

Shiseido Group's Sustainability

Realizing a Sustainable Society through Social Value Creation.

Although the target period for the information included in this back number is mainly FY2019 (from January 1 to December 31 of 2019), part of the information also includes contents prior to/after the said

Table of contents

○ Sustainability	1
○ Top Commitment	8
○ What is Shiseido's Sustainability	11
● What is Shiseido's Sustainability	11
● The Ten Principles of the UN Global Compact	14
○ Environment Protect Beauty - Protect our living, Beauty of the earth	16
● Environment Protect Beauty - Protect our living, Beauty of the earth	16
● Our Environmental Approach	19
● Primary Strategic Actions Protecting Skin from UV Rays and Photoaging	29
● Primary Strategic Actions Developing Sustainable Packaging	30
● Collaboration with Stakeholders and Evaluation from External Parties	35
● 2018 Performance	37
● Shiseido's Guidance for Product and Organizational Environmental Footprint Assessment (ver. 1.02)	42
● Environmental Accounting	75
○ Diversity and Inclusion Empower Beauty - Empower our people, Beauty of the society	77
● Diversity and Inclusion Empower Beauty - Empower our people, Beauty of the society	77
● Shiseido Life Quality Makeup	79
● Collaboration with UN Women / Promotion of Gender Equality	83
● Shiseido Life Quality Beauty Seminar	85
● Details of Activities	86
● Various Activities to Support Women's Empowerment	89
● Support for Patients with Xeroderma Pigmentosum (XP), a UV-SensitiveIntractable Disease	91

○ Art and Heritage Inspire Beauty - Inspire our culture with Japanese beauty	93
● Art and Heritage Inspire Beauty - Inspire our culture with Japanese beauty	93
● Specific Initiatives	95
○ Respecting Human Rights and Ensuring Responsible Procurement	96
● Respecting Human Rights and Ensuring Responsible Procurement	96
● Our Human Rights Approach	98
● Shiseido Group Policy on Human Rights	99
● Human Rights Promotion System	102
● Primary Initiatives	103
● Responsible Procurement	105
● Shiseido Group Supplier Code of Conduct	106
● Response to the United Kingdom's Modern Slavery Act 2015	121
● 2018 Performance	127
○ Customer Satisfaction and Product Safety	131
● Customer Satisfaction and Product Safety	131
● Promotion of Safe and Reliable Manufacturing	132
● Excellent Services to Enhance Consumer Satisfaction	137
● Reflecting Consumer Feedback	138
● Universal Design Initiatives	145
● Information for Consumers	146
● Initiatives in Response to Animal Testing and Alternative Methods	149
● Initiatives in Response to Animal Testing and Alternative Methods In Cases in Which We Must Explain the Safety to Society	149
● Initiatives in Response to Animal Testing and Alternative Methods Shiseido Safety Assurance System	149
● Initiatives in Response to Animal Testing and Alternative Methods Alternative Methods	150

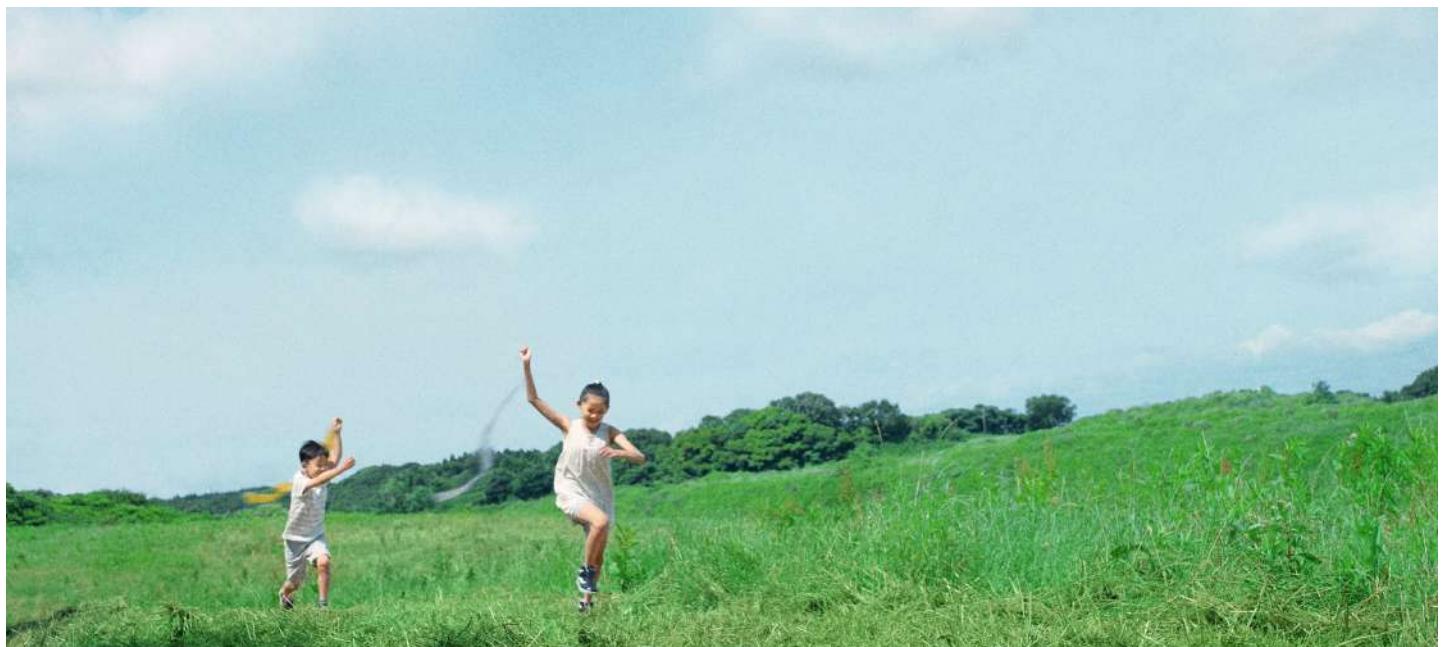
○ Human Resources	151
● Human Resources	151
● Basic Policy Regarding Personnel Affairs	152
● Diversity and Inclusion	153
● Realizing a Rewarding Workplace	159
● Fair Evaluation of Employees	164
● Utilization and Development of Human Resources	166
● Safety and Health of Employees	167
● Employment and Labor	174
● Good Relationship with Labor Union	176
○ Compliance and Risk Management	177
● Compliance and Risk Management	177
● Risk Management	178
● Activities to Enhance Corporate Ethics	181
● Information Security Management	182
● With our Suppliers	183
● Protection of Intellectual Properties	187
● Tax Policy	188
● Global Tax Policy	188
● Shiseido UK Tax Policy	189
○ Corporate Governance	191
● GOVERNANCE	191
● EVOLUTION	242
● GOVERNANCE SYSTEM	243
● COMMITTEES	245
● EVALUATION	246
● REMUNERATION	248
● AUDIT STRUCTURE	254
● RISK MANAGEMENT AND COMPLIANCE	256
● INTERNAL CONTROL	258

○ Social Contribution Activities	261
● Social Contribution Activities	261
● Social Contribution Activities by Region and Facility	265
● Social Contribution Club	269
● Disaster Support Activities	272
● Aid Initiatives in the Wake of the Great East Japan Earthquake	273
● Activities for Children	285
○ External Evaluations and Awards	288
○ Sustainability Data	291
● Sustainability Data	291
● Environmental Data	291
● Social Data	308
○ Editorial Policy and GRI Content Index	326

Sustainability

REALIZING A BETTER WORLD THROUGH SOCIAL VALUE CREATION

[OUR COMMITMENT](#)



Our Actions Are Shaped and Motivated by Beauty

Guided by our mission *BEAUTY INNOVATIONS FOR A BETTER WORLD*, we aim to make people's lives better and more fulfilling through beauty. While the idea and ideal of beauty are the driving forces behind everything we strive to achieve, our efforts are also geared towards three major areas: Environment, Society, and Culture.

[What is Shiseido's Sustainability](#)



ENVIRONMENT

PROTECT BEAUTY

Protect the beauty of our planet; the beauty of all the life it holds within it, and of all the people who call Earth home.

1. EFFORTS TOWARDS REDUCING ENVIRONMENTAL BURDEN

Throughout the entire value chain, including the procurement of raw materials, we are promoting actions that mitigate environmental burden. We are striving to fulfill our responsibilities as a global corporate citizen and contribute to society. We are stepping up efforts to reduce CO₂ emissions. We are making progress with regard to ethical procurement (palm oil, paper), which helps halt deforestation. At the same time, we are proceeding with water usage reduction and working to reduce and recycle waste in order to lessen the burden placed on the environment.

[Reducing Environmental Burden](#)

2. PROTECTING SKIN FROM UV RAYS AND PHOTOAGING*

Due to the impact of climate change and other factors on the global environment, economically active regions with dense populations (mainly in the middle latitudes) are predicted to see an increase in excessive UV ray exposure over the next 100 years. With a rich history of R&D that spans over one century, Shiseido's innovations are accelerated by its groundbreaking approach to research: Based on the results of extensive dermatological science

research and development focusing on the relationship between environment and skin (including UV rays), we are developing innovative products and services that protect beautiful skin, such as UV protection and care, skin brightening, and anti-aging care.

*Signs of aging caused by UV rays

Protecting Skin from UV Rays and Photoaging

3. OUR COMMITMENT TO DEVELOPING SUSTAINABLE PACKAGING

Shiseido launched its first refillable products in 1926. Since then, we have developed a range of environmentally friendly packaging (e.g., biomass containers, recyclable PET bottles, low-temperature combustible materials). We are the first Japanese company to join the Sustainable Packaging Initiative for CosmEtics (SPICE) in 2018. We have also been actively developing biodegradable packaging in addition to promoting the 3Rs (Reduce, Reuse, Recycle), aiming to limit the use of valuable resources and help alleviate—and ultimately resolve—ocean pollution.

Developing Sustainable Packaging

PROTECT BEAUTY



SOCIETY

EMPOWER BEAUTY

Motivate and empower all the people who make up our communities, our societies, the world.

1. REALIZING GENDER EQUALITY

AND FAIRNESS

While Japan has the third largest economy in the world, it only ranks 110th in the global gender gap index. At Shiseido, we understand that advancing the role of women in society is key to global progress. In 2017, we achieved a 30% ratio of women in management positions. We aim to raise that to 40% by the end of 2020. In March 2019, the ratio of women on the Board of Directors reached 45%, injecting Board meetings with dynamism and a multi-faceted perspective. Additionally, we support women's education outside Japan in an effort to maximize the potential of all women and realize a better, more beautiful society.

[Collaboration with UN Women / Promotion of Gender Equality](#)

[See here for Europe and the French Gender Equality Index](#)

2. INSTILLING CONFIDENCE THROUGH THE STRENGTH OF COSMETICS AND THE POWER OF MAKEUP

Shiseido has been at the forefront of improving people's self-image and steeling their confidence through a range of beauty offerings. In 1956, in an effort to lessen the suffering of wartime burn victims, we created Shiseido Spots Cover. Its launch signified the beginning of LIFE QUALITY MAKEUP, an initiative designed to help address serious skin issues and concerns, such as scars and bruises, as well as changes in appearance resulting from cancer treatment or the disease itself. We view this as a seminal step towards creating an accepting, inclusive society.

[Shiseido Life Quality Makeup](#)

3. HUMAN RIGHTS: EMBEDDED IN OUR BUSINESS ETHOS

In accordance with the U.N. Guiding Principles on Business and Human Rights, we have established the Shiseido Group Policy on Human Rights, promoting group-wide efforts to support human rights. Together with our stake

holders, including international human right experts and workers in regions that produce raw materials, we are working to share information on and help resolve human rights issues. We actively participate in initiatives aimed at addressing the problem of child labor in India in an effort to further improve social issues within the supply chain.

Respecting Human Rights and Ensuring Responsible Procurement

EMPOWER BEAUTY



CULTURE

INSPIRE BEAUTY

Showcase our rich Japanese heritage to raise beauty awareness around the world and encourage the realization of beauty as a culture.

1. HERITAGE PAVES OUR WAY FORWARD

At Shiseido, we embrace our rich history of nearly 150 years as a social asset, continuing to break new ground by looking back at our illustrious past: We established an extensive archive that can be accessed by all our employees around the world to educate, inspire, and motivate them to create new value. At the same time, we are organizing heritage education activities in which all employees can participate. Additionally, we are working at establishing and

promoting activities aimed at sharing our management philosophies and cultivated experiences with the public and the broader society.

2. JAPANESE BEAUTY: FROM GINZA TO THE WORLD

A robust effort to communicate the aesthetics that are unique to a Japanese company is currently underway. This effort includes educating and cultural enrichment through Shiseido Gallery and Hanatsubaki magazine* (paperback and digital versions). Corporate exhibitions around the world are being planned as well as collaborations with other companies and social media influencers. In May 2019, we established the Japanese Beauty Institute with the aim of sharing insights and generating interest in Japanese aesthetics, Shiseido's knowledge, and stories related to Japanese beauty.

*Hanatsubaki magazine is Shiseido's own media publication. First published in 1937, it offers a variety of information that helps contemporary women lead enriched, even more fulfilling lives. That includes information on beauty, fashion, culture, and Shiseido's unique expertise.

Corporate Culture Magazine "Hanatsubaki"

Japanese Beauty Institute

INSPIRE BEAUTY

SUSTAINABILITY IS A FUNDAMENTAL PILLAR OF OUR CORPORATE STRATEGY

Sustainability is an integral part of our business activities and our business ethos. We will continue and even intensify our efforts to create social value in order to help build a better and fairer world.

Respecting Human Rights and Ensuring Responsible
Procurement

Customer Satisfaction and Product Safety

Human Resources

Compliance and Risk Management

Governance

Social Contribution Activities

Learn more about Shiseido and our dedication to sustainability.

External Evaluations and Awards

Sustainability Data

Editorial Policy and GRI Content Index

CSR/Environmental Reports

Annual Report 2018

Top Commitment

Realizing a Sustainable Society through Social Value Creation

Jun Aoki

Director,
Executive Corporate Officer



The Key to Sustainability is Creating Social Value

In 2017, the Shiseido Group realized its target for net sales under the medium-to-long-term strategy VISION 2020, which was adopted in 2015, three years ahead of schedule. In addition, the Group realized its target for operating profit in 2018, two years ahead of schedule. The Group views consumer value as the starting point for all of its activities and has been proactively investing in marketing and innovation activities, as well as in the human resources that support these activities. By doing so, the Group has realized a recovery in its performance that far exceeded expectations.

Through these efforts, we have greatly improved our economic value in terms of market share, net sales, and operating profit. We believe that the steady creation of social value, including the resolution of consumers' skin concerns through the products and services we provide, is precisely what has allowed us to improve our economic value.

Our management policy is "To Be the Most Trusted Beauty Company in the World." As we celebrate our 147-year anniversary as a company, we aim to carry on the values and traditions that we have received from our predecessors for the next 100 years. To do so, the economic value that we create must be supported by social value to a greater extent than ever before. In consideration of our stakeholders, who we value above all else, this need for creating social value becomes even more apparent.

Our stakeholders include consumers, business partners and other affiliated parties, employees, and younger generations who will oversee the future. These stakeholders need Shiseido to be an organization that creates meaningful value for society and that has the power to change the world.

Our shareholders and investors, who have great expectations of us to realize growth as a company, also want us to be a corporation that values its stakeholders and creates social value from a long-term perspective.

Furthermore, the society and global environment in which we exist are the stakeholders that we should value the most.

BEAUTY INNOVATIONS FOR A BETTER WORLD - Creating an Even Better Society

In 2019, we established our new corporate mission, "BEAUTY INNOVATIONS FOR A BETTER WORLD." Guided by this mission, we are committed to realizing an even better society on a Groupwide basis.

Shiseido's mission throughout its development as a company has been to create social value. The name Shiseido comes from a passage in the ancient Chinese divination text I Ching, which is highly regarded as a textbook for leadership. The passage reads, "Praise the virtues of the earth, that is where anything and everything is born from." In this way, the name Shiseido conveys love and respect for the earth, the global environment, and society.

Arinobu Fukuhara, the founder of Shiseido, was 23 years old in 1872, when Japan was evolving as a nation during its period of westernization. At that time, Arinobu Fukuhara was passionate about adopting new values originating from the West (business models, products, and services) and using them to transform Japan into a modern society and enrich the lives of its citizens.

In the early 1900s, the first president of Shiseido, Shinzo Fukuhara, traveled the world in search of true beauty. Through his travels, he studied the advanced value being created in Western Europe and used this experience to launch the cosmetics business from a distinctly Japanese point of view, thereby laying the foundation for what the Company is today. This represents the results of Shinzo Fukuhara's determination to create an enriched society by being curious and open to new things and studying them insatiably from every angle.

Relevant SDGs and ESG Management as a Beauty Company

After establishing our new corporate mission, we gave consideration to a framework for creating social value as a beauty company that relates closely to this new mission. We believe that actions which are deeply rooted in the characteristics and strengths of our businesses will naturally become our core operations as a company.

Based on interviews and discussions with all of our stakeholders, we categorized issues from two perspectives: impact on society and impact on the Company's businesses. We then established an order of priority and selected 18 materiality issues. In addition, with our core focus on beauty, we redefined our definition of social value from the perspectives of the environment, society, and culture (ESC).



Social issues and SDGs addressed by Shiseido

Protect Beauty	Empower Beauty	Inspire Beauty
Protect our living, Beauty of the earth	Empower our people, Beauty of the society	Inspire our culture with Japanese beauty
Protect the beauty of the earth and the beauty of the people who call Earth home. Protect the beauty of all other life that exists on the earth as well.	Motivate and empower all people who make up our society.	Use Japanese beauty to raise beauty awareness around the world and encourage the realization of beauty as a culture.

At the moment, efforts to create social value are being strongly encouraged. This is reflected by efforts to realize the 17 Sustainable Development Goals (SDGs) and the promotion of ESG (Environmental, Social, and Governance) management. Guided by an approach unique to a beauty company, we aim to create an even better society through ESG+C (Culture) management.

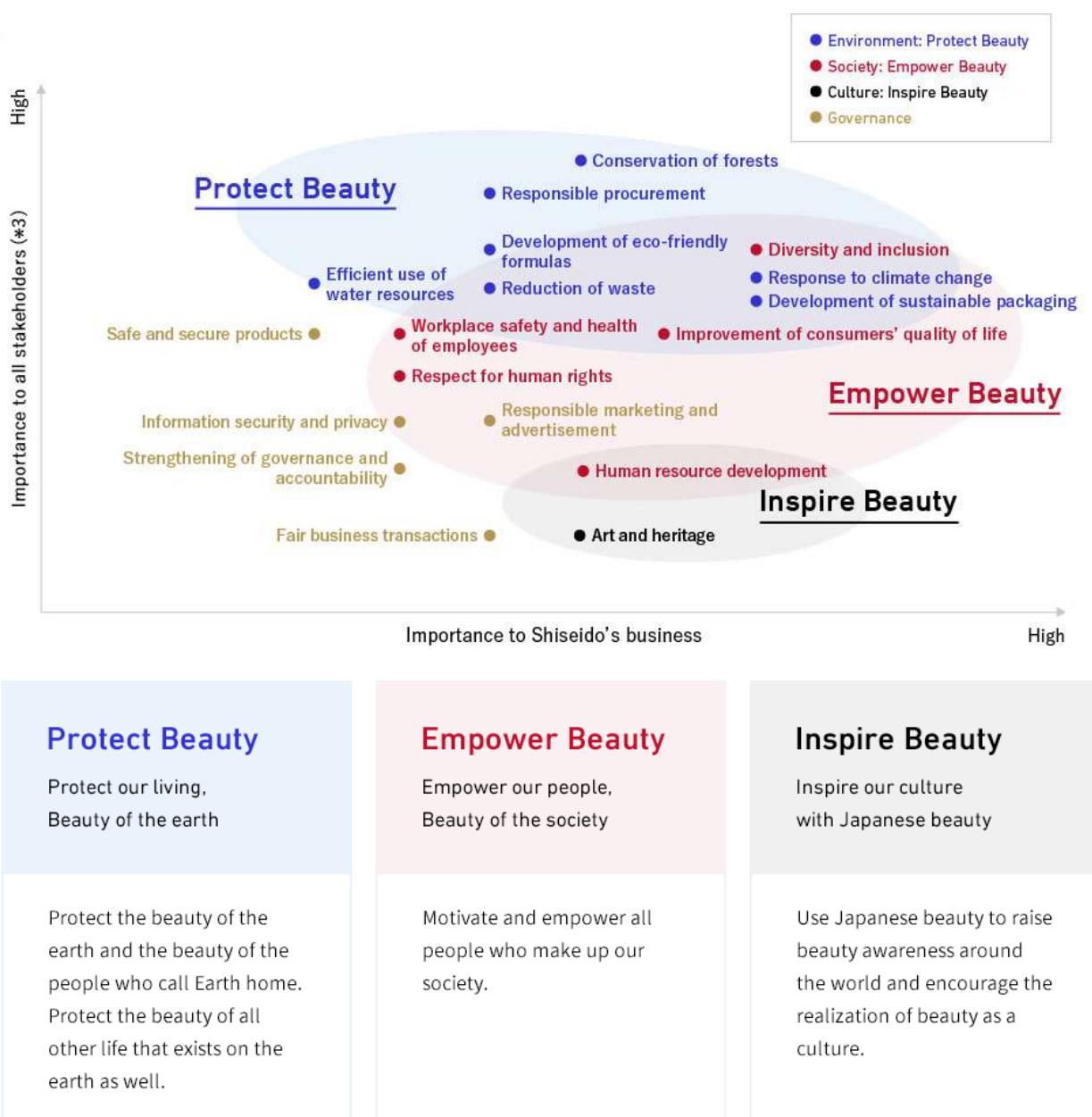
Protect Beauty	Empower Beauty	Inspire Beauty
UV ray protection and care  	Gender equality  	Utilization of Shiseido's cultural assets   
Eco-friendly packaging   	Support for empowerment  	Communication of Japanese beauty  
Reduction of environmental burden      	Business and human rights  	

What is Shiseido's Sustainability

Shiseido established "BEAUTY INNOVATIONS FOR A BETTER WORLD" as our corporate mission. We certainly aim for further business growth as a company, and at the same time, the genuine mission of Shiseido is to offer solutions to social problems and achieve a sustainable society, helping people find happiness through our mainstay beauty business.

The Shiseido Group's Materiality Map (Revised in 2019)

We gave consideration to a framework for creating social value as a beauty company and selected Shiseido Group's materiality*1 as follows in 2019. We categorized the issues from two perspectives: the impact on all stakeholders (consumers, business partners, employees, shareholders, society and the earth) and the impact on the Company's businesses. We then established an order of priority*2 and selected 18 materiality issues. In addition, with our core focus on beauty, we redefined our definition of social value from the perspectives of the environment, society, and culture.



***1 Materiality goals and progress**

- Please check the details of the goals and progress of Diversity and inclusion in "The ratio of female leaders (Japan)," and "The number of participants in internal and external awareness-raising activities on gender Equality."
- Please check the details of the goals and progress of climate change measures in "CO2 Emissions Reduction."
- Please check the details of the goals and progress of responsible procurement in "Procurement of sustainable palm oil."

***2 Materiality identification process: Shiseido Group implemented the following process to define its materiality.**

- Step 1: Interview 6 experts in environmental and social fields in Japan and overseas
- Step 2: Collect consumer voices using company surveys conducted in five countries around the world
- Step 3: Collect data on global trends and issues using external surveys, reports from major international organizations, and input from investors, etc.
- Step 4: Classify issues collected through Steps 1-3. Extract issues based on the priority of Shiseido's business through discussions with executives. Score those issues and map them from two perspectives (importance to all stakeholders: consumers, business partners, employees, shareholders, society and the earth, and importance to Shiseido's business), and define our materiality
- Step 5: Propose and approve the decision at the management meeting

3 Consumers, business partners, employees, shareholders, society and the earth*Social issues Shiseido addresses and corresponding numbers of SDGs**

We will contribute to the achievement of SDGs (Sustainable Development Goals) by addressing materiality issues.

Protect Beauty	Empower Beauty	Inspire Beauty
UV ray protection and care  	Gender equality  	Utilization of Shiseido's cultural assets   
Eco-friendly packaging   	Support for empowerment  	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Reduction of environmental burden      	Business and human rights  	Communication of Japanese beauty   16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promotion system

- The Shiseido Group deliberates and determines issues related to social values in the Executive Committee. The Executive Committee will be chaired by the CEO (Corporate Executive Officer) and will be attended by management executives consisting of Corporate Officers from finance, legal, HR, social value creation, and supply networks. Important matters, in particular, are subject to the approval of the Board of Directors and the supervision of business execution.

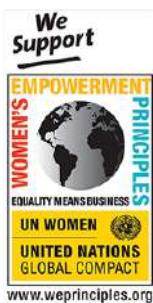
- Company-wide efforts to promote sustainability practices will be made across the board, including the brand/regional sales business and corporate divisions. In 2019, we nominated the Chief Social Value Creation Officer and established the Social Value Creation Division. The Social Value Creation Division reports to the Chief Social Value Creation Officer on progress and issues related to social values and receives supervision on sustainability management. Other activities of the Division include: (1) Define areas of activities that need particular focus, (2) Set company-wide goals and KPIs to be achieved, (3) Commit to the achievement internally and externally, (4) Monitor progress and support as necessary, and (5) Educate our stakeholders with a focus on our employees.

Approval and support for international norms

2019	We expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) , which was established by the Financial Stability Board (FSB), and will commit to measures against climate change and promote disclosure of relevant information.
2010	We signed the Women's Empowerment Principles (WEPs) (a joint initiative of UN Women and the UN Global Compact) and have been promoting initiatives to give opportunities to women so that they can play more active roles.
2008	We agreed to and signed the Caring for Climate, a climate change initiative in the United Nations Global Compact, in an effort to conserve the environment.
2004	We signed the United Nations Global Compact and support the ten principles in the four areas (Human rights, Labor, Environment, and Anti-corruption) together with all group companies. Please check Shiseido Modern Slavery Statement for the statement of support by the Chief Executive Officer.



UN Global Compact



Women's Empowerment Principles (WEPs)

The Ten Principles of the UN Global Compact

Participant organizations of the Global Compact are asked to embrace, support and enact, within their sphere of influence, internationally approved principles in the areas of Human Rights, Labor, Environment, and Anti-Corruption. While respective companies pursue their businesses, the aim of the Global Compact is to actively promote changes in the world through ensuring that these principles are abided by and implemented accordingly. There are currently 10 principles including a principle related to anti-corruption, which was added in June 2004.

■ Human Rights

- Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2 : make sure that they are not complicit in human rights abuses.

■ Labor

- Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4 : the elimination of all forms of forced and compulsory labor;
Principle 5 : the effective abolition of child labor; and
Principle 6 : the elimination of discrimination in respect of employment and occupation.

■ Environment

- Principle 7 : Businesses should support a precautionary approach to environmental challenges;
Principle 8 : undertake initiatives to promote greater environmental responsibility; and
Principle 9 : encourage the development and diffusion of environmentally friendly technologies.

■ Anti-Corruption

- Principle 10 : Businesses should work against corruption in all its forms, including extortion and bribery.

Source: United Nations Global Compact website

Stakeholder Engagement

We actively engage ourselves in the following opportunities together with our stakeholders to reflect their expectations and opinions.

Stakeholders	Major engagement opportunities	Responses
Consumers	<ul style="list-style-type: none"> ▪ Shiseido Consumer Communication Center ▪ SNS (Social Networking Services) 	FY2018: Approximately 150,000 opinions and inquiries were directed to the Communication Center, while 90,000 consumers provided feedback to Beauty Consultants at storefronts. Increasing points of contact with various consumers. We make efforts to enhance consumer support, focusing on the younger generation using SNS such as Twitter, Yahoo! Chiebukuro, and the chat feature of LINE.
Suppliers	<ul style="list-style-type: none"> ▪ Consulting/reporting desk for suppliers ▪ Briefing session on purchasing activity policy ▪ Awarding business partners who have contributed to the development of business 	The Business Partner Hotline was opened in Japan to prepare the system for receiving opinions from suppliers and giving advice to them. Holding annual briefing sessions on purchasing activity policy in Japan and China with the aim of the wide dissemination of the procurement policy. Business partners who have contributed to the development of business were selected on the three aspects of quality, cost reduction and technical development and given the award.
Business Partners	<ul style="list-style-type: none"> ▪ Dialogue with owners of chain stores 	We organized the Platinum Shop Convention in which top management directly expresses company policy and brand strategies to shop owners and employees who sell Shiseido cosmetics. FY2018: 472 shops (542 participants)
Employees	<ul style="list-style-type: none"> ▪ The Shiseido Group Engagement Survey ▪ Points of contact for employee inquiries/Whistleblower system ▪ Management councils/ Labor-management discussions ▪ Training for all employees/Position-specific training 	<ul style="list-style-type: none"> ▪ The Shiseido Group Engagement Survey is conducted every two years, targeting all Group employees as a structure for listening to employee opinions. ▪ We have established the in-house Shiseido Consultation Office and Shiseido External Hotline receiving inquiries and reports covering a wide range of topics regarding the workplace, and the Compliance Committee Hotline specializing in reported cases. The above entities received and quickly resolved 241 inquiries in Japan in FY2018. ▪ Holding labor-management talks on the themes of "working conditions and benefits package for employees" and "work style reform." ▪ Human rights enlightenment and corporate ethics training are conducted at all business locations of the Shiseido Group in Japan once a year.
Local Communities	<ul style="list-style-type: none"> ▪ Social contribution activities including environmental education by each corporation and business office 	<ul style="list-style-type: none"> ▪ The Kakegawa Factory offers an environmental study session every year for elementary school students in cooperation with Kakegawa City, Shizuoka Prefecture. FY2017: 12 participants

NPOs/NGOs	<ul style="list-style-type: none"> ▪ Dialogue with stakeholders ▪ UN Women ▪ Support by the Shiseido Camellia Fund 	<ul style="list-style-type: none"> ▪ Engaging in dialogue with human rights and environmental experts and received advice on how to advance due diligence regarding human rights, on 4 cases in FY2018. ▪ Promoting gender equality in cooperation with UN Women. ▪ Supporting 10 NPOs/NGOs in FY2018 by the Shiseido Camellia Fund (donations made by Shiseido Group employees).
Shareholders/Investors	<ul style="list-style-type: none"> ▪ General Meeting of Shareholders ▪ Financial results ▪ Briefing session for individual investors ▪ Annual report ▪ Shareholders' meeting 	<ul style="list-style-type: none"> ▪ Holding the general meeting of shareholders and disclosing information on the corporate information website. FY2018: 1,408 participants ▪ Conducting the briefing of financial results, disclosing information on the corporate information website. ▪ Conducting a briefing session for individual investors, distributing video. ▪ Publishing the annual report. ▪ Organizing a facility tour for shareholders. FY2018: 17 participants

Environment

Protect Beauty - Protect our living, Beauty of the earth

Shiseido looks to conserve the natural, sustainable beauty of the earth and its environment, together with the beauty of the people who live here.

Our Environmental Approach

Shiseido's mission from its inception was to create social value. The company's name "Shiseido" comes from a phrase in a Chinese classic, I Ching, which says, "Praise the virtues of the Earth, which nurtures new life and brings forth significant values." This demonstrates our respect for the planet, the global environment, and society as a whole. Shiseido aims to contribute to a sustainable society across all value chains in all businesses.

- Environmental policy
- Environmental management

Primary Strategic Actions

Reducing Environmental Burden

From the perspective of craftsmanship, including the procurement of raw materials, we are promoting activities to reduce our environmental burden. In this way, we are working to fulfill our responsibilities as a global corporate citizen and contribute to society. We are stepping up efforts to reduce CO₂ emissions, a primary cause of climate change. We are also making progress on a global scale with regard to ethical procurement (palm oil, paper), which puts a halt to deforestation. At the same time, we are proceeding with water usage reduction and working to reduce and recycle waste in order to lessen the burden placed on the environment.

- CO₂
- Deforestation(Palm oil, Paper)
- Water
- Waste
- Conservation of biodiversity

Protecting Skin from UV Rays and Photoaging*1

Due to the influence of the global environment, esp. through climate change*², total UV exposure of consumers are likely to increase in the next 100 years in certain areas*³. Based on the results of our dermatological science research and development activities, which span over 100 years, we are moving forward with new research from the perspective of the relationship between environment and skin (including UV rays). Through this research, we are developing and providing innovative products and services (UV care, skin brightening, anti-aging care) that protect beautiful skin.

*1 Signs of aging caused by UV rays

*2 The fact that climate change influences on atmospheric circulation (Hadley circulation) and the total amount of UV ray exposure increase in the middle latitudes was indicated by the research result of JAMSTEC (Japan Agency for marine-earth science and technology)

*3 Most affected are the densely populated regions in the earth's middle latitudes where economic activity is booming.

- Products to protect and care for the skin from UV rays
- Support to patients suffering from Xeroderma Pigmentosum (XP), a UV-sensitive intractable disease
- Education for children about UV protection

■ Developing Sustainable Packaging

Since the launch of our first refill products in 1926, we have developed various kinds of environmentally friendly packaging (e.g. biomass containers, recyclable PET bottles, low-temperature combustible materials), based on the philosophy that the earth creates all value. We are the first Japanese company to join SPICE*. We have also been actively developing biodegradable packaging in addition to promoting the 3Rs (reduce, reuse, recycle) in order to utilize limited resources and resolve the issue of ocean pollution.

* SPICE (Sustainable Packaging Initiative for CosmEtics) : A collaborative initiative by global cosmetic companies to create a future with sustainable packaging

- Targets
- Product packaging
- Participation in SPICE and formation of rules regarding environmental impact assessment of product packaging

■ Collaboration with Stakeholders and Evaluation from External Parties

- Agreements with external organizations
- Environmental education for local residents
- Awards won

■ 2018 Performance

- CO₂
 - CO₂ emissions throughout the value chain (product life cycle) (Scope 1, Scope 2 and Scope 3)
 - CO₂ emissions from cosmetics and personal care products (environmental footprint)
- Procurement of sustainable palm oil
- Water
- Waste
- Environmental Accounting
- Environmental Data

Our Environmental Approach

Shiseido's mission from its inception was to create social value. The company's name "Shiseido" comes from a phrase in a Chinese classic, I Ching, which says, "Praise the virtues of the Earth, which nurtures new life and brings forth significant values." This demonstrates our respect for the planet, the global environment, and society as a whole. Shiseido aims to contribute to a sustainable society across all value chains in all businesses.

Environmental Policy

The Shiseido Group contributes to the realization of a sustainable society, in line with the principle "With Society and the Earth" advocated in the Shiseido Group Standards of Business Conduct and Ethics. We are promoting eco-friendly product development and sales promotion material development in accordance with our voluntary environmental standards, the Production Eco Standards, and the Sales Promotion Tools Eco Standards.

● Shiseido Group Standards of Business Conduct and Ethics "With Society and the Earth" (Excerpt)

We promote environmental initiatives in line with our own stringent standards, and consider biodiversity as we aim for a sustainable society in which humanity and the Earth coexist beautifully.

1. We strive to mitigate climate change through efforts such as reducing emissions of CO₂ and other greenhouse gases (GHG). We also manage chemical substances properly to prevent air, water and soil pollution.
2. We strive to minimize waste in our business processes and in use by consumers, with emphasis on the 3Rs: reduce, reuse and recycle.
3. We work to develop new products and services that bring out the beauty of consumers and are also eco-friendly.
4. We proactively develop new technologies to balance environmental initiatives with our business activities.

For details, please refer to The Shiseido Group Standards of Business Conduct and Ethics.

● Voluntary environmental standards: The Production Eco Standards and The Sales Promotion Tools Eco Standards

The Production Eco Standards (formulated in 2010)

Item	Descriptions
Design (Outer Packaging)	Select outer packaging and materials that have low environmental impacts. Reduce weight and volume
Design (contents)	Formulation that does not harm environment. Formulation that takes packaging into consideration
Purchasing	Purchasing of raw materials and ingredients
Production	Reduce environmental impacts in the process of production
Logistics	Reduce environmental impacts during the course of distribution and transport
Use	Conserve energy and resources during consumer use. Reduction of emissions that have less environmental impacts at the use stage. Promotion of long-term use
Disposal	Make recycling easier. Make disposal easier

The Sales Promotion Tools Eco Standards (formulated in 2010)

Item	Descriptions
Planning and design	Design that is easy to utilize in the store. Design that can support multiple sales floor sizes. Versatile, multi-deployable design. Select materials that have low environmental impact. Selection of materials for promotional materials. Selection of individual materials. Selection of materials for specific parts. Lightweight and simple design. Design based on standard size. Utilization of templates/models. Design suitable for delivery. Design for easy disposal. Design that is easy to separate. Display of material name
Proof and print	Resource-saving proofs (plate-making). Resource-saving printing plate. Printing method that does not generate waste liquid. Use of ink to save oil resources
Packing and delivery	Simplification of packing. Control of excessive packing

Environmental Management

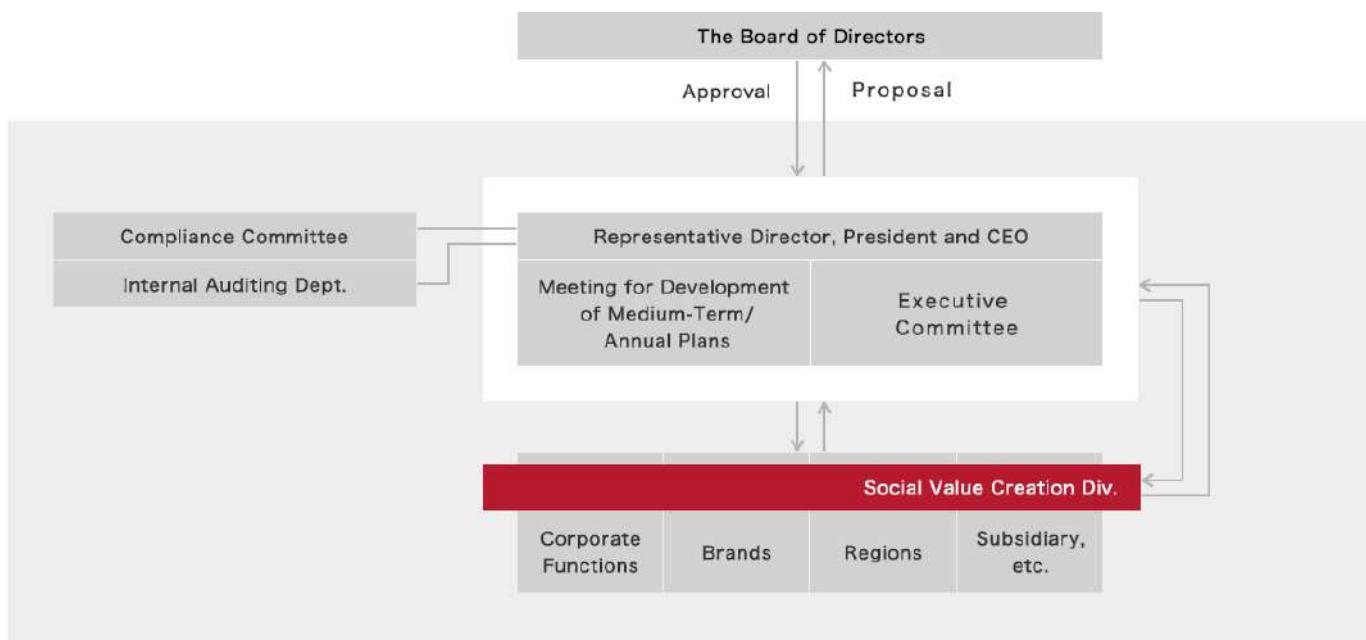
● System

In the Shiseido Group, we discuss and deliberate on a broad range of environmental issues in the Executive Committee, chaired by the CEO (Chief Executive Officer) and attended by management^{*1}, audit, and supervisory board members. Important matters are reported to the Board of Directors and approved and supervised by the Board of Directors. In order to promote environmental management throughout the Shiseido Group, the Sustainable Environment Department, the Social Value Creation Division of Shiseido Company, Limited, reports the progress of environmental data and potential future issues to our directors and corporate officers in charge of the environment and receives supervision on environmental management^{*2}.

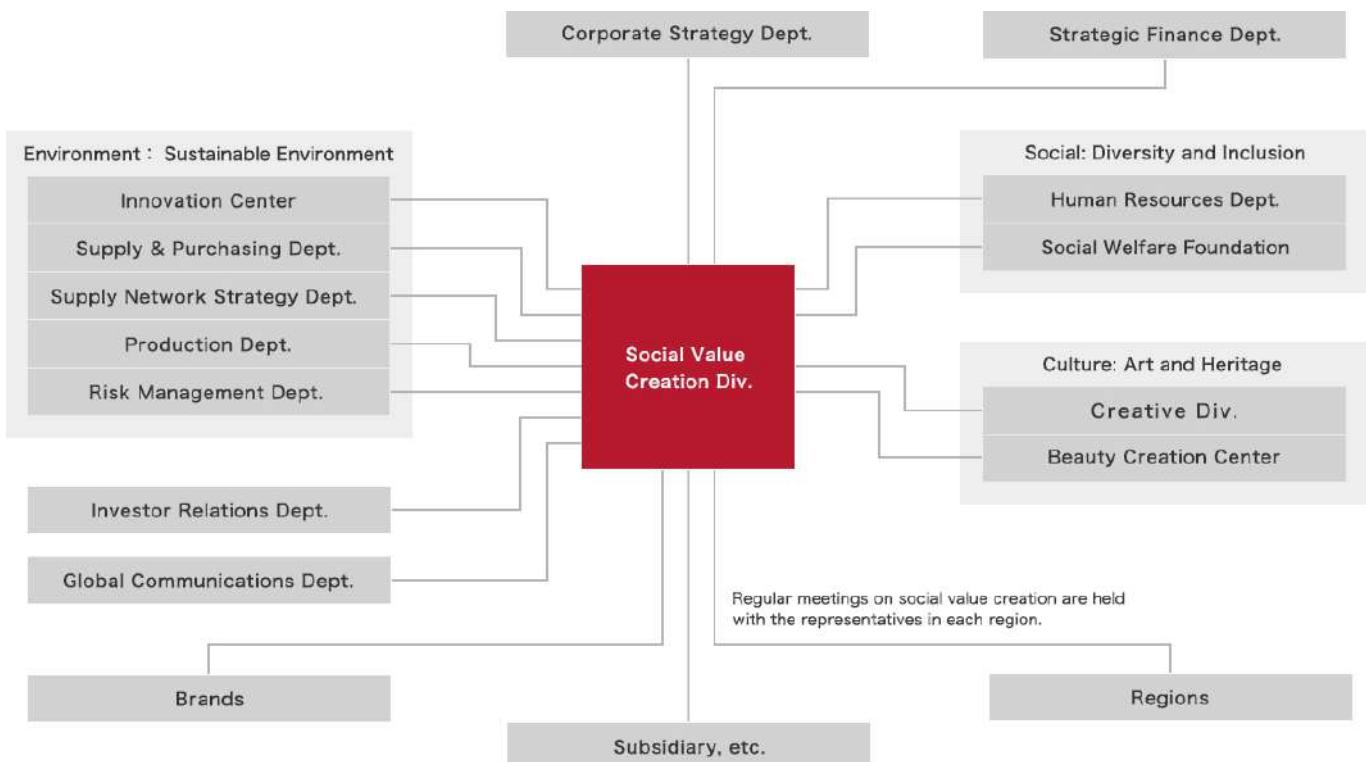
*1 Chief Financial Officer, Chief Innovation Officer, Chief Strategy Officer, Chief People Officer, Chief Social Value Creation Officer, Chief Supply Network Officer, Chief Legal Officer

*2 Corporate Officers in charge supervise each relevant field.

