx concentrations twice a year and soot and dust concentrations once every five years.
- FTI processes manufacturing wastewater through activated-sludge treatment in its wastewater treatment facilities, releasing it into the sewer system only after first treating it to conform to values specified by laws and regulations.

Prevention of noise pollution

- FTI thoroughly prohibits idling by delivery trucks and employees' personal vehicles on site.
- It measures noise levels on site boundary lines once a year. These measurements showed that reference levels continued to be satisfied in FY2023.



Horizontal recycling of release paper

FTI implements extensive measures to use resources efficiently and to reduce waste. One of our environmental initiatives is working with companies to create systems for recycling the release paper for point-of-purchase (POP) labels (stickers).

FTI had been paying the processing fees for release paper remaining after the client manufacturing processes and contracted collection of the paper as industrial waste (waste plastic). The release paper was then recycled as RPF (Refuse Paper & Plastic Fuel) by compressing the waste paper and plastic into fuel pellets for industrial use. RPF combustion produces 33% less CO₂ emissions than coal.

In June 2024, we began using the Japan Earth Conscious Labeling Association's (J-ECOL) circular-use model to recycle release paper into other paper products.

The high-quality pulp used to produce release paper makes it an ideal resource for paper manufacturing, but the resource has been largely untapped due to the lack of collection infrastructure. J-ECOL created a complete recycling structure in which its association member and partner companies collect and recycle the release paper into resources that paper product manufacturers and processing companies then recycle into cardboard, paper towels, and other products. FTI's initiative to shift from using recycled release paper as industrial waste mainly for RPF to using it as a resource for horizontal recycling back into paper products has not only lowered its disposal expenses but also reduced the amount of industrial waste it produces each year by close to 20 tons.

The FineToday Group is working to reduce the use of POP labels and to further reduce environmental impact.

Circular model for release paper recycling

