

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.

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– 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.”

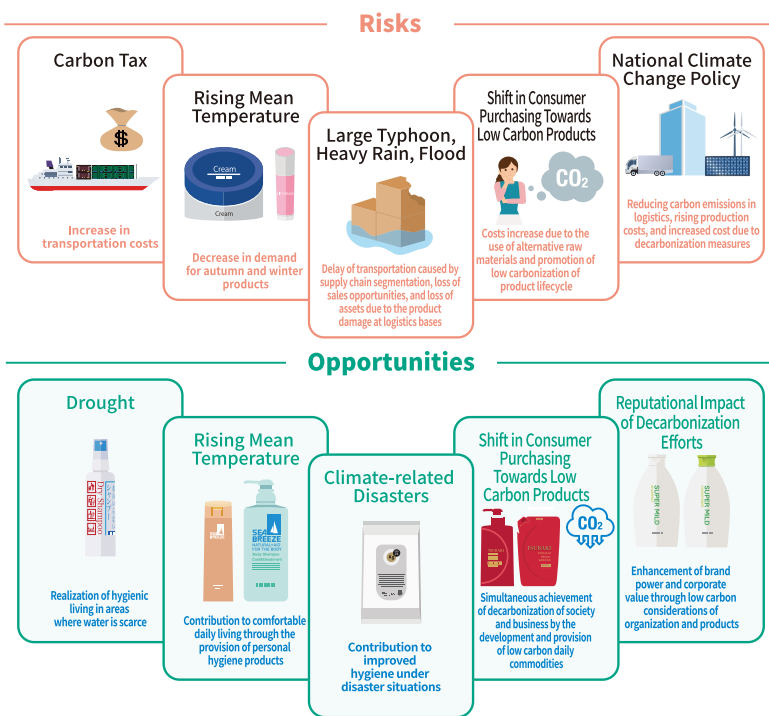
*2 FineToday specifies the timeframe as shown on the right. Short-term: 2022-2023 (The time of assessment) Mid-term: Around 2030 Long-term: Around 2050

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			○	○

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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