Social Value Creation management system (incl. Environment)



Social Value Creation – Internal Collaboration



● Promotional activities

The Shiseido Group's production facilities introduced the ISO 14001 environmental management system for the first time in 1997. All our production facilities worldwide have obtained ISO 14001 certification. We place an Environmental Management Representative in each production facility, set environmental policies and targets, promote environmental activities, confirm compliance with environmental regulations, properly manage chemical substances, educate employees on the environment, and conduct the PDCA cycle. By so doing, we improve the management system and reduce the environmental impact. The progress of these activities is validated through third-party audits.

Under this promotion system, the Shiseido Group had no major environmental incidents, violations of environmental laws or regulations, or lawsuits related to environmental issues in 2018. We will continue our endeavor to maintain appropriate environmental management.

The Shiseido Group Environmental Management Status

Descriptions	Targets	2018 results
Maintain and expand environmental management system	Maintain ISO 14001 certification	Continued ISO 14001 certification (acquired ISO 14001 at all production facilities)

Status of ISO14001 Certification

Production facilities		Date of certification
Shiseido Company, Limited	Shiseido Kuki Factory	October 27, 1997
	Shiseido Kakegawa Factory	October 5, 1998
	Shiseido Osaka Factory	March 24, 1999
Taiwan Shiseido Co., Ltd. Hsinchu Factory		August 31, 1999
Shiseido America, Inc.	East Windsor Factory	March 31, 2000
Shiseido International France S.A.S.	Unité de Gien	August 8, 2000
Shiseido Liyuan Cosmetics Co., Ltd.		August 17, 2000
Shiseido International France S.A.S.	Unité du Val de Loire	February 8, 2002
Shiseido Citic Cosmetics Co., Ltd.		November 9, 2004
Shiseido Vietnam Inc.	—	December 15, 2011

Cooperating companies

Production facilities		Date of certification
Shiseido Honeycake Industries Co., Ltd.*	—	September 29, 1999

* Although Shiseido Honeycake Industries Co., Ltd. is not a consolidated subsidiary it obtained certification in 1999 in line with Shiseido policies.

Primary Strategic Actions

Reducing Environmental Burden

From the perspective of craftsmanship, including the procurement of raw materials, we are promoting activities to reduce our environmental burden. In this way, we are working to fulfill our responsibilities as a global corporate citizen and contribute to society. We are stepping up efforts to reduce CO₂ emissions, a primary cause of climate change. We are also making progress on a global scale with regard to ethical procurement (palm oil, paper), which puts a halt to deforestation. At the same time, we are proceeding with water usage reduction and working to reduce and recycle waste in order to lessen the burden placed on the environment.

CO₂

● CO₂ reduction initiatives

With regard to greenhouse gases (GHG), including CO₂, which is one of the causes of climate change, we aim to reduce emissions at all production facilities and across all our businesses and strive to mitigate climate change.

Support and active participation in TCFD

In April 2019, Shiseido has expressed its support and active participation in the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB). From here on, we will actively promote disclosure of information concerning both business risks and opportunities caused by climate change from such perspec-

Production facilities

In the Shiseido Group's production facilities, we are promoting the selection of appropriate equipment that takes into consideration energy saving performance as well as environmental measures based on the environmental management system ISO 14001.

Solar power generation: East Windsor Factory, Shiseido America, Inc. (New Jersey, USA) introduced the fixed-tilt solar power system in 2007 and the solar-tracking solar power system in 2010. With an annual power generation of approximately 2.3 million kWh, more than 70% of the factory's annual power consumption is covered by solar power. This initiative contributes to the reduction of 1,200 tons of CO₂ annually. In 2010, the factory won the 2010 New Jersey Governor's Environmental Excellence Award. By selling polystyrene foam, a packaging material used to deliver materials, to a recycling company from 2012, the factory reduces waste by 7.5 tons and CO₂ emissions by 0.8 tons annually.

Renewable energy: Since 2018, Kakegawa Factory, Kuki Factory and Osaka Factory of Shiseido Company, Limited have adopted renewable energy*. About 38% of the electricity used in these three plants is sourced from hydroelectric power, which contributes to a reduction in CO₂.



Solar power generation equipment



"Aqua Premium" by TEPCO Energy Partner, Incorporated

* Adopted "Aqua Premium" by TEPCO Energy Partner, Incorporated

Logistics

Improving delivery efficiency with 10-sided cardboard boxes:
 Since 2008, the Kuki Factory of Shiseido Company, Limited has adopted 10-sided cardboard boxes for the logistics of our products*. Arranging 10 sides for the cardboard boxes maintains the durability and thins the cardboard paper, which enables the packing of shampoo refills (and refill products) produced in the factory to be done without gaps. By reducing the amount of cardboard materials and improving delivery efficiency, we have saved resources and reduced CO₂ emissions by 800 tons.



10-sided cardboard box (Exterior) 10-sided cardboard box (Interior)

10-sided cardboard boxes

* Adopted for TSUBAKI, SUPER MILD, AQUAIR, and SEA BREEZE brands produced at the factory.

Product development

We provide eco-friendly products and services to reduce CO₂ emissions. We are also working on product environmental impact assessments and information disclosure (Product Life Cycle Assessment: LCA).

Deforestation(Palm oil, Paper)

The raw materials of the Shiseido Group's products are mostly plant-derived. To promote environmental protection while developing together with society, we dedicate ourselves to sustainable procurement across all our business activities, including the procurement of raw materials. We are strengthening our response to sustainable protection of the environment, in particular, with regard to palm oil, a raw material used in surfactants, and paper, used for the packaging of goods, because both can be a direct cause of deforestation.

● Procurement of sustainable palm oil

Palm oil, a raw material for cosmetics, is mainly produced from oil palms in Southeast Asia. Environmental protection in palm oil production areas and consideration of human rights of people working on plantations are essential to build an ethical supply chain. Shiseido joined RSPO (Roundtable on Sustainable Palm Oil) and formulated PDFShiseido Group Sustainable Raw Materials Procurement Guidelines in order to procure palm oil and palm kernel oil that is environmentally and socially friendly. In addition, we are making progress toward obtaining RSPO supply chain certification^{*1} at the Shiseido Group factories. Through these efforts, we are shifting toward sustainable palm oil procurement.

Please check the details in 2018 Performance - Procurement of sustainable palm oil.

*1 RSPO: Roundtable on Sustainable Palm Oil

*2 RSPO Supply Chain Certification: Certification to ensure logically reliable delivery of RSPO RSPO-certified raw materials.

● Procurement of sustainable paper

We are promoting the procurement of recycled paper, non-wood paper, and (third-party) certified paper, in consideration of the environment at the place of origin.

Target: Switch 100% of the paper used for Shiseido products to recycled paper, non-wood paper or (third-party) certified paper by 2023 (set in 2019)

For other sustainable raw material procurements, please check Responsible Procurement.

Water

We aim for the sustainable use of water while respecting water circulation in water systems, as well as the water utilization by local communities. To that end, we will first identify the actual situation regarding the use of water resources through the various value chains in our business activities. Based on this, with the aim of the sustainable use of water, we strive to reduce the impact of our business activities on water circulation and water utilization.

● Water-saving initiatives

Product development	<p>We develop water-saving products that can reduce water consumption when used by our customers to contribute to the conservation of water resources. Reducing water use by developing a facial wash that rinses off well: Japan's skincare brand, Senka, developed a foamy cleanser that can be rinsed off quickly with less water and launched it in 2016. This facial wash helps reduce the amount of water necessary to rinse the foam off by about 35%*2 (1080 liters per year) compared to conventional facial wash*1.</p> <p>*1 Conventional facial wash: Cream type (in tube) *2 Confirmed by Shiseido</p>
Production facilities	<p>The long-term consequences of climate change imply an increase in drought risk in Europe. Therefore, Unité de Gien Factory and Val de Loire Factory, based in France, set water consumption per production volume of contents as their KPI. They are working to reduce water consumption from the viewpoint of long-term risk management. Please check the details in 2018 Performance.</p>

Waste

With the aim of realizing a recycling-oriented society, the Shiseido Group is working on the reduction of waste in the processes of all business activities, keeping 3Rs (Reduce, Reuse, Recycle) and biodegradable packaging utilization in mind. We also strive to properly manage industrial waste.

● Waste recycling

We are working on the recycling of waste generated by activities at our facilities. Our 2018 recycling rate was 89%.

● Proper disposal of industrial waste

We hold workshops on industrial waste (lecture-style workshops, on-site confirmation workshops at intermediate processing companies) twice yearly to manager-level position holders, to those in charge of industrial waste handling across all domestic departments, and to each Shiseido Group company with the aim of understanding laws and legal compliance and sharing key points of compliance. As a result of these activities, we had no accidents or legal violations related to waste in 2018.



Industrial waste workshop

Biodiversity Conservation

The business activities of the Shiseido Group have a considerable impact on biodiversity, from procurement of raw materials to sales and disposal. We recognize that we are performing actions in the course of our business which can have an impact on the bounty of the Earth and we have set out the following ideas on biodiversity to maintain our business in the future. These apply to the entire value chain.

● Biodiversity conservation activities

Raw material procurement and products

Environmental protection is taken into consideration when procuring palm oil and paper used for cosmetics packages. Please check the details in Responsible Procurement.

Afforestation at raw material production sites for the hair care brand "TSUBAKI": Since 2011, Shiseido promotes camellia planting and conservation activities at the abandoned farmlands of the Goto Islands in Nagasaki Prefecture, the production site of raw material for the hair care brand "TSUBAKI." Due to the aging of the population in this area, abandoned farmlands are becoming a social issue. As Shiseido aims at sustainable and socially responsible raw material procurement, we achieve this through protecting and growing camellias in collaboration with the local residents. In 2018, 32 employees participated and planted Yabutsubaki seedlings for 75 trees (0.18 hectares) in Shin-kamigoto Town, Minamimatsura-gun, Nagasaki Prefecture. It is an activity that contributes to Goals 15 (Sustainable management of forests), a part of the Sustainable Development Goals (SDGs) established by the United Nations.

Protection of the environment at the raw material production site of the Chou-mei-sou brands: Since 2013, a portion of our profit from beauty drink, Chou-mei-sou brands, has been donated to environmental protection on Yonaguni Island, Okinawa which is the raw material production site. The island is rich in nature and is home to both endangered and endemic species of flora and fauna. In 2013, we created the Yonakama Picture Book, which introduces 137 kinds of flora and fauna inhabiting the island and distributed it to the island's children and all 800 households. In 2014, we removed about 100 tons of exotic water plant, hyacinth, that had overgrown the rivers on the island.



Facilities

Honey bee protection in production facilities in France: Many crops rely on bees to be pollinated, but in Europe, there are concerns about the decline of bees. Therefore, at the Val de Loire Factory and Unité de Gien Factory at Shiseido International France S.A.S., we have included the conservation of bees and the ecosystem of the local community in our sustainability plan. Along with setting up beehives, we have banned the use of agrochemicals on the factory premises. About 400 kg of honey was produced in a year from the beehives installed.



Afforestation activities in Shiseido Thailand Co., Ltd.: Since 2008, we have planted mangrove trees in various parts of Thailand. In 2018, 52 employees participated and planted 500 trees in a mangrove forest in Samut Prakan Province.



Rooftop greening in the Head Office's Ginza Office: When rebuilding the Ginza Office (Chuo-ku, Tokyo) in 2013, we investigated the natural environment in the surrounding area and built a roof "Shisei Garden" that contributes to maintaining the diversity of ecosystems. Based on survey results, we selected trees in the garden and cultivated plants that become raw materials for cosmetics. The garden is a relay point for animals that are connected to nearby natural parks and is also used for the environmental education for employees.

Biodiversity assessment

When rebuilding the Ginza Office (Chuo-ku, Tokyo) in 2013, we investigated the natural environment and animals in the surrounding area and utilized the results to design our roof garden. The investigation results showed that the Ginza district had a small animal population with a small number of types of animals. On the other hand, it was confirmed that in the neighboring large greens such as Hibiya Park and Hamarikyu, there was a large animal population and they are breeding and foraging. From these results, we found that if we had green space on the rooftop of the new headquarters building, that could be a stopping point for birds and insects, thus we could contribute to the biodiversity-friendly community development.

Shiseido Group Sustainable Raw Materials Procurement Guidelines

For palm-derived raw materials, known for their increasing problems involving the environment and human rights at the countries of origin, Shiseido Group Sustainable Raw Materials Procurement Guidelines have been established for the promotion of sustainable procurement as specified in the Shiseido Group Global Procurement Policy.

- **Palm oil**

For palm-derived raw materials for use in Shiseido products, we will promote the procurement with due consideration of environmental conservation at the place of origin, as well as the respect for human rights.

Target: By the year 2020, for all palm-derived raw materials for use in Shiseido products, we will accomplish procurement with due consideration of environmental conservation at the place of origin, as well as the respect for human rights, by procurement of RSPOcertified materials. In addition, the Shiseido Group factories will acquire RSPO's supply chain certification.

Primary Strategic Actions

Protecting Skin from UV Rays and Photoaging^{*1}

Due to the influence of the global environment, esp. through climate change^{*2}, total UV exposure of consumers are likely to increase in the next 100 years in certain areas^{*3}. Based on the results of our dermatological science research and development activities, which span over 100 years, we are moving forward with new research from the perspective of the relationship between environment and skin (including UV rays). Through this research, we are developing and providing innovative products and services (UV care, skin brightening, anti-aging care) that protect beautiful skin.

*1 Signs of aging caused by UV rays

*2 The fact that climate change influences on atmospheric circulation (Hadley circulation) and the total amount of UV ray exposure increase in the middle latitudes was indicated by the research result of JAMSTEC (Japan Agency for marine-earth science and technology) .

*3 Most affected are the densely populated regions in the earth's middle latitudes where economic activity is booming.

● Products to protect and care for the skin from UV rays

Sunscreen brands ANESSA

Sunscreen brands Shiseido SUNCARE

● Support to Patients suffering from Xeroderma Pigmentosum (XP), a UV-sensitive intractable disease

In order to support children suffering from Xeroderma Pigmentosum (XP), a UV-sensitive intractable disease that renders the sufferer unable to stand UV radiation, Shiseido Group (Japan) donates sunscreen products to the XP Patient Association. As part of social contribution activities by employees, we have been providing support since 2000, such as offering financial aid for patient exchange meetings using donations by employees (Shiseido Hanatsubaki Fund) and sending employee volunteers as lecturers to teach how to use sunscreen at those meetings.

Please check the details in Empower Beauty: Support for Patients with Xeroderma Pigmentosum (XP), a UV-Sensitive Intractable Disease.

● Education for children about UV protection

In Japan, Shiseido Japan Co., Ltd. plays a central role in providing easy-to-understand beauty lifestyle information materials, such as for sun protection, to help children keep their skin healthy on their own.

Please check the details in Social contribution activities: Activities for Children.

Primary Strategic Actions

Developing Sustainable Packaging

Since the launch of our first refill products in 1926, we have developed various kinds of environmentally friendly packaging (e.g. biomass containers, recyclable PET bottles, low-temperature combustible materials), based on the philosophy that the earth creates all value. We are the first Japanese company to join SPICE^{*1}. We have also been actively developing biodegradable packaging^{*2} in addition to promoting the 3Rs (reduce, reuse, recycle) in order to utilize limited resources and resolve the issue of ocean pollution.

*1 SPICE (Sustainable Packaging Initiative for CosmEtics) : A collaborative initiative by global cosmetic companies to create a future with sustainable packaging

*2 At our company, cosmetics packaging that is reduced, reused, recycled and biodegradable is defined as "Sustainable Packages."

Targets

● Adopt sustainable packaging

1. Promote the provision of refills and reduce CO₂ and waste.
2. By 2030, we will replace 100% of the resin we are currently using for containers and packaging to sustainable plastic. (Set in 2017)
3. We will switch 100% of the paper used for Shiseido products to recycled paper, non-wood paper or (third-party) certified paper by 2023 (Set in 2019)

Product packaging

Our approach is based on the four viewpoints: Reduce, Reuse, Recycle, and Biodegradability.

● Reduce/Reuse

We sell refill products for approximately 700 items in Japan so that we can reuse containers in the cosmetics business. We are reducing the resources used for containers by providing refill products in various categories, such as shampoos, lotions, emulsions, and foundations. We also try to reuse resources by making containers lighter and easier to separate after use.



Original product container and refill

● Resource reduction by refill products

HAKU: We have been offering refill products for skin brightening serum, HAKU melanofocus, since 2011. By using a refill container, we reduced the number of plastics used by 60% (approx. 19 tons within a year after launch) compared with the amount used for the original product container.

● Providing easy-to-separate packages

Brand SHISEIDO: In order to make it easy to recycle used containers, we are working to provide packages that can be easily separated for products that combine different materials such as plastic and metal.



● Weight reduction of eco-friendly product packages and containers

Clé de Peau Beauté: In 2014, we changed the material used for the container of the essence, Concentré Illuminisateur, from glass to plastic. A three-dimensional pouch shaped like a diamond has a design that delivers both luxury feel and eco-friendliness. The weight of the container has been reduced by 90% (60% reduction in CO₂ emissions per product).

The Collagen: For beauty drinks, The Collagen, and Pure White, we reduced the weight of the glass bottles by 10% through efforts we have been making since 2011.

Chou-mei-sou brands: In 2013, we changed the container for the beauty drinks, Chou-mei-sou brands, from aluminum cans to paper containers. We use a paper beverage container called Cartocan. A portion of the profit is donated to the Midori no Bokin (Green Fund) to contribute to forestation maintenance.



● Utilization of biomass resources

Since 2009, we have been switching the material of the cartons for our skin care products (single-unit cases), such as lotion and emulsion from plastic to paper. With regard to paper materials, we actively promote adopting the paper such as recycled paper, bagasse paper^{*1}, and FSC-certified paper^{*2} based on the Shiseido Production Eco Standards.

Sugarcane-derived polyethylene^{*3} has been adopted as the material of packaging for the domestic hair care brand SUPER MiLD since 2011, and reduced CO₂ emissions by more than 70% throughout the life cycle.

*1 Bagasse paper: Non-wood paper made from fibers taken from sugar cane

*2 FSC-certified paper: What is certified as "Paper product produced from an appropriately managed forest" from the Forest Stewardship Council (FSC) in order to make supply chain related to forest resources.

*3 Sugarcane-derived polyethylene: The CO₂ generated when sugarcane-derived polyethylene is incinerated is equivalent to the CO₂ absorbed as the sugarcane grow. In addition, the energy consumption in the manufacturing process is less than that of petroleum-derived polyethylene due to the lower temperature in the process and the electricity consumed by the raw material production being generated from the incineration of sugarcane fiber (See Fig. 1). Sugarcane-derived polyethylene can reduce the CO₂ emissions by over 70% throughout the life cycle compared to petroleum-derived polyethylene (See Fig. 2).

Fig. 1 Manufacturing process of polyethylene

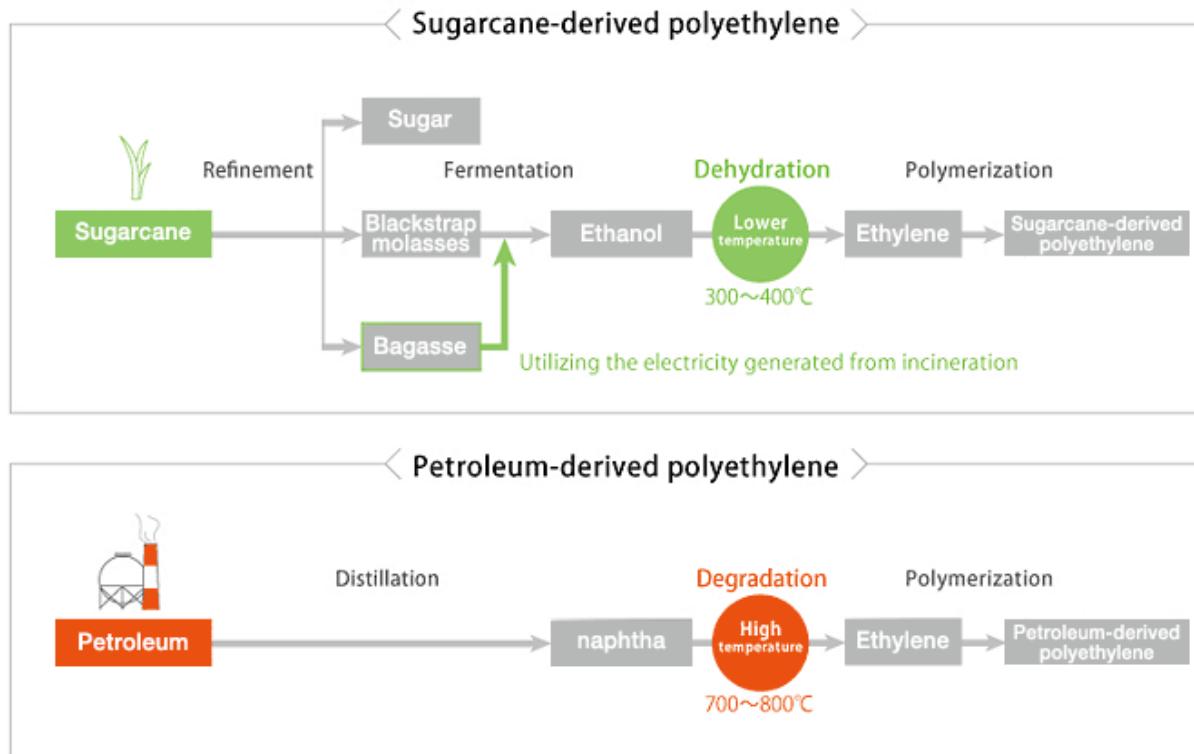
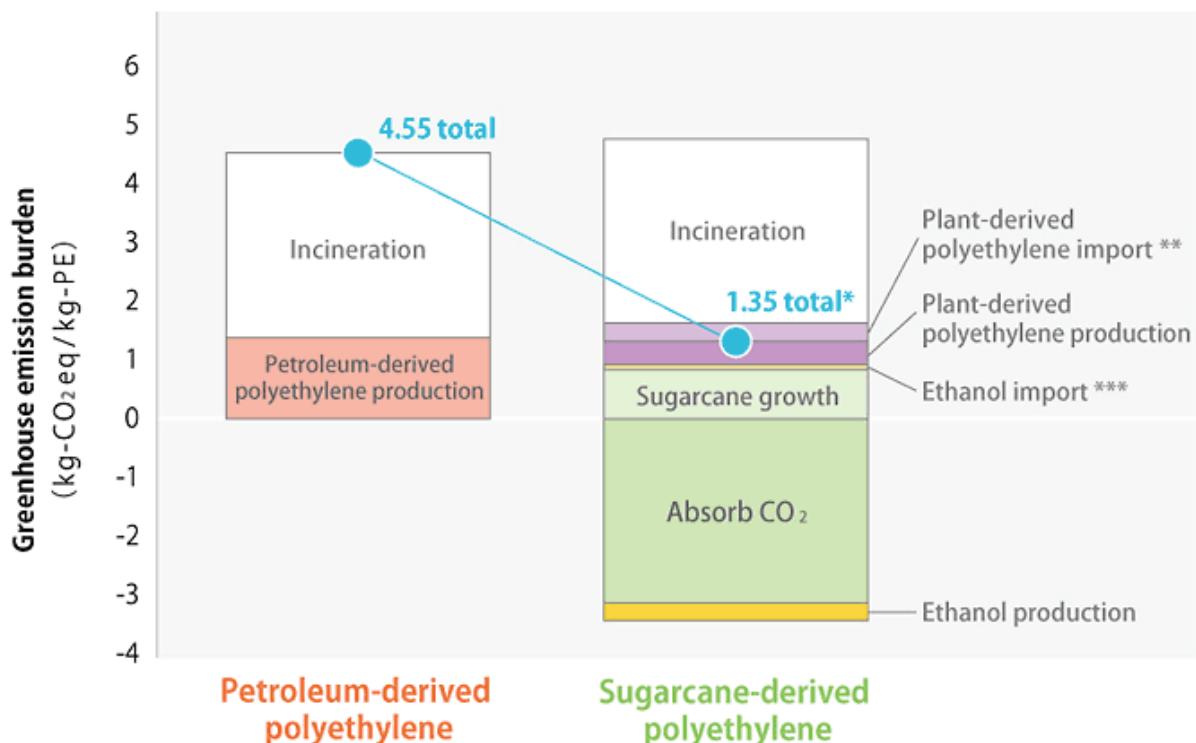


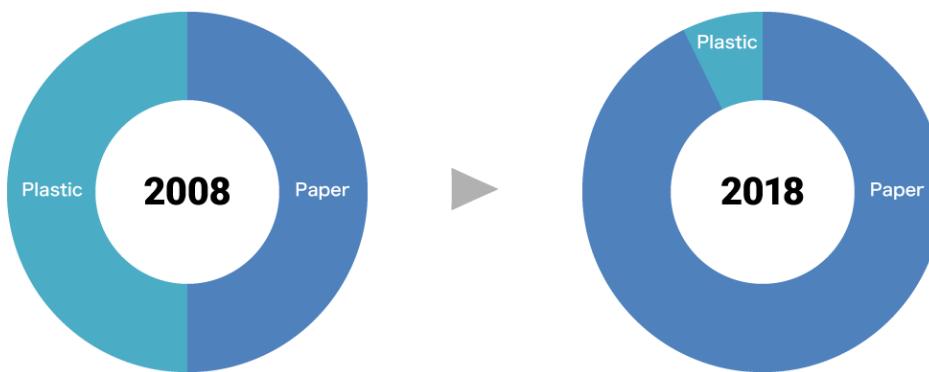
Fig. 2 CO₂ emission reduction effect



[Kikuchi, Hirao, et al. (Source: The 6th Meeting of the Institute of Life Cycle Assessment, Japan)]

Material of the single-unit case for skin care products in Japan

The below shows the share (ratio by procured quantity) by material of a single-unit case procured in Japan.



● Recycling

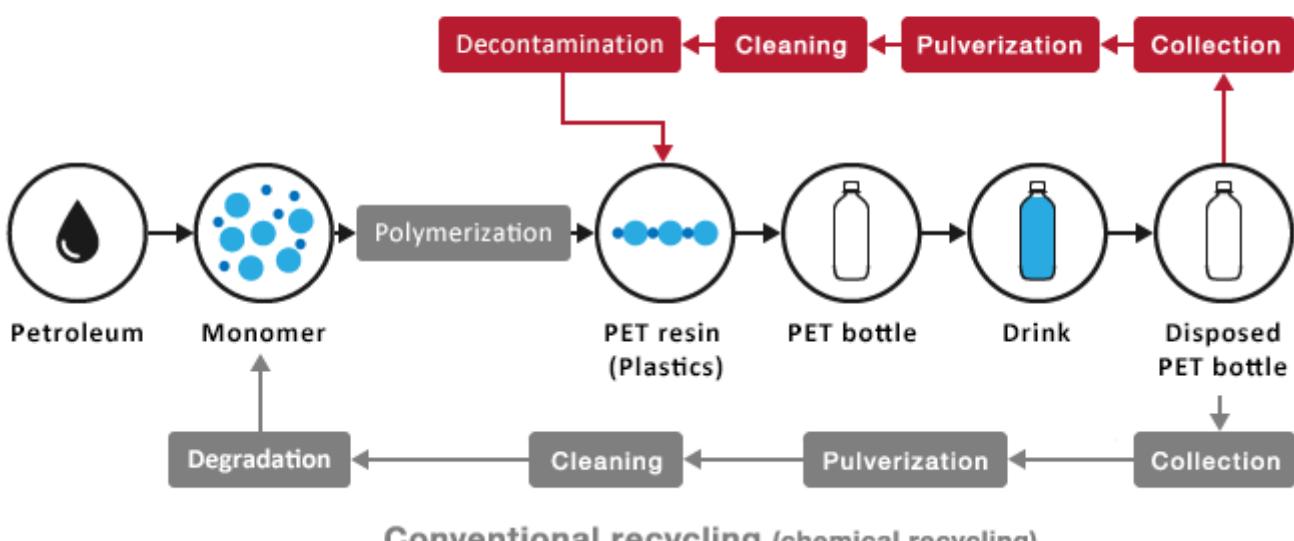
Mechanical recycling* adoption of PET resin: We have been using the recycled PET resin that has been reproduced from post-consumer packaging waste since 2015 for the bottle material of SEA BREEZE Super Cool Body Shampoo.

* Mechanical recycling: A technology for efficiently producing high-quality recycled PET resin from PET bottles for beverages. Compared to using petroleum-derived PET resin, CO₂ emissions could be reduced by 39 tons in 2018.

Mechanism of mechanical recycling

Mechanical recycling can drastically reduce the process and save the manufacturing energy

Mechanical recycling



● Biodegradable packaging

Shiseido initiated a joint development with KANEKA CORPORATION in April 2019, aiming to utilize Kaneka Biodegradable Polymer® PHBH®, a proprietary material with high biodegradability in seawater for cosmetics containers, tools, packaging materials, fixtures, etc. We aim to minimize the environmental impact by combining KANEKA's proprietary technology on material development with Shiseido's knowledge we accumulated for many years in container development for cosmetics.

Participation in SPICE and formation of the rules regarding environmental impact assessment of product packaging

From 2018, Shiseido became the first Japanese company to join SPICE ([target_blank](#)) , a Sustainable Packaging Initiative for CosmEtics. By collaborating with global cosmetics companies, we aim to develop a new scheme which will accelerate the use of sustainable packaging and increase awareness in the beauty industry by establishing the standardized methodology of packaging lifecycle assessment.

Collaboration with Stakeholders and Evaluation from External Parties

● Agreements with external organizations

2017	In Japan, Shiseido updated the content of our declaration on environmental protection, the Promise of eco-first and certified as an "Eco-First Company" by the Minister of the Environment. (Re-certified in 2012 and 2017, respectively)
2009	In Japan, Shiseido became the first company in the cosmetics industry to receive the "Eco-First Company" certification from the Ministry of the Environment thanks to our declaration on environmental protection, the "Promise of eco-first."
2008	We agreed with the United Nations Global Compact's Climate Change Initiative on Caring for the Climate.

● The Promise of Eco-first

1. We actively promote environmental measures in relation to our products, such as the use of the 3 Rs (Reduce, Reuse, Recycle) for containers and packaging.
2. We will actively work on the conservation of the bounty of the Earth, which is the source of value creation.
3. We will engage in environmental education and develop our staff to contribute to the conservation of the bounty of the Earth.
4. We will actively promote initiatives to prevent global warming.



● Environmental study with local residents

Environmental study with children

The Shiseido Kakegawa Factory (Kakegawa City, Shizuoka Prefecture) holds environmental learning sessions for local elementary school students every year. In 2019, 20 children from Kakegawa participated in the sessions. We introduced eco-friendly packages and waste reduction initiatives and learned about the problem of ocean plastics. Everyone checked small pieces of plastic collected from the beach by employees and made kaleidoscopes. The Shiseido Kakegawa Factory continues to provide environmental education in cooperation with the community.



Environmental study in the roof garden at the Ginza Office

The Ginza Office (Chuo-ku, Tokyo) has a rooftop "Shisei Garden" created with biodiversity conservation in mind. We hold environmental learning sessions for local residents in the garden. In October 2016, we invited 29 children to take part in a workshop in which they observed the plants in the roof garden and squeezed oil from Camellia, a cosmetics ingredient.



● Awards won

Month/Year	Award	Organizer	Reason for award
August 2017	Technical Packaging Award of The Japan Packaging Contest 2017	Japan Packaging Institute	Sing mechanically recycled PET: SEA BREEZE Body Shampoo A Cool & Deodorant, SEA BREEZE Super Cool Body Shampoo S
August 2016	Accessible Design Packaging Award of the Japan Packaging Contest 2016	Japan Packaging Institute	Development of new refill replacement mechanism for Clé de Peau Beauté LA CRÉME n

2018 Performance

● CO₂

Transition of CO₂ emissions reduction target and CO₂ emissions amount^{*1} (Scope 1 and Scope 2)

		Results					Targets
Scope ^{*2}		2014	2015	2016	2017	2018	2020
Shiseido Group (Japan)	Production facilities	2% Reduction	13% Reduction	20% Reduction	5% Reduction	7% Reduction	20% reduction compared to fiscal year 2009 (absolute amount)
	Non-Production facilities	11% Reduction	16% Reduction	19% Reduction	22% Reduction	23% Reduction	14% reduction compared to fiscal year 2009 (absolute amount)
Shiseido Group (Overseas)	Production facilities	38% Reduction	33% Reduction	37% Reduction	43% Reduction	57% Reduction	23% reduction (compared to BAU) *3
	Non-Production facilities	28% Reduction	23% Reduction	22% Reduction	13% Reduction	17% Reduction	11% reduction compared to fiscal year 2009 (absolute amount)

*1 Gases subject to tabulation: Greenhouse gases (GHG) include seven gases: CO₂, CH₄, N₂O, HFC, PFC, SF₆, and NF₃. Unless otherwise stated, these greenhouse gases are described as CO₂. Since the calculation method was changed from location-based to market-based from the 2018 results, all of the performance data in this table was re-calculated based on the market-based method.

*2 Scope: Production facilities of the Shiseido Group (Japan) are Kuki Factory, Kakegawa Factory, and Osaka Factory. Production facilities of the Shiseido Group (Overseas) are eight production facilities including Shiseido America, Inc., Val de Loire Factory (VDL) and Unité de Gien Factory (Gien) of Shiseido International France S.A.S., Shiseido Liyuan Cosmetics Co., Ltd. (SLC), Shiseido Citic Cosmetics Co., Ltd. (SJC), Taiwan Shiseido Hsinchu Factory, Shiseido Vietnam Inc. (SVI), Shanghai Huani Transparent Beauty Soap Co., Ltd. (Shanghai HN). Non-Production facilities of the Shiseido Group (Overseas) are the primary 12 facilities.

*3 BAU (Business As Usual) ratio: A comparison of the actual CO₂ emissions and the CO₂ emissions that would be expected if any reduction measures were not implemented.

2018 Results: Scope 1, Scope 2 and Scope 3

Approximately 49,000 tons of CO₂, was reduced thanks to the sale of refill products.

Each stage of the value chain	CO ₂ reduction amount (Unit: 1,000 ton)
Procurement of raw materials	5.4
Stage of product usage	40
Disposal stage	4.4
Total	49

Target period: From January 1 to December 31, 2018

Scope: 113 facilities including the Shiseido Group's Headquarters and sales facilities, R&D facilities, production facilities, and major subsidiaries

Please check the details in Environmental Data.

CO₂ emissions amount across the value chain (product life cycle) (Scope 1, Scope 2 and Scope 3)

The Shiseido Group is pursuing CO₂ reduction by accounting the CO₂ emissions through the value chain based on the "GHG Protocol Scope 3 Standard." Looking at each stage of the Shiseido Group's value chain, we identified that the largest CO₂ emissions is in the use stage due to the heating water for rinsing off the products such as shampoo, facial wash, etc. We promote reducing CO₂ emissions in this stage.

CO₂ emissions amount across the value chain (2018)

Electricity	2.1*10 ⁷ kWh	—	7.0*10 ⁷ kWh	—	1.6*10 ⁷ kWh	6.7*10 ⁸ kWh	—
City Gas	6.2*10 ⁵ Nm ³	—	8.6*10 ⁶ Nm ³	—	5.4*10 ⁵ Nm ³	4.7*10 ⁸ Nm ³	—
LPG	0 t	—	208 t	—	0 t	—	—
Fuels	214 kL	—	58 kL	25,000 kL	2,218 kL	—	—
Steam	11,615 GJ	—	9,144 GJ	—	18 GJ	—	—
Water	53,268 m ³	8.3*10 ⁷ m ³	1.2*10 ⁶ m ³	—	—	1.8*10 ⁸ m ³	—
Raw Material	—	61,000 t	—	—	—	—	—
Packaging material	—	6.4*10 ⁹ parts	—	—	—	—	—



CO ₂	* ₁ 360,000 t	* ₂ 430,000 t	* ₃ 61,000 t	* ₄ 71,000 t	* ₅ 170,000 t	* ₆ 1.8*10 ⁶ t	* ₇ 110,000 t
SO _x	0.0 t	—	0.0 t	—	—	—	—
NO _x	0.0 t	—	4.1 t	—	—	—	—
BOD	1.6 t	—	58 t	—	—	—	—
COD	0.9 t	—	116 t	—	—	25,000 t	—
N	—	—	—	—	—	100 t	—
P	—	—	—	—	—	0.66 t	—
Wastewater	11,125 m ³	—	976,877 m ³	—	—	1.8*10 ⁸ m ³	—
Waste materials	815 t	—	7,745 t	—	3,035 t	—	54,000 t



Third-Party Certification

The data marked with in the above figure has been third-party certified. For the CO₂ emissions amount in the Shiseido Group Scope 3, a Third-Party Certification is undertaken for highly contributing categories 1, 4, 5, 11, and 12 by SGS Japan Inc.

Target period: From January 1 to December 31, 2018

Scope: 113 facilities including the Shiseido Group's Headquarters and sales facilities, R&D facilities, production facilities, and major subsidiaries

Calculation criteria: Shiseido Environmental Footprint Assessment Guidelines

*1 Including CO₂ emissions due to the consumption of electricity and fuel at the Headquarters, Shiseido Global Innovation Center and affiliated companies (corresponding to Scope 1 and Scope 2), construction of capital goods (Category 2), CO₂ emissions on a business trip (Category 6), commuting (Category 7).

*2 Including CO₂ emissions due to the production of procured raw materials (Category 1), procurement logistics (Category 4).

*3 Including CO₂ emissions due to consumption of electricity and fuel at production facilities (Scope 1 and Scope 2), production of fuel consumed at facilities (category 3).

*4 Including CO₂ emissions due to shipping logistics (Category 4).

*5 Including CO₂ emissions due to the consumption of electricity and fuel at production facilities (relevant to Scope 1 and Scope 2) and advertising and promotions (Category 1), treatment of waste derived from returns (Category 5).

*6 Including CO₂ emissions related to Wastewater due to the consumption of water and fuel in usage occasions of the products sold (Category 11).

*7 CO₂ emissions due to treatment and decomposition of waste derived from products sold (Category 12).

*8 The following production facilities achieved zero emissions (with a recycling rate of 99.5% or higher).

Domestic: Osaka Factory, Kakegawa Factory, Kuki Factory

Overseas: Val de Loire Factory and Unité de Gien Factory of Shiseido International France S.A.S., Shiseido Citic Cosmetics Co., Ltd., Shiseido Vietnam Inc.

*9 Including CO₂ emissions due to treatment and decomposition of waste derived from businesses (Category 5) and transportation of waste sold as valuables (Category 4).

Independent Assurance Statement for Environmental Data



ASSURANCE STATEMENT

SGS Japan's Report on Sustainability Activities in the Shiseido Group's Sustainability website.

NATURE AND SCOPE OF THE ASSURANCE

SGS Japan Inc. was commissioned by Shiseido Company, Limited (hereinafter referred to as "the Organization") to conduct an independent assurance of its Sustainability web site (hereinafter referred to as "the Report"). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, includes the stakeholder management process, data on greenhouse gas(GHG) emissions (Scope 1, 2, and category 1,4,5,11 and 12 of Scope 3), energy consumption, amount of water intake and drainage, BOD/COD, waste (generation and discharge) and the management systems supporting the reporting process.

The information contained in the Report and its presentation are the responsibility of the governing body and the management of the Organization. SGS Japan Inc. has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data and statements within the scope of assurance with the intention to inform all the Organization's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured at a moderate level of scrutiny using our protocols for:

- Evaluation of content veracity;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- Evaluation against the ISO14064-3(2006);

The assurance comprised a combination of pre-assurance research, interviews with the management, the division of responsible for CSR and the person in charge of producing the report at the head office, onsite visits to the Kuki Plant and Kakegawa Plant, verification and confirmation of vouchers, and review of related materials and records.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; and environmental, social and sustainability report assurance. SGS Japan Inc. affirms our independence from the Organization, being free from bias and conflicts of interest with the Organization, its subsidiaries and stakeholders.

The assurance team was assembled based on the knowledge, experience and qualifications of the each of the team members for this assignment, and comprised auditors registered with lead auditors of ISO9001, ISO14001, ISO45001 and lead verifiers of greenhouse gas emissions.

ASSURANCE OPINION

Within the scope of the assurance activities employing the methodologies described above, nothing has come to our attention that caused us to believe that the information and data contained within the Report does not provide a fair and balanced description of the Organization's sustainability activities from 1st January, 2018 to 31st December, 2018.

The assurance team is of the opinion that the Report can be used by the Reporting Organization's Stakeholders. We believe that the Organization has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

The Organization recognizes the importance of the multi-stakeholders (consumers, suppliers, business partners, employees, local communities and shareholders/investors), and perceives the needs and expectations through various stakeholder engagements. The Organization conducts business activities to achieve a sustainable society with the mission "BEAUTY INNOVATIONS FOR A BETTER WORLD". The Organization, assessing the relevance of the mission and business activities to issues from stakeholders and SDGs, practices sustainability management by reflecting the results in the business strategy.

The series of processes is available in the Report. SGS Japan Inc. confirmed the above processes through the assurance.

Materiality

The material issues identified by the Organization are determined with consideration of business activities including the value chain and the expectations from society, and the Organization addresses the issues in the entire Organization and the relevant divisions through the business activities. The relevant actions addressing the issues are defined as "the three key activity themes", and their detailed activities are available in the Report. SGS Japan Inc. confirmed the above processes through the assurance.

Responsiveness

The Organization addresses the identified issues in the relevant divisions through the business activities. The Organization communicates with the stakeholders by various measures including direct dialogue. The correspondence to stakeholders is also disclosed in the report along with its direction and specific cases in point demonstrating such measures.

SGS Japan Inc. confirmed the above processes through the assurance.

For and on behalf of SGS Japan Inc.

Senior Executive & Business Manager
Certification and Business Enhancement

Yuji Takeuchi



AA1000

Licensed Assurance Provider
000-8

18 June, 2019

Signed:

A handwritten signature in black ink, appearing to read 'Takeuchi Yuji'.

Shiseido's Guidance for Product and Organizational Environmental Footprint Assessment (ver. 1.02)

29th, June, 2018

This guide provides principles, requirements and guidelines related to the environmental footprint (EF) of products and organizational activities, as defined by the life cycle assessment (LCA) outlined in ISO 14040¹⁾, 14044²⁾ and “Corporate Value Chain (Scope 3) Standard³⁾” of GHG protocol.

The objective of this guide is to promote eco design and minimize environmental impact by providing appropriate methodology to evaluate our efforts on product development or economic activities from a life cycle perspective while preventing greenwash due to the overestimation of avoided effect. If necessary, when evaluating the tradeoff or synergistic effect, system boundaries and impact categories should be expanded. In interpreting and communicating the results of EF evaluation, uncertainties due to the limits of LCA shall be carefully considered, including data quality among secondary databases or differences in the available range of primary data collection between suppliers.,.

1. Terms and Definitions

1-1 Greenhouse gas (GHG):

The gas in the atmosphere that can absorb and release infrared radiation emitted from the surface of the earth, atmosphere and clouds. In this guide, GHG includes CO₂, methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆).

1-2 Product:

Consumer goods provided by Shiseido. Unless otherwise noted, product shall fall under the definition of cosmetics or quasi-drugs provided by *the Japanese Pharmaceuticals and Medical Devices Law*.

1-3 Raw material:

Ingredients or packaging material used in or for the product.

1-4 Packaging material:

Material in whole or in part constituting the bottle, cap, pump, accessory, etc. of a product

1-5 Auxiliary material:

What is consumed only at a specific stage and does not constitute part of the product or accessories. For example, lubricants used at the production stage,

transportation materials used at the distribution stages, etc.

1-6 Preparation stage for recycling:

A process to prepare for recycling after a thing has been divided into its separate parts.

1-7 Equipment to be used repeatedly:

Tools designed for repeated use, such as pallets and plastic containers.

1-8 Primary data:

The data that is collected directly, such as electricity consumption on a production site.

1-9 Secondary data:

The data that is compiled from static data such as national economic input / output database, agricultural statistics, industrial statistics, etc.

2. Scope

2-1 Component to be targeted by this guide

- (1) Contents and ingredients
- (2) Packaging materials
 - Containers (e.g. bottle, stopper, pump, pouch, etc.)
 - Secondary packaging (e.g. carton, blister case, etc.)
- (3) Accessories (e.g. manual, brush, etc.)

2-2 Non-target component

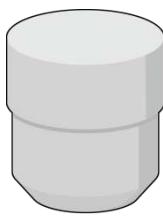
- (1) Promotional materials attached for a limited time
- (2) Equipment to be used repeatedly

2-3 Functional unit

In principle, EF is evaluated based on sales units.

In cases in which the product has a corresponding refill, the weighted EF average between these products, calculated using the content weight and the sales quantity or the planned sales quantity, may be adopted as the product's EF value.

<Example>

Product	Regular product	Refill product	Weighted average
			$\begin{aligned} EF &= (10*40*100 + \\ &\quad 2*40*300) / \\ &\quad (40*100 + \\ &\quad 40*300) \\ &= 4 \end{aligned}$
Weight of content	40 g	40 g	
Sales quantity	100 p	300 p	
EF	10	2	4

2-4 Life cycle perspective

The EF of a product considers all stages of the product life cycle as follows:

- Raw material procurement stage
- Manufacturing stage
- Distribution stage
- Use & maintenance stage
- End-of-life stage

The recycling and selling process are excluded from the system boundary.

2-5 Inventory analysis and database

Environmental inventory analysis shall be carried out based on primary data and some appropriate secondary data. The following databases are recommended for EF inventory analysis.

- IDEA⁴⁾
- Ecoinvent⁵⁾
- Japanese public database for the CFP program⁶⁾
- The basic unit database for the evaluation of organizational greenhouse gas emissions throughout the value chain⁷⁾
- WaterStat⁸⁾
- Water Footprint Inventory Database⁹⁾
- Electric power consumption rate, provided by power companies

2-6 Environmental impact categories and models on impact assessment

The table below shows default impact categories with respective indicators and impact assessment models.

Impact category	Indicators	LCIA model
Climate change	kg-CO ₂ equivalent	Bern model – Global Warming Potentials (GWP) over a 100 year time horizon ¹⁰⁾
Water resource consumption	m ³ -H ₂ O equivalent	(1) AWARE ¹¹⁾ (2) Water Unavailability Factor ¹²⁾
Water pollution (Aquatic eutrophication)	ThOD (\approx COD) Fresh water: kg-P equivalent Marine: kg-N equivalent	

3. Methodological framework

3-1 Common application to all stages

3-1-1 Data collection

- Primary data shall be collected on unit processes that have a large effect on the whole product life cycle.
- Secondary data is permitted for unit processes with less influence.
- The activities of indirect departments such as the headquarters and research departments are not included in the evaluation. If it is difficult to extract the activities of indirect departments from the whole, indirect departments may be included.
- Capital goods such as facilities for producing products are not subject to evaluation.
- Items that are used repeatedly are not subject to evaluation.
- Regional differences should be taken into consideration based on primary data on each area.

3-1-2 Period of data collection

- The actual measurement data should be the average value of one year.
- The influence of seasonal fluctuations is eliminated by collecting annual data.
- When the annual average value is not adopted, the data validity and the reliability of the evaluation shall be verified and accounted for.

- In cases in which data has large annual variations such as the amount of agricultural harvesting, average values over several years should be used in accordance with the objective.

3-1-3 Allocation

- If it is difficult to collect data for each product or unit process respectively, the data collected or the calculation result based on that data may be allocated according to the physical quantity such as weight ratio, volume ratio and number ratio.
- In case another approach is taken for allocation, the validity of this approach shall be explained.

3-1-4 Transportation

- All inter-site transport (one way transport) shall be accounted for.
- Primary data should be collected as much as possible and should be calculated based on the following method:
 - ✓ Fuel consumption method
 - ✓ Fuel efficiency method
 - ✓ Ton-kilometer method
- The details of each method can be found in Annex B.

3-1-5 Evaluation on waste treatment

- For waste discharged at each stage, the EF associated with waste treatment and transportation from the source to the final disposal site shall be calculated at each stage.
- The waste shall be treated according to the scenario detailed in Annex E, based on material type.
- In case the evaluation is based on climate change, CO₂ emissions released from the carbon in material molecules shall be included. However, CO₂ generated from biomass-derived materials should not be considered (=carbon neutral).
- For waste materials to be recycled, the EF related to transportation to the treatment site and the preparation process for recycling shall be calculated.
- The reduction effect on EF due to recycling shall not be included in the End-of-life stage.
- If waste is sold as a valuable material, it is excluded from evaluation.

3-1-6 Cut-off

- In principle, cut-off shall not be permitted for each process of the manufacturing stage and the use & maintenance stage.
- The EF of materials and processes which contribute less to the entire EF can be cut off* with specification.
- The total cut off EF shall be less than 5% of the total EF.
- The calculated EF shall be rebated by the ratio to the entire EF.

3-2 Raw material procurement stage

3-2-1 Scope

The manufacturing stage covers processes included in the following items:

- Resource mining, cultivation, and breeding processes related to raw material production
- Procurement transportation to the manufacturing stage
- Treatment of waste and wastewater generated from the raw material procurement stage
- If there are processes other than the above, the process should be also included in the data collection scope.

3-2-2 Data collection

In the raw material procurement stage, data items to be collected are shown in the table below.

Items	Primary data	Either will do	Secondary data
1. Procurement volume such as weight, quantity, and cost of raw materials for each supplier input to product manufacturing	*✓	*✓	
2. EF related to the production of ingredients		✓	
3. EF related to the production of packaging materials		✓	
4. EF related to the production of accessories (manuals, utensils, etc.)		✓	

5. EF related to fuel consumption in procurement transportation to the production site		✓	
6. EF related to consumption of transportation materials in procurement transportation to the production site		✓	
7. EF related to waste generation in procurement transportation to the production site		✓	
8. EF related to waste treatment in procurement transportation to the production site		✓	
9. Amount of agricultural products and other biomass-derived materials put into products		✓	
10. Amount of fresh water resource to be used for cultivation		✓	
11. Water consumption for cultivating agricultural products and biomass-derived materials used for product from each water source		✓	
12. EF related to the fuel and energy supply which is procured through a public service			✓
13. EF related to the fuel and energy supply which is generated on-site or is not prepared in 2–6 databases (e.g. green power, etc.)		✓	

3-2-3 Method and conditions of primary data collection

- When procuring recycled materials or reused materials, EF associated with the process after the preparation stage of recycling or reuse shall be included.
- In cases where the same raw materials are procured by multiple suppliers, it is desirable to collect primary data for all suppliers. If it is impossible to collect data from all suppliers, primary data shall be collected for the top 50% of the total procurement amount.

- For procurement sources that cannot collect data, the weighted average value based on the procurement amount of the supplier which provided information may be used as secondary data.
- In cases where the suppliers are different for each production site, the primary data on the production site producing the target product shall be collected.
- The primary data measurement method for the raw material manufacturing process should be selected from the following four methods.
 - (A) Method of totalizing the input/output amount of items for each operation unit (unit operating time, one lot, etc.) of facilities required for executing the process

*e.g. (Equipment operation time) * (Power consumption rate of equipment)*
 $= (\text{Power consumption})$
 - (B) Method of allocating actual values for a certain period of time at production sites among products

e.g. Total fuel input per year allocated among products
 - (C) Combined use of (A) and (B)
- Procurement volume may be substituted for input quantity.
- On the evaluation of GHG emissions, if it is difficult to obtain primary data and to find appropriate secondary data, a value of 5.0 kg-CO₂e/kg shall be applied in order to avoid underestimation due to missing data.
- The EF related to packaging material (EF_{pm}) in the procurement stage should be calculated based on the weight preferentially with the following equation:

$$\text{EF}_{\text{pm}} = \sum (W * (G_m + G_p + G_t * D_t * 10^{-3}))$$

W: Weight of the parts [kg]

G_m: Unit EF corresponding to the material of the parts

G_p: Unit EF corresponding to the process such as molding, printing, etc.

G_t: Unit EF corresponding to the transportation method

D_t: Transportation distance [km]

- In case of product EF evaluation, primary data related to the procurement volume shall be used. In the evaluation of organizational EF, if it is difficult to identify the weight of packaging materials, the average value of the same kind of packaging materials may be adopted.
- In the evaluation of auxiliary materials, the calculation based on the payment amount may be adopted.

3-2-4 Scenario on procurement transportation

- For transportation and transportation materials used in the transportation process, it is desirable to collect primary data.
- If it is difficult to collect primary data, the scenario in Annex C may be used.

3-2-5 Classification on evaluation of Scope 3 GHG emissions

- GHG emissions related to cradle-to-gate such as sourcing, material production, cultivation, purification, etc. shall be classified as category 1.
- GHG emissions related to procurement logistics shall be classified as category 4.

3-3 Manufacturing stage

3-3-1 Scope

The manufacturing stage covers the processes included in the following items:

- Product manufacturing
- Production and transportation of auxiliary materials to be put into the manufacturing stage
- Treatment of waste and wastewater generated from the manufacturing stage
- If there are processes other than the above, the process should be also included in the data collection scope.

3-3-2 Data collection

In the manufacturing stage, the data items to be collected are shown in the table below.

Items	Primary data	Either will do	Secondary data
1. Input of water *Water which is part of the content shall be treated as an ingredient in the raw material production stage.	✓		
2. Input of fuel and electric power	✓		
3. Input of auxiliary materials	✓		
4. The volume or amount of production	✓		
5. Waste and wastewater generation	✓		
6. Intermediate transport between sites	✓		

7. EF related to water supply		✓	
8. EF related to the production of auxiliary materials		✓	
9. EF related to the process of waste and wastewater treatment from the manufacturing stage		✓	
14. EF related to the fuel and energy supply which is procured by a public service		✓	
15. EF related to the fuel and energy supply which is generated on-site or is not prepared in 2–6 databases (e.g. green power, etc.)			✓

3-3-3 Method and condition of primary data collection

- For products produced at multiple sites, primary data shall be collected for all sites, and a weighted average according to the quantity at each site shall be applied.
- The primary data measurement method for the manufacturing process should be selected from the following four methods:
 - (A) Method of totalizing the input/output amount of items for each operation unit (unit operating time, one lot, etc.) of facilities required for executing the process

$$\text{e.g. } (\text{Equipment operation time}) * (\text{Power consumption rate of equipment}) \\ = (\text{Power consumption})$$
 - (B) Method of allocating actual value for a certain period of time at production site among products

$$\text{e.g. Total fuel input per year allocated among products}$$
 - (C) Combined use of (A) and (B)
- When measurement method (A) is adopted, the EF shall be appropriately allocated according to the method of (3-1-3).
- When measurement method (C) is adopted, missing records or double accounting shall be prevented in the evaluation of each process.
- The primary data on GHG emissions related to waste from the manufacturing stage shall be evaluated according to the following two methods:
 - (A) GHG emissions are calculated from the stoichiometric relationship, assuming that all carbon atoms constituting the components are

discharged as CO₂ by incineration or wastewater treatment.

- (B) Evaluate GHG emissions of products by measuring CO₂ emissions with a burning test for each raw material.
- When the molecule contains biomass-derived carbon, CO₂ generated from the biomass carbon should not be counted (carbon neutral).
- For evaluations on waste treatment or wastewater treatment from the manufacturing stage, EF related to the operation of waste treatment or wastewater treatment shall be included in the manufacturing stage.

3-3-4 Scenario on intermediate transportation

- For transportation and transportation materials used in the intermediate transportation process, it is desirable to collect primary data.
- If it is difficult to collect primary data, the scenario in Annex C may be used.

3-3-5 Classification on evaluation of Scope 3 GHG emissions

- GHG emissions associated with the combustion of fuel consumed in the site should be classified as Scope 1.
- GHG emissions related to the production of electric power consumed in the site, supplied by others, shall be classified as Scope 2.
- GHG emissions related to the production of fuel consumed in the site shall be classified as category 3.
- GHG emissions related to the offsite treatment of waste and wastewater discharged from the manufacturing stage shall be classified as category 5.

3-4 Distribution stage

3-4-1 Scope

The distribution stage covers the processes included in the following items:

- Shipping logistics
- Production and transportation of auxiliary materials to be put into the distribution stage
- Treatment of waste and wastewater generated from the distribution stage
- If there are processes other than the above, the process should be also included in the data collection scope.

3-4-2 Data collection

In the distribution stage, the data items to be collected are shown in the table below.

Items	Primary data	Either will do	Secondary data
1. Product weight	✓		
2. Transportation quantity of products		✓	
3. Transport distance		✓	
4. Usage of transport materials		✓	
5. EF on production and transportation of transportation materials		✓	
6. Amount of waste generated in the distribution stage		✓	
7. EF related to the fuel and energy supply which is procured by a public service		✓	
8. EF related to the fuel and energy supply which is generated on-site or is not prepared in 2–6 databases. (e.g. green power, etc.)			✓
Fuel consumption method			
9. Fuel consumption	✓		
10. EF for each fuel type			✓
Fuel efficiency method			
11. Fuel efficiency	✓		
12. EF for each fuel type			✓
Ton-kilometer method			
13. Transportation method		✓	
14. Loading rate		✓	
15. EF related to loading rate and transportation means			✓

3-4-3 Method and condition of primary data collection

- The data collection method is not specified.

3-4-4 Scenario on procurement transportation

- If it is difficult to collect primary data, the scenario in Annex C may be used.

3-4-5 Classification on evaluation of scope 3 GHG emissions

- GHG emissions related to the distribution shall be classified as category 4.

3-5 Use & maintenance stage

3-5-1 Scope

The use & maintenance stage covers all processes associated with use or maintenance of the product by the consumer. The concrete processes are as follows:

- Water supply for product use
- Energy or fuel consumption for product use
- Manufacturing of expendables for product use
- Treatment of waste, except for the product contents, generated from the use & maintenance stage
- Treatment of wastewater generated from the use & maintenance stage
- GHG emissions from the use of aerosol products
- If there are processes other than the above, the process should be also included in the data collection scope.

3-5-2 Data collection

In the use & maintenance stage, the data items to be collected are shown in the table below.

Items	Primary data	Either will do	Secondary data
1. Content volume, weight, amount	✓		
2. Content usage per 1 use		✓	
3. Power consumption per 1 use		✓	
4. Fuel consumption per 1 use		✓	
5. Water consumption per 1 use		✓	
6. Expendable consumption per 1 use		✓	
7. Amount of waste, except for the materials the product consists of, generated in the use & maintenance stage		✓	

8. Amount of wastewater generated in the use & maintenance stage (= water consumption in the use & maintenance stage)		✓	
9. Amount of propellant released from the use of a aerosol product	✓		
10. Gas composition of a propellant		✓	
11. EF related to the production of expendables		✓	
12. EF related to the water supply for product use			✓
13. EF related to wastewater treatment from the use & maintenance stage		✓	
14. EF related to the fuel and energy supply which is procured by a public service			✓
15. Indirect global warming potential of LPG			✓ ¹⁰⁾

3-5-3 Method and condition of primary data collection

- EF of products that do not involve any consumption of power, fuel, water and expendables shall be evaluated as no impact.
- Usage times should be calculated according to the following formula:

$$(Usage\ times) = (Product\ content\ weight) / (Usage\ weight\ per\ 1\ use)$$
- Primary data shall be collected based on the scenario in Annex D.
- For aerosol products that emit GHG as a propellant, GWP shall be included in the scope.
- For aerosol products that emit LPG as a propellant, indirect GWP of LPG¹⁰⁾ shall be included in the scope.
- The processes on treatment of waste containers and waste accessories, consisting the product, are excluded from the data collection items at the use & maintenance stage so as to be grasped at the end-of-life stage.

3-5-4 Scenario on product use

- Usage scenarios for each product category are listed in Annex D.

3-5-5 Classification on evaluation of scope 3 GHG emissions

- GHG emissions related to the production of consumables, electric power, fuel, and tap water consumed with product use shall be classified as category 11.
- GHG emissions related to the combustion of fuel consumed with product use shall be classified as category 11.
- GHG emissions related to the treatment process of wastes and waste water, which do not constitute the product, generated from the use stage shall be classified as category 11.

3-6 End-of-life stage

3-6-1 Scope

The End-of-life stage covers the processes included in the following items:

- Degradation of content
- Collection and transport of waste derived from product packaging and accessories
- Incineration and landfill treatment of waste derived from product packaging and accessories
- Pre-recycling process (up to the preparation stage for recycling)
- If there are processes other than the above, the process is also included in the calculation scope.

3-6-2 Data collection

In the end-of-life stage, the data items to be collected are shown in the table below.

Items	Primary data	Either will do	Secondary data
1. GHG emissions due to degradation of content, packaging, accessories	✓		
2. Amount of ThOD due to degradation of content	✓		
3. Amount of N due to degradation of content	✓		
4. Amount of P due to degradation of content	✓		
5. Amount of waste packaging, waste accessories, waste transport materials	✓		

6. Transportation method to treatment			✓
7. Transport distance to treatment facility			✓
8. EF related to transportation to treatment facilities			✓
9. Amount of waste to be incinerated			✓
10. Amount of waste to be landfilled			✓
11. EF related to waste treatment			✓
12. EF related to recycling pretreatment (e.g. washing, making bale, etc.)			✓

3-6-3 Method and condition of primary data collection

- The primary data on GHG emissions related to degradation of content shall be evaluated according to the following two methods:
 - (A) GHG emissions are calculated from the stoichiometric relationship, assuming that all carbon atoms of the components are discharged as CO₂ by incineration or wastewater treatment.
 - (B) GHG emissions of products are evaluated by measuring CO₂ emissions from burnings tests for each raw material.
- When the molecule contains biomass-derived carbon, carbon derived from the biomass should not be counted (carbon neutral).

3-6-4 Scenario on transportation and waste treatment

- For transportation to treatment facilities, the scenario in Annex C shall be applied uniformly.
- For waste treatment at treatment facilities, the scenario in Annex F shall be applied uniformly.
- The released amount of ThOD, N and P may be calculated with the following equation:

$$(\text{Released amount}) = (\text{Actual amount}) * (1 - (\text{Penetration rate of the sewage treatment plant in the area where the product is used}))$$

3-6-5 Classification on the evaluation of scope 3 GHG emissions

- GHG emissions related to the treatment process of waste from the product shall be classified as category 11.
- GHG emissions such as CO₂ and CH₄ emitted from the carbon molecules of the

product's materials by microbial degradation or combustion shall be classified as category 12.

3-7 Other activities

3-7-1 Scope

Evaluation of other activities is for organizational LCA or the evaluation of scope 3 GHG emissions. Other activities cover the processes included in the following items:

- Investment for capital goods
- Business travel
- Commuting

3-7-2 Data collection

In the end-of-life stage, the data items to be collected are shown in the table below.

Items	Primary data	Either will do	Secondary data
Scope 3, Category 2: Investment for capital goods			
1. Capital investment in innovation centers and production sites	✓		
2. Types and amount of materials used for the construction of buildings	✓		
3. If it is difficult to obtain data for 2., the results will be gotten from CASBEE.	✓		
4. Total floor area and useful lifetime	✓		
5. EF related to the production of capital goods such as productive facilities and buildings		✓	
Scope 3, Category 6: Business travel			
6. Expenditure on business travel	✓		
7. Destinations of business trips	✓		
8. Number of business trips for each destination	✓		
9. Means of transportation on business	✓		

10. EF related to transportation		✓	
Scope 3, Category 7: Commuting			
11. Expenditure on commuting	✓		
12. Means of transportation for commuting	✓		
13. EF related to transportation		✓	

3-7-3 Classification on evaluation of scope 3 GHG emissions

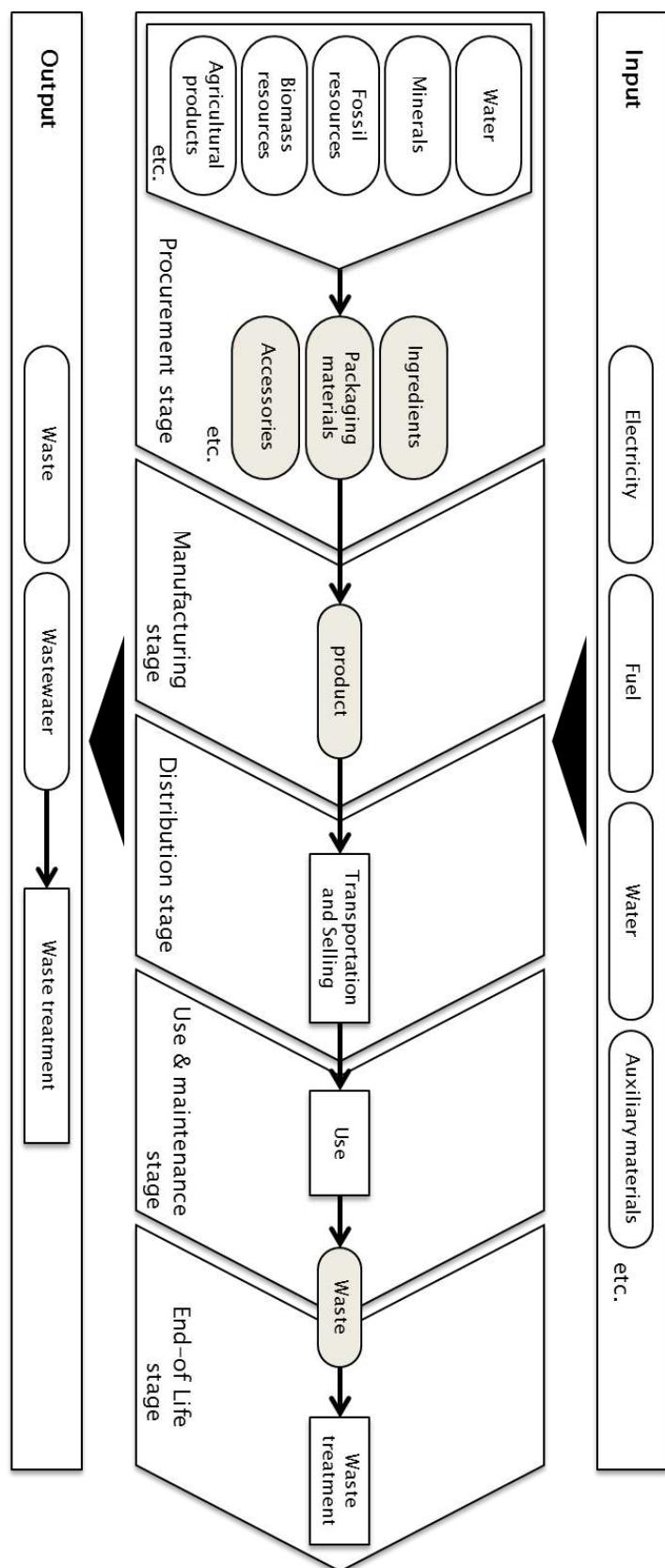
- GHG emissions related to investment for capital goods shall be classified as category 2.
- GHG emissions related to business travel shall be classified as category 6.
- GHG emissions related to commuting shall be classified as category 7.

4. References

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- 15) Ministry of the Environment, Japan (2006) Survey on actual waste disposal business in Japan:
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Annex A: Life cycle flow diagram



Annex B: Method of evaluating EF due to fuel consumption during transportation

B-1 Fuel consumption method

- (1) Collect the amount of fuel used for each transportation means.
- (2) EF is calculated by multiplying the amount of fuel and the EF factor related to supply and use of the fuel (secondary data).

B-2 Fuel efficiency method

- (1) Calculate the average fuel efficiency by fuel consumption and transport distance within the specified period.
- (2) EF is calculated by multiplying the fuel efficiency, the transport distance related to product distribution and the EF factor related to supply and use of the fuel (secondary data).

B-3 Ton-kilometer method

- (1) Collect the loading rate [%] for each means of transportation and the transport load (transport ton-kilometer) [t · km].
- (2) EF is calculated by multiplying product weight, transport distance and the EF factor according to the transport load of each transport means (secondary data).

Annex C: Scenario for transportation

Transport scenarios for each stage in cases where primary data can not be collected are shown below. They apply to each transportation process for the raw material procurement stage, the manufacturing stage, the distribution stage and the end-of-life stage.

C-1 Transport distance

This guide uses a longer transport distance than average in order to raise the incentive for primary data collection.

<Examples>

- (1) Transportation within the prefecture: 100 km
- (2) Inter-prefecture transportation: 1.5 times of the actual inter prefecture distance
- (3) Transportation of procurement (from supplier to production site) : 500 km
- (4) Shipment logistics for domestic market in U.S. and China: 2,000 km
- (5) Shipment logistics for domestic market, when the consumption area is not limited to a specific area: 1,000 km
- (6) International transportation:
 - (7-1) Land transportation
 - If the departure country and arrival country are connected by land, the land transport distance is shorter than the distance by ship, and the land transport distance is 2000 km or less, land transportation will be selected.
 - Transportation in departure country: 1,000 km
 - Transportation in arrival country: refer to (1) – (5)
 - (7-2) Marine transportation
 - Transportation from the production site to the port of the producing country: 10 km
 - Transportation from the port of the producing country to the port of arrival country (= consuming country): refer to the "Inter-country/Region Distance Database"
 - Transportation in arrival country: refer to (1) – (5)
- (7) Transportation of waste collection: 100 km (one way transport)

C-2 Transport method

In principle, truck transport is adopted as the basic transport method in order to raise the incentive for primary data collection and reduction of CO₂ emissions by modal shift.

<Examples>

- (1) Transportation by logistics operator: 10 ton trucks
- (2) Transportation by other businesses (producers, etc.): 2 ton trucks
- (3) International shipment: Container ships (less than 4000 TEU)
- (4) Transportation of waste collection: 2 ton trucks

C-3 Loading factor

A scenario with a lower loading rate than average was adopted in order to raise the incentive for primary data collection.

<Example>

50 %

C-4 Transport materials

A scenario with more transportation materials than average was adopted in order to raise the incentive for primary data collection.

<Example>

- (1) Transportation for raw material procurement: 71.3 g/kg of tinplate and 33.5 g/kg of cardboard
- (2) Transportation for packaging material procurement: 0.5 g/g of cardboard and 0.01 g/g of polyethylene sheets
- (3) Intermediate transportation in the manufacturing stage: 71.3 g/kg of tinplate and 33.5 g/kg of cardboard
- (4) Transportation for shipping: Using cardboard with weight of 50% of product weight

Annex D: Scenario for use conditions

Use conditions per 1 use of product which requires the consumption of energy, fuel, water and expendables are described below:

(1) Skincare lotion

Scenario	Use 1 sheet of cotton (=0.74 g) per 1 use.		
Content usage	2.0 mL	Room temperature	- °C
Expendables	Cotton sheet	Amount of exp.	0.72 g

(2) Skincare emulsion

Scenario	Use 1 sheet of cotton (=0.74 g) per 1 use.		
Content usage	1.5 mL	Room temperature	- °C
Expendables	Cotton sheet	Amount of exp.	0.72 g

(3) Makeup cleansing oil

Scenario	After use, rinse off with 4.5 L of water or hot water. In calculating the EF related to water consumption, the temperature is set at 33.1 °C according to the results of an internet survey on consumer behaviors*.		
Content usage	3.0 mL	Room temperature	17 °C
Water consumption	4.5 L	Water temperature	33.1 °C
Electricity	0.00030 kWh	City gas	0.0067 Nm ³

*The survey results showed that the respondents rinsed 7 times with hot water and 3 times with lukewarm water.

(4) Face wash

Scenario	After use, rinse off with 4.5 L of water or hot water. In calculating the EF related to water consumption, the temperature is set at 33.1 °C according to the results of an internet survey on consumer behaviors.		
Content usage	1 g	Room temperature	17 °C
Water consumption	4.5 L	Water temperature	33.1 °C
Electricity	0.00030 kWh	City gas	0.0067 Nm ³

(5) Face wash (Foaming type)

Scenario	After use, rinse off with 4.5 L of water or hot water. In calculating the EF related to water consumption, the temperature is set at 33.1 °C according to the results of an internet survey on consumer's behavior.		
Content usage	2.5 mL	Room temperature	17 °C
Water consumption	4.5 L	Water temperature	33.1 °C
Electricity	0.00030 kWh	City gas	0.0067 Nm ³

(6) Face wash (Easy rinse-off type)

Scenario	After use, rinse off with 4.5 L of water or hot water. In calculating the EF related to water consumption, the temperature is set at 33.1 °C according to the results of an internet survey on consumer's behavior.		
Content usage	2.5 mL	Room temperature	17 °C
Water consumption	2.7 L	Water temperature	33.1 °C
Electricity	0.00030 kWh	City gas	0.0067 Nm ³

(7) Soap

Scenario	This scenario assumes hand washing. 10 L of tap water is consumed for rinsing off per 1 use (30 seconds).		
Content usage	0.7 g	Room temperature	17 °C
Water consumption	10 L	Water temperature	17 °C
Electricity	- kWh	City gas	- Nm ³

(8) Soap as a hotel amenity

Scenario	It is assumed that 10 % of the contents are used for washing the hands and body, and 90 % remains. The remaining soap is discarded (Shiseido survey). 100 L of 40 °C water is consumed for washing on an overnight stay.		
Content usage	Whole amount	Room temperature	17 °C
Water consumption	100 L	Water temperature	40 °C
Electricity	0.13 kWh	City gas	0.30 Nm ³

(9) Eco-soap as a hotel amenity

Scenario	It is assumed that 10 % of the contents are used for washing the hands and body, and 90 % remains. The remaining soap is discarded (Shiseido survey). 100 L of 40 °C water is consumed for washing on an overnight stay.		
Content usage	Whole amount	Room temperature	17 °C
Water consumption	100 L	Water temperature	40 °C
Electricity	0.13 kWh	City gas	0.30 Nm ³

(10) Shampoo, Hair conditioner and Body shampoo

Scenario	After use, rinse off with 15 L of 40 °C water.		
Content usage	6.0 mL	Room temperature	17 °C
Water consumption	15 L	Water temperature	40 °C
Electricity	0.0020 kWh	City gas	0.44 ³

(11) Bathwater additive

Scenario	Add specified amount to hot water in bathtub.		
Content usage	25 mL	Room temperature	17 °C
Water consumption	200 L	Water temperature	40 °C
Electricity	0.027 kWh	City gas	0.59 Nm ³

Annex E: Scenario for waste treatment

The following scenario should be adopted for the method of waste treatment (waste containers, waste accessories, waste transport materials, etc.) sent to the processing facility, depending on the type of waste materials. In the case where it is difficult to specify the type and composition ratio of waste materials, the scenario "E.6 Other Waste" may be adopted.

E-1 Glass

The glass waste treatment scenario, taken from PCR (PA-BE-03)¹³⁾ of the carbon footprint program for glass container packaging in Japan, is shown below.

- 53.1 % is recycled as cullet.
- 13.4 % is recycled as a raw material for other uses.
- 15.3 % undergoes intermediate treatment and is landfilled.
- 18.2 % is directly landfilled.

E-2 Plastic

The plastic waste treatment scenario, taken from PCR (PA-BC-02)¹⁴⁾ of the carbon footprint program for plastic container packaging in Japan, is shown below.

- 62 % is incinerated.
- 16 % is landfilled directly.
- 22 % is recycled.

*GHG emissions from the plastics of sold products and disposal treatment of them were calculated under the following scenario until FY2017, on Scope 3 evaluation.

- 92 % is incinerated.
- 3 % is landfilled directly.
- 5 % is recycled.

E-3 Paper

The paper waste treatment scenario, taken from PCR (PA-BB-01)¹⁶⁾ of the carbon footprint program for paper container packaging in Japan, is shown below.

- 96 % is incinerated.
- 4 % is recycled.

CO₂ from the release of carbon-constituting paper molecules is not counted, because paper is considered to be a 100 % biomass-derived material (carbon neutral).

E-4 Cardboard

The cardboard waste treatment scenario, taken from PCR (PA-BB-01)¹⁶⁾ of the carbon footprint program for paper container packaging in Japan, is shown below.

- 4 % is incinerated.
- 96 % is recycled.

E-5 Metal

- 100 % is landfilled.

E-6 Other waste

The other waste treatment scenario, taken from the report "Survey on actual waste disposal business in Japan (2006, Ministry of the Environment, Japan)"¹⁵⁾, is shown below.

- 92 % is incinerated.
- 3 % is landfilled directly.
- 5 % is recycled.

Product life cycle assessment*

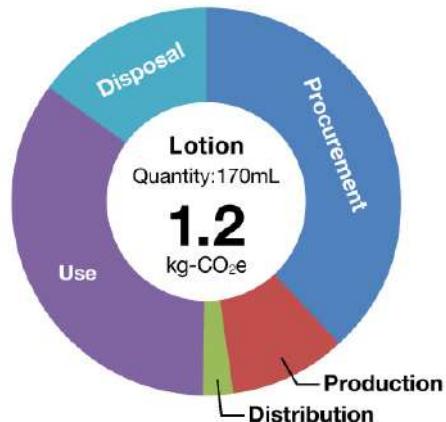
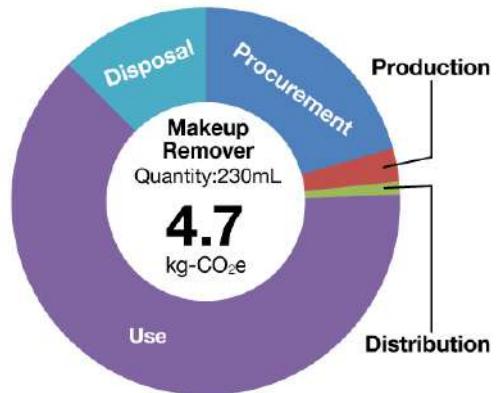
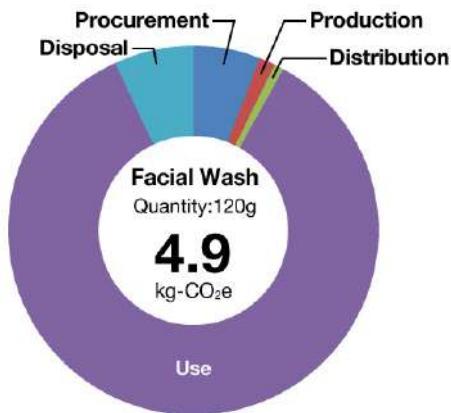
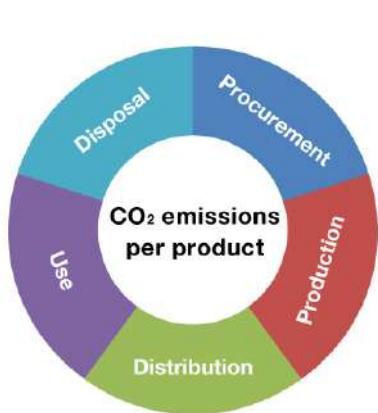
Shiseido strives to improve resource efficiency by providing refill products in various product fields in our cosmetics business. In Japan and EMEA, life cycle assessments are conducted to understand the environmental impacts of the products and to identify the rooms for improvement in the reduction of those impacts. The pie charts shown below are the results of the carbon footprint analysis of cosmetics which is a part of LCA focusing on the aspect of climate change.

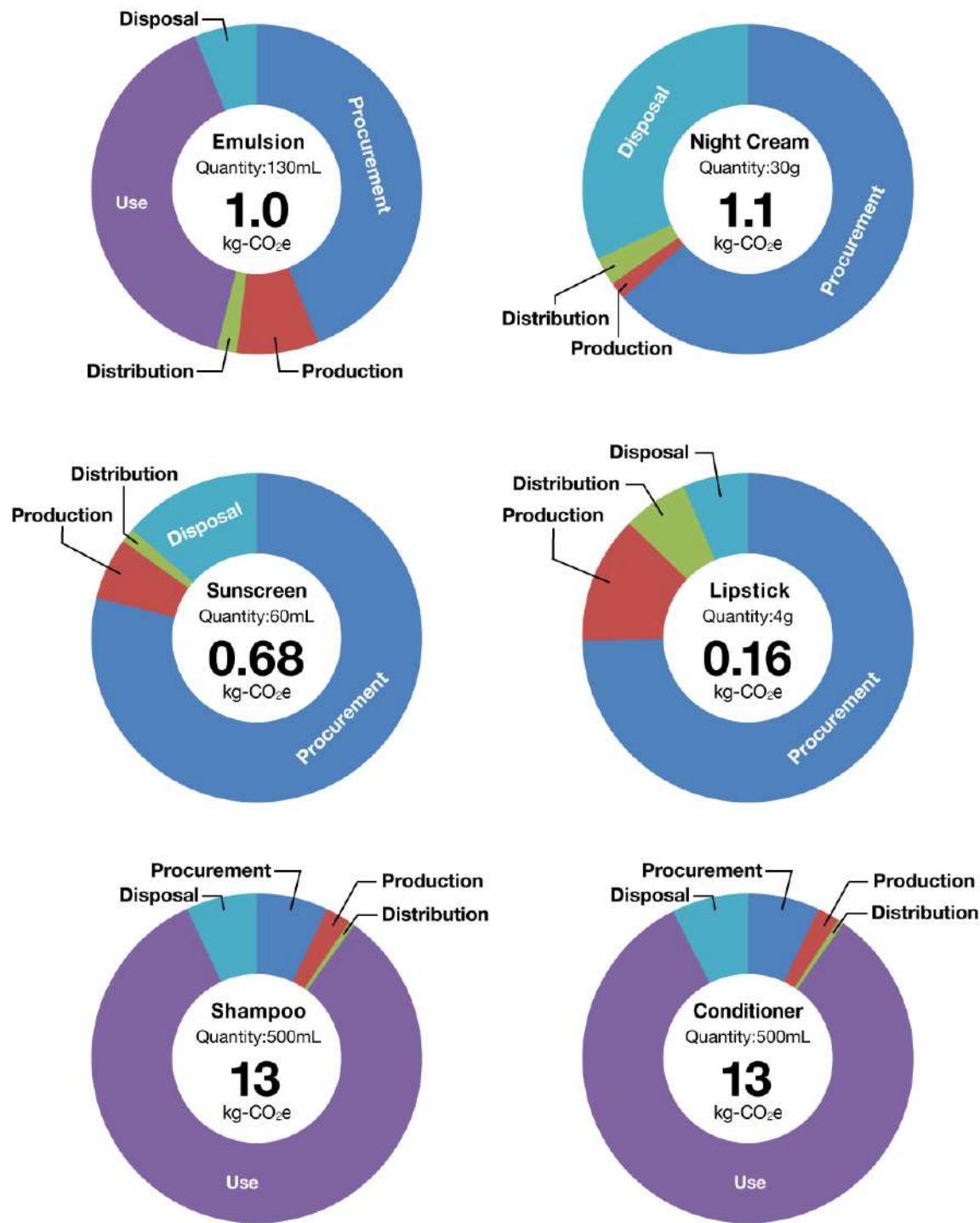
- * Product life cycle assessment (Life Cycle Assessment: LCA): This method quantitatively evaluates the environmental impact of products through the entire product life cycle (raw material procurement, manufacturing, distribution, usage, and disposal/recycling) using numerical values. It is standardized in ISO 14040 and 14044.

CO₂ emissions from cosmetics and personal care products (environmental footprint)

Based on the Shiseido Environmental Footprint Assessment Guidelines, we assess the environmental footprint including CO₂ emissions regarding cosmetics and personal care products.

Legend





Calculation criteria: Shiseido Environmental Footprint Assessment Guidelines

Usage scenario: The calculation of the usage phase was evaluated by setting the following usage scenarios.

* The calculation of usage phase was evaluated by setting the following usage scenarios.

Type	Usage scenario
Facial wash	Rinse the face with 4.11L of hot water at 40°C
Makeup remover	Rinse the face with 4.5L of hot water at 33°C
Lotion, emulsion	Use a cotton pad and apply all over the face
Shampoo, conditioner	Rinse the face with 15L of hot water at 40°C

● Procurement of sustainable palm oil

In order to procure sustainable palm oil, we joined RSPO*1 (Roundtable on Sustainable Palm Oil) in 2010 and have reduced risks since then by procuring RSPO-certified raw materials, which take into consideration environmental protection and human rights during production in the places of origin. In 2018, we worked on the following:

- We formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for sustainable procurement of palm oil and palm kernel oil and disclosed targets up to 2020.
- In order to support the sustainable production of palm oil, we purchased certificates (credits) equivalent to 100% palm oil and palm-derived materials (achieved targets up to 2020).
- We had a dialogue with palm oil producers in Indonesia
- We obtained RSPO supply chain certification*2 for the Shiseido Kuki factory and also for Shiseido Vietnam Inc. (As of June 2019, 7 factories have obtained the certification.)

In addition, changes in palm oil consumption were as follows.

Changes in Palm Oil Consumption

	2016	2017	2018
Total (t) of palm oil, palm kernel oil consumption amount	6,788	8,024	9,750
Book & Claim system*3	50	75	9,750
Book & Claim System Coverage Ratio (%)	1	1	100

*1 RSPO: Roundtable on Sustainable Palm Oil

*2 RSPO Supply Chain Certification: Certification to ensure logically reliable delivery of RSPO-certified raw materials.

*3 Book & Claim system: A system of trading the production of palm oil and palm kernel oil produced on RSPO-certified farms as certified credits. As in Energy Green, purchasing a credit is considered equivalent to purchasing RSPO-certified oil.

Please check the details in Responsible procurement - Procurement of sustainable raw materials (palm oil/mica).

● Water

Water saving at production facilities in France

The long-term consequences of climate change imply an increase in drought risk in Europe. Therefore, Unité de Gien Factory and Val de Loire Factory in France set water consumption per production volume of contents as KPI and are working to reduce water consumption from the viewpoint of long-term risk management. At the Unité de Gien Factory, we replaced the water-cooling vacuum pump with air cooling type, and water cleansing with alcohol cleansing at the fragrance production facility, thereby dramatically improved water usage efficiency. The alcohol used to clean the equipment is recycled and reused. At the Val de Loire Factory, we improved the water usage efficiency by introducing new cleaning equipment, such as reprocessing and reusing water used to clean the equipment. At both production facilities, we are raising the awareness of employees on water conservation and working to reduce water consumption continuously.

Water saving targets and results at production facilities in France

		Results			Target
		2016	2017	2018	
Unité de Gien Factory	Basic unit of water consumption*¹ (L/kg)	4.9	4.4	2.9	30% reduction compared to 2009
	Reduction rate*² (%)	61	65	77	
Val de Loire Factory	Basic unit of water consumption*¹ (L/kg)	19	14	11	
	Reduction rate*² (%)	29	50	59	

*¹1 Water consumption amount per production volume of the contents

*²2 Reduction rate against the 2009 results

● Waste

Item	Initiatives/Targets	2018 results
Waste recycling	We will promote waste recycling at our production facilities.	The following production facilities achieved zero emissions (with a recycling rate of 99.5% or higher). Domestic: Osaka Factory, Kakegawa Factory, Kuki Factory Overseas: Val de Loire Factory and Unité de Gien Factory of Shiseido International France S.A.S., Shiseido Citic Cosmetics Co., Ltd., Shiseido Vietnam Inc.
Proper disposal of industrial waste	We hold workshops on industrial waste (lecture-style workshops, on-site confirmation workshops at intermediate processing companies) twice yearly to Manager Position holders and those in charge of industrial waste handling across all domestic departments and each Shiseido Group company. We had no accidents or legal violations related to waste.	Attended by a total of 46 employees (39 for lecture-style workshops, 7 for on-site confirmation) from 24 departments and companies from all domestic departments and the Shiseido Group companies that generate industrial waste. There were no legal violations of industrial waste disposal requested by the Shiseido Group (Japan).

Please see below for other environmental data.

Environmental Accounting

In Japan, we use the Environmental Accounting Guidelines 2005 edition issued by the Ministry of the Environment to understand and announce environmental conservation costs.

Target period: From January 1 to December 31, 2018

Scope: Domestic facilities (production facilities, research institutes, departments in the Headquarters), overseas facilities (production facilities)

1. Environmental Conservation Costs (Unit: 1 million yen)

Category	Main Initiatives	Investment	Expenses
(1) Costs breakdown by operation		154	478
Breakdown	(1)-1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	12
	(1)-2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	73
	(1)-3 Resources recycling costs	Waste processing, recycling, Wastewater re-use, reducing materials, etc.	69
(2) Upstream/downstream costs	Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc.	-	180
(3) Administrative costs	Personnel expenses (excluding R&D), environmental management costs	-	320
(4) Research and Development costs	R&D for environmentally friendly products, etc. (including personnel expenses)	-	-
(5) Social contribution costs	Support of environmental groups, disclosure of environmental information, environmental advertising, etc.	-	59
(6) Environmental remediation costs	Environmental remediation costs, etc.	-	0
(7) Other costs		-	-
Total		154	1,037

2. Environmental Conservation Outcomes (Unit: 1 million yen)

Outcomes		Economic effect
Earnings	Revenue from the recycling of waste generated in main business activities and the recycling of used products, etc.	58
Cost savings	From energy conservation	60
	Waste-related	18
	From resource conservation	77
	Other	1
Total		214

Diversity and Inclusion

Empower Beauty - Empower our people, Beauty of the society

Motivate and empower all people who make up our society.

Shiseido Life Quality Makeup



Shiseido Spots Cover was launched in 1956 to lessen the suffering of wartime burn victims, Shiseido has been hard at work developing makeup products and methods to cover various skin concerns for sixty years. Shiseido Life Quality Makeup supports people not only by covering up their visible skin problems, such as redness, paleness, dark spots, unevenness (scars and burn blemishes), and problems caused by cancer treatment, but also by allowing them to build confidence and courage to spend their days more positively with the power of makeup.

With our abundant resource of beauty knowledge and expertise, we continue to globally expand Shiseido Life Quality Makeup activities while raising awareness of our cosmetics business.

- KPI and results: Number of countries and regions where Shiseido Life Quality Makeup activities were carried out

Goal: 14 countries and regions in 2021

Results: 4 in 2018, 4 in 2017, and 4 in 2016

- KPI and results: Number of employees who participated in social contribution activities

Goal: 2,000 employees in 2022

Results: 757 in 2018, 1,553 in 2017, and 1,390 in 2016

Collaboration with UN Women / Promotion of Gender Equality



Shiseido is the first Japanese company to sign an agreement with UN Women, pledging its commitment to promoting gender equality in Japan. Since 2017, aiming to create more touchpoints with younger generations as a long-term business strategy, we have been conducting Awareness Raising Workshops on Gender Equality in 2017 and helping young people learn about common gender issues and suggest solutions for society. In 2018, Shiseido developed its own educational materials on fundamental gender issues, and conducted workshops in 33 schools nationwide; approximately 670 students participated in 2019.

Together with the generations of now, who will lead the society of tomorrow, Shiseido's efforts will continue to eliminate the gender gap and establish a society where everyone can equally achieve their potential.

- KPI and results: Number of Gender Equality Workshop participants
Goal: 1,500 participants in 3 years (2017–2019)
Results: 1,915 participants in total (910 in 2019, 505 in 2018, and 500 in 2017)

■ Shiseido Life Quality Beauty Seminar



Against the backdrop of myriad social issues including an aging population and declining birthrate, aging caregivers and receivers, income inequality, and shrinking workforce, we have conducted a series of Shiseido Life Quality Beauty Seminars for various people (including job-seeking students, working professionals, senior citizens, people with disabilities, and cancer patients) as a sustainable, grassroots activity based in the idea of diverse beauty by utilizing Shiseido's strength, the "Power of Makeup." We further provide "Cosmetic Therapy Lessons" for people (including medical/care staff, volunteer staff, and citizens) who interact with elderly people, to foster practical skills and talent in the field of Cosmetic Therapy.

- KPI and results: Number of Shiseido Life Quality Beauty Seminars conducted
Goal: 3,300 seminars in 2019*
Results: 4,457 in 2018, 4,705 in 2017, and 4,522 in 2016

* Policy regarding seminars was changed in 2019

SPECIAL CONTENTS

Shiseido Life Quality Beauty Center

Shiseido Social Welfare Foundation

Shiseido Life Quality Makeup

We at Shiseido support all persons with concerns about their appearance through makeup solutions that provide the freedom to enjoy day-to-day life.

What is Shiseido Life Quality Makeup?

There are those who suffer from serious skin concerns that prevent them from social participation and who need makeup to live their day-to-day lives. Changes in outward appearance due to the side effects of cancer treatment, birthmarks, vitiligo, or skin irregularities such as scars and burns can greatly affect one's quality of life. We at Shiseido believe in the power of makeup to comfort and encourage such persons, and we're hard at work developing makeup products and methods to treat their concerns. We call it: Shiseido Life Quality Makeup.

Active Regions

Shiseido Life Quality Makeup is expanding globally, with the aim of a society in which all persons with concerns about their appearance can live happily.

- Tokyo
- Shanghai
- Hong Kong
- Taiwan
- Singapore

SINGAPORE: Shiseido Life Quality Beauty Center



The first in South East Asia, the Shiseido Life Quality Beauty Center in Singapore is committed to empowering customers with more confidence through private sessions with our specialised beauty consultants. Designed for comfort, support and learning, its spacious rooms are also fitted with sofas for family and friends.



Address:

Shiseido Life Quality Beauty Center
182 Cecil Street, #15-03 Frasers Tower
Singapore 069547
Consultations are by appointment only.
To arrange for one, please call +65 6430 9969
or email SLQC@shiseido.com.sg

Social Activities



The Power of Makeup

Shiseido supports the activities to realize a society where people can live life in their own way even with cancer. We look to the future where everyone, with or without cancer, can spend their days filled with joy.

[Shiseido Life Quality Beauty Center Website](#)



Perfect Cover Foundation

Perfect Cover Foundation developed by Shiseido covers various skin concerns including blueish, reddish, or brownish discoloration, severe skin dullness due to treatment, unevenness and vitiligo. Thanks to technical development, *Perfect Cover Foundation* is now easily available on Shiseido total beauty website "watashi+"(Japanese only).

[Click here to see Perfect Cover products](#)



Shiseido Life Quality Beauty Center

A unique facility specialized in Shiseido's cover makeup. The Shiseido Life Quality Beauty Center also researches and develops products and offers educational makeup lessons across the region.

[Click here for the details of the facility](#)



For Cancer Patients Booklet Supporting Appearance Care

We made a booklet to suggest makeup techniques to cover appearance changes caused by the side effects of cancer treatment. "Appearance Care Book for Cancer Patients" was published to support cancer patients who want to be themselves every day of their lives.

[Click here to download digital books*](#) for male and female users

*English version is available for the for-female digital book.



Information Service for Medical Professionals

We supply medical professionals with information on Shiseido's appearance care services so that they can introduce such services to patients who suffer from skin discoloration or eyebrow and eyelash loss caused by the side effects of cancer treatment.

History of Our Activities

Shiseido's appearance care activities started in 1956, when there were many people who had suffered serious burns from World War II.

Shiseido Spots Cover was launched with the aspiration to do something only Shiseido can do to relieve the heartache of those people distressed by keloid scars. Then Shiseido launched Perfect Cover, a foundation that naturally covers various skin concerns including birthmarks, scars, and burn scars applying the light technology (complementary colors). It has led to our activities today. Shiseido, since its establishment, has been continuing research and information development on cosmetics aiming not only to help bring out individual consumers' beauty but also to enrich their mind.

**Spots Cover
(1956)**



**Perfect Cover Foundation
(Since 1995)**



**Perfect Cover Foundation
(Present day)**



Targeting a wider variety of skin types

Keloid due to
wartime damage

Skin discolorations,
nevus of Ota,
angioma

Vitiligo

Unevenness
(scars, etc.)

Left-right
facial asymmetry

Appearance care
for those with cancer

For all who need it

There are men, as well as women, who have appearance concerns saying, "I can't smile," or "I don't want to go outside for people to see me." We wish everyone, regardless of age or gender, could cover their skin concerns to spend their days just as they like.

We are extending Shiseido Life Quality Makeup activities to deliver our beauty service to people of all generations across the world who need it. Shiseido's activities will go on to inspire more people to take a step forward supported by the "power of makeup."

Collaboration with UN Women / Promotion of Gender Equality

Collaboration with UN Women

Shiseido has signed an agreement with UN Women, making it the first Japanese company to commit itself to lead the promotion of gender equality in Japan.

Joint Efforts with UN Women

In 2017, Shiseido signed an agreement with UN Women (the United Nations Entity for Gender Equality and the Empowerment of Women) and committed itself to lead the promotion of gender equality in Japan where the gender gap is still pervasive. The present agreement was reached as both parties pursue the same cause: Shiseido actively supports women's advancement while UN Women centers its efforts on gender equality and the empowerment of women worldwide.

Going forward, Shiseido will continue to promote the UN Women's HeForShe initiative inside and outside the Company, as well as organize workshops for young people to discuss how to address gender issues, aiming to realize a society where each and every individual can make their own life choices and fulfill their potential regardless of gender.

[Related links] [Shiseido News Release](#)



What is HeForShe?

HeForShe is a solidarity campaign for gender equality launched by UN Women in 2014. Its aim is to encourage all people, men as well as women, around the world to take voluntary actions to achieve a gender-equal society.

We collect commitments from supporters of this campaign. The beliefs and actions of individuals play an important role in achieving gender equality. If you support the campaign, please add your commitment to HeForShe. Shiseido has started campaign for employees worldwide since 2017. 2,230 employees agree and sign this activity.

[Click here for details of HeForShe](#)



Awareness-Raising Workshops on Gender Equality for Senior High School Students

Shiseido aims to achieve a society in which all people shine as they like through promotion of gender equality and other issues within and outside the company.

In particular, we promote "Awareness Raising Workshops on Gender Equality" for young people who will forge the future, having collaborated with UN Women since 2017 on the subject of Japanese society where gender issues persistently remain.

These workshops are programs to study familiar gender issues, discuss what we should do to live a life that is true to ourselves without being swayed by social stereotypes, and present solutions for these issues to the public.

On October 6th, 2019, we held a joint event with UN Women at the United Nations University in Tokyo, where students presented solutions to gender issues. Under the theme of "Considering SDG issues from the perspective of gender equality," 33 high schools across Japan participated in the program. On the day of the event, eight representative schools which made it through a rigorous selection process each recommended unique solutions. Participants such as commentators from government agencies, private companies, and NPOs, etc. gave encouraging comments to the students, stating, "I was very impressed with your activities. I hope you will continue to play a role as a leader in promoting gender equality." Students who participated in the workshop said, "I was able to think about gender issues from various viewpoints and was motivated to continue various activities after receiving various reviews."

Shiseido will continue to work hard to achieve a true diverse and gender-equal society together with young people who will forge the future.



Participating high school students



Presentations by high school students

Target and result

- Target: Raising gender equality awareness for 1,500 people in 2017-2019 (As of the end of October in FY2019, reached 910 people; cumulative total 1,915 people)
- Result in FY2019: Supporting students of 33 high schools across Japan

Shiseido Life Quality Beauty Seminar

These activities began in 1949 as a "Special Beauty Class" that taught students planning to graduate from high school how to use cosmetics properly, in order to maintain an appearance appropriate for working professionals.

Ever since then for over 60 years, we have held seminars throughout the country to help maintain and improve the quality of life according to the participants' needs and objectives with the hopes of making all consumers beautiful.

Since July 2013, we have held fee-based seminars on how to maintain an appearance appropriate for an adult and on solutions to the issues of a super-aged society through the "Power of Makeup" as sustainable activities. In addition, as social contribution activities, we offer appearance maintenance classes at facilities and schools for persons with disabilities. Now we are mainly holding the following seminars throughout Japan.

Seminar Name	Participants	Venue
Beauty Lessons	Job-seeking students and working professionals (new recruits, employees, executives, etc.)	Educational institutions, companies, etc.
Beauty Class for a Healthy Life *1	Healthy elderly and elderly in need of care	Medical institutions, care-related facilities, local governments, etc.
Cosmetic Therapy Lesson *2	People who have contact with the elderly (medical/care staff, volunteer staff, citizens, etc.)	Held at Shiseido offices
Social Contribution Activity Appearance Maintenance Class	Persons with disabilities	Facilities for persons with disabilities, schools for special needs education, etc.

*1 Cosmetic activities where Shiseido specialists visit facilities and provide group lessons.

*2 Lessons on cosmetic therapy skills to maintain and improve mind and body functions by applying cosmetics.



Beauty Lessons



Beauty Class for a Healthy Life



Social Contribution Activity Appearance Maintenance Class

Details of Activities

Beauty Lessons

Upon request from schools, companies, medical providers, and local governments, etc., Shiseido Japan Co., Ltd. holds grooming seminars in business scene, and experience-based beauty seminars in local community communication events (70,000 participants in 2018).

We held a beauty seminar, "The festival for job-hunting students" ("Shukatsu-Zenyasai" in Japanese) for students who will start full-scale job-seeking activities (hereinafter referred to as job-seeking students) on Saturday, February 16, 2019, in eight cities nationwide with approximately 1,000 total participants.

At "The festival for job-hunting students" the job-seeking students were asked to practice grooming tips under the theme of "Let's learn self-producing skills" so that they can effectively express who they are and attend interviews with confidence.

In a workshop titled "Self-Presentation Makeup," female students got to learn exercises for skincare which help the skin look healthy with a natural glow, as well as for makeup, hair styling, and smiling tips that suit their projected image.

The theme of the workshop for male students was "Self-Producing Skills for Attractive Appearance," and they listened to a lecture by male employees at Shiseido and other speakers, undertook skin measurement to learn about their skin, and did some skincare and base makeup exercises which help the skin look clean and radiant.

[Comments from participants]

Female students:

- I had no confidence in my makeup, but after taking this seminar, I thought I'd be able to do makeup with confidence when taking part in an internship.
- I understood that makeup can change the impression that others have of you and what kind of makeup would suit me!

Male students:

- It was really helpful because I now know what is the first impression people look for in you as a working adult and how old my skin is.
- The content was good because it motivated me to pursue my jobhunting activities and gave me confidence in myself in a short session.

Materials provided to participants included original make-a-wish wooden plates (which were dedicated to a shrine at a later date) and fortune-telling drawing lots with heartwarming support messages. "The festival for job-hunting students" was filled with the smiles of the job-seeking students.



Seminars for Women



Seminars for Men

We will continue to support the future success of job-seeking students and graduate employees through makeup and beauty activities.

Initiatives for the Elderly

Upon request from medical providers, nursing homes, and local administrative governments, etc., Shiseido Japan Co., Ltd. holds "Iki-Iki (Lively) Beauty Lessons" nationwide. In 2018, a total of more than 30,000 senior citizens participated in the lessons.

In September 2018, during the "Health Fair 2018 (hosted by The Chunichi Shimbun)" in Nagoya, Aichi Prefecture, we held an "Iki-Iki (Lively) Beauty Lesson" for 30 elderly women in the region.

In this lesson, we offered useful tips for maintaining not only beauty, but also mental and physical health through exercises to move the mouth and arms. Some people started to queue as early as one hour before the start of the event. Thanks to the enthusiasm of the participants, we saw lots of smiles and felt energy during the lesson.

We also hold the "Cosmetic Therapy Program Seminar" for healthcare professionals, nursing care professionals, and the general public to nurture future "Cosmetic Therapy Program" practitioners. In 2018, a total of 1,800 participants learned the techniques of the "Cosmetic Therapy Program."

In a dental clinic in Kumamoto Prefecture, dentists and dental hygienists who are qualified "Shiseido Makeup Therapists*" held a makeup lesson in a group home that they regularly visit. The participants enjoyed oral care through the cosmetic therapy. One dental hygienist said, "They were all so happy and they gave me lots of energy."

* Shiseido's original qualification

We will continue to help senior citizens in living a long and healthy life through makeup and beauty.



Beauty Class for a Healthy Life



The makeup lesson by dentists and dental hygienists

Social Contribution Activity Appearance Maintenance Class

As requested by schools for special needs education and employment support centers for people with disabilities, Shiseido Japan provides "Appearance Maintenance Classes" for people and adolescents with disabilities at nursing homes around Japan, which are attended by about 7,000 people every year.

In fiscal 2018, upon request from the Japan Federation of the Blind, we held "Makeup Seminars for Those who Cannot See or Have Difficulty Seeing" at 15 locations nationwide, with approximately 100 people participating.



Social Contribution Activity

[Comments from participants]

- All the steps were orally explained in detail, and I was also given clues for success.
- We could practice how to handle eyeshadow tips and sponges before actually using color.
- I understood how I should use my non-dominant hand to clearly draw a line within an area.

In 1984, Shiseido created beauty care materials to support people with visual disabilities, including beauty textbooks in braille, stickers in braille/India ink for identifying products, and stickers for usage reference. Since 1987, we have released the beauty information CD "Osharena Hitotoki (Stylish Moments)" four times a year and donated copies to about 80 braille libraries across the country. Since 2002, the Shiseido website has hosted "Shiseido Listeners' Café," which has voice software to explain how to use cosmetics. The website also contains the latest issue of "Osharena Hitotoki."

Shiseido helps people with disabilities learn makeup application and appearance care through these activities.

Various Activities to Support Women's Empowerment

Supporting Female Researchers and Academic Research

Shiseido contributes to the development of science and dermatology through support for women who aim to be leading researchers specializing in the natural sciences and through funding in dermatology over 40 years. In addition, in the field of aesthetic dermatology, we have established the "Minami Aoyama Dermatology Skin Navi Clinic" through the Camellia Club Medical Foundation Incorporated to which Shiseido donated funds for its establishment. Its research achievements have been contributing to the development of new cosmetics and aesthetic medicine to help improve quality of life (QOL) for all individuals and have been commended by the Japanese Society of Aesthetic Dermatology.

For details, please refer to Social Data.

Childcare Support

Shiseido not only supports our employees to realize a good balance of "work" and "childcare" but also promotes efforts to share various concerns of women in a child-raising period with the entire society.

KODOMOLOGY— Commitment to Children and Their Working Parents Through Entrusted Operation of In-house Nurseries

In an effort to achieve a sustainable society that makes people happy, Shiseido started its childcare services with establishment of KODOMOLOGY Co., Ltd. in 2017. KODOMOLOGY's main business is operation of in-house nurseries at corporate operation sites.

We plan to utilize our learnings from promoting women's empowerment as well as knowledge accrued through our longtime cosmetics business activities, and collaborate with diverse outside partners to enhance social value of childcare and to create a new child-raising culture for the future. Also, we aim to cooperate with our stakeholders in effort to create a better working environment both in companies and in our society.

KODOMOLOGY

Kangaroom Shiodome / Kakegawa, a Nursery School Operated by Shiseido

Shiseido opened Kangaroom Shiodome in September 2003 and Kakegawa in November 2017, as part of its initiatives to help Shiseido Group employees raising children balance the demands of work and childcare. The facility also accepts a certain number of children of employees of other companies, which are supporting the concept of "improving the child-rearing environment through cooperation with other companies." Kangaroom has made a significant contribution to transforming employees' awareness of how they work and realizing a work-life balance. The facility has been well received by people utilizing



its childcare services for reasons such as enabling parents to return to work with complete peace of mind after the birth of a child and feel secure in the knowledge that their children are nearby, as well as allowing them to effectively make use of their time since they don't need to allot time to travel to a separate facility to pick up their children.

[Click here for Overview of Work/Childcare and Nursing Care Program](#)

Shiseido Running Club

Shiseido Running Club promotes activities based on the slogan of "strong, quick and beautiful." By supporting female athletes, the club encourages health and beauty that are unique to Shiseido in three respects: mind, performance and body. The club thereby nurtures not only the "strength to win over yourself" and "ability and technique to run faster" but also the "spirit of hospitality." In addition to developing athletes who are affiliated with the club, we will also promote tips on running externally, lectures and participation in local running events in order to contribute to society. In doing so, we will spread the joy of running and better health among runners in general, ranging from children to elderly people.

Support for Patients with Xeroderma Pigmentosum (XP), a UV-Sensitive Intractable Disease

Support outline

Shiseido donates sunscreen products and seminars conducted by our researchers and beauty consultants on how to use sunscreen products in order to support patients with xeroderma pigmentosum (hereinafter "XP"), a UV-sensitive intractable disease, who cannot be exposed to sunlight. Our employee-based activities include financial aid for holding patient exchange meetings using donations accumulated in a fund, which are withdrawn from employees' salaries (Shiseido Camelia Fund), and sending volunteer staff to support the patient exchange meetings. By providing high-quality sunscreen products and teaching beauty methods for how to use those products, we help XP patients to enjoy outdoor activities without worrying about UV rays.



Purpose

We advocate Empower Beauty (Activities to motivate and empower people) as one of our materiality issues, which includes "Improvement of consumers' quality of life (QOL*)." We believe that protecting people's health through our products in the face of environmental changes is an important social contribution of our core business. We have a long history of research into sunscreen products that protect skin from UV rays, as well as insights into effective sunscreen usage, and sell a broad range of high-quality sunscreen products. Support for UV-sensitive patients suffering from an intractable disease is an activity that can contribute to the resolution of social issues by taking advantage of our strengths.

* QOL: An acronym for Quality of Life

About xeroderma pigmentosum (XP)

XP is an intractable disease that causes a severe sunburn reaction, such as redness and swelling of areas exposed to UV rays. Patients with this disease are more prone to skin cancer than the general public. There are multiple types of XP, and the symptoms and severity vary. Since the ability to repair DNA damage caused by UV rays is deficient among XP patients, exposure to intense UV rays may prompt progression of nerve-related symptoms (walking difficulties, hearing loss, and intellectual disability). As the fundamental treatment has not yet been established, a proper light shield (i.e., blocking UV rays) is the only viable countermeasure. When patients go outdoors, they have to wear sunscreen and UV protective clothing. Even indoors, they need to shield the light by attaching UV-blocking plastic film to windows and light bulbs. The number of patients in Japan is estimated to be 500.

Support results

Item	Description	2018 Results
Donation of sunscreen products	We provided Shiseido Group's various sunscreen products (ANESSA, 2e, SUMMEDIC, Avene, etc.) to the Japanese National Network of Xeroderma Pigmentosum (XP)*.	1,821 items, 22 types of sunscreen products donated to 92 XP patients
Donations by employees	We make good use of donations by employees (Shiseido Camellia Fund) to support patient exchange meetings and purchase UV protective clothing.	2,164,977 yen
Number of employees involved in support of activities of the Japanese National Network of Xeroderma Pigmentosum (XP)	(1) Seminar on usage of sunscreen products: Our research staff and beauty consultants provide patients and their families with the latest information on sunscreen products, as well as practical training and individual consultation on how to apply and remove sunscreen products correctly. (2) Support for patient meetings: Our employees act as child care volunteers during exchange meetings which are held to establish a network between patients.	18 employees
Number of XP enlightenment leaflets distributed	In order to raise awareness of XP, an intractable disease, we support the creation and distribution of patient group leaflets.	<ul style="list-style-type: none"> • Approx. 120 patient group leaflets distributed • 400 copies of 3rd XP national convention report produced
Other Focus topics	In February 2019, we won the Corporate Philanthropy Award from the Japan Philanthropic Association in recognition of our social contribution activities that utilize our management resources organically and sustainably to resolve social issues.	

* Japanese National Network of Xeroderma Pigmentosum (XP) : A network consisting of three XP patients groups in Japan (Osaka, Kobe, and Tokyo). We are working to achieve more fulfilling daily lives for XP patients and their families.

Words from patients and their families

We received a thank-you note from the families of XP patients: "Throughout the year, sunscreen products are indispensable in protecting the sensitive skin of children with XP from UV rays and the onset of skin cancer. Thank you very much for letting us use your products with peace of mind. We appreciate your heartfelt support, which helps us cherish our lives with our children."

Art and Heritage

Inspire Beauty - Inspire our culture with Japanese beauty

Use Japanese beauty to raise beauty awareness around the world and encourage the realization of beauty as a culture.

For A Better World Through Art And Culture

The Shiseido Gallery, which was opened in 1919 and is said to be the oldest existing art gallery in Japan, has centered on and continuously supports various artistic activities while contributing to the development of Japanese art and culture, with the philosophy of "discovery and creation of a new beauty." We developed "shiseido art egg," our current open application program, with the aim to support 3 emerging artists/groups each year for a total of 30 exhibitions by 2029. Shinzo Fukuhara, Shiseido's first president, also worked on the "artification of products," introducing artistic ideas into business activities. At the Shiseido Gallery and Shiseido Art House, we conduct 16 Gallery Talk events annually for people within and outside the company, aiming for 160 events by 2029. We will continue to present new values to the world through our art and culture activities, toward optimal business and social value creation.

Shiseido Gallery

The Shiseido Gallery regularly conducts exhibitions of mainly contemporary art. Through discovering, supporting, and fostering young artists, we attain new values and introduce new arts to society, and consequently contribute to and promote the development of Japanese art and culture.



Shiseido Art House

The Shiseido Art House (Kakegawa, Shizuoka) collects, stores, and publicly displays certain paintings, sculptures, and crafts presented at the exhibitions hosted by the Shiseido Gallery. It also plays a part in promoting local art and culture.



Art Supporting Activity

Mainly focusing on modern art, Shiseido has supported (and sponsored) various contemporary art activities, including theatrical and choreographic expressions. Our past sponsorship programs are listed here. *We have discontinued the public system from 2019.



Use of Shiseido's Cultural Assets as a Source to Create Social Values

During its nearly 150 years of business activities, Shiseido has created and inherited various values and corporate cultures, reflected in its products and advertising materials. In 1992, we founded the Shiseido Corporate Museum as part of Shiseido's 120th anniversary memorial project. The corporate data collectively stored and managed in the museum are publicly displayed, lent to, and used by third parties for their research. Also, particularly in these years of rapid globalization, we focus on in-house heritage education to deliver and pass along Shiseido's philosophy as it has been handed down since its founding. We conduct educational opportunities with the aim of organizing more than 50 lectures and training and e-learning sessions for all employees by 2029. In addition, we are on path to conduct more than 300 guided tours annually for employees at our museum and other cultural facilities to enhance loyalty to the Shiseido Group, enrich sources of new value creation, and accelerate the Beauty Innovations toward which we aim.

➤ Shiseido Corporate Museum

Various archives going back to the company's founding in 1872, including Shiseido product packaging, advertising materials, and documents on Ginza, are collectively stored here. Some are publicly displayed to allow visitors to experience Shiseido's history and underlying aesthetics.



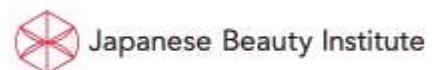
➤ S/PARK Museum

In 2019, we established the experience-based S/PARK Museum, where visitors can sense and feel beauty through interactive communications. This is a place where Shiseido creates Beauty Innovations leading to the future while offering great experiential encounters through various content.



➤ Japanese Beauty Institute (JBI)

Shiseido established the Japanese Beauty Institute (JBI) in 2019 to deliver the company's perception of Japanese beauty to the world, as well as the aesthetics underlying the brand's values through events and online content distribution.



Art Supporting Activity

Basic Policy

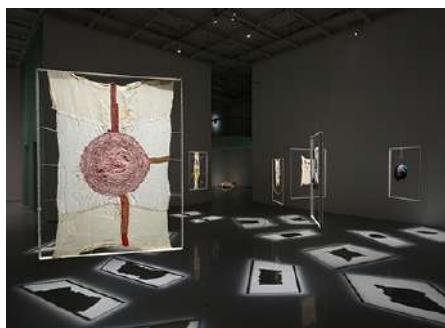
Shiseido's corporate support of arts and culture (so called "Mecenat" activities) can be traced all the way back to the 1919 founding of the Shiseido Gallery. From the beginning this gallery has offered an open venue in which up-and-coming artists can present their works, helping to push them out into the world and into public view, contributing to creating beauty in lifestyle culture in the process.

Because Shiseido's co-sponsorship support of arts and culture ever since has been underpinned by the essential ideal of "cultivating and creating new beauty," its exhibitions have generally focused on contemporary art, including performance art and dance, always embracing the diversity of artistic expression happening at any given time.

Further, Shiseido has always valued the connections it forges with artists, supporting them not only while they are exhibiting at the Shiseido Gallery, but also afterwards, building enduring, ongoing relationships that are not limited to a single instance.



The Shiseido Gallery in 1928



The Shiseido Gallery today

Respecting Human Rights and Ensuring Responsible Procurement

Shiseido realizes that all its business activities must be based on respect for human rights. We have formulated a companywide code of ethics and a human rights policy and are working to promote understanding and improve our response to human rights through human rights due diligence* and internal and external awareness-raising activities.

* A continuous process to identify human rights issues and implement solutions to prevent and mitigate risks.

Our Human Rights Approach

Shiseido has established the Shiseido Group Human Rights Policy based on the United Nations Guiding Principles for Business and Human Rights and its basic corporate philosophy, which is described in the group-wide code of ethical behaviors.



Human Rights Promotion System

Shiseido Group's Human Rights Risk Assessment is undertaken by the following personnel in the Shiseido Company, Limited (Global Headquarters). Once a year, human rights policies and human rights risk mitigation efforts are reported at the Board of Directors meeting and receive approval and supervision from the Board of Directors.

- Chief Social Value Creation Officer
- Chief Supply Network Officer

Primary Initiatives

Here listed are Shiseido's primary initiatives regarding respect for human rights and ensuring responsible procurement.

Society	Employees
<ul style="list-style-type: none"> ▪ Understanding risks throughout the supply chain ▪ Dialogue with stakeholders ▪ Reporting and consultation center for suppliers 	<ul style="list-style-type: none"> ▪ Human rights risk assessment ▪ Reporting and consultation center for employees ▪ Human rights education training for employees

Responsible Procurement

Shiseido wants to develop together with society while promoting respect for human rights and ensuring environmental protection in all its business activities, including the procurement of raw materials. We are working on the following to achieve sustainable procurement and corporate social responsibility.

- Ethical supply chain policies/standards
- Supplier monitoring/collaboration
- Reporting and consultation center for suppliers
- Sustainable procurement of raw materials (palm oil/mica)
- Risk assessment of raw materials (social risk assessment when introducing new raw materials)
- Dialogues with stakeholders

Response to the United Kingdom's Modern Slavery Act 2015

Based on the United Kingdom's Modern Slavery Act 2015, enacted in March 2015, we disclose the Shiseido Modern Slavery Statement every year.

2018 Performance

Here listed are our recent primary initiatives regarding human rights and responsible procurement.

Society	Employees
<ul style="list-style-type: none"> ▪ Formulation of the Shiseido Group Sustainable Raw Materials Procurement Guidelines ▪ Revision of the Shiseido Group Supplier Code of Conduct ▪ Supplier monitoring/collaboration ▪ Procurement of sustainable palm oil ▪ Procurement of sustainable mica ▪ Dialogues with stakeholders 	<ul style="list-style-type: none"> ▪ Human rights risk assessment ▪ Reporting and consultation center for employees ▪ Human rights education training for employees

Our Human Rights Approach

Shiseido has established the Shiseido Group Human Rights Policy based on the United Nations Guiding Principles for Business and Human Rights and its basic corporate philosophy, which is described in the group-wide code of ethical behaviors. We will contribute to the realization of a sustainable global society by promoting various efforts to respect human rights in all Shiseido Group businesses, including in the creation of our products.

Shiseido Group Sustainable Raw Materials Procurement Guidelines	Shiseido Group Procurement Policy	Shiseido Group Supplier Code of Conduct	Respect for International Norms
		Shiseido Group Policy on Human Rights	
		Shiseido Group Standards of Business Conduct and Ethics	

The descriptions of human rights in various policies and standards are as follows.

Shiseido Group Standards of Business Conduct and Ethics

It summarizes the actions that each employee working in the Shiseido group should perform and it sets out a specific code of conduct to work with a stronger sense of ethics. In addition to complying with national and regional laws and regulations, as well as internal regulations, we declare that we respect human rights for all our stakeholders and that we will not engage in child labor or forced labor leading to human rights abuses. Also, in addition to not violating human rights, we have clearly specified that we select business partners according to the impact on society.

For details, please refer to the Shiseido Group Standards of Business Conduct and Ethics.

Shiseido Group Policy on Human Rights

It was formulated based on the United Nations Guiding Principles on Business and Human Rights and the Shiseido Group Standards of Business Conduct and Ethics. It promotes the Shiseido Group's efforts to respect human rights and sets guidelines to fulfil their responsibilities. In order to become a company trusted by consumers and societies all over the world, and to continue developing along with the global society, all our business activities are based on respect for human rights. The policy was formulated in June 2017, published with the approval of the Board of Directors and revised in 2019. This policy applies to the Shiseido Group and our business partners.

Shiseido Group Policy on Human Rights

In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, the new Shiseido Philosophy is the guiding light of Shiseido Group ("Shiseido"). For each and every member of the global Shiseido family, the new Shiseido Philosophy is at the heart of everything we do as we strive to be a global winner with our heritage.

Shiseido understands that it must respect the human rights of all persons as a prerequisite to conducting business activities for its sustainable growth together with the global society. Shiseido hereby establishes the Shiseido Group Policy on Human Rights ("the Policy") by which it will promote efforts to ensure respect of human rights and the fulfillment of related duties. The Policy is based on the United Nations Guiding Principles on Business and Human Rights.

1. Fundamental Position

Shiseido supports and respects international human rights principles, such as:

-UN International Bill of Human Rights, which defines the fundamental human rights of all people (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and International Covenant on Economic, Social and Cultural Rights).

-The International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the core labour standards therein.

-UN Declaration on the Rights of Indigenous Peoples.

-Other international human rights and norms, such as conventions relating to the human rights of workers on wages and working hours.

As a signatory of the UN Global Compact ("GC") we also support and respect the GC's Ten Principles. The Policy represents Shiseido's commitment to respecting human rights based on The Shiseido Philosophy

2. Scope and Application

The Policy will apply to all executives and employees of Shiseido. Shiseido will also require its business partners relating to Shiseido's products and services to comply with the Policy.

3. Responsibility to Respect Human Rights

Shiseido will fulfil its responsibility of respecting human rights by ensuring that its business activities do not result in human rights violations and by responding appropriately to correct any adverse impact on human rights its business activities may incur. Shiseido will establish a responsible supply chain.

■ Human Rights Due Diligence

Shiseido will establish a system of human rights due diligence to identify and prevent or mitigate any negative impact on human rights that Shiseido may have on society.

■ Dialogue and Consultation

In implementing the Policy, Shiseido will utilize independent experts on human rights, and will engage sincerely in meaningful consultation with relevant stakeholders.

■ Education and Training

Shiseido will provide appropriate training and education for its executives and employees to ensure effective integration and implementation of the Policy in all aspects of Shiseido's business activities.

■ Remedies

In the event Shiseido's business activities result in violations to human rights, or when business partners have an adverse impact on human rights, we will provide remedies through appropriate dialogues and procedures.

■ Accountability

Shiseido will appoint an executive officer to oversee the implementation of, and monitor adherence to, the Policy.

■ Information Disclosure

Shiseido will disclose the progress and outcomes of efforts regarding respecting human rights on its website and through other media.

■ Compliance with Applicable Laws and Regulations

Shiseido will comply with the laws and regulations of all countries where it conducts its business activities. Where there is a conflict between national laws/ regulations and internationally recognized human rights standards, Shiseido will seek ways to respect international human rights to the maximum extent possible.

Masahiko Uotani

Representative Director

President and CEO

Shiseido Company, Limited

Date of Revision: May 30, 2019

History of Revision

May 2017 enactment

May 2019 revision: added new corporate philosophy

■ Shiseido Group Supplier Code of Conduct

We require all business partners related to Shiseido's products and services to comply with the code of conduct. In the wake of our participation in the United Nations Global Compact, we documented our standards related to human rights, our compliance with related laws and regulations, labor practices, intellectual property protection, confidentiality, environmental protection, and impartial dealings in 2006. In April 2018, it was revised in order to require business partners to comply with laws and regulations, prevent corruption, respect human rights, provide a safe and healthy working environment, and protect the environment. In June 2019, we also added a provision for the proper management of working hours, days-off, and leave of employees.

Please check the details in the Responsible Procurement - Ethical Supply Chain Policies/Standards.

■ Shiseido Group Procurement Policy

In order to achieve an ethical supply chain, the policy was established in 2018 based on the principle of coexistence with consumers, business partners, and society. The policy indicates the following: Our purchasing is based on a consumer-oriented perspective; we carry out procurement activities aiming to create better products through co-creation with business partners; we comply with all relevant laws and regulations, as well as placing the foremost priority on respect for human rights and consideration of the global environment; finally, we actively promote sustainable procurement. Please check the details in the Responsible Procurement - Ethical Supply Chain Policies/Standards.

■ Shiseido Group Sustainable Raw Materials Procurement Guidelines

This is a guideline formulated in 2018 for palm-derived materials, which exacerbate environmental and human rights problems in the country of origin, in order to promote sustainable procurement under the Shiseido Group Procurement Policy. We promote sustainable procurement that respects human rights and considers the environmental protection in the place of origin.

Please check the details in the Responsible Procurement - Ethical Supply Chain Policies/Standards.

■ Approval and support for international norms

2010	We signed the Women's Empowerment Principles (WEPs) (Joint initiative of UN Women and the United Nations Global Compact), which are the principles of action for companies that actively work to promote the full participation and leadership by women in the workplace, and we are working to implement WEPs with UN Women and various stakeholders.
2004	Our company signed the United Nations Global Compact and supports the ten principles in all four areas (Human rights, Labor, Environment, and Anti-corruption) together with all our group companies.

Human Rights Promotion System

The human rights issues included are those related to child labor, forced labor, discrimination, harassment, wages, working hours, occupational safety and health, etc. The scope of the target also extends to all business activities and is not limited to our company but also applies to our business partners. In our everyday duties, relevant departments in the Global Headquarters (Human Resources Department, Risk Management Department, Social Value Creation Division, Supply & Purchasing Department) work together with various departments and domestic and overseas group companies to further the promotion of human rights.

■ The Shiseido Group

The Shiseido Group's Human Rights Risk Assessment is undertaken by the following personnel in Shiseido Company, Limited (Global Headquarters). Once a year, human rights policies and human rights risk mitigation efforts are reported at the Board of Directors meeting and receive approval and supervision from the Board of Directors.

- Chief Social Value Creation Officer
- Chief Supply Network Officer

■ Supply chain

The Supply & Purchasing Department, Risk Management Department, and Social Value Creation Division work on human rights issues among suppliers. As one of the systems to gather information on human rights risks and promptly address them (a mechanism to deal with complaints), we have established the Business Partner Hotline where suppliers can report and consult on human rights issues with our company.

■ The Shiseido Group in Japan

At the Shiseido Group in Japan, the Human Rights Development Committee, chaired by the head of human resources at Shiseido Company, Limited, reviews the human resource issues and training contents for employees to reduce risks. In collaboration with the Human Rights Development Subcommittee, the Human Rights Secretariat within the Human Resources Department works to raise human rights awareness in-house, and the Social Value Creation Division is working on gender equality. A Human Rights Enlightenment Promotion Representative is nominated at each business site inside domestic Shiseido Group companies, and they provide human rights training. As one of the systems to gather information on human rights risks and promptly address them (a mechanism to deal with complaints), we have established a center* where employees can report and consult on human rights issues.

* We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from workplaces. There is also the Compliance Committee Hotline which specializes in receiving reports and the Report Mail to Auditors which receives reporting on officers.

Primary Initiatives

Here listed are our primary initiatives regarding human rights and responsible procurement.

Society

Amid progress in the globalization of corporate activities and the expansion of the supply chain, we believe it is important to strengthen our response to human rights issues.

● Understanding risks throughout the supply chain

As part of strengthening global risk management, we have joined Sedex, a supplier ethical information sharing platform, to manage risks related to labor practices in the supply chain. In 2018, we had discussions with our suppliers regarding the use of Sedex to ensure traceability and transparency in the supply chain and to have them share their ethical information (compliance, environment, human rights, and occupational safety and health) from 45 sites in 31 companies. In addition, we conducted a briefing session on the theme of "Human rights across the businesses" and shared a document describing the theme with our 295 suppliers*. Specifically, we explained our intentions and changes in the revised version of our Shiseido Supplier Code of Conduct aimed at realizing responsible procurement in the supply chain, as well as detailing the effectiveness of Sedex. For suppliers who are not members of Sedex, we are promoting supplier monitoring from multiple perspectives through the Shiseido Supplier Code of Conduct Compliance Questionnaire (our own self-assessment questionnaire), sharing the evaluation results of other accreditation organizations, and sharing the acquisition status of international standards certifications.

* Suppliers with a trading record with the Global Headquarters in 2017.

Please check the details in Responsible procurement - Supplier monitoring/Collaboration.

With regard to raw materials (palm oil/mica), which our company considers to carry high risks for human rights, we will strengthen our measures by participating in international initiatives. In order to procure sustainable palm oil, we joined RSPO^{*1} in 2010 and have reduced risks since then by procuring RSPO-certified raw materials, taking into consideration environmental protection and human rights in the places of origin. In addition, in order to procure sustainable mineral mica and strengthen our responsible supply chain, we joined RMI^{*2} in 2017. Going forward, we aim to improve traceabil-

*1 RSPO: Roundtable on Sustainable Palm Oil

*2 RMI: Responsible Mica Initiative

Please check the details in Responsible procurement - Procurement of sustainable raw materials (palm oil/mica).

● Dialogues with stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, Shiseido works with various stakeholders to discuss both the environment and society and share and resolve issues. In dialogues with human rights experts, we received advice on how to proceed with human rights due diligence and reflect it in our activities.

Please check the details in Responsible Procurement - Dialogue with Stakeholders.

● Reporting and consultation center for suppliers

Since 2013, we have been hearing opinions from/consulting with our business partners using the Business Partner Hotline, a center which receives reports from/consults with suppliers in writing and by email (No reporting was made in FY2018.).

Employees

● Human rights risk assessment

Since FY2017, Shiseido has been conducting the Shiseido Group Engagement Survey for employees throughout Shiseido Group, encompassing Japan and overseas countries, to investigate human rights risks in the workplace, such as discrimination and harassment.

● Reporting and consultation center for employees

A consultation center was set up to handle consultations and reports on various employee human rights and labor issues. We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from various workplaces. The Compliance Committee Hotline specializes in receiving reports and Report Mail to Auditors receives reporting on officers.

Please check the details in 2018 Performance - Relationship with Employees.

● Human rights education training for employees

Since human rights issues are diverse, the Human Resources Department, Risk Management Department, and Social Value Creation Division are playing the central role in the initiative, working in partnership with the Shiseido Group companies. With regard to the Shiseido Group Standards of Business Conduct and Ethics and related policies and rules, we conduct regular training and education according to position and job type to deepen our understanding of the human rights of employees and to work to reduce human rights risks. We hold training sessions for top-level employees including the Global Headquarters officers and department directors in Japan, division/department heads of domestic and overseas offices, employees in various divisions/departments, and new employees once a year.

Management

We conduct Human Rights Enlightenment and Corporate Ethics Training once a year for our Corporate Officers. We have been conducting training on business and human rights since 2015.

Employees of the Shiseido Group in Japan

At each business location in Japan, there is a Human Rights Enlightenment Promotion representative in each department, and the Human Resources Department conducts training for those representatives who themselves deliver human rights training to other employees in each of their respective departments. We are enlightening people to eliminate discrimination and prejudice on various human rights issues, such as social integration, women's empowerment, children, people with disabilities, LGBT, and harassment. In FY 2018, the Company also provided training on the theme "A joyful workplace without moral harassment" for all employees of Shiseido in Japan.

Please check the details in 2018 Performance - Relationship with Employees.

Responsible Procurement

Shiseido wants to develop together with society while promoting respect for human rights and ensuring environmental protection in all its business activities, including the procurement of raw materials. By complying with laws and having a high sense of ethics, we are working on the following to achieve sustainable procurement and corporate social responsibility.

■ Ethical Supply Chain Policies/Standards

● Shiseido Group Supplier Code of Conduct

Shiseido aims to find new and profound values through encounters with diverse groups of people, to create a "beautiful life" culture, and to engage in research, development, manufacturing, and the sales of superior products and services of a high quality, safety, and which deliver peace of mind. We regard all business partners as partners who create new values together and aim for sustainable development with high ethical standards. In the wake of our participation in the United Nations Global Compact, Shiseido has been working with our business partners on ethical business activities since we formulated the Shiseido Group Supplier Code of Conduct in 2006, stipulating the standards regarding human rights, legal compliance, labor practices, intellectual property protection, confidentiality, environmental protection, and fair trade. The business partners that are subject to the Shiseido Group Supplier Code of Conduct have agreed to the standards and we conduct periodic monitoring through surveys and audits. In the event that any supplier is identified to have violated the Shiseido Group Supplier Code of Conduct, we strictly implement a request for corrective action, offer corrective guidance, and provide support. In Japan, we also established the Business Partner Hotline and we have a system in place to receive opinions and consult with our business partners (No reporting was made in FY2018.). In recent years, with social issues and environmental problems becoming more serious, companies are more strongly required not only to comply with the laws and regulations of each country, but also to respect international treaties and conventions in order to realize sustainability throughout the supply chain and, in particular, to ensure respect for human rights. In response to such social demands, we revised the Shiseido Group Supplier Code of Conduct in April 2018, including strengthening the human rights provisions. In June 2019, we also added a provision for the proper management of working hours, days-off, and leave of employees.

Shiseido Group Supplier Code of Conduct



Shiseido Group Supplier Code of Conduct

Foreword

Recent years have seen increasingly serious social and environmental issues, and companies have been under strong pressure to not only comply with the laws and regulations of each country but also to respect international conventions and rules and to make a strong commitment to realizing a sustainable society with the suppliers forming their supply chain.

The Shiseido Group will utilize its best endeavours to provide products and services that offer peace of mind and safety to customers and that are friendly to both society and the environment, while also conducting its business operations in a sincere manner as it strives to achieve a sustainable society.

In order to achieve this end, it is essential for the Shiseido Group to collaborate with our suppliers, who are our business partners, in order to commit ourselves towards a sustainable society through our procurement activities.

The "Shiseido Group Supplier Code of Conduct" specifies the non-negotiable minimum code of conduct that the Shiseido Group requests its suppliers and subcontractors to respect and follow, when they engage in transactions with the Shiseido Group. Suppliers are requested to comply with the "Shiseido Group Supplier Code of Conduct" after having read and understood the purpose and contents of this Code.

The standards stated herein have been set forth for the purpose of protecting the rights of and responding to the demands of workers in the supply chain, including migrant workers and home workers.

I. Applicable Scope

Suppliers who are engaged in transactions with the Shiseido Group are requested to comply with this Code.

In addition, suppliers are also expected to require their subcontractors who are involved in business related to the Shiseido Group to comply with the same standards as those set forth herein.

II. Operation

The Shiseido Group selects suppliers who will comply with the matters set forth in this Code. Even after the commencement of transactions, the Shiseido Group will determine whether or not to continue transactions based partly on the compliance with this Code.

III. Inspection

Upon receiving a request from the Shiseido Group, suppliers shall answer questionnaire surveys, accept on-site inspections, submit related materials and records, and otherwise meet the Shiseido Group's requests, so as to enable the Shiseido Group to confirm the compliance with this Code.

IV. Reporting of Violations / Corrective Measures

At the time when a supplier becomes aware of any violation of this Code (including becoming aware of the possibility thereof: the same shall apply hereinafter in this Article), it shall immediately inform the Shiseido Group thereof. If any violation is acknowledged, the supplier must formulate a plan to correct such violation and conduct suitable corrective measures, as well as reporting the status of such correction to the Shiseido Group on each occasion. An agreement entered into with the Shiseido Group may be cancelled depending on the contents of the violation.

I Legal Compliance

Suppliers shall comply with all applicable laws and regulations of the countries and territories in which suppliers conduct their business operations.

Suppliers shall strive to comply with industry standards and international standards* regarding fair business operations, human rights, labor and the environment.

*The OECD Guidelines for Multinational Enterprises, the fundamental provisions of the ILO Conventions, the United Nations Global Compact 10 Principles, the United Nations Declaration on the Rights of Indigenous People, the United Nations Guiding Principles on Business and Human Rights, ISO26000 (Corporate Social Responsibility), etc.

II Anti-Corruption

1. Prohibition of Bribery and Corruption

Suppliers shall not pay or receive any bribes, kickbacks, illegal gratuities, etc., to or from any administrations, officials, or business partners, including, without limitation, the Shiseido Group.

In addition, suppliers shall not make any facilitation payments (i.e., the payment of a small amount, not based on applicable laws and regulations, in order to expedite administrative procedures such as customs clearance or visa acquisition).

2. Prohibition of Unfair Provision of Gifts and Entertainment

Suppliers shall not provide or receive gifts or entertainment in an unfair manner or in a manner that may cause suspicion regarding fairness, to and from administrations, officials, or business partners, including, without limitation, the Shiseido Group, for the purpose of influencing contracts or the contents of transactions, either directly or through a mediator.

3. Prohibition of Improper Transactions

Suppliers shall not engage in private monopolies, undue restrictions on transactions such as cartels, or any other acts which may prevent free and fair competition.

4. Protection of Intellectual Property, Confidential Information, and Personal Information

Suppliers shall not infringe upon any intellectual property rights of the Shiseido Group or any third party.

In addition, suppliers shall appropriately protect and shall not use for any improper purposes, confidential information (including insider information and business secrets) and personal information (including those of customers and employees) which are handled by the suppliers themselves or the Shiseido Group.

5. Publication of Information

If a supplier becomes aware of any events which raise doubts as to the quality, safety, efficacy, etc., of the supplier's products or services, the supplier shall promptly disclose appropriate and sufficient information thereon to the Shiseido Group.

III Respect for Human Rights

1. Prohibition of Discrimination

Suppliers shall not discriminate in any way against their employees in hiring practices or treatment in relation to remuneration, promotion, termination of employment, etc., on any basis, including, without limitation, race, skin color, gender, age, language, financial status, nationality, national origin, religion, ethnic or social origin, membership or non-membership of a labor union, political or other opinion, beliefs, disability, marital status, health conditions, pregnancy, sexual orientation and gender identity.

2. Prohibition of Abuse and Harassment

Suppliers shall respect the human rights of their employees and shall not inflict abuse, corporal punishment, psychological, physical, or sexual harassment or other forms of intimidation thereon.

3. Prohibition of Forced Labor and Human Trafficking

Suppliers shall not be involved, in any way, in any forced labor, including labor under conditions of slavery, labor with physical or psychological constraint, and human trafficking.

In hiring their employees, suppliers shall explain the employment conditions so that employees will be able to enter the suppliers based on their own discretion after having fully understood such conditions. Further, suppliers shall grant their employees the right to freely leave their employment with the supplier.

In relation to employment conditions, suppliers shall comply with all applicable labor-related laws and regulations of the countries and territories in which suppliers conduct their business operations, and shall agree to conditions under which human rights are respected. Further, suppliers shall provide a document to employees which sets forth the contents and conditions proving their respect of human rights, written in a language understandable to the employees.

Unless otherwise set forth in the laws or regulations, suppliers shall not restrict the free behavior of their employees, including by way of unduly imposing fees or advance payments relating to their employment, or confiscating or destroying passports, identification documents or work permits, etc.

4. Prohibition of Child Labor

Suppliers shall not employ children who have not yet reached the highest age among (i) 15 years of age; (ii) the age for completing compulsory education; and (iii) the minimum working age stipulated in local laws or regulations; provided, however, that, in the case of minor labor which will not cause any harm to the health or development of children, which will not prevent children from the opportunity to seek education, and which is permitted in accordance with the local laws and regulations, employment of children aged from 13 to 15 shall be permitted.

Suppliers shall not cause children to engage in any labor which may have a physically, psychologically, socially or morally adverse effect on children.

In addition, suppliers shall take sufficient care to ensure that there will not be any prevention of the opportunity for education to be provided to children.

5. Compliance with Labor-Related Laws and Regulations

Suppliers shall comply with all applicable labor-related laws and regulations of the countries and territories in which suppliers conduct their business operations.

Suppliers shall pay wages in an amount equal to or greater than the minimum wage stipulated by local laws or regulations. In this regard, suppliers shall take into consideration the wage level to ensure that the wages paid will be at a level necessary for employees and their family members to live with human dignity. In addition, suppliers shall pay overtime allowance and other allowances, etc., in accordance with the laws and regulations of each country and territory. Supplier shall properly manage the total working hours, days-off, and leave of employees so that such working hours will not exceed the maximum limits stipulated by applicable laws and regulations of each country and territory. Suppliers shall also execute employment agreements with workers in writing, which will set forth the conditions for their employment, as well as confirm that all workers are aware of their legal rights and obligations.

6 . Freedom of Association and Collective Bargaining

Suppliers shall respect the right of their employees to form a labor union, to join or not join a labor union, and to engage in collective bargaining with suppliers, and shall not discriminate against their employees based on the exercise of such rights.

7 . Respect for the Rights of Indigenous People

Suppliers shall respect the land rights, culture, custom, and religion of indigenous people and shall conduct their business operations based on such respect. Suppliers shall respect the traditional knowledge and the rights in relation to genetic resources of indigenous people, and shall strive not to exploit the interests of indigenous people in a one-sided manner.

8 . Migrant Workers

Suppliers shall treat migrant workers in the same capacity as local workers. In addition, suppliers shall treat foreign workers and migrant workers in a just manner, and provide such workers with transparent employment conditions as well as good working and living conditions.

Suppliers shall also: (i) reimburse migrant workers' employment-related commissions, etc.; (ii) not hire any illegal migrant workers; (iii) neither confiscate ID documents of migrant workers nor keep migrant workers' money in trust; and (iv) understand the scope of this Code includes workers employed through an agency or contractor.

IV Safe and Healthy Working Environment

1. Safe and Healthy Facilities

Suppliers shall design and construct facilities taking into consideration the safety and health of their employees, and shall maintain the safety of their facilities through regular confirmation of the structural integrity of the facilities and conducting repair work.

Within the facilities, suppliers shall maintain hygiene and provide their employees with, at a bare minimum, safe drinking water and toilets. The same standards shall apply to supplier-provided dormitories for the employees.

2. Prevention of Workplace Injuries and Illnesses

In regard to physically severe labor, the handling of hazardous substances and chemicals, and inherently risky labor, such as the use of production machinery, suppliers shall adopt procedures to enable the avoidance of any risks to the extent possible, and shall provide their employees with necessary protective wear, as well as education on safety measures in advance, in order to prevent any occurrence of workplace injuries and illnesses.

3. Disaster Prevention Measures

As part of their disaster prevention measures, and in preparation for emergencies such as fire and natural disasters, suppliers shall secure fire prevention measures and emergency routes and cause their employees to be thoroughly informed of the same.

The same standards shall apply to supplier-provided dormitories for employees.

V Protection of the Environment

Suppliers shall comply with all environment-related laws and regulations applicable to the countries and territories where suppliers conduct their business operations.

Suppliers shall recognize the importance of preserving the environment, and, through their business activities, shall maintain a proactive stance toward such preservation and work to contribute to the development of a sustainable society through measures such as preserving biodiversity, controlling greenhouse gas emissions, reducing waste materials and drainage, conserving resources, recycling, and preventing pollution. Suppliers shall recognize the importance of preserving the environment and shall endeavor to conduct environmentally friendly business management, including measures such as preserving biodiversity and controlling greenhouse gas emissions in all phases from the use of resources to the control of waste materials.

VI Quality Assurance and Securing Traceability

Suppliers shall provide products and services that satisfy the quality and safety standards set forth in all laws and regulations of the countries and territories in which suppliers conduct their business operations, as well as complying with the contracts entered into with the Shiseido Group, and shall strive to grasp the origins of raw materials used for the products which are to be delivered to the Shiseido Group.

VII “Whistle-Blower Protection” Measures

Suppliers shall accept whistle-blowing and complaints from their employees, shall make sure to protect their employees from possible retaliation from the suppliers and persons against whom the relevant whistle-blowing was made, and shall take appropriate measures to rectify the status and conditions against which such complaints are made, while always taking the privacy of whistle-blowers into consideration.

VIII Subcontractors' Compliance with this Code

Suppliers shall request their subcontractors involved in the business related to the Shiseido Group to comply with the same standards as those set forth herein. If the Shiseido Group deems it necessary, suppliers shall confirm their subcontractors' compliance herewith and report the same to the Shiseido Group.

Revisions

The Shiseido Group shall revise the contents of this Code according to changes over time and demands from society, and shall publish the revised Code on the Shiseido website and inform its suppliers of the same. The obligations of Suppliers shall continue to exist after the revision of this Code, and suppliers are therefore requested to continue to comply with the revised Code.

Should you have any questions or opinions regarding the revised contents, please do not hesitate to contact your local Shiseido Group member company.

<Revision History> Established in March 2006
 Revised in May 2010
 Revised in December 2011
 Revised in April 2018
 Revised in June 2019

The Shiseido logo, featuring the word "SHISEIDO" in a bold, black, sans-serif font. The letter "S" is stylized with a diagonal stroke through it.

● Shiseido Group Procurement Policy

In order to achieve an ethical supply chain, the policy was established in 2018 based on fruitful coexistence with consumers, business partners, and society. The policy indicates the following: Our purchase principles are based on a consumer-oriented perspective; we carry out procurement activities to create better products through co-creation with business partners; we comply with all relevant laws and regulations, as well as placing the foremost priority on respect for human rights and consideration of the global environment; and we actively promote sustainable procurement.

■ Shiseido Group Procurement Policy

Procurement Vision

We strive to expand the circle of "inspiring a life of beauty and culture on a global level" through procurement. Through these activities, while maintaining "coexistence with society", we will practice "creation of new value" from a procurement aspect.

We respect all of our suppliers who share our vision, and work together with them toward each other's sustained growth.

Procurement Way

(1) With Our Consumers

We always conduct our procurement activities from the consumers' perspective, and will achieve optimum cost and excellent quality based on the principle of providing safe and excellent products and services that satisfy our consumers.

(2) With Our Suppliers

• Building a Good Partnership

We conduct procurement sharing the same mission with suppliers with respect to creating new value and striving to make better products. Through that activity, we strive to build trust with suppliers based on high transparency and ethics as a business partner, to evolve and develop each other.

• Fair Purchasing Transactions

We open up wider opportunities to all suppliers who share our vision. In selecting our suppliers, we will make a comprehensive and fair judgment based on clear criteria such as quality, cost, delivery date, service, environmental response and respect for human rights.

• Toward Global Procurement

We conduct procurement activities from a global perspective without being confined to sales and production areas.

• Performance of Contract

We strictly adhere to contracts and rules related to purchasing transactions.

(3) With Society

We comply with all related laws and regulations and act with the utmost respect for rules due to differences in culture and values. We also actively promote sustainable procurement by giving priorities to respect for human rights and consideration for the global environment.

● Shiseido Group Sustainable Raw Materials Procurement Guidelines

This is a guideline formulated in 2018 for palm-derived materials, which exacerbate environmental and human rights problems in the country of origin, in order to promote sustainable procurement under the Shiseido Group Procurement Policy. We will promote sustainable procurement that respects human rights in consideration of the environmental protection of the place of origin.

■ Shiseido Group Sustainable Raw Materials Procurement Guidelines

For palm-derived raw materials, known for their increasing problems involving the environment and human rights at the countries of origin, Shiseido Group Sustainable Raw Materials

Procurement Guidelines have been established for the promotion of sustainable procurement as specified in the Shiseido Group Global Procurement Policy.

● Palm oil

For palm-derived raw materials for use in Shiseido products, we will promote the procurement with due consideration of environmental conservation at the place of origin, as well as the respect for human rights.

Target: By the year 2020, for all palm-derived raw materials for use in Shiseido products, we will accomplish procurement with due consideration of environmental conservation at the place of origin, as well as the respect for human rights, by procurement of RSPOcertified materials. In addition, the Shiseido Group factories will acquire RSPO's supply chain certification.

● Revision history

June 2018	We formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for palm oil and set targets up to 2020. In line with the guidelines, we will promote sustainable palm oil procurement.
June 2018	We formulated the Shiseido Group Procurement Policy in order to realize an ethical supply chain.
April 2018	We revised the Shiseido Group Supplier Code of Conduct to ensure that it meets the current social needs. It requires business partners to comply with laws and regulations, prevent corruption, respect human rights, provide a safe and healthy working environment, and protect the environment.
June 2019	A provision for the proper management of working hours, days-off, and leave of employees was included in the Shiseido Group Supplier Code of Conduct.

■ Supplier monitoring/collaboration

Since having developed the Shiseido Group Supplier Code of Conduct in 2006, we have been implementing the Shiseido Supplier Code of Conduct Compliance Survey (Shiseido's proprietary SAQ*), which confirms the compliance status of suppliers. In 2018, of the suppliers who have trading records with our Purchasing Department in our Global Headquarters, we received responses from 197 suppliers and provided feedback of the analysis and evaluation results of the survey to each company. To suppliers who did not complete the survey and provided answers that we need to confirm, we asked them to complete the survey again and sent inquiries about the responses. In addition, in August 2017, we joined Sedex (platform to share supplier ethical data). In 2018, we discussed the use of Sedex and the sharing of their ethical information with our primary suppliers (compliance, environmental, human rights, and occupational safety and health) from 45 sites in 31 companies. Furthermore, regarding suppliers who do not complete Shiseido's unique SAQ or participate in Sedex, we share the evaluation results of other accreditation organizations, the acquisition status of international standards certifications, and we are promoting supplier monitoring from multiple perspectives.

* SAQ:Self-Assessment Questionnaire

Type	Descriptions	2015	2016	2018	2019 Target
Shiseido Group Supplier Code of Conduct Compliance Survey	Number of suppliers which completed the survey	214	224	197	—
	Response rate (%)	83	90	88	90
Sedex	Number of suppliers who set access rights	—	—	31	—
Evaluation/certification other than Sedex	Number of suppliers which have obtained evaluations/certification other than Sedex	—	—	4	—
Total	Number of monitored suppliers	214	224	229*	—
	Monitoring rate (%)	83	90	89	90

* Excludes 3 duplicate suppliers

Reporting and consultation center for suppliers

Since 2013, we have been hearing opinions from/consulting with our business partners using the Business Partner Hotline a center which receives reporting/consultations from suppliers in writing and by email (No reporting was made in FY2018.).

Sustainable procurement of raw materials (palm oil/mica)

With regard to raw materials (palm oil/mica), which our company considers to carry high risk for human rights, we will strengthen our measures by participating in international initiatives.

● Procurement of sustainable palm oil

Palm oil, a raw material for cosmetics, is mainly produced from oil palms in Southeast Asia. Environmental protection in palm oil production areas and consideration of human rights of people working on plantations are essential to build an ethical supply chain. Shiseido joined RSPO (Roundtable on Sustainable Palm Oil) ([target_blank](#)) and formulated PDFShiseido Group Sustainable Raw Materials Procurement Guidelines in order to procure palm oil and palm kernel oil that is environmentally and socially friendly. In addition, we are making progress toward obtaining RSPO supply chain certification*¹ at the Shiseido Group factories. Through these efforts, we are shifting toward sustainable palm oil procurement.

Activities

2018	<ul style="list-style-type: none"> ▪ We formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for sustainable procurement of palm oil and palm kernel oil and disclosed targets up to 2020. ▪ In order to support the sustainable production of palm oil, we purchased certificates (credits) equivalent to 100% palm oil and palm-derived materials (achieved targets up to 2020). ▪ We had a dialogue with palm oil producers in Indonesia ▪ We obtained RSPO supply chain certification for the Shiseido Kuki factory and also for Shiseido Vietnam Inc (As of June 2019, 7 have factories obtained the certification.).
2017	<ul style="list-style-type: none"> ▪ We had a dialogue with palm oil producers in Malaysia. ▪ Acquired RSPO supply chain certification for the Shiseido Kakegawa factory.
2013	<ul style="list-style-type: none"> ▪ We supported the production of sustainable palm oil by purchasing the Book & Claim^{*2} certificate that covers the palm oil and palm kernel oil used by the Shiseido Group.
2010	<ul style="list-style-type: none"> ▪ We joined the Roundtable on Sustainable Palm Oil (RSPO) which was established to promote environmental preservation and operation of a sustainable palm oil industry.

*1 RSPO Supply Chain Certification: Certification to ensure logically reliable delivery of RSPO-certified raw materials.

*2 Book & Claim system: A system of trading the production of palm oil and palm kernel oil produced on RSPO-certified farms as certified credits. As in Energy Green, purchasing a credit is considered equivalent to purchasing RSPO-certified oil.

Changes in Palm Oil Consumption

	2016	2017	2018
Total (t) of palm oil, palm kernel oil consumption amount	6,788	8,024	9,750
Book & Claim system (t)	50	75	9,750
Book & Claim System Coverage Ratio (%)	1	1	100

● Procurement of sustainable mica

Mica is a mineral used in various industries such as electrical machinery and painting and is an ingredient in makeup products in cosmetics. In recent years, there were some cases where child labor is suspected in the mining of India-produced mica. Shiseido aims to build a responsible supply chain, and in May 2017, participated in an initiative to tackle sustainable mica procurement, called the Responsible Mica Initiative (RMI). The goal of RMI is to work with members of various industries to turn all Indian mica into sustainable raw materials by 2022. Currently, we collect information on mica from various suppliers and aim to improve the traceability and transparency of the mica supply chain. In addition, through the activities of RMI, we will cooperate with NGOs to improve the working conditions of mica miners and improve the educational system for local children.

Activities

2018	<ul style="list-style-type: none"> ▪ We expanded the survey target to include mica used by the Shiseido Group and began collecting information on mica procured from home and abroad through various suppliers. ▪ We attended the RMI Annual General Meeting held in New Delhi, India. (Oct. 30-Nov. 1) ▪ We had dialogues with local mica mining companies. ▪ We consulted with NGOs and RMI members to improve the education system of local children. ▪ We discussed and formulated the activities to be addressed in 2019. Please check the progress on the RMI website
2017	<ul style="list-style-type: none"> ▪ We joined Responsible Mica Initiative (RMI), an initiative with the aim of a responsible supply chain for mica. ▪ We gathered information on suppliers of mica used by Shiseido Company, Limited. ▪ We attended the RMI Kickoff Meeting held in New Delhi, India.

Risk assessment of raw materials (social risk assessment when introducing new raw materials)

In order to understand issues such as human rights and labor issues on the supply chain in raw material procurement, we are conducting a social risk assessment of raw materials used by Shiseido. We analyzed palm oil using Social Hotspot Database (SHDB), made by nonprofit organization, New Earth, and discovered that the size and type of risks differs depending on the country of origin. By examining materials other than palm oil using SHDB, we plan to build a tool to identify social risks and use it when introducing new materials. By evaluating and appropriately managing the risks of each raw material, we will endeavor to manufacture products that customers can use with peace of mind, even with an understanding of the background of the products.

Dialogues with stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, Shiseido works with various stakeholders to discuss environmental and social issues, to share information, and to create resolutions.

● Dialogue with NGOs/NPOs and small palm oil farmers

In August 2018, in order to understand human rights issues in palm oil procurement, we participated in the Stakeholder Engagement Program in Indonesia held by Caux Round Table, Japan. Through dialogues with NGOs/NPOs and small palm oil farmers, we deepened our understanding of the human rights risks, violations, and labor issues. In order to be a company that fulfills our responsibility to human rights, we will reflect these dialogues with various stakeholders in the construction of an ethical supply chain.

● Dialogue with human rights experts

In September 2018, we talked with human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft) and received advice on how to proceed with human rights due diligence in our company. We are implementing this knowledge in our efforts.



Photo 1: Exchange of opinions with palm farmers in Indonesia



Photo 2: Dialogue with human rights experts, such as the Danish Institute for Human Rights

2018 performance

	Name (sponsored/co-sponsored)	Venue	Stakeholders	Main theme
September 2018	2018 International Conference regarding Business and Human Rights, Individual dialogue (Caux Round Table, Japan)	Japan	Human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, Verisk Maplecroft) (Photo 2)	Exchange of views on how to proceed with our human rights due diligence
September 2018	Global Stakeholder Engagement Program (Caux Round Table, Japan)	Japan	Human rights experts, NGOs, companies participating in stakeholder engagement programs in Thailand, Malaysia, Indonesia, and Japan	Business and human rights considerations and points to note in Southeast Asia
August 2018	Stakeholder Engagement Program (Caux Round Table, Japan)	Indonesia	Fieldwork: small-scale palm oil farmers, companies, NGOs in Indonesia (Photo 1)	Human rights issues in the palm oil industry in Indonesia
			Workshop: Companies, NGOs	
May-July 2018	Stakeholder Engagement Program (Nippon CSR Consortium)	Japan	Companies, NGOs, NPOs	Understanding and practice of the United Nations Guiding Principles on Business and Human Rights in companies and identification of key human rights issues by industry

2017 performance

	Name (sponsored/co-sponsored)	Venue	Stakeholders	Main theme
September 2017	2017 International Conference regarding Business and Human Rights, Individual dialogue (Caux Round Table, Japan)	Japan	Human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, Sedex)	Exchange of views on how to proceed with our human rights due diligence
September 2017	Global Stakeholder Engagement Program (Caux Round Table, Japan)	Japan	Human rights experts, NGOs, NPOs, companies involved in dialogue with stakeholders in Thailand, Malaysia, and Myanmar	Business and human rights considerations and points to note in Southeast Asia
June-July 2017	Stakeholder Engagement Program (Nippon CSR Consortium)	Japan	Companies, NGOs, NPOs	Relationship between business activities and human rights, the importance of business activities in consideration of human rights, and identification of key human rights issues by industry
May 2017	Global Stakeholder Engagement Program (Caux Round Table, Japan)/Global Compact Network Malaysia	Malaysia	Palm oil small scale farmers, companies, NGOs in Malaysia	Environmental and social considerations and current status of palm oil procurement in Malaysia
			Malaysian government agency, companies, NGOs	Consideration of human rights of immigrant workers in Malaysia

Future issues and initiative plans

We will continue to work to prevent human rights abuses throughout our business and supply chain, based on the United Nations' Guiding Principles on Business and Human Rights.

Response to the United Kingdom's Modern Slavery Act 2015

Based on the United Kingdom's Modern Slavery Act 2015 enacted in March 2015, we disclose the Shiseido Modern Slavery Statement.

Shiseido Modern Slavery Statement (Year ended December 31, 2018)

The statement below is the report for FY 2018 as of December 31, 2018. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY 2018 and the initiatives planned for FY 2019 and beyond.

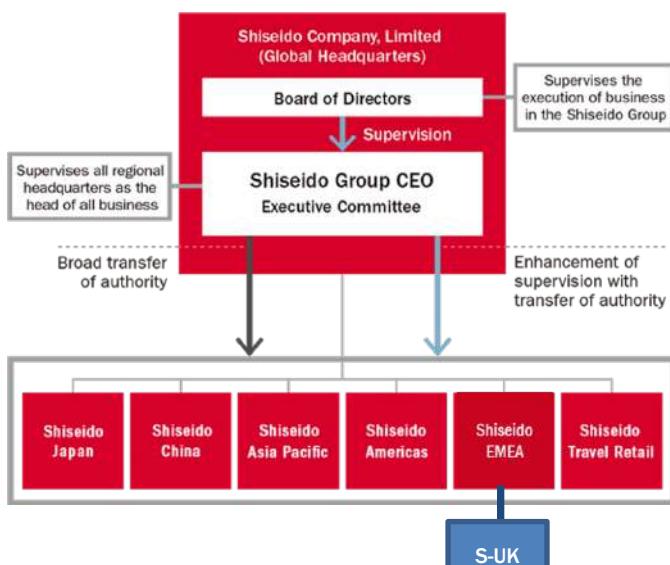
1 About This Statement

Shiseido Company, Limited, (hereafter the "Company") makes the following declaration based on Section 54 (1) of the UK Modern Slavery Act 2015 (hereafter the "Slavery Act") and discloses the measures implemented by the Company and its subsidiaries (collectively referred to as the Shiseido Group, hereafter "Shiseido") to ensure that neither Shiseido's business operations nor its supply chains involve practices amounting to slavery and/or labor under conditions of slavery and human trafficking. The Company hereby declares that Shiseido entirely opposes slavery and human trafficking in Shiseido's business and supply chain operations. With this statement, Shiseido follows the definitions and concepts of slavery and human trafficking stipulated in the Slavery Act.

2 Business Operations and Organization

The Company is a cosmetics manufacturer established in 1872 in Japan and today operates cosmetic businesses in more than 120 countries and areas with over 46,700 employees and a global turnover of 1,094.8 billion yen. In the UK, Shiseido currently sells cosmetics through its subsidiary Shiseido Group UK Limited.

The Shiseido Group management structure



3 Supply Chain

Shiseido procures raw materials for its products through multiple business partners in the global market (hereafter “suppliers”). The Company requires first-tier suppliers doing business through direct contracts with Shiseido to comply with the Shiseido Group Supplier Code of Conduct described below in order to ensure appropriate business operations. The first-tier suppliers that the Global Headquarters Purchasing Department deals with are 135 packaging materials suppliers + OEM enterprises, 133 raw materials suppliers, and 28 promotional materials suppliers for a total of 296 companies (in 2018). In addition, Shiseido has recommended that its first-tier suppliers adopt the policies defined in the Shiseido Group Supplier Code of Conduct for second-tier suppliers and upstream suppliers in order to disseminate positive impacts on the wider supply chain. Shiseido believes such practices will mitigate the risk of slavery and human trafficking in its entire supply chain.

4 Policies in Relation to Slavery and Human Trafficking

Shiseido is striving to ensure that neither its business nor the supply chain related to the business involves the practices of enslavement and human trafficking by establishing corporate policies applicable to Shiseido and thoroughly communicating them to employees and suppliers. The policies are drafted by the Company’s department handling human rights issues at the Global Headquarters (hereafter “GHQ”), which is directly responsible for human rights, and are approved by the Company’s Board of Directors. Shiseido policies relating to human rights and/or enslavement and human trafficking reflect our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure that slavery and human trafficking are not taking place anywhere in our supply chains and include the following:

■ Shiseido Group Policy on Human Rights

Adopted in 2017, the Shiseido Group Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights. This Policy applies to Shiseido and its business partners.

■ Shiseido Group Standards of Business Conduct and Ethics

Shiseido Group Standards of Business Conduct and Ethics stipulate the behaviors for every individual working for Shiseido. The Company has established a specific code of conduct to address its business with high ethical standards, as well as to comply with the laws and regulations of the country, local government, and company rules.

■ Shiseido Group Supplier Code of Conduct

Shiseido applies this code as a prerequisite for selecting first-tier suppliers and Shiseido recommends that these suppliers request second-tier and upstream suppliers to also comply with the code. This code will apply to purchasing contracts in order to strengthen its solidarity and fulfill its social responsibilities together with its suppliers.

■ Shiseido Group Sustainable Raw Material Procurement Guidelines (published on April 18, 2018)

Through these new guidelines, Shiseido promotes the sustainable procurement of palm oil, a raw material associated with the risk of deforestation, with targets until FY 2020.

In addition to the above policies, in 2004 the Company signed the United Nations Global Compact and endorsed the principles of the Global Compact for Shiseido. Furthermore, in September 2010, the Company signed the Women's Empowerment Principles developed by UN Women and the United Nations Global Compact as a set of practical guidelines for private business and non-governmental organizations working for women's empowerment.

5 Human Rights Due Diligence

As part of its initiative to identify and mitigate the risks to human rights in its business activities, Shiseido will continue to engage with stakeholders and advance the implementation of a program of human rights due diligence. Since engagement with its stakeholders and due diligence on human rights is crucial, Shiseido will deepen the understanding of the risks of human rights violations and labor issues through its interactions, in particular with human rights experts in Japan and overseas, NGOs, NPOs, and small-scale palm oil farmers. Shiseido also promotes the establishment of human rights due diligence along with these activities.

- Following FY 2017, Shiseido participated in a stakeholder engagement program (Japan) operated by Caux Round Table Japan in Tokyo and identified important human rights issues for each industry with reference to the human rights guidance tool produced by the United Nations Environmental Programme / Finance Initiative (UNEP FI) in FY 2018.
- In FY 2018, Shiseido participated in a stakeholder engagement program (Asia) in Indonesia organized by Caux Round Table Japan following the FY 2017 program held in Malaysia. Shiseido has gained more insight into the risks of human rights violations and labor issues from its interactions with local NGOs, NPOs, and small-scale palm oil farmers in Indonesia. Shiseido will reflect the dialogs with various stakeholders in the development of an ethical supply chain so that the Company can fulfill its responsibility to respect human rights.
- In FY 2018, Shiseido also participated in a stakeholder engagement program (global) organized by Caux Round Table Japan in Tokyo, engaged in dialogs with domestic and overseas experts in which Shiseido reported on the programs in Indonesia and Japan and the cases of each industry, as well as exchanged views on matters that should be considered for further promotion of business and human rights activities.
- Furthermore, in FY 2018, Shiseido had an exclusive dialog with overseas experts (Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft) in Tokyo and exchanged opinions on issues that Shiseido should address in the field of business and human rights.

6 Risk Assessment and Management

While Shiseido recognizes the need for full transparency of the supply chain, it has not yet been made fully transparent in terms of its second-tier and subsequent supply chains, including certain suppliers directly managed by Shiseido. In future, Shiseido will assess and manage human rights risks in the supply chain using the following two approaches:

■ Approach 1: Risk identification in the supply chain as a whole

Shiseido will take advantage of the Sedex (Supplier Ethical Data Exchange) platform, which Shiseido joined in August 2017, and assesses the implementation status of suppliers' activities in accordance with the Shiseido Group Supplier Code of Conduct with the cooperation of suppliers.

- In 2018, Shiseido shared ethical data (corporate activities relating to compliance, environment/human rights/occupational safety) with 45 sites of 31 companies following consultation with its first-tier suppliers about the use of the Sedex platform.
- For non-Sedex members, Shiseido will establish cooperative relationships to secure traceability and transparency and strive for human rights due diligence.

■ Approach 2: Direct approach in terms of raw materials

In addition to the activities described above, Shiseido will continue to follow the certification system and to participate in international initiatives as direct actions in regards to raw materials when Shiseido determines a high risk to human rights at that time

- Shiseido will devise ways to reduce the risk associated with palm oil, which is widely known to carry human rights risks in the country of origin, by joining the Roundtable on Sustainable Palm Oil (RSPO) and procuring raw materials certified by the RSPO in consideration of environmental protection and human rights in the place of origin. In February 2017, the Kakegawa Factory in Japan obtained RSPO Supply Chain Certification, followed by the Kuki Factory in Japan and factories in Vietnam, the United States, and Taiwan. Two factories in China have obtained the certification. In FY 2018, Shiseido sourced all palm oil that has the Book & Claim certification from the RSPO.
- Regarding mica (which is a raw material for cosmetics), Shiseido joined the Responsible Mica Initiative (RMI), which strives to achieve a responsible mica supply chain, in May 2017. The Company aims for traceability in the mica supply chain.

The Chief Social Value Creation Officer and Chief Supply Network Officer are responsible for dealing with this risk assessment and due diligence.

Through these processes, Shiseido will understand the influence of its business on society, grasp human rights problems hidden behind the scenes, and identify and address the essence of those problems.

7 Performance Assessment

The Company had been conducting surveys on compliance with the Shiseido Group Supplier Code of Conduct. From now on, based on the Sedex assessment results or on its original Self-Assessment Questionnaire for non-Sedex members, Shiseido will promote performance measurements on labor rights, health and safety, the environment, and business ethics in the supply chain.

■ Leveraging the Sedex platform

In FY 2018, the Company discussed the use of the Sedex platform with first-tier suppliers and shared ethical data (corporate activities relating to compliance, environment/human rights/occupational safety) with 45 sites of 31 companies.

■ Business Partner Hotline

A hotline service for suppliers was established in 2013. Any reports from the Company's suppliers, either sent by electronic mail or submitted in writing, are accepted.

8 Education and Training

The Company provides training on the Shiseido Group Standards of Business Conduct and Ethics and/or related policies and rules through various internal programs, such as position-specific training, in order to promote better understanding by all Shiseido employees.

■ Japan Domestic Employees

The departments at the respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 268 people in 21 branch offices and business departments in the Sales Division and 83 departments other than the Sales Division). The Human Resources Department provides training for members, who then provide human rights training to other employees in their respective departments. In FY 2018, the Company also provided training on the theme "A joyful workplace without moral harassment" for all employees of Shiseido in Japan. (Participation rate in Japan: 95%)

■ Non-Japan employees

For the overseas regional headquarters, the GHQ HR Department and the Sustainability Department convened meetings on human rights with the HQs in the United States, EMEA, SAPAC, and Travel Retail with the aim of sharing the awareness of the human rights policy and the statement of the UK Modern Slavery Act, as well as the need to respond to human rights issues.

■ Supply chain

Shiseido held briefings on the theme "Initiatives for human rights throughout the business" for a total of 295* suppliers which have dealings with the Purchasing Department of the GHQ. (*in 2017) Shiseido also provided the documents described below. Specifically, Shiseido explained the intentions behind the revisions to the Shiseido Group Supplier Code of Conduct for the achievement of responsible procurement in the supply chain, and the effectiveness of Sedex.

9 For the Future

Shiseido will continue to take the perspective of the UN Guiding Principles on Business and Human Rights and strive to prevent the initiation of its involvement in human rights abuses in its own business and throughout its supply chain. In particular, in FY 2019, the Company will continue to revise the following policies and guidelines:

■ Shiseido Group Policy on Human Rights (revision)

The Company revised the current policy based on its new corporate philosophy, The Shiseido Philosophy.

■ Shiseido Group Sustainable Raw Materials Guidelines (revision)

The Company discloses the objectives of using sustainable paper, as well as palm oil, as materials associated with the risk of deforestation, and Shiseido will promote sustainable procurement. In addition, the Company will expand the acquisition of the RSPO Supply Chain Certification for palm oil to promote sustainable procurement.

As for human rights education efforts for employees, the Company will not only maintain the focus of its education programs on harassment, but also expand the issue to business and human rights. While providing the education programs to the group companies in Japan, the Company will develop the programs in major offices worldwide including the UK. The Company will also continue educating the purchasing division on business and human rights.

This statement was approved by the Board of Directors of the Company and signed on behalf of the board by the following person:



Masahiko Uotani

Representative Director
President and CEO
Shiseido Company, Limited
May 30, 2019

2018 Performance

Society

- **Formulation of Shiseido Group Sustainable Raw Materials Procurement Guidelines**

In June 2018, we formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for sustainable procurement of palm oil and palm kernel oil and disclosed targets up to 2020.

Please check the details in the Responsible Procurement, Ethical Supply Chain Policies, and Standards.

- **Revision of the Shiseido Group Supplier Code of Conduct**

In April 2018, it was revised in order to require business partners to comply with laws and regulations, prevent corruption, respect human rights, provide a safe and healthy working environment, and protect the environment.

Please check the details in the Responsible Procurement, Ethical Supply Chain Policies, and Standards.

- **Understanding risks throughout the supply chain**

In 2018, we discussed the use of Sedex (platform to share supplier ethical data) with our primary suppliers to have them share their ethical information (compliance, environment, human rights, and occupational safety and health) from 45 sites in 31 companies. In addition, we conducted a briefing session on the theme of "Human rights across the businesses" and shared a document describing the theme with our 295 suppliers^{*1}. Specifically, we explained our intentions and changes in the revised version of our supplier behavior standard aimed at realizing responsible procurement in the supply chain, as well as detailing the effectiveness of Sedex.

Furthermore, we shared information based on the Shiseido Group Supplier Code of Conduct Compliance Survey (Shiseido's proprietary SAQ^{*2}), which confirms the compliance status of suppliers with Shiseido Group Supplier Code of Conduct as well as evaluation results of other accreditation organizations and the acquisition status of international standards certifications.

*1 Suppliers with a trading record with the Global Headquarters in 2017.

*2 SAQ: Self-Assessment Questionnaire

Type	Descriptions	2015	2016	2018	2019 Target
The Shiseido Group Supplier Code of Conduct Compliance Survey	Number of suppliers which completed the survey	214	224	197	—
	Response rate (%)	83	90	88	90
Sedex	Number of suppliers who set access rights	—	—	31	—
Evaluation/certification other than Sedex	Number of suppliers which have obtained evaluations/certification other than Sedex	—	—	4	—
Total	Number of monitoring suppliers	214	224	229*	—
	Monitoring rate (%)	83	90	89	90

* Excludes 3 duplicated suppliers

● Procurement of sustainable palm oil

In order to procure sustainable palm oil, we joined RSPO^{*1} (Roundtable on Sustainable Palm Oil) in 2010 and have reduced risks since then by procuring RSPO-certified raw materials, which take into consideration environmental protection and human rights during production in the places of origin. In 2018, we worked on the following:

- We formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines for sustainable procurement of palm oil and palm kernel oil and disclosed targets up to 2020.
- In order to support the sustainable production of palm oil, we purchased certificates (credits) equivalent to 100% palm oil and palm-derived materials (achieved targets up to 2020).
- We had a dialogue with palm oil producers in Indonesia
- We obtained RSPO supply chain certification^{*2} for the Shiseido Kuki factory and also for Shiseido Vietnam Inc. (As of June 2019, 7 factories have obtained the certification.)

In addition, changes in palm oil consumption were as follows.

Changes in Palm Oil Consumption

	2016	2017	2018
Total (t) of palm oil, palm kernel oil consumption amount	6,788	8,024	9,750
Book & Claim system ^{*3}	50	75	9,750
Book & Claim System Coverage Ratio (%)	1	1	100

*1 RSPO: Roundtable on Sustainable Palm Oil

*2 RSPO Supply Chain Certification: Certification to ensure logically reliable delivery of RSPO-certified raw materials.

*3 Book & Claim system: A system of trading the production of palm oil and palm kernel oil produced on RSPO-certified farms as certified credits. As in Energy Green, purchasing a credit is considered equivalent to purchasing RSPO-certified oil.

Please check the details in Responsible procurement - Procurement of sustainable raw materials (palm oil/mica).

● Procurement of sustainable mica

In order to procure sustainable mineral mica, we joined the RMI* initiative with the aim of achieving a responsible mica supply chain in 2017. In 2018, we worked on the following:

- We expanded the survey target to include mica used by the Shiseido Group and began collecting information on mica procured from home and abroad through various suppliers.
- We attended the RMI Annual General Meeting held in New Delhi, India. (Oct. 30-Nov. 1)
- We had dialogues with local mica mining companies.
- We consulted with NGOs and RMI members to improve the education system of local children.
- We discussed and formulated the activities to be addressed in 2019. Please check the progress on the RMI website.

* RMI: Responsible Mica Initiative

Please check the details in Responsible procurement - Procurement of sustainable raw materials (palm oil/mica).

● Dialogues with stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, Shiseido works with various stakeholders to discuss both the environment and society and share and resolve issues.

Dialogues with NGOs/NPOs and small palm oil farmers

In August 2018, in order to understand human rights issues in palm oil procurement, we participated in Stakeholder Engagement Program in Indonesia held by Caux Round Table, Japan. Through dialogues with NGOs/NPOs and small palm oil farmers, we deepened our understanding of the human rights risks, violations, and labor issues. In order to be a company that fulfills our responsibility to human rights, we will reflect these dialogues with various stakeholders in the construction of an ethical supply chain.

Dialogues with human rights experts

In September 2018, we talked with human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft) and received advice on how to proceed with human rights due diligence in our company. We are implementing this knowledge in our efforts.

Please check the details in Responsible Procurement - Dialogue with Stakeholders.

Employees

● Human rights risk assessment

Since FY2017, Shiseido has been conducting the Shiseido Group Engagement Survey for employees throughout Shiseido Group, encompassing Japan and overseas countries, to investigate human rights risks in the workplace, such as discrimination and harassment.

● Reporting and consultation center for employees

A consultation center was set up to handle consultations and reports on various employee human rights and labor issues. We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from various workplaces. The Compliance Committee Hotline specializes in receiving reports and Report Mail to Auditors receives reporting on officers.

Operating performance of reporting and the consultation center for employees (The reporting and consultation numbers include consultations on issues other than human rights)

Reporting/consultation center	Target	2016 performance	2017 performance	2018 performance
The In-house Shiseido Consultation Office	Employees of the Shiseido Group in Japan			
External Shiseido Hotline	Employees of the Shiseido Group in Japan	230 cases	224 cases	241 cases
Compliance Committee Hotline	Employees of the Shiseido Group in Japan			

● Human rights education training for employees

Since human rights issues are diverse, the Human Resources Department, Risk Management Department, and Social Value Creation Division are playing the central role in the initiative, working in partnership with the Shiseido Group companies. With regard to the Shiseido Group Standards of Business Conduct and Ethics and related policies and rules, we conduct regular training and education according to position and job type to deepen our understanding of the human rights of employees and to work to reduce human rights risks. We hold training sessions for top-level employees including the Global Headquarters officers and department directors in Japan, division/department heads of domestic and overseas offices, employees in various divisions/departments, and new employees once a year.

Achievements of human rights education and training for top management

Name of the training	Target	Goal	2016 performance	2017 performance	2018 performance
Human rights enlightenment and corporate ethics training	All Corporate Officers of Shiseido Company, Limited and Shiseido Japan Co., Ltd.	100%	87.1% (27/31 targets)	89.3% (25/28 targets)	— (Not implemented)

Target and performance of human rights education training for employees

Name of the training	Target	Goal	2016 performance	2017 performance	2018 performance
Human rights enlightenment training (for Human Rights Enlightenment Promotion Representative)	Human Rights Enlightenment Promotion Representative of each department of the Shiseido Group in Japan	—	150 people	258 people	250 people (93% attendance rate)
Human rights enlightenment training (for domestic employees)	Employees of the Shiseido Group in Japan	100%	92%	93%	95%

Other human rights education training performance

	Name of the training	Primary theme	Target	Number of attendees
November 2018	Business and human rights	Business and human rights	Human Resources representatives in overseas regional headquarters	4 regions (Europe, Americas, Asia Pacific, Travel Retail)

Future challenges

● Challenges to human rights risk assessment

The Shiseido Group has endeavored to respect and consider the human rights of customers and employees. However, at this point, we were not able to elucidate the full range of human rights risks among the various stakeholders involved in the activities of the entire business. Our future challenges are to identify potential human rights risks brought out by the Shiseido Group's business activities, to take appropriate measures, and to disclose to stakeholders how we manage the risks.

● Challenges to reducing human rights risks

Our challenge is to apply the results of human rights risk assessment (employee engagement surveys and performance evaluations for suppliers) conducted internally and externally by each department to various human rights risk reduction efforts.

Customer Satisfaction and Product Safety

Shiseido is working to manufacture safe, reliable products and disseminate information with the aim of being consumer-oriented.

› Promotion of Safe and Reliable Manufacturing

Shiseido's research and production activities to ensure consumers use our products with peace of mind



› Excellent Services to Enhance Consumer Satisfaction

Shiseido's counseling services to meet consumer needs and expectations by suggesting best products and beauty tips at the counters



› Reflecting Consumer Feedback

We are strengthening our efforts to make the most of consumer feedback for product development and service improvement.



› Universal Design Initiatives

We are working on developing products that can be used safely and comfortably by all consumers.



› Information for Consumers

We ensure that the information and websites we offer reflect consumers' feelings and meet their needs.



› Initiatives in Response to Animal Testing and Alternative Methods

Shiseido's initiatives aimed at eliminating animal testing in the development of cosmetic products



Promotion of Safe and Reliable Manufacturing

Our Product Safety Guarantee Standard

Product research and manufacturing at Shiseido are designed to create products that consumers can use with confidence and peace of mind. Based on our belief that correct knowledge of the skin is critical, the cosmetics development process starts with intensive research into skin structure conducted in collaboration with Japanese and overseas dermatologists, universities, and other research institutions utilizing state-of-the-art technology from a broad range of disciplines related to cosmetics (including the life sciences, dermatology, interface science, ergonomics, and psychology).

Safety is our first and non-negotiable priority. We fully comply with the regulations of the countries in which we operate and impose an extra layer of our own strict ingredient-standards, which are set in addition to our safety standards, based on environmental considerations and an ethical attitude for selecting ingredients. This is a minimum commitment across the organization: Each brand either already has or is in the process of putting in place its own ingredient policy that reflects its values, and develops products based on that policy.

Finally, we conduct patch tests and dermatologist-supervised trials to ensure that the resulting formulations will be free of problems when used in products.

Safety, Backed Up by Data

When treating patients with dermatitis (rash) suspected to have been caused by cosmetics, dermatologists attempt to track down the cause of the condition by conducting patch tests with the cosmetics used by the patient, as well as their ingredients. Statistical data summarizing the rate of positive results for these patch tests for individual manufacturers can be interpreted as an indicator of the effectiveness of those companies' safety assurance programs. Published reports show that the rate of positive results for Shiseido cosmetics is the lowest of all domestic and overseas cosmetics manufacturers*, and that a high level of safety has been maintained.

* Fujimoto et al., Patch test results in 492 patients of suspected cosmetic dermatitis (1996-2000), Environ. Dermatol., 9, 53-62, 2002.

Responding to Environmental Risks

There is a broad array of risks related to the environment, and laws related to this issue are growing stricter every year in respective countries worldwide. Based on these circumstances, Shiseido's Head Office takes the lead in gathering information about new laws, and social trends regarding the environment, analyzing their provisions, disseminating information to the relevant departments and accommodating social needs. Observance of environmental laws and regulations is evaluated in production departments based on ISO14001 standards to ensure thorough compliance. Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations during fiscal 2017. Going forward, Shiseido is committed to managing its operations in an appropriate manner.

Shiseido's Response to Microplastic Beads in its Products

Shiseido Company, Limited has completed the replacement of microplastic beads* in its products such as cleansing form, etc. with alternative ingredients as of August 2018.

* Microplastic beads: Water insoluble solid plastic particles with a size of less than 5mm, intentionally added to exfoliate or cleanse in rinse-off personal care products.

Comprehensive Safety of Chemical Substances and Safety Management

We comply with REACH regulations in substances imported into Europe, and we not only satisfy the legal reporting requirements set out in the Pollutant Release and Transfer Register (PRTR) Law and Promotion of Chemical Management but also proactively conduct voluntary management of the use and disposal of chemical substances such as ingredients and reagents in factories and laboratories.

PRTR Target Substance Emissions and Transfers

unit: tons

Legal No.	Substance Name (legal designation)	Amounts of Emissions			Amounts of Transfers	
		Atmospheric	Public water	Soil	Sewage	Waste
1	Zinc compounds(water-soluble)	0	0	0	0	0
13	Acetonitrile	0	0	0	0	3
71	Ferric chloride	0	0	0	0	0
207	2,6-di-tertiary-Butyl-4-cresol	0	0	0	0	0
275	Sodium dodecyl sulfate	0	0	0	0	8
300	Toluene	0	0	0	0	2
334	Methyl 4-hydroxybenzoate	0	0	0	0	0
389	Hexadecyltrimethylammonium chloride	0	0	0	0	0
405	Boron and its compounds	0	0	0	0	0
409	Sodium poly (oxyethylene) dodecyl ether sulfate	0	0	0	0	33

The above chemicals are PRTR Specified Class I Chemical Substances and are reported when a single facility annually handles one ton or more. (Specified Class I Designated Chemical Substances are reported when 0.5 tons or more are handled.)

Scope of Data: Shiseido Company, Limited (Kakegawa, Osaka, Kuki Factories and Research Center[Global Innovation Center])

Target Period: January 1, 2018-December 31, 2018

Establishment of Manufacturing Eco Standards and Sales Promotion Tools Eco Standards

In fiscal 2010, Shiseido established the Manufacturing Eco Standards and Sales Promotion Tools Eco Standards to devise rules of environmental responses for products and sales promotion tools from the perspective of life cycles and commenced operations accordingly.

System for Stable Supply of High Quality Products

At Shiseido, quality and safety take priority over all other matters. We have continuously worked on maintaining and controlling product quality not only by observing all applicable laws and regulations but also by keeping our own rules of the Global Quality Policy so that consumers can use our products with complete confidence. We conduct thorough quality control at all stages of the raw materials selection, commercialization, production and distribution in order to ensure the quality and safety of our medical and food products as well as cosmetics. In doing so, we manufacture products that our consumers can use regularly without any concerns.

At the raw materials selection stage, we collect and check information on raw materials, including their components, from all over the world to make sure that we use only safe raw materials.

For the commercialization, production, and distribution stages, we also have systems in place to ensure a stable supply of high-quality products at all times by complying with various standards, such as Good Manufacturing Practice (GMP), ISO 22000, and HACCP*, as well as our own product standards. For our cosmetic products, for example, we comply with all items (e.g. organizations and systems, buildings and facilities, manufacturing management, and inspections) stipulated in the Cosmetics GMP set by ISO22716, an international standard that gives guidelines for the production, control, storage and distribution of cosmetic products, to provide consumers with safe and secure products of high quality manufactured under strict quality control.

* HACCP:A method of food sanitation control developed to ensure the safety of space food in the United States.

Response to Product Problems

In order to promote research, development, manufacture and sales of safe products that will achieve consumer satisfaction, Shiseido clarifies where the authority and responsibility lie in terms of quality assurance (including product planning, manufacturing, sales and imports), and product problem prevention. We also have our own manuals for dealing with any product problems so that we can respond to problems in a concerted manner and promptly bring the situations under control while putting customer safety first. Thus, we are committed to strengthening and comprehensively promoting quality assurance and product problem prevention activities at Shiseido and the Group companies.

In the unlikely event of a quality problem and/or product liability problem involving the Company's products, the department that has received the information is expected to immediately report the case to the Quality Management Department, related business divisions and Risk Management Department. The Risk Management Department will decide on the problem response methods in accordance with its level of severity. The Quality Management Department will investigate the cause and the business divisions will promote various initiatives, including responses to the market.

Appropriate Provision of Product Information

Shiseido Group Standards of Business Conduct and Ethics is a summary of actions that each and every person at the Shiseido Group should take. In Our Way, Shiseido stipulated that "we do our work with a greater sense of ethics in regard to our product information and labeling or advertising expressions as well as observing respective countries' and regions' laws and regulations and corporate regulations."

Compliance Status of Laws and Regulations Related to Advertising Expressions

Details that should be indicated on cosmetics are stipulated under the Regulatory Law (statutory labeling). At the same time, aspects of advertising are restricted under the Standards for Fair Advertising Practices of Drugs, Quasi-drugs, Cosmetics and Medical Devices (Notification from the Director-General of the Pharmaceutical Affairs Bureau, Ministry of Health and Welfare, September 29, 2017). Based on these standards, the Japan Cosmetic Industry Association (JCIA) has established Appropriate Advertising Guidelines including Cosmetics as self-imposed industry standards that provide relevant examples and explanations.

As for statutory labeling, Shiseido operates by defining "labeling regulations." With regard to advertising, the Company observes laws and regulations by following the Appropriate Advertising Guidelines including Cosmetics.

Also, JCIA established the Advertising and General Publicity Committee within the organization and the Cosmetics Advertising Deliberation Council as an institution pertaining to the committee. This council independently carries out deliberations to enhance the reliability of and optimize cosmetics advertising expressions. These deliberations, conducted three times annually, are based on the Regulatory Law, the Standards for Fair Advertising Practices of Drugs, Quasi-drugs, Cosmetics and Medical Devices, Appropriate Advertising Guidelines including Cosmetics and other relevant laws and regulations and addresses television, newspaper and magazine advertising.

Implementation of Study Sessions Related to Advertising and Labeling

Shiseido holds the "Statutory Labeling Seminar" and "Advertising Expression Seminar" twice a year in order to enhance the employees' knowledge about compliance with the laws on pharmaceuticals and medical devices concerning advertising and labeling.

Nutrition and Health

Through the Shiseido Group Standards of Business Conduct and Ethics, the company declares its best efforts to provide safe, high-quality products and services for the satisfaction of consumers.

Ethical measures in the food business

1. Organic

The Shiseido Parlour restaurant FARO uses organic vegetables grown with reduced amounts of agricultural chemicals and fertilizers. Organic vegetables are used in 80% of the course menu.

* FARO: An innovative Italian restaurant in Ginza, Tokyo operated by Shiseido Parlour Co., Ltd.

2. Sugars and fats

Shiseido Parlour Co., Ltd., the Ginza main store, and the main store's Salon de Café provide menus in consideration of sugar levels. FARO, as operated by the company, provides desserts with no refined sugars, as well as full course meals with reduced animal fats for vegetarians. In addition, the Shiseido Group distributes health and beauty products throughout Japan. Among these, its core product collagen drinks* contain no fats, no caffeine, and no added preservatives. Artificial ingredients are not used at the Shiseido Parlour restaurant FARO nor in the health and beauty products distributed by the Shiseido Group in Japan.

* Collagen drinks: Drinks in Shiseido The Collagen series

3. Other

- Shiseido Parlour Co., Ltd. distributes gluten-free boil-in-bag food products to cater to consumers with diverse diet needs. (Available since April 1, 2019)
- Beauty Princess, a beverage by Shiseido Parlour Co., Ltd., is compounded with hyaluronic acid and collagen peptide.

Excellent Services to Enhance Consumer Satisfaction

Beauty Consultants (BCs) have major roles in responding to consumer needs at the counters and introducing products and beauty information according to each and every consumer's skin and cosmetic lifestyle. Since 1998, Shiseido has been first in the industry to introduce an in-house BC proficiency exam system certified by the Minister of Health, Labour and Welfare. The system relating to beauty knowledge and techniques was aimed at enhancing the quality of counseling activities as the Group engaged in professional beauty services.

Overseas, in order to expand the number of regular users by maximizing consumer satisfaction, we have distributed and put into daily use Shiseido's action indicator for Beauty Consultants, aimed at realizing "omotenashi spirit" at the storefronts worldwide. Also, to improve consultants' response and suggestion capabilities at the storefronts, Shiseido has developed original software, a convergence of its accumulated service know-how and beauty techniques, to be effectively used as a globally applicable tool.

In June 2013, tablet computers named "Beauty Tablet" were distributed to approximately 10,000 Beauty Consultants across Japan. Since July of the same year, exclusively designed application software has been installed in those tablets and been used at the storefronts. "The Makeup Simulator" is one of the contents of the software, with which consumers can try virtual makeup, without removing their makeup, by simply positioning their face in front of the tablet just like looking into a mirror. Other features include Foundation Finder, Skincare Consultation and Healthcare that help Beauty Consultants select the most suitable items for individual consumers from a wide variety of products. Also, to create opportunities for consumers from overseas to meet Shiseido products and to enhance their beauty, some contents are displayed in foreign languages such as Chinese (traditional and simplified), English and Thai.

We aim to increase consumer satisfaction by using such tools developed by the latest technologies, intriguing consumers at the storefronts, and helping them discover their inherent charm unknown to themselves. At the same time, we try to promptly share the voice of our consumers by inputting their opinions into the Beauty Tablet and then transmitting the data to relevant departments by the following day.

In addition, in order to further improve and develop the service skills of domestic Beauty Consultants, we began from July 2016 to appoint Lead Beauty Consultants, who work at store counters with other consultants to encourage their steady growth. By creating an environment where Beauty Consultants can constantly develop their abilities, we make an extra effort to enhance consumer satisfaction.



Reflecting Consumer Feedback

Consumer Services: Action Policy

Shiseido Japan's Consumer Communication Center is promoting initiatives to make effective use of consumer feedback in an effort to realize its medium-to-long-term strategy VISION 2020. The initiatives aim to ensure that feedback, including consultations and requests received, is shared in the company adequately to be used more effectively for the purpose of product development and service enhancement. We gather and analyze such valuable information, share resultant findings throughout the company, and request individual divisions to consider reflecting specific findings in developing and improving products, services and beauty information.

In January 2017, Shiseido Japan announced the Voluntary Declaration of Consumer-Focused Management, which has compiled a set of relevant concepts and policies. Following this, the Consumer Communication Center has been relocated under direct control of the President to strengthen its structure in line with the Declaration.

Having solidified the structure, we will work to be quicker to detect vital changes in consumer and social trends and make appropriate requests to enhance business activities, in order to contribute to increasing corporate value from the consumer-focused perspective.

Major Initiatives

Shiseido Consumer Communication Center was originally established in 1968, and in the five decades since, it has continued to listen to opinions and inquiries of consumers, respond to each in a sincere and flexible manner, and provide useful information. To better serve in this role, efforts have been made to raise the quality of the contact service, which was awarded five stars by HDI^{*1} -Japan's Quality Ranking Monitoring in 2016, a first in the cosmetics industry. We have continued working toward further improvement, such as by introducing the mystery call and mystery chat^{*2} programs. The service's capability-building efforts have been expanded, particularly from 2018, with the launch of new programs such as factory and lab tours and seminars inviting internal and external experts. We have also begun to provide support for individual efforts to obtain Consumer Affairs Advisor and Consumer Affairs Professional (CAP) industrial qualifications, seeking to raise the professional performance levels of all consumer contact personnel.

At the same time, we are implementing various measures to increase consumer convenience, primarily by adding brand-specific toll-free numbers and expanding online chat-based service functions. As a result, the service has received a growing number of contacts while maintaining an outstandingly high response rate.

For global consumer support operations, we are working to develop appropriate capabilities in cooperation with responsible functions at each regional headquarters of the Shiseido Group.

*1 Established in the U.S. in 1989, HDI is the world's largest international organization for the IT support service industry. Many of the top 500 companies in the world listed in the U.S. financial magazine "Fortune" are members of HDI. HDI-Japan performs the HDI Benchmarking assessment of the companies' consumer help desks in order to improve support service levels.

*2 Third-party surveys to assess the quality of telephone and online chat (e.g. LINE Chat) service.

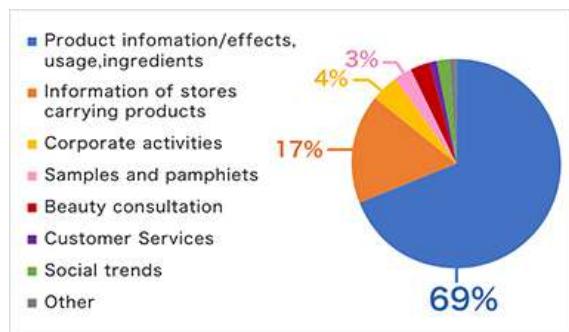
Gathering/Sharing/Utilizing Consumer Feedback

In Japan, Shiseido gathers consumer feedback via multiple media and channels. Our consumer contact service and offices are accessed approximately 140,000 times per year through toll-free numbers, electronic and postal mail, LINE and other communication services; our Beauty Consultants report approximately 90,000 comments per year from storefronts using dedicated tablets; and additional feedback is collected from blogs, Twitter and other social media. All gathered data are managed by the internal system, except for some related to a number of affiliated companies' products to be subjected to independent control.

Collected feedback is processed so as to be shared by the management and workforce alike via internal mail and intranet, with the aim of using it to add value to our products and services. For instance, as part of the product planning process, we develop packaging design and label description in due consideration of various factors involving intended users; perform user surveys on the target products or services before and after market launch; and utilize survey findings promptly for possible improvements.

Integrated data management and sharing systems are in place to allow reporting to responsible officers and related divisions in a safe and timely manner.

Breakdown of feedback received by Shiseido Japan



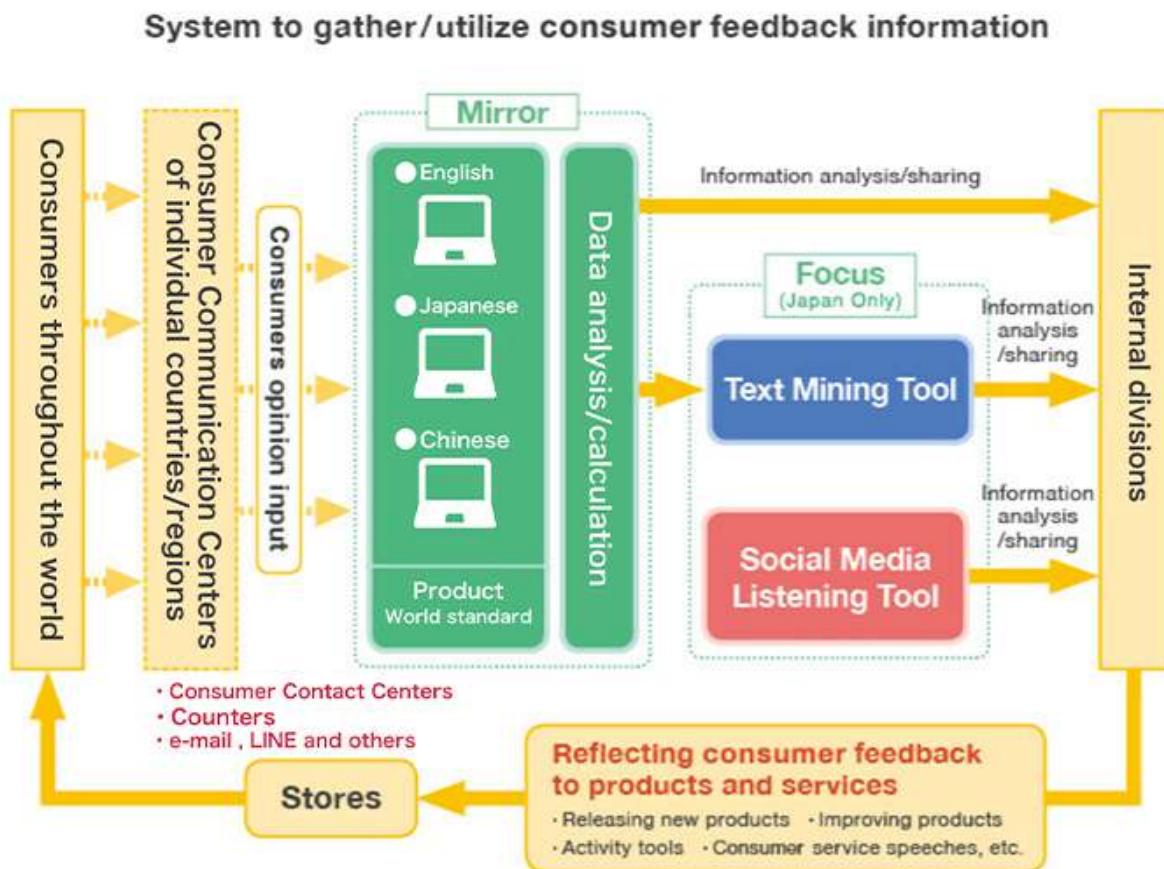
Result in FY2018

Consumer Feedback Information Management Systems

Shiseido has upgraded its consumer feedback information management system in accordance with business globalization strategies. To replace the previous program installed in 1996, "Mirror^{*3}" was introduced in 2011 in Japan and overseas to address feedback from consumers around the world. With Mirror currently in operation in about 20 countries and regions, we are undertaking challenging tasks to amass and analyze relevant data from around the world efficiently to be able to help create new value for the Shiseido Group.

In Japan, data gathered and stored in Mirror is fed into "Focus," a text mining tool, to extract and visualize useful information, a system offering an easy-to-use, well-organized consumer feedback database accessible to the entire workforce. Additionally, we employ social media listening tools to retrieve useful consumer opinions not directly delivered to the company.

*3 The name implies our hope to review/reflect the actual state of Shiseido's activities through the "mirror" of consumer feedback.



Increasing Points of Contact with Various Consumers

Seeking to provide support to social media-savvy younger generations, we launched accounts on Twitter (2015), Yahoo! Chiebukuro (2017) and the LINE app (2018). Using these digital tools, we are broadening consumer communication activities.

Also, the Consumer Support FAQ webpage has been redesigned, particularly by introducing a chatbot program in June 2018 to respond to a growing number of questions relating to transporting cosmetic products, such as flash temperature and alcohol concentration.

We have introduced AI technology to the "Beauty Consultation on LINE" app to improve consumer convenience and satisfaction from the program. To further improve consumer convenience, the Web Beauty Consultant^{*4} has been installed to cooperate with "AI Mimi-chan," the program's chatbot character, in performing consultation tasks. Users can choose either of two options: AI Mimi-chan, who is available around-the-clock to respond to relatively simple, general questions; or the Web Beauty Consultant, available having substantial experience in storefront service and during operational hours and suitable for more personalized advice. To increase consumer satisfaction, we are striving to raise the accuracy of AI-programmed responses and quality of human consultation skills.

We are also enhancing our Twitter-based consultation service, implementing a number of measures in addition to simply responding to inquiries. Major measures include expressing our appreciation for praise from users; increasing assistance with addressing problems; and providing guidance to Beauty Consultation on LINE. We are thus building multi-media structures aiming to boost consumer satisfaction, thereby increasing Shiseido fans.

*4 The Web Beauty Consultant offers LINE Chat-based consultation service.

Collaborative Education Activities to Learn on Consumers' Perspective

Shiseido promotes education activities to deepen employees' understanding of users' viewpoints—how they feel about using cosmetic products and how they have chosen specific items—in an effort to help improve our products and services, thereby increasing consumer confidence in Shiseido.

The Consumer Communication Center receives an average of 400 calls and e-mails every day. To be able to satisfy any requests and expectations delivered to the Center, communicators participate in product workshops and e-learning programs on a regular basis. Some of them have honed their specialist skills as call center operators to win awards at industry competitions and become qualified instructors, and are often invited to lecture at seminars outside the company. In 2017, we organized hands-on workshops to facilitate employees' better understanding of the physical and mental circumstances of elderly consumers. Participants engaged in telephone support simulations with consumers wearing age-enhancing prosthetics. This program aimed to promote consideration for various needs of users in the process of product development and improvement. Relevant findings were incorporated into the "Manual for Consumer Support Leaders" when it was revised in March 2018, in order to share the information with related persons in the Group and affiliated companies across Japan, in addition to consumer contact personnel.

Shiseido Japan appoints Consumer Support Leaders (CSLs) in major cities in Japan, who are assigned to spearhead office-wide consumer support service initiatives at each location. The Consumer Communication Center organizes a range of upskilling programs for CSLs, including: lectures by invited specialists; study meetings with internal researchers on measures to ensure product safety; information exchange sessions for CSLs from different locations; and assistance with obtaining industrial qualifications.

We work to share with all personnel, including communicators and CSLs, various information on consumer relations in a timely manner, aiming to help each individual employee think and act for the benefit of our consumers.

Based on our belief that consumer feedback is a valuable company asset, we offer internal opportunities to monitor consumer contact operations at will, register more than 100 applications every year from broad-ranging sections and functions from corporate officers and auditors to factories, research labs, divisions in charge of quality control, product

development, marketing and sales, and affiliated companies. In addition, monitoring opportunities have been incorporated in the curriculum of Shiseido Beauty Academy's Beauty Consultant course with an enrollment capacity of 90, starting last year. For factories, in addition to monitoring we also offer follow-up workshops to help them with using consumer feedback effectively to improve their activities.

Furthermore, especially targeting employees with difficulty taking collective training, Shiseido Japan runs e-learning courses which are available to the entire workforce. This year's courses were designed to offer work-specific programs, which were attended by a total of 3,500 participants.



Consumer feedback seminar at factories in Japan and overseas



National-level CSL training meeting (Japan)

Product Manufacturing that Reflects Consumer Feedback

PRIOR Rich Cream Cream added to lineup (2019)

In October 2019, *PRIOR* added a cream to its line of existing toner and milky lotions. The category was introduced in response to the request from many long-time users of the brand for a more complete skincare lineup.



AVÈNE Milky Gel Enrich Offered in large size (2019)

AVÈNE Milky Gel Enrich has been made available in large size starting from September 2019. The rollout of the new size variation reflects the desire of many loyal users to use the product in generous portions and from longer-lasting reserves.



AQUA LABEL High-Performance Skincare Redesigned flip-top bottles (2019)

The container for the full lineup ranging from toner and milky lotion to cream has been redesigned with a flip-top solution to the need for quick, one-handed operation and no additional clutter, both concerns voiced in feedback. The new bottles were released for all products in August 2019.



SEA BREEZE Bodysheet Offered in tamper-proof packaging (2019)

After eco-packaging the product by removing the transparent outer plastic bag, we further addressed consumer concerns about possible product tampering by adopting a tamper-proof nonreusable seal.



CLÉ DE PEAU BEAUTÉ Refined Lip Luminizer New package design to display product color (2019)

The lipstick holder has been redesigned to display the color of the product without the need to open the package. The new packaging has been available since January 2019.



MAQUILLAGE Perfect Black Liner “Cartridge included” indicated on each package (2018)

To resolve the issue of customers mistakenly believing that the product includes only a holder and no cartridge, we altered the package description with a number of indications that a cartridge is included.



Customer Satisfaction

In our Standards of Business Conduct and Ethics, we have committed ourselves “to strive continuously to improve consumers’ trust in Shiseido and their satisfaction with our products and services at all points of contact.” To measure our performance against this goal, we regularly conduct a corporate image survey and use the results to guide future corporate activities to further improve our performance in this area.

Our Favorability Rating

	2015	2016	2017	2018
“Impressions of Shiseido” among current Shiseido customers (Top 2 Box scores <Very favorable / favorable impression> on a 5-point scale) (%)	94.1	93.9	95.9	93.1

* Survey conducted in Japan only.

Universal Design Initiatives

Universal design takes into account the environments in which all kinds of consumers live. It is an important approach for Shiseido given our commitment to create products that all consumers can enjoy with confidence and peace of mind.

Shiseido has further developed the Shiseido Universal Design Guidelines, adopted in 2005 based on expert theory and legislation, and renewed them in 2017 into more comprehensible, specific guidelines following our basic policy of "creating more attractive designs while giving priority to safety, security and user-friendliness."

In the current new product development process, we share actual information among related divisions, in line with the guidelines, about potential consumers who will use the products, possible situations where they will use them and how they will use them, in order to successfully carry out the design work.

"Is this designed as intuitively usable?", "Are appropriate amounts to be used and the usage instructions clearly displayed?" or "Will this be comfortably finished up?" – Asking ourselves those questions, we always seek safe, easy-to-use and comfortable package/container designs for every user of various physical sizes and abilities.

<Specific examples>

Shiseido launched *PRIOR* (in Japan)



Skincare dispenser easily dispenses the appropriate amount. We have made it easy to push.

It also comes with a cap cover, which can be removed in one step. This prevents users from pushing the dispenser by mistake and also responds to the hygienic aspect.



With makeup, the use of which is not easily understood, we used color photos on the outer package itself to easily show the use and the finish image in a visual manner.

To develop the containers and packages, we directly interviewed a number of consumers in the target age group in order to repeatedly conduct the study, such as hearing about what they find inconvenient in their daily makeup routine and asking them to use the prototype. We have reflected the requests, which we heard in the course of this process, in the containers and package designs shown in the above photos.

The comprehensive brand *PRIOR* for women over 50 won a Gold Award at the IAUD International Design Awards 2018 organized by the International Association for Universal Design.



<the IAUD International Design Awards>

Information for Consumers

Shiseido Website

Shiseido provides extensive product, beauty, and company information on Shiseido group website and watashi+(Japanese only), reflecting efforts to create appealing content and administer the site in response to consumers' desires and needs.

Shiseido group website

watashi+ (Japanese Only)

Providing Audio Information for the Visually Challenged

"Listeners' Café" provides a speech-based introduction to the basic use of cosmetics and other information to visually challenged individuals in an easy-to-understand manner. It also publishes an audio content "Oshareena Hitotoki (Stylish Moments)" four times a year in each season.

Both "Listeners' Café" and "Oshareena Hitotoki" are provided only in Japanese.

What Skincare and Makeup Can Do for Healthier Days of Various Generations

Taking advantage of its strength, Shiseido will continuously contribute to society and people's health to realize a sustainable society.

		<h3>Shiseido Life Quality Makeup</h3>  <ul style="list-style-type: none">● Activities powered by makeup to improve the quality of life (QOL) of people who have serious skin concerns such as appearance changes caused by side effects of cancer treatment, birthmarks and scars.● Shiseido Life Quality Beauty Center A unique facility specialized in Shiseido's cover makeup.
		<h3>Shiseido Life Quality Beauty Seminar</h3>  <ul style="list-style-type: none">● Beauty Seminars Grooming and makeup lessons for new graduates, company executives and other working adults. Favorable appearance upgrades your first impression and trustworthiness.● Shiseido Cosmetic Therapy Elderly people can improve their daily movements and activities by doing skincare and makeup for themselves.
		<h3>Skincare for babies to prevent allergies.</h3> 

For Children	Skincare		<ul style="list-style-type: none">● Face cleansing, UV protection methods and other day-to-day beauty information provided to protect children's healthy skin.
For Expectant Mothers and Mothers	Skincare		<ul style="list-style-type: none">● Skincare to energize the sensitive skin and minds of expectant mothers and mothers.

Initiatives in Response to Animal Testing and Alternative Methods

Initiatives towards Abolishing Animal Testing

Shiseido has established a safety assurance system based on alternative methods and has discontinued animal testing in cosmetics/quasi drugs that are developed in April, 2013 or later. This excludes cases in which we must explain the safety to society.

We will continue to develop effective alternative methods in the future and proactively and sternly work with administrative agencies in various countries with the aim of establishing alternative methods as official methods (to be certified as official experimental methods according to laws and regulations of various countries/regions).

Initiatives in Response to Animal Testing and Alternative Methods

In Cases in Which We Must Explain the Safety to Society

This refers to cases in which we must prove again the safety of ingredients that are in the market and the only option in order to do so is animal testing, as well as cases in which animal testing is essential to assure the safety of cosmetics in some countries*.

* some countries : In China, in order to guarantee the safety of imported cosmetics, safety studies including animal testing may be required.

Initiatives in Response to Animal Testing and Alternative Methods

Shiseido Safety Assurance System

Shiseido has established a system that assures the safety of raw materials without animal testing through the three steps of safety assurance by existing toxicological data, safety assurance by alternative methods, and final safety assurance by human-testing (regular use test and patch test on people under the supervision of doctors, etc.). We have also established the Discussion Panel on Cosmetics Safety Assurance Independent of Animal Testing, involving external experts and researchers, with the aim of discussing the scientific validity and social acceptance regarding this system.

Initiatives in Response to Animal Testing and Alternative Methods

Alternative Methods

Shiseido makes every possible effort to eliminate animal testing, through combined use of official safety information and literature information, accumulated safety databases, safety prediction systems based on chemical structures, and safety evaluation results from in vitro tests (tests carried out under artificially-constructed conditions, such as in test tubes) and tests on humans.

In Japan, we have set up a joint research of the Alternative Method Consortium with specialists outside the company, and have made public our successes at the symposium that we hold jointly with the Japanese Society for Alternative to Animal Experiments (JSAAE). Furthermore, we have actively participated in projects for validation and evaluation of alternative methods conducted by research groups supported by the Japanese Ministry of Health, Labor and Welfare, and by the JSAAE since the initial periods of these research projects, working to encourage the spread and expansion of alternative methods in place of animal testing.

As for our efforts abroad, we have cooperated in developing and evaluating alternative methods, as an expert panel for the U.S.'s Interagency Coordinating Committee on the Validation of Alternative Methods (ICCVAM), and as a member of an industry-government-academia project for the European Partnership for Alternative Approaches to Animal Testing (EPAA) and Cosmetics Europe (CE). For skin sensitization tests, which are vital for evaluating the safety of cosmetic ingredients, in partnership with Kao Corporation, we are currently developing the human Cell Line Activation Test (h-CLAT), and as a result of joint research both in Japan and abroad, verification research is now being commenced at the European Union Reference Laboratory on Alternative to Animal Testing (EURL ECVAM).

We continue to work even more actively to improve alternative methods, in cooperation with the industries, government and academic bodies, both domestically with the Japan Cosmetic Industry Association, JSAAE and the Japanese Center for the Validation of Alternative Methods (JaCVAM), and overseas with CE, EURL ECVAM, EPAA, the Personal Care Products Council (PCPC), and ICCVAM.

Human Resources

Shiseido promotes the development of worker-friendly workplaces for all employees by placing importance on employee diversity.

➤ Basic Policy Regarding Personnel Affairs

Shiseido Group's basic policy regarding personnel affairs

➤ Diversity and Inclusion

Specific initiatives to promote diversity

➤ Realizing a Rewarding Workplace

Systems and measures introduced at Shiseido to enable all employees to realize work-life balance and increase productivity

➤ Fair Evaluation of Employees

Rules and guidelines regarding the handling of evaluations and other relevant matters that have been established as personnel affairs policy

➤ Utilization and Development of Human Resources

Shiseido Group's human resources development policy, its promotion and career support measures in Japan and overseas

➤ Safety and Health of Employees

Support systems to protect the invaluable health of each and every employee

➤ Employment and Labor

Basic information on the number of employees, welfare and benefit programs, and employment in the Shiseido Group companies

➤ Good Relationship with Labor Union

Shiseido Group is working to build and maintain a sound employer-employee relationship through communication among management, labor unions and employees.

Basic Policy Regarding Personnel Affairs

In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, The Shiseido Philosophy (comprising OUR MISSION, OUR DNA, and OUR PRINCIPLES) is our guiding light. To create value globally, a company needs to develop its people as the most important management resource. Believing this, and based on our policy of PEOPLE FIRST, we will promote personnel development vigorously, to “increase individual competencies” and “fulfill individual potential” to increase organizational competencies, thereby “enhancing corporate strength.”

We should have effective leadership development programs to increase individual competences and appropriate performance management systems to fulfill individual potential. For this purpose, the global personnel department is leading a task force to develop a range of talent management and development programs and evaluation systems in line with THE SHISEIDO PHILOSOPHY.

We will introduce to our global operations the personnel affairs regulations established and revised so as to increase individual and organizational competencies and activities aimed at enhanced engagement and inclusive corporate culture. In doing this, we will respect specific needs of each regional headquarters, answering the call to “Think Global, Act Local.”

Diversity and Inclusion

Having created a slogan to “love the differences,” Shiseido endeavors to build a corporate culture that respects the diversity of its workforce, irrespective of gender, age, nationality and any other individual attribute, and encourages dynamic discussions aimed at creating new value. We pursue this endeavor as part of ongoing efforts to fulfill our corporate mission to create BEAUTY INNOVATIONS FOR A BETTER WORLD.

Support for Women's Empowerment

Shiseido actively promotes gender equality as part of the management strategies to establish the organizational culture that continues to enhance employees' vitality and improve results, with the aim of “enhancing corporate trust of employees, who are major stakeholders in the company”. At the same time, efforts are made to enhance the level of company recognition externally through advanced initiatives that are unique to Shiseido.

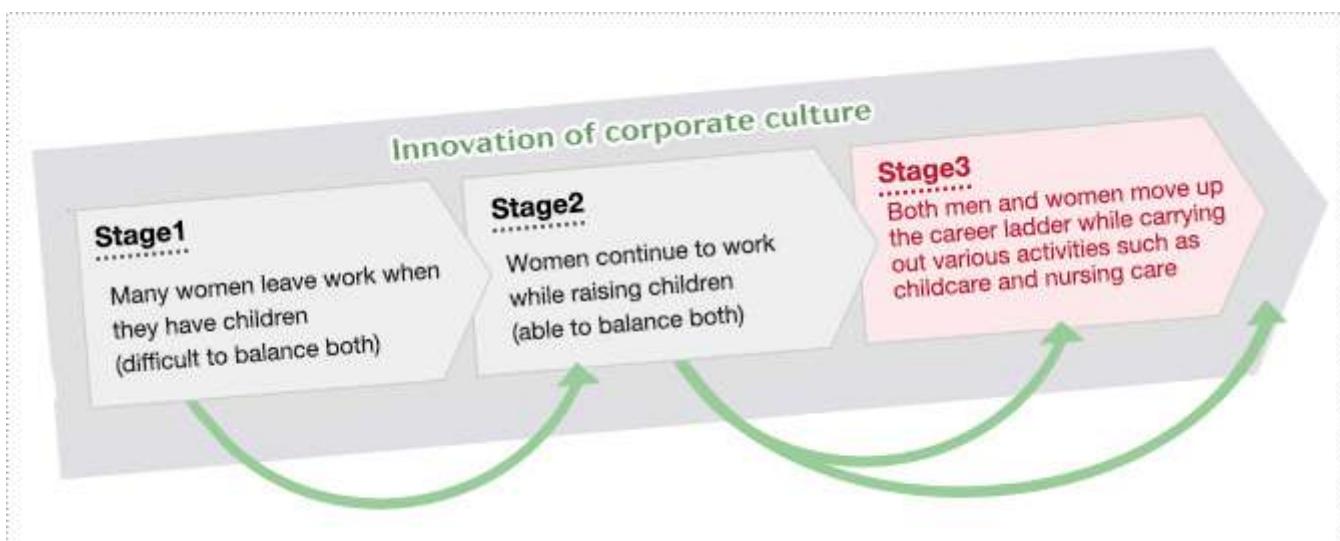
In fiscal 2005–2012, we formulated the “Gender Equality Action Plan” and promoted the “cultivation of the corporate culture”, in which we pursued a reform in awareness and actions to enable women to take active roles. We also worked on “strengthening the appointment and promotion of female managers and human resources development” with the assumption of employing skilled employees. At the same time, we also worked on “reviewing how employees work to improve productivity” as a company-wide initiative in order to correct long-hour labor, which keeps women from taking active roles, and to realize employees’ work-life balance.

As a result, we have sizably increased career awareness among female employees. The ratio of female managers (Japan) has risen to 32.3% as of January 2019, a significant improvement from before the plan formulation. Also, upon reviewing how employees work, we carried out a number of measures, introducing teleworking programs, and company-wide Lights Out and Go Home On Time Day campaigns. These have achieved certain results, particularly in decreasing the number of long-shift workers and halving overtime work hours.

We will aim to further improve the productivity by working with people with disabilities and foreign people and realize a flexible and highly productive way of working by establishing role models in women’s career development and according to diverse values.

Note: Female managers ratio in overseas offices: 66.3%

<Three Steps for Women Taking Active Roles>



We have intensively cultivated a company culture in which diverse employees, including women, play active roles while demonstrating their skills and proactively building their career.

Also, expecting to see a woman president in the future, we aim to raise women's ratio in our company's senior management such as department directors and hold "NEXT LEADERSHIP SESSION for WOMEN", leadership training sessions for women employees, headed by the president. As one of our constant efforts to foster future women leaders, we held the first series of the sessions in 2017 and plan to have two more, in which participants go through a 10-month comprehensive leadership development program that offers lectures given by women leaders from outside the company, a workshop to learn from horses' demeanor, individual coaching sessions and other lessons. The goal of the program is to help participants have a clear image of their future job with greater responsibilities and influence, discover their own unique-to-women leadership style to become more confident in themselves, and upgrade their management skills. The contents of the program include, therefore, not only general leadership development training but also assistance in solving concerns and problems unique to women.



"NEXT LEADERSHIP SESSION for WOMEN"



Workshop to learn from horses' demeanor
Horses swiftly respond to your action (leadership)
regardless of your title or social position. We hold a
workshop to provide participants with an opportunity
to reconsider their actual leadership by watching the
horses' response (feedback).

TOPICS : Shiseido Tops in Overall Ranking for Three Straight Years in “100 Best Companies Where Women Play Active Part”

Shiseido achieved “The First-Place of Overall Ranking” for three straight years since the year 2014 in “100 Best Companies Where Women Play Active Part” organized by “Nikkei Woman” and “Nikkei Womeneconomics Project”. Adding to it, we were awarded a prize on “The First Place of Diversity Penetrance” as a category ranking.

This ranking was based on “Survey on Female Workers’ Workplace Opportunities” conducted by “Nikkei Woman”, women’s career and lifestyle magazine published by Nikkei Business Publications, and Nikkei Womeneconomics Project, and evaluated 534 companies with valid responses. The survey measures how female workers are treated and promoted in terms of four categories: 1) promotion to managerial positions, 2) work-life balance, 3) active use of women’s ability, and 4) diversity penetrance. After appropriate weights are added to the scores of each category, the results are summed up to derive deviation scores for the overall ranking of “Companies Where Women Play Active Part” and for the previously mentioned four category rankings.

Shiseido has been promoting various initiatives since 1990 with the aim of becoming a company in which women continue to take active roles through corporate culture reform/reform of employee awareness, by establishing internal systems, such as child care leaves/child care time system, and others, prior to the law and establishing child care facilities within affiliates as part of the initiatives to support people to balance work and child care. From 2004, we have been dealing with enabling women to take active roles as a corporate strategy. Through Stage 1 - “many women leave work when they have children” and Stage 2 - “women continue to work while raising children”, we are currently aiming to become a company that enables a situation of Stage 3 - “both men and women move up the career ladder while carrying out various activities such as childcare and nursing care”. Shiseido was awarded as a double winner of Overall Ranking and Diversity Penetrance in 2016 and has received requests from various organizations to share its initiatives, which are highly valued by society.

To achieve our mid- to long-term strategy “VISION 2020”, we will work on creating the model for Shiseido to remain vital for the next 100 years. Furthermore, to actualize our vision, “be a global winner with our heritage”, we will focus on management with the emphasis on diversity. Shiseido will further evolve to “the best company that is a great place to work” for anyone.



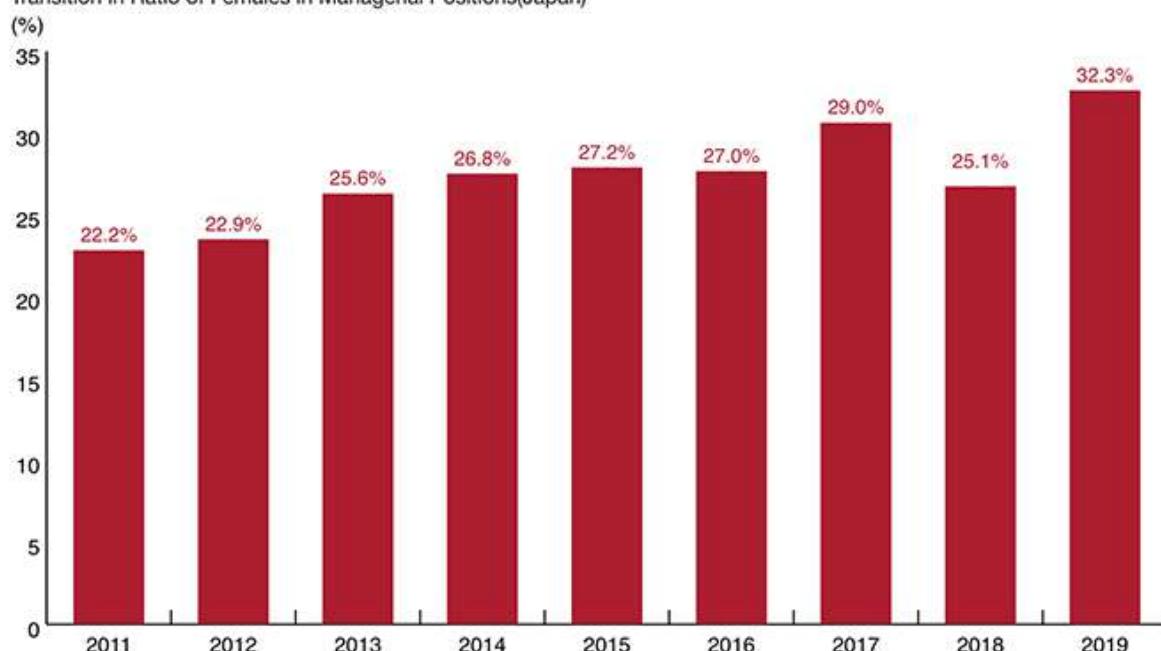
Commendation ceremony for “100 Best Companies Where Women Play Active Part” (May 2016)

Ratio of Female Managers

To facilitate the promotion of female managers, the Company has launched the “individual personnel development” program targeting candidate employees. Program participants are given opportunities particularly to engage in higher levels of work duties (work assignment) and expand areas of professional focus (workplace transfer), learning the basics of management while working to achieve solid results. As a result, the ratio of females to total managerial positions has reached 30% as of January 2019.

For further advancement, we promote leadership training, digital skills improvement and other programs to develop global business professional capabilities. In social contribution, we established KODOMOLOGY CO. LTD. in February 2017 to entrust the operation of in-house nurseries. Through this service, we will help many working parents achieve work-life balance, thereby helping realize a society where everyone can play an active role.

Transition in Ratio of Females in Managerial Positions(Japan)



Note: Results are as of April 1 of each year until 2015. After 2016, the results are as of January 1 of each year.

Note: From 2017 onward, the calculation method has been changed to include data for group companies in Japan.

Supporting LGBT

We are working on various activities such as creating an environment where every employee can be themselves at work, deepening the understanding of LGBT and supporting LGBT persons.

For example, we have held in-house sessions for understanding LGBT (since July 2015) and revised the employment regulations in which one can enjoy the same treatment for having a same-sex partner as that for an opposite-sex partner (as of January 1, 2017). By doing these, we are promoting the correct understanding of LGBT and preparing in-house systems for the employees who are LGBT persons.

Also, we participate in Japan's biggest LGBT supporting event, Tokyo Rainbow Pride, and continue social support activities such as makeup advice, sampling activities (volunteers from the Company) and makeup advice for patients who have undergone gender reassignment surgery, etc.

Through these activities, we were certified as Gold, the highest grade, in 2017 by “work with Pride”, an organization that evaluates companies' LGBT support efforts.

Employment of persons with Disabilities

As one of our measures for "creating a workplace where all employees can actively work", we promote the employment of individuals with disabilities.

Currently, about 310 such employees are taking active roles in the Shiseido Group.

We promise the employees with disabilities that "we seriously expect achievement from them", "we provide necessary consideration, but no special treatment" and "we willingly support those with the passion to work hard", and continuously reinforce the recruitment and retention of employees who may bring diversity to our organization.

In a special subsidiary, Shiseido's Hanatsubaki Factory Co., Ltd., 50 employees, primarily developmentally challenged individuals, are working at the four locations in Tokyo, Osaka and Kakegawa.

As of June 1, 2019, the number of employees with disabilities accounts for 3.25% in Shiseido Company, Limited and 2.21% in the Shiseido Group in Japan as a whole.

Employment of Non-Japanese Nationals

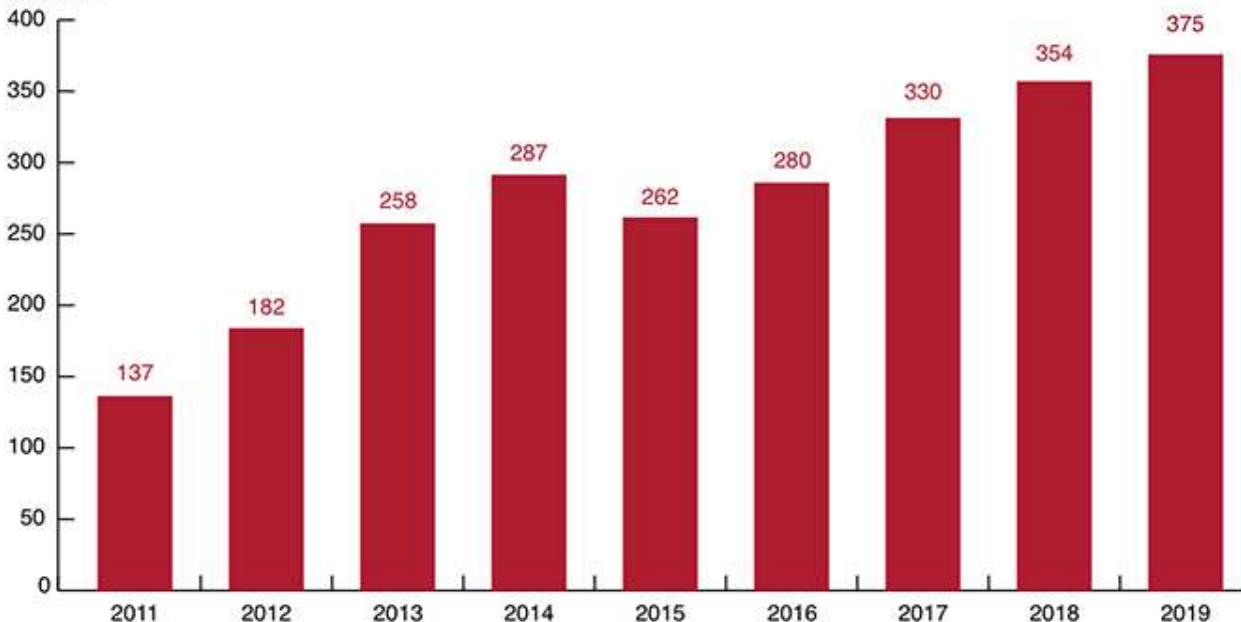
Shiseido has become more active in employing a diverse workforce, regardless of nationality, at the head office in Japan, in addition to overseas subsidiaries. Persons with wide-ranging backgrounds are now assigned to various sections and departments in the Company. For non-Japanese nationals hired by the head office, the Company conforms to Japan's immigration control systems, especially related to resident status requirements, and treats them appropriately based on relevant employment regulations.

Post-retirement Reemployment System

Shiseido has been introducing a post-retirement reemployment system since FY2006 aimed at developing an energetic corporate culture and establishing an environment in which middle-aged and older employees who have grown within Shiseido can continue to work as long as they have the motivation and ability to do so.

In FY2014, we launched the EL Partner System to reemploy those wishing to continue working, and in FY2018, we enhanced reemployment conditions for assuming more important responsibilities. Particularly in areas such as R&D, we re-hire "senior scientists" to hand down their highly specialized techniques and know-how to future generations.

Number of employees using the post-retirement reemployment system Shiseido
(Person)



Note: Results are as of April 1 of each year until 2015. After 2016, the results are as of January 1 of each year.

Employment of Fixed-term Employees

The domestic Shiseido Group employs fixed-term employees based on labor-related laws and regulations and provides appropriate treatment with various social insurance and holidays stipulated by the law according to employment regulations and various other regulations.

Starting from FY2018, in accordance with the law, for fixed-term employees of five years or more at the Company, we switch their employment contract to a permanent type upon request.

Employment of Temporary Employees

Temporary employees are working at the respective business sites and domestic Group companies of Shiseido according to the Worker Dispatch Law.

With regard to the employment of temporary employees at Shiseido Group, we are implementing various measures such as concluding agreements with employment agencies, development and management of registers, and appointment of personnel in charge of management, all of which is based on the Worker Dispatch Law policy related to measures that should be established regarding employment agencies and other relevant laws and regulations.

Shiseido will continuously and appropriately respond to amendments in or reinterpretations of respective laws and regulations.

Realizing a Rewarding Workplace

Realizing a Rewarding Workplace

Shiseido aims to "become a company where both mentally and physically healthy employees fully enjoy their time for personal development and create innovation." We call this "WORK LIFE BEAUTY." We are working to implement flexible work arrangements and resolve the issue of long working hours to create a rewarding workplace where every employee can work with enthusiasm.

Domestic business sites and affiliated companies are concluding labor-management agreements pertaining to overtime work by business site according to laws and regulations, and reporting to concerned administrative authorities.

As for concluding the labor-management agreements, not only do we state the statutory limit related to working hours but also include aspects of the risk of long-time work based on government guidelines. With this agreement, Shiseido is setting a maximum of 80 hours per month of overtime work even in exceptional cases (instances of 45 to 80 hours of overtime work per month are limited to up to 6 times per year).

Shiseido's efforts to reduce long working hours are as follows.

■ 1. Spread Knowledge of the Labor-Management Agreement

Based on the understanding that overtime work is mandatory upon the order of the employer (supervisors), Shiseido complies with laws and regulations by informing the details of the agreement to personnel in charge at respective workplaces and personnel in charge of human resources at respective workplaces and periodically informing managers with subordinates, etc. We also provide relevant information to employees by using in-house bulletin boards and other means.

■ 2. Promotion of Activities to Review How Employees Work

From FY2011, Shiseido established the guidelines (key performance indicators [KPI] and goals related to working hours) for reviewing how employees work and is currently promoting relevant activities at all domestic business sites. According to the "Agreement 36 (Saburoku kyotei)", we have devised three objectives in the guidelines for reviewing how employees work to 1) reduce overtime work, 2) improve the acquisition rate of annual paid leave, and 3) reduce overall actual working hours. Accordingly, we are making progress in terms of reviewing promotion methods of work that address each business site and workplace. We are also horizontally expanding good internal examples by developing and distributing the "Guidebook to Review How Employees Work", which is a collection of case studies for review.

Since FY2016, all Shiseido Group offices in Japan clearly have stated concrete measures to conduct "Work-style reform" and have been carrying out further improvements.

■ 3. Promotion of Measures to Switch Off Office Lights

At all Shiseido Group's business sites* in Japan, including affiliated companies, office lights are switched off at 10 p.m. and the lights-off time at Shiodome Office is set to be 8 p.m.

*Excluding factories, stores, and storefronts that are implementing 24-hour operations or shift work.

Furthermore, working from home, which had been introduced in headquarters, Global Innovation Center (GIC), Shiseido Japan Co., Ltd. and some of the affiliated companies, has been formalized as a teleworking system since April 2017 (qualified workers and jobs are determined by each workplace). As a measure of introducing diverse work styles, use of satellite offices and other practical systems are available for all employees including working mothers and those who are taking care of their families.

■ 4. Verification of Actual Status of Overtime Work Between Employer and Employees

Actual work hours and acquisition rate of paid leave are being regularly verified between employer and employees, reflecting the results in labor-management initiatives after sharing the issues.

Additionally, in order to respond to the requests for more diverse working forms, Shiseido is improving childcare- and nursing care-related leaves/short working hours/time-off systems based on laws and regulations. In particular, Shiseido made it possible to use short working hours for employees with children up to the third grade in elementary school beyond the legal requirement. (Conditions for limited-term contract employees vary depending on contract terms; however, the conditions are higher than what have been stipulated by law.)

Furthermore, Shiseido has a spousal accompaniment for childcare system in place, by which employees with childcare responsibilities may request to accompany a spouse transferred within Japan. We also have a leave system to allow employees to take leave up to three years so that they can accompany spouses who are transferred overseas.

At the same time, regarding work-related systems, Shiseido has introduced a specialized discretionary work hour system for researchers at GIC.

■ Support for Balancing Work with Childcare and Nursing Care

As a means for all employees to realize work-life balance and increase productivity, Shiseido has since 1990 been introducing various systems to help both men and women move up the career ladder while carrying out various activities such as childcare and nursing care.

[Click here for details on Support for Women's Empowerment](#)

Specifically, such initiatives include the establishment and operation of the "Kangaroom Shiodome" daycare facility located within a business site, a paid childcare leave system within a limited period of two weeks to encourage male employees to take childcare leave, and introduction of the Kangaroo Staff System* for Beauty Consultants (BCs) to work shorter hours for childcare.

Employees' use of leave and shorter working hour systems related to childcare and nursing care is increasing every year. As of 2018, 1,330 employees (including 30 male employees) used the childcare leave (including short-term paid parental leave), 2,162 employees (including 3 male employees) worked shorter hours to care for their children, 22 employees (including 2 male employees) took nursing care leave, and 32 employees (including 2 male employees) worked shorter hours for nursing care.

Moreover, as a part of activities aimed at becoming a company where both men and women can advance in their

careers while raising children or nursing family members, we are also promoting reforms to the way BCs work. In implementing these reforms, we solicited feedback from BCs to ascertain the current situation and left in place the balance support systems introduced to date. Next, we conducted individual interviews with BCs currently raising children and their superiors, to ensure that systems could be utilized in ways tailored to the diverse working styles of each individual. Through the interviews, as well as having BCs share information about their childcare environments, we have communicated our expectations as a company with regard to BCs who are raising children, and confirmed the working styles that will lead to career advancement while taking into account the circumstances each BC faces.

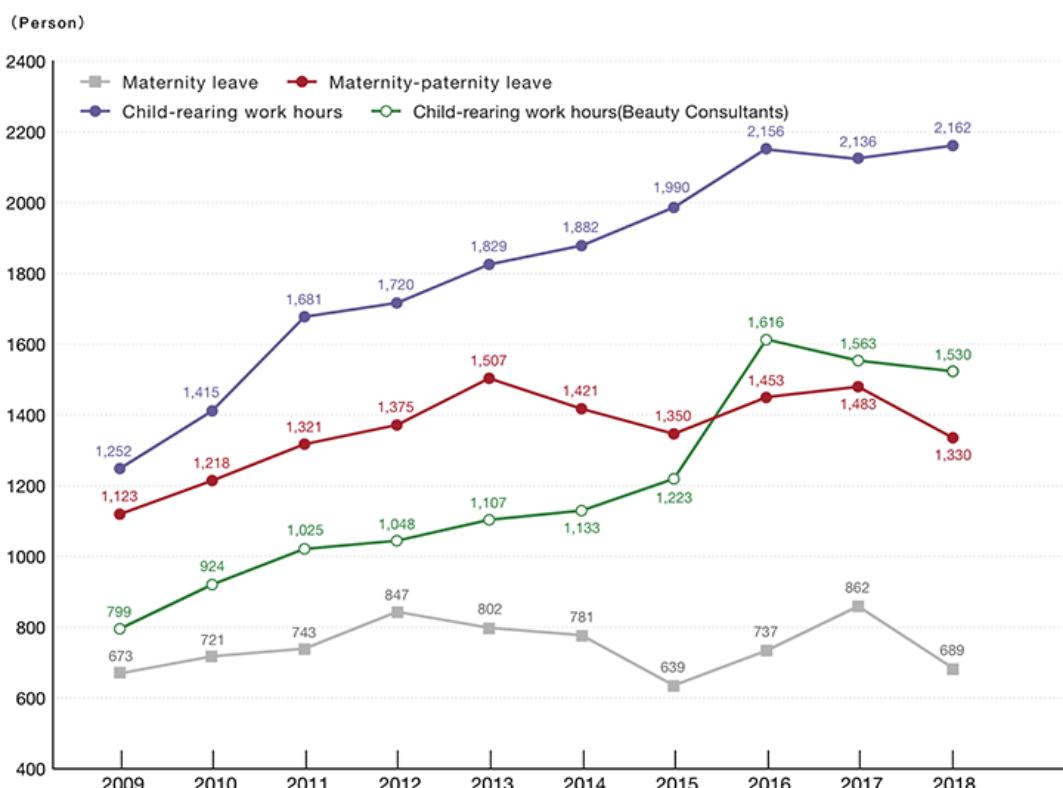
As a result of promoting these reforms, 98% of BCs working short hours for childcare have revised the way they work, and consequently, they have gained an even greater awareness of career advancement than ever before.

* Kangaroo Staff System (Japan)

Shiseido introduced the "Kangaroo Staff System" throughout Japan in 2007 to support evening storefront activities by having temporary workers take the place of BCs engaged in consumer service activities so that the BCs could work short hours to care for their children.

This program has enabled us to create a workplace environment that allows BCs who had difficulty balancing the competing demands of work and childcare to have children with peace of mind, since they would be able to care for the children while working to advance Shiseido's "100% consumer-oriented" philosophy. In recent years, the Kangaroo Staff program has more than doubled in size to 2,014 Kangaroo staff providing such support for more than 1,000 BCs making use of child-rearing work hours.

Number of Employees Who Used Child Care System in the Shiseido Group in Japan



Note1:Years ended December. Results for FY2015 are for 9 months between April and December.

Note2:The data is subject to the number of persons who used the systems among the domestic Shiseido Group managers, employees in general positions, Beauty Consultants, employees in specialized positions (routine operations specific to worksites), affiliates' employees and limited-term contract employees.

Note3:The targeted number of people is 23,505 as of January 1, 2018 (7,858 BCs).

Note4:Number of employees who used the childcare leave and child-rearing work hours is a cumulative total.

Since we are forecasting an increase in the number of employees who will continue working while using child-rearing work hours and nursing care work hours, employees are expected to be more conscious about their work and try to acquire time management, risk management and communication skills to consistently achieve results within their limited time. At the same time, managers are expected to exercise their management capabilities to raise motivation while understanding each and every employee's situation.

Overview of Work/Childcare and Nursing Care Programs Previously Introduced by Shiseido

Support Program	Year Introduced	Details
Maternity/paternity leave	1990	A system by which employees may take leave after having a baby until the child is three years old for a total of up to five years (Employees may take leave a total of up to three times for the same child in the case of special circumstances. <Revised in 2009>)
Child-rearing work hours	1991	A system by which employees may shorten work hours by up to two hours a day if they have children in up to the third grade of elementary school.<Revised in 2008>
Nursing care leave	1993	A system by which employees can take up to one year off at a time per family member for a total of up to three years.
Nursing care work hours	1993	A system by which employees may shorten work hours by up to two hours a day for up to one year at a time per family member for a total of up to three years.
Cafeteria system for childcare support	1998	A system by which employees can receive a fixed annual subsidy to offset childcare fees for children in nursery school.
Childcare plan	1999	A plan implemented to improve communication structures that enable employees to confirm with their managers the process from pregnancy onward to return to the workplace.
Kangaroom Shiodome	2003	An in-house daycare center for Shiseido employees' children at the Shiodome Office. Accommodating a fixed number of children, the center is also partially open to the children of employees of nearby companies.
Short-term paid parental leave	2005	A system by which employees may take leave up to two consecutive weeks until the child is three years old. This short-term paid parental leave system encourages male employees to take leave.
Nursing care leave system for children	2005	A system by which employees may take paid leave if they have children not yet enrolled in elementary school who require nursing care due to sickness or injury. Employees may take leave of up to five days per year for one child and up to ten days for two or more children per year. (Paid leave) Half-day leave is also permitted.<Revised in 2010>
Childcare support center	2006	Medical office staff at the head office provide support centering on health issues, including various concerns or questions related to pregnancy, birth and child-rearing.

Maternity wear	2006	A system in which maternity wear is provided for BCs.
Kangaroo Staff system	2007	A system by which alternative staff relieve BCs working child-rearing hours.
Guidelines governing transfers of employees with childcare and nursing care responsibilities	2008	A system of rules that prevents transfers of employees that would require them to move while working child-rearing or nursing hours.
Spousal accompaniment for childcare	2008	A system by which employees with childcare responsibilities (e.g., with children up to the third grade in elementary school) may request to accompany their spouse who is transferred within Japan.
Leave to accompany spouse when transferred overseas	2008	A system by which the company allows up to three years of leave so that employees can accompany spouses who are transferred overseas.
Encourage fathers whose infants are less than 8 weeks old to take paternity leave	2010	A system by which the company allows fathers who acquired paternity leave within 8 weeks after their spouses gave birth may take paternity leave again.
Cafeteria system for Child education support	2014	A system by which employees can receive support for outgoing expenses spent on child education, such as cramming schools, correspondence studies, enrichment classes, etc. for children.
Kangaroom Kakegawa	2017	An in-house daycare center for Shiseido employees' children. Accommodating a fixed number of children, the center is also partially open to the children of employees of nearby companies.

Fair Evaluation of Employees

In order to be a stronger corporate group in Japan and overseas, Shiseido Group has established its global personnel affairs policy, thereby defining rules and guidelines regarding various aspects such as evaluations and work conditions as personnel affairs measures.

Rules refer to globally unified standards that should be followed throughout the Shiseido Group, and personnel affairs measures are developed according to this policy.

■ Rules for Evaluation and Work Conditions

- Implement system operation that will seek a degree of employee satisfaction while also ensuring fairness of work conditions internally and externally.
- Eliminate evaluations that are based on preconceived ideas or impressions and strive to carry out highly transparent evaluations based on objective facts.

Guidelines refer to various aspects that specifically define the operational standards of personnel affairs measures based on globally unified rules. Specific plans or operations of a system are promoted based on these guidelines in view of attributes of respective countries and regions or subsidiaries.

■ Guidelines for Evaluation and Work Conditions

- Implement evaluations based on target management.
- In addition to accomplishment and performance, promote a development-type ability evaluation with an emphasis on process (exert abilities).
- Provide evaluation feedback to employees and disclose relevant standards, including evaluation and promotion standards.
- Implement evaluation interview with employees at least once a year.

Based on the aforementioned Shiseido Global Personnel Affairs Policy, the Shiseido Group in Japan is also evaluating processes and actions along with achievement in an appropriate manner, thereby building a system with a high degree of fairness and satisfaction.

Moreover, as a means of enhancing fairness and satisfaction of evaluation, the Group is also improving and expanding opportunities for training and offering feedback to personnel in managerial positions. Specifically, we are enhancing the skills of assessors on various occasions by means such as management training and newly appointed assessor training. Furthermore, Shiseido holds HR briefing sessions twice a year for management-level personnel of the Shiseido Group in Japan, with the aim of deepening their understanding toward our human resources system and its operation.

Structure for Listening to Employee Opinions

The Shiseido Group Engagement Survey is conducted twice a year targeting all Group employees working at domestic business sites with the aim of "creating a dynamic organizational culture" in which each and every Shiseido Group employee is able to enthusiastically work in an open and transparent workplace and gain a sense of satisfaction toward their work.

This survey was initiated as part of management reforms being promoted throughout the Shiseido Group. Shiseido must tackle a multitude of issues in order to promote such reforms, and employees are constantly expected to "change their awareness and actions." As these reforms proceed, various concerns may arise such as a gap between employees in terms of their awareness and efforts or motivation for undertaking such efforts may decline due to a sense of placing a heavier burden on employees. This in turn may reduce the speed of realizing Shiseido's vision. Consequently, the survey results are used so that the members of top management can take the initiative in listening to employees' opinions, clarifying current issues and utilizing the information to develop specific actions toward solving any concerns or problems.

Additionally, the results of the engagement survey are provided to employees via the persons in charge of respective workplaces. At the same time, all employees carry out initiatives in their respective workplaces to improve issues that have been identified in business operations and work environments.

Shiseido established the in-house Shiseido Consultation Office in 2000 and the telephone counseling service, which is outside the Company, in 2002, thereby addressing various matters such as inquiries and whistle blowing related to employment regulations and violations of laws and regulations from employees, limited-term contract employees and temporary employees.

Utilization and Development of Human Resources

Human Resources Development Policy

Shiseido has been earnest in its human resources development since it was founded. The Company, in fact, was once known in society as "Shoseido" which translates to "hall of scholars."

We continue focusing on developing personnel as the most important management resource, as we have over past years upholding our policy of PEOPLE FIRST, and now, specifically aiming to fulfill our mission to create BEAUTY INNOVATIONS FOR A BETTER WORLD.

Toward this end, we are striving to "increase individual competencies" and "fulfill individual potential" to increase organizational competencies, thereby "enhancing corporate strength." And for this purpose, we are stepping up HR development efforts, defining core competencies in line with THE SHISEIDO PHILOSOPHY to provide a basis for capability-building programs and evaluation systems.

Performance Management

For fulfilling individual potential, we have established Performance Management systems based on core competencies defined in line with THE SHISEIDO PHILOSOPHY, looking to help all employees around the world achieve professional growth and produce expected results.

The basic concept of the systems is that each employee sets challenging goals, works to attain the goals using support from managers and capability-building programs, and achieve fast growth and produce high-level performances. Managers, a key player in the above process, undergo training in necessary management skills, such as for coaching and feedback-giving, and receive feedback from subordinates through 360-degree surveys. These plans aim to foster a culture that encourages reciprocal feedback activities for organizational development, in addition to improvement of management skills.

Global Talent Management

For increasing individual competencies, we have launched Global Talent Management programs, designed to accelerate the development of global business professionals through strategically planning a range of HR-related processes from recruiting, screening, training to assignment. Specifically, we identify superior talents having potential for global business activities, promote inter-regional HR mobility, and run level-based, targeted training programs at the Shiseido Leadership Academy. These efforts are directed at optimal personnel assignment and effective capability-building from global and long-term perspectives.

Particularly, the Shiseido Leadership Academy, committed to its mission to "inspire, ignite, and connect Shiseido leaders to lead BEAUTY INNOVATIONS FOR A BETTER WORLD," offers training programs to selected candidates for future global business leaders, with a focus on leadership qualities and management insights.

In addition, each regional headquarters develops their own leadership and business skill-building programs to address local needs and issues, in order to enhance respective talent pipelines.

Safety and Health of Employees

Health management initiatives

I believe that the genuine mission of Shiseido is to offer solutions to social problems and achieve a sustainable society, helping people find happiness through our mainstay beauty business.

To realize this mission, it is important for our employees to maintain inner and aesthetic beauty as well as solid motivation.

To that end, it is essential to support the health of employees and the health of their families. In collaboration with the Shiseido Health Insurance Society, we created a health declaration to clarify our promise to help our employees live beautifully.

Shiseido delivers beauty to consumers. In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, we will be fully committed to health management.



Representative Director,
President and CEO

A handwritten signature in black ink, appearing to read "Katsu".

Shiseido Health Declaration

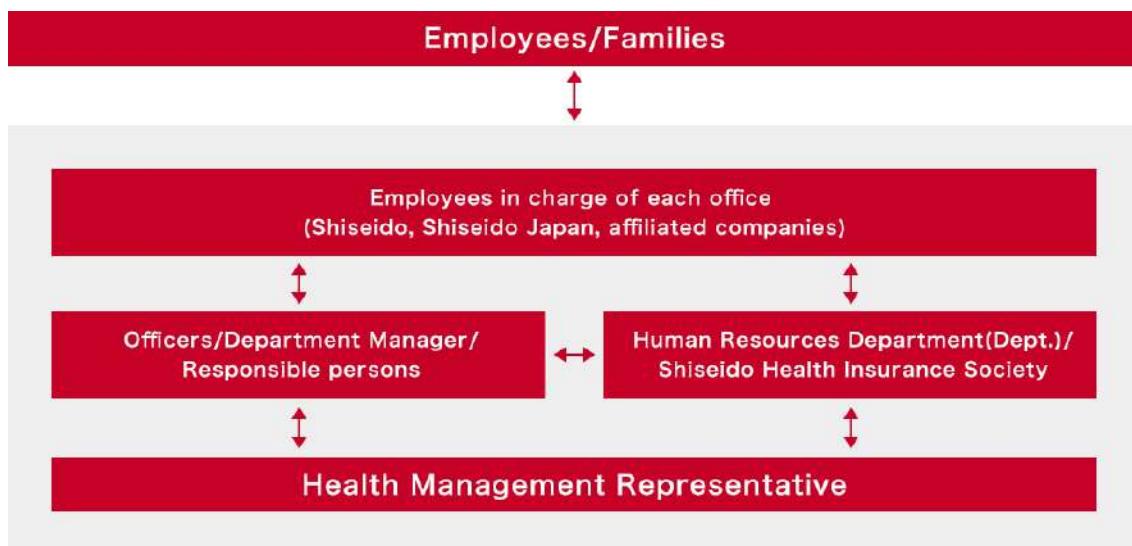
Shiseido aims to deliver "BEAUTY INNOVATIONS FOR A BETTER WORLD." Therefore, based on our perception that beauty and health are the source of vitality, we will promote initiatives for employees and their families to live beautifully and healthily.

[Our principles]

- As members of a company delivering beauty, each and every employee shall have awareness and knowledge, and take action proactively to work healthily, physically and mentally.
- We will endeavor to provide opportunities for our employees to speak freely with each other about beautiful lifestyles and health for mutual growth.
- Shiseido will endeavor to create a safer and more comfortable work environment and will actively support the efforts of employees and their families in cooperation with the Shiseido Health Insurance Society.

Promotion system

For promotion, the director of the Human Resources Department will act as the Health Management Representative, and the Human Resources Department Wellness Support Group and Shiseido Health Insurance Society will collaborate to support each office (of the Shiseido Group in Japan) to take the initiative to maintain and promote employee health. In addition, the Health Management Representative will jointly discuss with each officer, department manager, and responsible person the support of employees' voluntary health initiatives.



Message from the Corporate Officer in Charge

Our principles in this health declaration begin with employee awareness and behavior. We believe that it is important that individual health be signaled in the communications of each of our employees. Meanwhile, as it is difficult for employees who have been assigned important tasks and deadlines to speak up, supervisors, department heads, and officers should play a supporting role in this regard. They need to create an atmosphere that allows everyone on the team to speak about anything casually, while paying attention to the complexion and health of each team member.

Because all employees work together to achieve the mission supported by the common values of The Shiseido Philosophy, we would like to nurture environments (of psychological safety) to the maximum, where employees can casually talk about physical and mental health. The role of the Human Resources Department Wellness Support Group and Shiseido Health Insurance Society is to respond quickly to and support signals received from employees and supervisors. These teams will work closely to resolve employee health issues and improve lifestyle customs and habits. Addressing health management on a serious level is the most important and effective foundation of PEOPLE FIRST.



[Jun Aoki, Health Management Representative]

Health issues and future Well-Being initiatives in the Shiseido Group in Japan

The Shiseido Group in Japan considers and will work to resolve the following issues.

1. Drive home basic occupational health activities

Maintain a 100% health checkup rate, drive home follow-up measures for health checkups/retests/treatment, ensure health guidance, and enhance mental health measures

2. Implementation of health-related initiatives

The Shiseido Group in Japan and Health Insurance Society will jointly develop and promote six medium- and long-term Well-Being initiatives to resolve various issues related to beautiful lifestyle, women's health, mental health, smoking, measures against cancer, and working environment.

Six measures	Issues	Initiatives	
		Shiseido Group in Japan	Shiseido Health Insurance Society
Beautiful lifestyle	Improvement of lifestyle	Holding exercise seminars/introducing apps* Thoroughly implementing health guidance Holding health fairs	Implementation of health support programs Partial subsidy for dental checkup fees Implementation of lifestyle improvement seminars
Women's health	Addressing female-specific health issues		Full subsidy for cervical cancer and breast cancer screenings Provision of health information for adults over 40 years old, "Otona no Hoken Dayori (Health News for Adults)" (FY2019)
Mental health	Acquiring stress tolerance Reduction of repeated long absence from work	Holding seminars for self-care and line-care practices (new employees, new managers, guidance training)	—
		Telephone consultation with Health Support Dial 24 (24 hours/day, 365 days/year), mental health consultation support	
Measures against smoking	Promotion and maintenance of cessation	Complete prevention of passive smoking in the workplace	Subsidy for cessation outpatient consultation fees (FY2019)
Measures against cancer	Early detection and balancing treatment and work	Introducing support measures for treatment/work balance*	Subsidy for cancer screenings (partially paid by employee) Encouragement to employees with suspicious test results to receive necessary care/retests
Workstyle reform and improvement of working environment	Encouraging frequent communication	Establishing measures for fostering communication between supervisors and subordinates in ABW (Activity Based Working) Revitalizing health committee based on work style reform	—

* Measures scheduled in and after FY2019

Key initiatives

In 2019, we will focus on measures against smoking and the creation of beautiful lifestyle as priority measures.

1.Measures against smoking	<ul style="list-style-type: none"> ▪ Reduction of the smoking rate and provision of cessation support ▪ Complete prevention of passive smoking in the workplace
2.Beautiful lifestyle	<ul style="list-style-type: none"> ▪ Improvement of the implementation rate of health guidance and specific health guidance ▪ Active usage of seminars and apps to improve employee lifestyle ▪ Thorough follow-up interviews after health checkup results (retests, etc.)

1.Initiatives for measures against smoking

Upon finding that the smoking rate at our company was slightly higher than the national average, we started providing a subsidy for smoking cessation treatment in 2010 and tentatively prohibited smoking in the building the following year. In addition, we worked on non-smoking rules for uniformed employees who interface with consumers in 2012. The smoking rate in 2018 was 22.2% (down 11.4 points compared to 2010), and the gap from the national average was halved (9.5 points → 4.3 points). In order to accelerate this trend going forward, we started non-smoking rules during working hours from May 2019 and strive to further advance measures against smoking. We also participate in the Cessation Promotion Company Consortium to express our determination and share information. Also, following the subsidy for smoking cessation treatment that started in 2010, the Health Insurance Society launched the "0-Yen Quit-Smoking Challenge Program" in 2019, which subsidizes all smoking cessation treatment costs to assist employees and dependents attempting to quit smoking.

■ 0-Yen Quit-Smoking Challenge

In FY2019, 106 employees participated in the 0-Yen Quit-Smoking Challenge Program, exceeding the target of 100 employees, and participants are working toward cessation treatment.

<0-Yen Quit-Smoking Challenge Program application form>

■ Participation in cessation consortium

In April 2019, we participated in the "Cessation Promotion Company Consortium" and expressed our intention to actively work toward promotion of cessation.



<Cessation Promotion Company Consortium: Mr. Aoki, Health Management Representative, back row, fourth from right; Ms. Oishi, External Director, front row, third from right>

■ Target smoking rate

- 17.0% in 2020
- Increase in the number of employees who started outpatient smoking cessation treatment: More than 100 employees (7 employees in 2018)

2. Initiatives for health-conscious lifestyle

Our implementation rate of health support programs (specific health guidance) is particularly high at 55.4% compared to the national average (21.4%), and a certain level of effect is seen in BMI reduction rate among participants.

■ Implementation rate of health support programs

Reporting fiscal year to the government (Report the previous year's results in November of the following year)	Specific health guidance	Implementation target
	Implementation rate (%)	Government (Ministry of Health, Labour and Welfare) (%)
FY2015	50.6	60
FY2016	52.0	
FY2017	49.1	
FY2017	55.4	

■ BMI reduction rate among program participants

BMI	Male		Female	
	Guidance participants	Guidance non-participants	Guidance participants	Guidance non-participants
After health guidance (2016)	25.66	26.23	27.59	27.78
After health guidance (2017)	25.50	26.26	27.47	27.75
Numerical improvement	▲0.16	0.03	▲0.12	▲0.03

■ Health fairs

Every year, we conduct health fairs tailored to the health issues of each of our facilities, and launch measurement events, health education sessions, and collaborative events with cafeterias.



<Health fair at Kuki Factory>



<Health fair at Shiodome Office>



<Health fair special menu by collaborating with cafeteria>

[Participating employee feedback]

"It is good to have events that raise health awareness."

"I've heard a lot about basal metabolism, but this is the first time that I learned my basal metabolism rate. It was a good learning opportunity."

■ Health seminar

Since FY2019, we have been holding seminars related to exercise and meals tailored to the health issues of each organization.



<Seminar participants>

■ Future lifestyle improvement objectives

Percentage of participants continuing workouts: 10% more after seminar

■ Safety and health promotion system

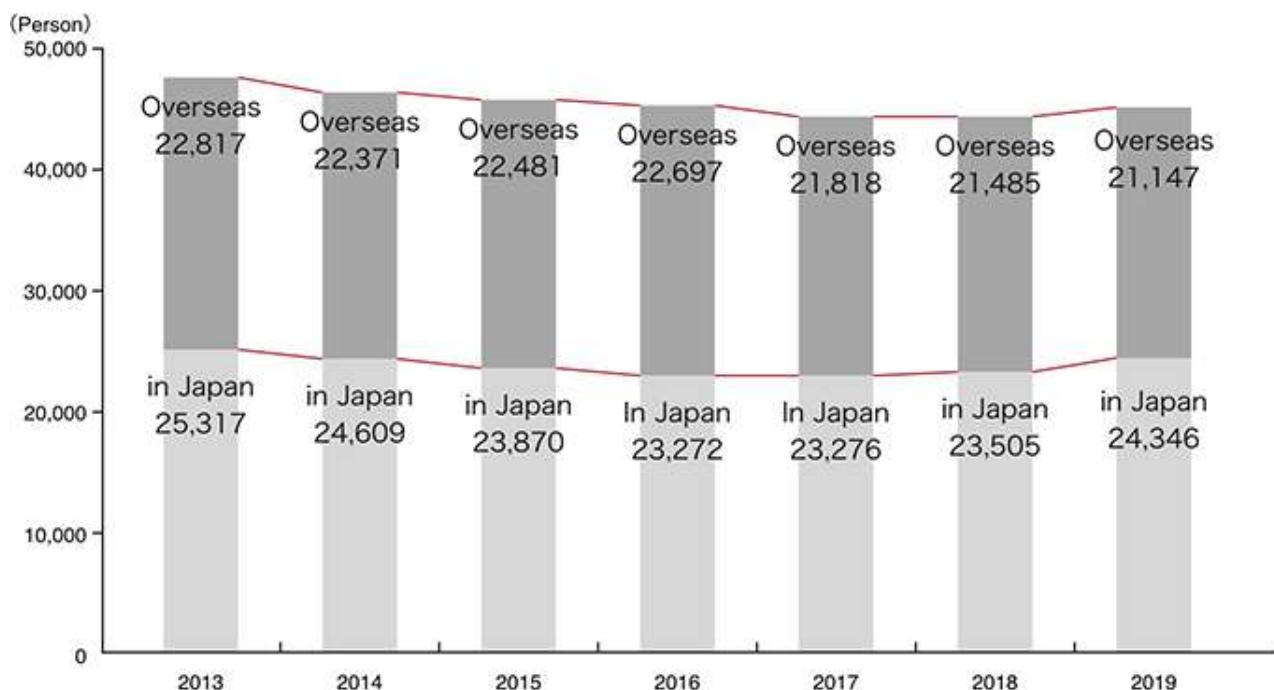
In accordance with laws and regulations, we have established an office hygiene committee at domestic facilities of the Shiseido Group and are striving to create a safe and comfortable work environment through surveys and deliberation. We have established an occupational safety and health policy at the Global Innovation Center and factories, and inaugurated a safety and health committee to improve and modify hazardous locations and dangerous acts. For domestic factories, our objective is zero accidents that require time off from work and strive to prevent the occurrence of serious accidents.

Employment and Labor

The Number of Employees

All the domestic and overseas Shiseido Group companies apply diversified employee working conditions in accordance with each business and each specific role expected of each employee, aiming to maintain and improve our competitive strength. As of January 1, 2019, the number of employees throughout our Group companies totals 45,500, which is approx. 500 up over the previous year.

The Number of Employees in Shiseido Group Companies



Note: Each figure up to 2015 is based on the data as of April 1 for Japan. The overseas data is based on the number of employees who worked under the direct labor contract as of the end of December in the previous year.

Starting in 2016, the figure is based on the data as of January 1 for Japan. The overseas data is based on the number of employees who worked under the direct labor contract as of the end of December in the previous year.

Wage

The wage system of Shiseido is based on abilities and results, which eliminates some elements such as promotion by seniority and dependence on personal background. In addition, the system for evaluating abilities and results is fair and transparent based on the rules for handling evaluations and is aimed at increasing the satisfaction level of employees. The basic salary ratios of employees in the domestic Shiseido Group in FY2017 by job category and gender are as follows: Management level: Male 105: Female 100; General management: Male 100: Female 100; and Beauty staff: Male 85: Female 100 (as of January 1, 2019).

Employee Benefits and Welfare

Aiming for our employees and their families to enjoy "prosperous and comfortably affluent life," we are focusing on employee benefits and welfare as well as improving our working conditions so that employees can actively engage in corporate and social activities.

Welfare System to Support Employees to Advance Their Business Career and Design Their Own Life Style

Shiseido is supporting employees to advance their business career and design their own life style based on their self-control and responsibility in their work and life, providing them with our diverse welfare system.

We have introduced not only systems and measures that support employees to balance work and childcare/nursing care in order to realize work-life balance and various other measures, such as housing support including company housing and housing compensation, property accumulation savings, employee shareholding system, consolation payment system, etc., but also the "Cafeteria system (welfare plan by selection)". The company prepares menus responding to employees' lifestyles and needs, such as "promoting an active workplace", "self-enlightenment", "childcare/nursing care", and "health promotion", and employees can select necessary support as needed, according to their own points.

Life Planning Support for Employees by Corporate Pension Plan

Shiseido supports employees' life planning management.

Retirement allowances in Shiseido Group companies consist of "defined benefit pension plan", "defined contribution pension scheme" or "prepaid retirement allowance" and "lump sum retirement pay".

Employees enjoy benefit after selecting a plan between defined contribution pension scheme and prepaid retirement allowance. With regards to defined contribution pension scheme, Shiseido helps support employees to actively practice post-retirement life design planning through periodical provision of asset management and investment information. Some local subsidiaries are providing defined benefit type plan, lump sum retirement pay and defined contribution type plans.

Employment

In Shiseido Group, both companies and employees are maximizing their efforts to maintain employment of workers, and our commitment to stabilize the employment certainly complies with laws and regulations in each respective region and country. In employing workers, upholding The Shiseido Group Standards of Business Conduct and Ethics, we try to respect diversity and to realize such a working environment that employees could feel rewarded.

Basically, Shiseido introduces regular employment system, and as far as targeted candidates are concerned, it does not matter whether it would be a new graduate or previous graduate. Meanwhile, the Group companies also employ experienced candidates, targeting those who have already accumulated their professional career. Offering diversified job opportunities, with an objective of careful adjustment of employees' working conditions, Shiseido tries to organize employment systems.

Furthermore, in case that employees could be significantly affected due to relocation to a new branch or transfer to another office, our labor agreement stipulates that Shiseido should set up a committee consisting of management and labor union members to sincerely discuss and settle specific problems for immediate solution.

Good Relationship with Labor Union

Based on the concept that "good labor-management relations are fundamental to corporate management," the Shiseido Group actively promotes information sharing regarding general corporate activities and discussions with employees to resolve issues in a concerted manner.

Labor unions have been organized in Shiseido and certain Group companies (including overseas subsidiaries). In Japan, Shiseido's labor union, representing Shiseido Company, Limited, Shiseido Japan Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System.

For details, please refer to Social Data.

In the union agreement document, Shiseido and Shiseido's labor union confirm to "recognize the social mission of Shiseido's business, strive to realize sound development of the Company and maintain and improve the economic and social status of employees, thereby sustaining labor-management relations based on goodwill and trust." On this basis, both parties aim to honor their mutual stance and hold management councils as well as labor-management discussions in consideration of various issues.

To be more precise, we actively hold labor-management discussions on the themes of "working conditions and benefit package for employees," "work style reform," and "reduction of long working hours" to ensure appropriate business operations.

In addition, each office discusses their own labor-management issues.

Overseas subsidiaries are also doing business while respecting labor laws and regulations of respective countries, and are thereby striving to build and maintain sound labor-management relationships through communication with management, labor unions and employees.



Labor-management discussion

Compliance and Risk Management

› Risk Management

Shiseido's basic policy of risk management

› Activities to Enhance Corporate Ethics

Here are our activities to ensure an environment for employees to work with a high-level sense of ethics.

› Information Security Management

Shiseido's activities to protect the Group's various information assets

› With our Suppliers

Initiatives for stronger partnership with suppliers

› Protection of Intellectual Properties

Shiseido's initiatives to ensure the protection of intellectual property and preservation of confidentiality

› Tax Policy

Global Tax Policy and Shiseido Group's Tax Policy in the United Kingdom

Risk Management

The Compliance Committee fulfills its corporate governance oversight responsibilities with regard to the identification, evaluation, mitigation, and monitoring of risks. The Committee has overall responsibility for monitoring and approving the risk management framework and associated practices of the Company.

Risk Management

Starting in 2016, Shiseido has been working on risk mitigation through matching the 100 risks common to global companies against responsible departments, especially focusing on non-strategic/non-financial risks. Also, compliance programs are being prepared for the 4 important themes of "personal information protection", "bribery prevention*", "cartel prevention", and "business partner risk prevention" identified in the 2014 risk assessment.

* We prohibit bribery not only in the form of entertainment or gifts that may raise suspicions of gaining illegal profits, but also in the form of political donations, sponsorships, and charitable activities.

SHISEIDO GROUP

Shiseido Group Compliance Initiatives

The Shiseido Group is committed to complying with laws and regulations and internal rules, as well as to pursuing fair business practices with higher ethical standards in the development of the Group's global business.

The Shiseido Group has instated the following three commitments to focus on in order to fulfil the Group's social responsibility on a higher level, and declare group-wide compliance as follows.

1. Safeguarding of Personal Information as per the Importance of Protecting Customer Privacy

In an environment where information spreads instantaneously along with the growth of the Internet, it has become all the more important to safeguard personal information in order to protect customer privacy. The Shiseido Group will properly manage and never improperly use personal information, including customer data.

2. Proper Business Conduct Based on Fair, Transparent, and Free Competition (Prevention of Bribery and Cartels)

Bribery and cartels, which can impede fair competition, are strictly restricted under the laws of each country. In order to achieve fair, transparent, and free competition, 1) the Shiseido Group will not offer or receive entertainment and gifts that are suspected to be in effort to obtain illicit gains, regardless of whether or not the business is with government officials, and 2) the Group will also not engage in any cartel activities or any activities that give the appearance of participating in a cartel when conducting business.

3. Cooperation in the Supply Chain (CSR Procurement)

In order to contribute to sustainable growth in society, simply working from within the company is not enough—it is critical to cooperate within the supply chain itself. The Shiseido Group will maintain equitable relationships with our business partners in the procurement of products and raw materials, and will share and promote with our business partners activities that lead to the actualization of social responsibility such as respect for human rights, legal compliance, and environmental conservation

Furthermore, we have also established the following rules as specified rules of the declaration of the three commitments listed above in regards to matters that all must comply with and handle

- "Information Security Policy"/"Privacy Rule"
- "Compliance Rules Regarding Prevention of Bribery"
- "Compliance Rules Regarding Prevention of Cartels"
- "Shiseido Group Supplier Code of Conduct"

We, at the Shiseido Group, persistently commit ourselves to compliance by requesting that all employees of the Group fully understand the above.

October 2015



Masahiko Uotani
Representative Director, President and CEO

Incident Response

To enable swift and appropriate incident response, Shiseido has clearly defined and categorized incident types. Departments will immediately report incidents to the Risk Management Department, which acts as the Compliance Committee Secretariat. The Risk Management Department determines the gravity of each incident category, considering impact on employees, business operations, environment, etc. An appropriate taskforce will be set up accordingly, with relevant functions aggregated to minimize impact and collateral damage. The taskforce will continuously review the effectiveness of incident handling and promote countermeasures against recurrence.

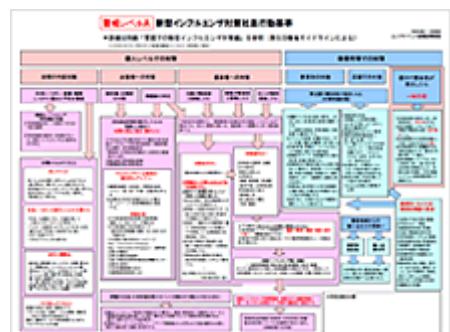
Business Continuity Plan (BCP)

Business Continuity Plan (BCP) is a subset of risk management, stipulating actions for incidents/ natural disasters which affect business continuation. Shiseido (Japan Region) has BCPs in place for major disasters which seriously affect business continuation, stipulating how important operations are resumed/ continued in a manner minimizing damages. At Shiseido, major incidents are categorized into 2 categories: (1) natural disasters/incidents with sudden and unexpected damages, and (2) natural disasters/incidents with gradual/long-term damages. 'Earthquake BCP' has been placed for sudden unexpected risks, and 'Novel Influenza (infectious disease) BCP' for gradual/long-term risks. If another type of incident should occur affecting business continuation, either of the two BCPs may be utilized, according to the nature of the incident.

The 'Earthquake BCP' stipulates action items in 4 phases: 1) Preventive Measures, 2) Emergency Response, 3) Resume Operation, and 4) Restored Operation/ Business Continuation. Once an earthquake of a certain level occurs, 'HQ emergency taskforce', led by the Executive Vice President, is activated to confirm employee safety, gather information on damages, and ensure important business operation, such as product supply. When the Great East Japan Earthquake hit in March 2011, Shiseido responded swiftly putting the BCP into action.

The 'Novel Influenza (infectious disease) BCP' categorizes influenza by 3 toxic levels. The action items for each group are shown in 4 phases: 1) Prediction stage, 2) Initial Alert stage, 3) Alert stage, and 4) Subsiding Alert stage.

'Employee Action Guidelines for Novel Influenza', a specific action guideline for employees, has been prepared based on the BCP. This Guideline is made available on the intranet for employees to familiarize themselves with the required actions.



Employees action guidelines for *New Strains of Influenza Countermeasures*

Activities to Enhance Corporate Ethics

To ensure an environment in which employees can work with a high-level sense of ethics, we have various training courses, a consultation desk and a whistleblower system available for employees.

Training for Employees

(1) Enhancement of Corporate Ethics in Workplaces

We have assigned the Corporate Ethics Promotion Leaders in each office in Japan to be in charge of the thorough informing and promotion of corporate ethics. In the overseas regions, Risk Management Officers are responsible for promoting a culture of ethics regionally. The Risk Management Officers are supported by the Business Ethics Officers at the affiliate level. The Corporate Ethics Leaders and Risk Management Officers regularly report the results of corporate ethics activities to the Compliance Committee.

(2) Training for All Employees (Once a Year)

Human rights enlightenment and corporate ethics training are conducted for all employees at all business locations of the Shiseido Group in Japan with emphasis on raising awareness through employee discussions.

Various trainings are held to improve communication in various situations and create an open and free working environment.

(3) Position-specific Training (Once a Year)

Position-specific training is conducted according to respective positions (corporate officers, managers, new recruits) and specifics of each office in addition to training for all employees.

Reporting and consultation center for employees

A consultation center was set up to handle consultations and reports on various employee human rights and labor issues. We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from various workplaces. The Compliance Committee Hotline specializes in receiving reports and Report Mail to Auditors receives reporting on officers.

Please check the details in Respecting Human Rights and Ensuring Responsible Procurement -2018 Performance - Relationship with Employees.

The Company has also created and publicized through Ethics Card distribution, posters, intranet, etc., to employees a set of regulations setting forth an impartial means of investigating and resolving complaints and clearly prohibiting prejudicial treatment of whistleblowers (as well as individuals seeking advice) for each of the above entities, along with the means to receive inquiries, etc. Overseas, the Company has established the "hotline" system, which is a Whistleblower system, as well as an entity to receive reports in each major affiliate. In addition, the Company has also established the "Shiseido Group Global Hotline" at the HQ to directly receive reports from employees of overseas affiliates.

Information Security Management

Policy Related to Information Security

Shiseido establishes the "Information Security Policy" for all people working in the Shiseido Group to protect and maintain various essential information assets owned by business sites of the Group by setting robust information security. Under the group-wide basic policy, we strive to manage and operate various information assets. Employees receive continuous education on information security, such as annual training through e-learning.

Policy Related to the Protection of Personal Information

Shiseido deeply recognizes the importance of personal information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Therefore, we have established the "Shiseido Group Privacy Rules" to which all employees of the Shiseido Group should adhere. All companies in the Shiseido Group endeavor to ensure the protection of personal information.

Details of Shiseido's policy on the protection of personal information are available in its Privacy Policy.

With our Suppliers

Overview of our suppliers and purchasing commodities

Items purchased

Items to be purchased include packages for our products (cosmetics, toiletries, and pharmaceuticals), cosmetic tools, production materials such as raw materials and fragrances, sales support tools, and OEM products.

- 1.Packaging, Cosmetics: Raw materials and processed products such as resin, glass, paper, metal
- 2.Sales support tools: POPs, premiums, etc.

Number of suppliers

Based on our philosophies "Building a Good Partnership," "Fair Purchasing Transactions," "Toward Global Procurement," and "Performance of Contract," in the "Shiseido Group Procurement Policy", we have business dealings with 296 companies

Category	Tier 1 suppliers 2018
Direct materials (Materials + OEM)	135
Direct materials (Raw fragrance)	133
Indirect materials (Promotional materials)	28
Total (Number of companies)	296

(Supervision under global headquarters, 2018 results)

Main Suppliers

We define our core suppliers as Main Suppliers from a medium-to-long-term perspective, taking into consideration the share of purchasing cost and performance from a QCDEST* perspective.

* QCDEST (Quality, Cost, Delivery, Environment, Service, Technology)

Number of Main Suppliers	71
Share of Main Suppliers among Tier 1 suppliers (Percentage based on number of suppliers)	24%
Share of Main Suppliers among Tier 1 suppliers (Percentage based on procurement cost)	81%

Starting new business with Shiseido

Below is the process to be followed when we start business with new suppliers.



Final negotiation/ conclusion of purchase agreement

Conditions for procurement are thoroughly reviewed and adjusted before concluding the purchase agreement.

New suppliers are required to consent to and comply with the "Shiseido Group Supplier Code of Conduct" upon conclusion of the purchase contract.

■ Shiseido Group Supplier Code of Conduct

Since 2006, we have shared the "Shiseido Group Supplier Code of Conduct" with our partner suppliers to work together on ethical business activities. In response to current circumstances, where company commitments to social and environmental issues often come into question, we revised the "Shiseido Group Supplier Code of Conduct" in April 2018 to clearly state our responsibilities and challenges including respect for human rights, legal compliance, and environmental protection. In June 2019, we further revised to include a proper management of employee working hours, days off, and leave. We also require not only tier 1 suppliers, but also their subcontractors involved in the business related to the Shiseido Group to comply with the same standards.

■ Partnership with suppliers

Supplier's day

In order to address changes of the times and social requirements, with regard to our concept of procurement, Shiseido considers it important to share information with business partners in a timely and accurate manner. Therefore, with the aim of widespread dissemination of the procurement policy, the procurement departments in Japan and China hold annual supplier's day to share purchasing activity and strategy with suppliers. Our procurement departments in Japan utilize each session as an opportunity to directly communicate Shiseido's procurement policy, various tasks, and requests in the fields of raw materials, fragrances, materials, and indirect materials, as well as to respond to questions and requests from business partners.

In the global headquarters purchasing department, 209 suppliers participated in the session in FY2019. And 89 suppliers attend in China, we will respect all our suppliers who share our credo and strive for mutually sustainable development.



Shiseido Suppliers' Awards

Suppliers who have performed well as a result of following our purchasing policy are invited to the annual Shiseido Suppliers' Awards. In fiscal 2019, 43 companies participated in the event held at "S/PARK," which was newly opened in the Minato-Mirai area, Yokohama, in April. In addition, we awarded suppliers who performed high performances from a QCDEST perspective and five companies were awarded in FY2019. We express our gratitude to our suppliers, sharing the future of Shiseido, and working diligently to strengthen our partnership.



Global purchasing collaboration

Every year, we host the Shiseido International Procurement Meeting (SIPM), which is attended by all purchasing leaders from each of our global facilities. We share not only immediate issues to be addressed but also medium-to-long-term goals, and discuss global purchasing strategies. We are also promoting the global implementation of sustainability activities through this meeting.



Protection of Intellectual Properties

Shiseido Group invests in R&D and marketing to develop innovative technologies and increase our brands' value. Therefore, enhancing our Intellectual Property (IP) value is a crucial activity for our sustainable growth. IP includes intangible assets such as patents, trademarks, copyrights, industrial designs, trade secrets, etc. We protect our inventions, brands, marketing ideas and other IP outcomes properly, as these assets play key roles in our future success. We also respect third parties' IP rights and provide internal trainings for our employees to raise the awareness.

Note: Intellectual properties refer to intellectual property rights (patent rights, trademark, design rights, copyrights, etc.) and business confidentiality (know-how, etc.).

Tax Policy

Global Tax Policy

Shiseido Group complies with the laws and regulations in all countries in which we run business. "Shiseido Group Standards of Business Conduct and Ethics" sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy here to ensure the tax transparency. We aim to maximize the shareholder value by mitigating the tax risk globally.

Tax Principles

Compliance

We comply with the international guideline established by the OECD and the laws and regulations in all countries in which we run business.

Governance

The discipline for the compliance and accurate tax accounting is set forth in "Shiseido Group Standards of Business Conduct and Ethics" and shared with all employees to ensure the tax transparency. We will resolve the tax issues by managing the tax risk locally by each RHQ, and sharing the tax information globally in a timely manner.

Responsibilities and Organization for the Tax Compliance

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, tax team of global headquarters manages the tax compliance of the group, and CFOs at each regional headquarters manage the tax compliance in their region. Employees with tax expertise are assigned as necessary for the smooth operation of our global tax risk management organization. We provide trainings to employees to raise awareness on the tax compliance.

Maximization of the Shareholder Value

In order to improve the shareholder value, we strengthen the governance and save tax by utilizing tax incentives where applicable in the ordinary course of business.

Transfer Pricing

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy.

Tax Havens

We do not utilize the tax havens to solely avoid tax.

Relationship with the Tax Authorities

We cooperate with the tax authorities and build a good relationship with them.

Shiseido UK Tax Policy

SHISEIDO Group complies with the laws and regulations in all countries in which we run businesses. THE SHISEIDO PHILOSOPHY, "OUR MISSION, DNA and PRINCIPLES" and Shiseido Group Standards of Business Conduct and Ethics sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy to ensure tax transparency.

The following document lays out the company's strategy and approach in 2020 for the United Kingdom. We publish this statement to meet our obligation under Paragraphs 19(2) and 22(2) of Schedule 19 of FA2016."

Governance and Responsibilities

The discipline for the compliance and accurate tax accounting is set forth in Shiseido Group Standards of Business Conduct and Ethics and shared with all employees to ensure tax transparency.

The Chief Financial Officer (CFO) is ultimately responsible for Shiseido's overall tax risks. We will resolve the tax issues by managing the tax risk locally by each Regional Head Quarters (RHQ) and sharing the tax information globally in a timely manner.

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, the tax team of Global Head Quarters (HQ) manages the tax compliance of the group, and CFOs at each RHQ manage the tax compliance in their region. Each RHQ assigns the employees with tax expertise as necessary. We provide trainings to employees to raise awareness on the tax compliance.

The Senior Accounting Officer (SAO) is responsible for the day-to-day management of the UK tax risks. In the UK, this role is performed by the UK&I Group CFO.

Tax Planning

Shiseido's tax arrangements are based on its commercial business and economic activities. Shiseido monitors and reviews its operations in the UK and elsewhere to realign its tax arrangements when necessary to be compliant with the tax rules and regulations.

Globally, we comply with the international guideline established by the Organisation for Economic Co-operation (OECD) and the laws and regulations in all countries in which we run businesses.

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy.

We adhere to the UK Double Tax Treaties and the relevant guidance issued by the OECD for international tax matters.

Tax Risk

We aim to maximize the shareholder value by mitigating the tax risk globally.

We will resolve the tax issues by managing the tax risk locally by each RHQ and sharing the tax information globally in a timely manner.

Where there is complexity or uncertainty we may seek support from external advisors.

Relationship with Her Majesty's Revenue & Customs (HMRC)

We seek to build and sustain relationships with government and HMRC that are constructive and based on mutual respect. We work collaboratively wherever possible to resolve disputes and to achieve early agreement and certainty.

GOVERNANCE

Corporate Governance Policy

The Shiseido Group including the Company sets out “BEAUTY INNOVATIONS FOR A BETTER WORLD” as the Shiseido Philosophy, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the Philosophy”.

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, “consumers”, “business partners”, “employees”, “shareholders”, and “society and the Earth”. In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

Reappointment of President and CEO

We announced a news release “Reappointment of President and CEO” on September 26, 2019.
For details, please check the news release and video.

Message from the External Director

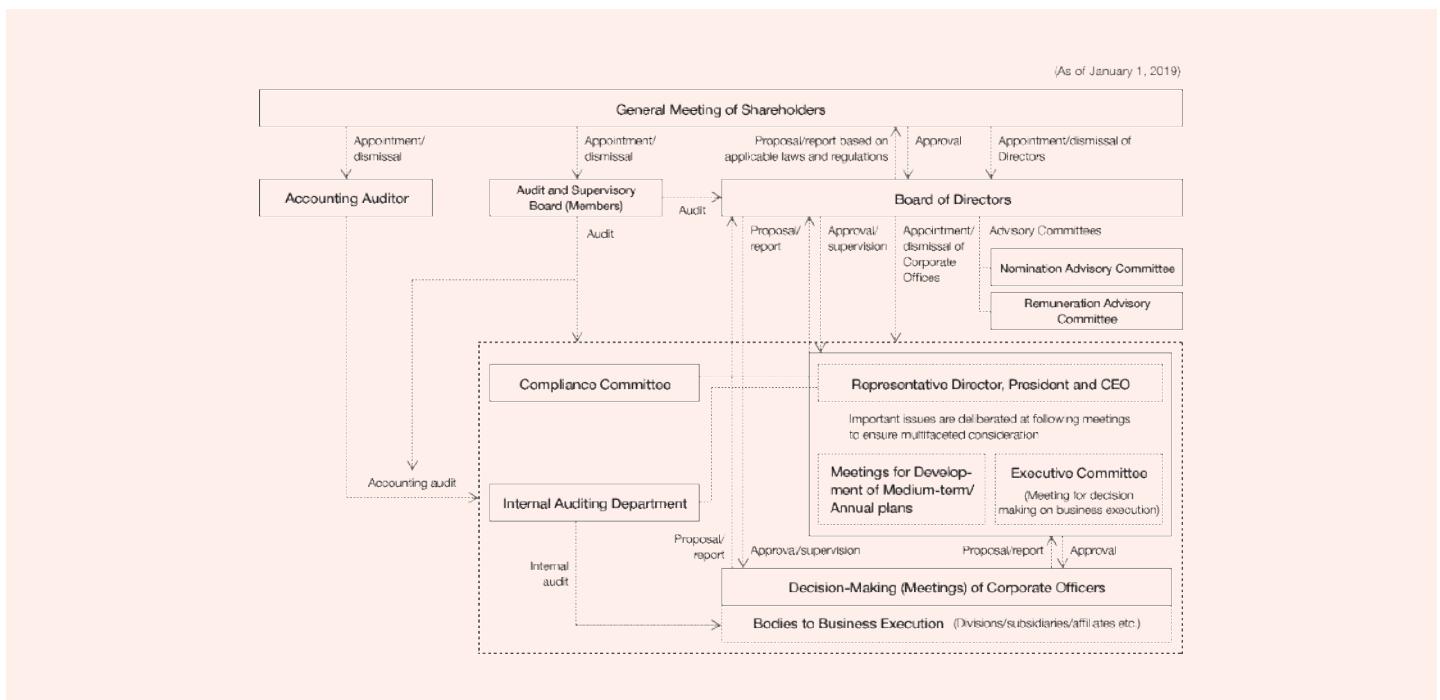
Yoko Ishikura
External Director and Chair of
Nomination Advisory Committee of the Company
4min video



Shiseido's Governance by the Numbers



Company's System for the Management and Execution of Business



Board of Directors and Committees Associated with Corporate Officers

Composed of six members including three external directors and presided by the President and CEO, the Board of Directors is small and able to make decisions quickly. The Board of Directors meets at least once a month to discuss all significant matters.

Through the adoption of a corporate officer system, we separate the supervisory functions of the Board of Directors from the business execution functions of corporate officers. The Company sets up meetings of the Executive Committee, in which corporate officers' study and discuss matters of important business execution from various aspects before final decisions, and the the Board of Directors for development of medium-term/annual plans, in which corporate officers develop and resolve business plans and brand strategies. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating business execution. The President and CEO chairs the Executive Committee and Board of Directors. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee. The term of directors and corporate officers is one year.

To obtain an outside point of view and further strengthen the Board of Directors' supervisory function with regard to business execution, Shiseido appointed two highly independent external directors in fiscal 2006. Shiseido added one external director in 2011 and one more in 2016. As such, Shiseido currently appoints three highly independent external directors.

In addition, two of three directors aside from the external directors have built careers outside of Shiseido, ensuring diversity among the directors. We are also recruiting younger members for corporate officers, thereby aiming to strengthen the executive function.

Corporate Governance Report

Last Update: April 8, 2019
Shiseido Company, Limited
President and CEO, Representative Director: Masahiko Uotani
Contact: +81-3-6218-5530
Securities Code: 4911
<https://www.shiseidogroup.com/>

The corporate governance of Shiseido Company, Limited (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Shiseido Group including the Company sets out “to inspire a life of beauty and culture” as the corporate mission, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission”.

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, “consumers”, “business partners”, “employees”, “shareholders”, and “society and the Earth”. In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] Updated

As of April 10, 2019, the Company has implemented each Principle of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

(April 10, 2019)

With respect to <Principle 1.4: Strategic Stockholdings>, descriptions on status of stock holding reduction were updated.

With respect to the descriptions regarding <Principle 3.1: Proactive Provision of Information>, <Principle 4.9: Independence Standards Aimed at Securing Effective Independence of Persons Who Will Become Independent Directors>, and <Supplementary Principle 4.11.2: Concurrent Posts Assumed by Directors and Audit & Supervisory Board Members>, changed the reference to the Notice of Convocation of the 119th Ordinary General Meeting of Shareholders held on March 26, 2019, and updated the reasons for the appointment of Directors and Audit & Supervisory Board Members.

With respect to <Supplementary Principle 4.11.3: Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors>, descriptions were updated according to the result of the latest evaluation conducted at the end of fiscal 2018.

With respect to the items that have been updated, a ○ mark is affixed to the item number.

Initiatives for the Company's corporate governance are disclosed in convocation notices of general meetings of shareholders, annual securities reports, annual reports and others, in addition to this report.

Descriptions of the items disclosed based on each Principle of the Corporate Governance Code are as follows:

○1. The Company's corporate philosophy, corporate strategies and business plans <Principle 3.1: Proactive Provision of Information>

The Company's corporate strategies and business plans are contained and disclosed in the Company's Notice of Convocation of the 119th Ordinary General Meeting of Shareholders (pages 21 to 27).

https://www.shiseidogroup.com/ir/shareholder/e1902shm/pdf/shm_0000.pdf

2. Basic Policy on Corporate Governance <Principle 3.1: Proactive Provision of Information>

The basic stance and basic policy on the Company's corporate governance are shown in 1. of "Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" in this report. In addition, reasons why we adopted the current corporate governance system are shown in 3. of the "Status of Management Structure for Management Decision-Making, Operational Execution and Supervising, and Other Corporate Governance Systems" in this report.

3. Separation of monitoring and execution functions <Supplementary Principle 4.1.1: Summary of Scope of Matters Delegated from the Board of Directors to the Management>

The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation on the Board of Directors. Such matters consist of items relating to the general meeting of shareholders, personnel/organization, account settlement stock/bonds, and stock acquisition rights, corporate property, etc., business management and others of the Shiseido Group, that are matters provided in the Companies Act and other laws and regulations, and any other important matters equivalent thereof. Meanwhile, with the aim of clarifying the allocation of responsibility for the business management and accelerating decision making by delegation of authority, the Company introduced a corporate officer system in 2001. Authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that President and CEO can make decisions after deliberation at the Executive Committee, Meetings for Development of Medium-term/Annual Plans, and other meeting bodies.

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors.

4. Diversity of Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience and Skills, and Diversity and Size of the Board of Directors as a Whole>

The Company believes that the Board of Directors of the Company should be composed of directors with various viewpoints and backgrounds, on top of multilateral sophisticated skills, for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company believes that Audit & Supervisory Board members should have the same diversity and sophisticated skills as the directors as they have a duty to attend meetings of the Board of Directors and state opinions as necessary.

When considering the diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc., to stress not only diversity of these attributes, but also diversity in terms of tasks including professional knowledge and experiences in various fields related to the business management. In addition, the Company has set a certain maximum term of office for external directors and external Audit & Supervisory Board members in order to reflect their views, which are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & external supervisory board members to newly-appointed external directors and audit & external supervisory board members to ensure appropriate transition.

5. Ratio of External Directors at the Board of Directors <Principle 4.8: Approach concerning the Ratio of External Directors at the Board of Directors and the Roadmap for the Implementation>

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the “monitoring board-type corporate governance”, the Company established its view on the ratio of external directors at the Board of Directors.

In the Company’s articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company’s business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates of external directors and Audit & Supervisory Board members are required to meet the Company’s independence criteria as well as possess high independence in mental attitude.

○6. Criteria for Independence of “External Directors and Audit & Supervisory Board Members” <Principle

4.9: Independence Standards Aimed at Securing Effective Independence of Persons Who Will Become Independent Directors>

The Company established criteria for independence of external directors in 2012, which are included in the convocation notices of general meeting of shareholders and the like for disclosure. Specific descriptions can be found in the Internet Disclosure Accompanying the Notice of Convocation of the 119th Ordinary General Meeting of Shareholders (Voluntary Disclosure) (pages 2 to 6), and [Independent Directors] in 1. Organizational Composition and Operation of “Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” in this report.

https://www.shiseidogroup.com/ir/shareholder/e1902shm/pdf/shm_0007.pdf

7.Policies and Procedures in Appointing and Dismissing the Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information, Supplementary Principle 4.3.2: Appointment of a Qualified President and CEO, Supplementary Principle 4.3.3: Establishment of Procedures in Dismissing the President and CEO>

In nominating candidates for directors and Audit & Supervisory Board members and appointing corporate officers, it is a policy of the Company to nominate or appoint appropriate persons who are able to fulfill their duties and responsibility, fully taking into consideration their personality and intellectuality and the like regardless of gender, age and nationality. In addition, the Company also takes into consideration “the importance of roles to fulfill in response to entrustment on management by shareholders” for candidates for directors, and “the importance of audit and functions of Audit & Supervisory Board members for the corporate management” for candidates for Audit & Supervisory Board members, in nominating them respectively.

Nomination of candidates for directors and appointment of corporate officers are determined upon resolution by the Board of Directors after the Company receives a report from the Nomination Advisory Committee chaired by an external director on whether or not the candidates are adequate.

In addition to following the procedure, appointment of President and CEO is further carefully reviewed by the Nomination Advisory Committee. The candidate for President and CEO is selected from both inside and outside of the Company without excluding all sorts of possibilities from the standpoint of realizing the corporate philosophy and corporate strategies of the Company, and is bound to be subject to deliberation at the Nomination Advisory Committee chaired by an external director and an evaluation working group composed of external directors and external members of Audit & Supervisory Board, starting from this selecting stage. In a case where an appropriate person was appointed as the President and CEO through such processes, but the President and CEO cannot fulfill job responsibilities for unavoidable reasons, the person is dismissed after a resolution by the Board of Directors after careful review by the Nomination Advisory Committee and the evaluation working group. The evaluation

working group assesses, during meetings that are held several times in a year, whether a President and CEO has fulfilled his/her duties and responsibilities, and the Nomination Advisory Committee deliberates the group's judgment at meetings.

For nomination of candidates for Audit & Supervisory Board members, the representative directors select candidates, and the Company receives a report from the Nomination Advisory Committee on whether or not the candidates are adequate. Then the Board of Directors determines the nomination of candidates for Audit & Supervisory Board members upon receiving consent of the Audit & Supervisory Board on submitting a proposal for the election to the ordinary general meeting of shareholders.

○8. Explanations with Respect to the reasons for Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information>

With respect to all candidates for directors and Audit & Supervisory Board members, the Company has clarified "Reasons for Nomination of the Candidate" in relevant proposals for the election of the Notice of Convocation of the Ordinary General Meeting of Shareholders (Reference Document). The "Reasons for Nomination of the Candidates" for six directors and two Audit & Supervisory Board members proposed for election at the 119th Ordinary General Meeting of Shareholders are shown below. In addition, reasons for nomination for election of three Audit & Supervisory Board members other than two members identified above out of five members in the office of the Audit & Supervisory Board members as of the conclusion of the 119th Ordinary General Meeting of Shareholders are also shown below.

[Directors]

Masahiko Uotani:

Mr. Masahiko Uotani has a proven track record in business management and is particularly highly regarded within the marketing field. As a result of this and other factors, the Company invited him to become President and CEO, and in April 2014 he assumed that office. Following his appointment as a director of the Company at the 114th ordinary general meeting of shareholders held on June 25 that year, he was selected as representative director by the Board of Directors and since then has undertaken the mandate given by our shareholders to steer the Company's management.

He continued working to implement our new strategy to accelerate growth geared to realizing the Company's transformation "Be a Global Winner with Our Heritage" again in 2018, which was the first fiscal year of the three-year second phase of the medium-to-long-term strategy VISION 2020. As a result, the Company posted new record highs with respect to net sales, operating profit and net profit attributable to owners of parent across the board, with both net sales and operating profit for fiscal 2018 having exceeded the record-high levels achieved in the previous fiscal year.

Due to these facts and the leadership that enables him to promote reforms, the Board of Directors has continuously selected him as a candidate for director.

(The 119th Ordinary General Meeting of Shareholders)

Yoichi Shimatani:

Since joining the Company, Mr. Yoichi Shimatani has handled work related to R&D and technology at Shiseido Research Labs (currently Shiseido Research Center), and possesses a wealth of experience in this field. After assuming the post of corporate officer, he has served as officer responsible for areas including innovative science and technology alliances, and has also been responsible for cosmetics value development and incubation, among other areas. He has thus contributed to the Company's growth.

Due to these facts the Board of Directors has continuously selected him as a candidate for director.

(The 119th Ordinary General Meeting of Shareholders)

Jun Aoki:

Mr. Jun Aoki worked at McKinsey & Company Inc. Japan Office where he primarily handled the formulation of business strategies, and was also involved with the pharmaceutical industry and the healthcare field. He subsequently served as Head of International Human Resources for BNP Paribas Cardif, where he worked on acquisition, development, and retention of the personnel necessary to conduct business operations in countries worldwide, handling the establishment of human resource systems and formulation of human resource strategies for 36 countries globally. Since joining the Company he has

been responsible for supporting the design and establishment of the global human resource framework, and for formulating human resource strategies and systems for the Group.

Due to these facts the Board of Directors has continuously selected him as a candidate for director.
(The 119th Ordinary General Meeting of Shareholders)

Yoko Ishikura:

Ms. Yoko Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a Chairman of the Company's Nomination Advisory Committee and a member of Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed opinions.

She has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that she would be able to achieve adequately the role of external director.

Accordingly, the Board of Directors has decided to continuously select her as a candidate for external director.

(The 119th Ordinary General Meeting of Shareholders)

Shinsaku Iwahara:

Mr. Shinsaku Iwahara is a university professor and researcher specializing in legal studies, mainly with regard to companies and financial systems, with deep knowledge of law. He has also played important roles at the Legislative Council and Financial System Council, and has been involved in the establishment of the supervisory and examination systems of authorities such as the Financial Services Agency. He thus possesses a wealth of experience. Based on such knowledge and experience, he has been contributing toward improving the effectiveness of the Board of Directors. Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, he attended the meetings of these Committees and actively expressed opinions.

He has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external director.

Accordingly, the Board of Directors has decided to continuously select him as a candidate for external director.

(The 119th Ordinary General Meeting of Shareholders)

Kanoko Oishi:

Ms. Kanoko Oishi has experiences and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of active manager who is pushing forward patient-centered transformation of the medical industry. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a Chairman of the Company's Remuneration Advisory Committee and a member of Nomination Advisory Committee, she attended the meetings of these Committees and actively expressed opinions.

For the reasons stated above, the Company is of an opinion that she would be able to achieve adequately the role of external director.

Accordingly, the Board of Directors has continuously selected her as a candidate for external director.
(The 119th Ordinary General Meeting of Shareholders)

[Audit & Supervisory Board Members]

Takeshi Yoshida:

Since joining the Company, Mr. Takeshi Yoshida has built up a career primarily in the field of personal care, and possesses a wealth of experience in the Cosmetics business in Japan and its administration as Department Director of the Cosmetics Business Planning Department. In addition, he led the Cosmetics business in the Americas as Executive Vice President of Shiseido Americas Corporation, the holding company in the Americas. He also contributed to stable business operation for the Group by focusing on internal control as the Department Director of the Company's Internal Audit Department.

Furthermore, Mr. Yoshida has experience and knowledge in financing, accounting and taxation. Due to these facts the Board of Directors has decided to newly select him as a candidate for Audit & Supervisory Board member.

(The 118th Ordinary General Meeting of Shareholders)

Akiko Uno (newly appointed):

Since joining the Company, Ms. Akiko Uno has developed a career focused on areas such as analyzing cosmetics markets and developing sales channels through consumer surveys. In the Beauty Solution Development Center (previously), she subsequently played a leadership role in developing and operating the new realm of supervising appearance care with respect to providing support to all those with concerns regarding their appearances particularly due to side effects of medical treatments and aging, by providing them with makeup solutions that help them be true to themselves in their day-to-day lives. In the Consumer Information Center (currently Consumer Communication Center of Shiseido Japan Co., Ltd.). she supervised consumer services and risk management while also promoting development of the "Mirror System" for aggregating consumer feedback from all over the world, sharing worldwide consumer feedback within the Company, applying it to management and communicating to the individual departments in the Company.

As described above, she has strived to implement the Shiseido Group's CSR activities and risk management, and to build relationships with consumers. The Company is of the opinion that she would be able to fulfill functions of audit & supervisory board member drawing on such experience and knowledge.

Thus, the Board of Directors has newly selected her as a candidate for audit & supervisory board member.
(The 119th Ordinary General Meeting of Shareholders)

Yasuko Goto (newly appointed):

Ms. Yasuko Goto was the first female career bureaucrat in the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism (MLIT)) and served as Director of Tourism Promotion Bureau at New York of Tourist of Bureau of Japan. Meanwhile, she has an extensive network having held a succession of various important posts including that of Deputy Governor of Yamagata Prefecture and Director General of the Policy Research Institute for land, Infrastructure and Transport and Tourism. After retiring from MLIT, she had joined Kyushu Railway Company and assumed some important posts in charge of tourism business. After served as Managing Director & CFO, she was appointed as a member of the Audit and Supervisory Committee of Kyushu Railway Company and thus she has a certain amount of experience and knowledge in finance and accounting as well as in business management.

The Company determined that she could monitor the legality and adequacy of directors' execution of duties as a member of Audit & Supervisory Board utilizing her extensive experience.

Thus, the Board of Directors has newly selected her as a candidate for external audit & supervisory board member.

(The 119th Ordinary General Meeting of Shareholders)

Hiroshi Ozu:

Mr. Hiroshi Ozu has held a series of important positions in the legal world, such as Vice-Minister of Justice at the Ministry of Justice and Prosecutor General at the Supreme Public Prosecutors Office, he has wide-ranging experience and knowledge focused on the legal field. He also serves as external Audit & Supervisory Board member in other companies and possesses a wealth of experience and keen insight. He has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external Audit & Supervisory Board member.

Due to these facts, the Board of Directors has selected him as a candidate for external Audit & Supervisory Board member.

(The 117th Ordinary General Meeting of Shareholders)

Eiko Tsujiyama:

Dr. Eiko Tsujiyama is a professor of the Faculty of Commerce of Waseda University and an expert in finance, accounting and tax issues qualified as certified public accountant. Dr. Tsujiyama currently holds the office of external director and external Audit & Supervisory Board member for several companies and has affluent experience and a high level of knowledge.

Dr. Tsujiyama has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that she would be able to achieve adequately the role of external Audit & Supervisory Board member. Accordingly, the Board of Directors has continuously selected her as a candidate for external Audit & Supervisory Board member.

(The 116th Ordinary General Meeting of Shareholders)

9. Succession Plan and Training for Directors, Audit and Supervisory Board Members and Corporate Officers <Supplementary Principle 4.1.3: Succession Plan of the President and CEO, Supplementary Principle 4.14.2: Training Policy for Directors and Audit & Supervisory Board Members>

The Company considers that it should strive to have a candidate successor for President and CEO selected under his or her own responsibility and authority, and that President and CEO should propose his or her own succession plan. In addition, the Nomination Advisory Committee, which performs certain functions of the Board of Directors, receives full reports from President and CEO on the succession plan and the specific nomination for successor, then exchanges opinions and discusses the matter in light of an evaluation to President and CEO from an independent perspective as well as the Company's management issues, and provides feedback. For the evaluation of the specific successor candidate, the evaluation working group judges whether the candidate is suitable.

In addition, the Company believes that it is important to have a succession plan for not only President and CEO as leader steering business management, but also for external directors and external Audit & Supervisory Board members who play key roles in supervising functions over the business management. The Company has reviewed the succession plan that includes control of term of office and clarification of requirements for candidates for successors, not only during the time immediately before the replacement but continuously at the Nomination Advisory Committee as a matter that needs to be paid attention to at all times.

The Company also believes in addition to appointing personnel having credentials required to serve as directors, Audit & Supervisory Board members and corporate officers, it is also important to provide them with necessary training and information. The Company provides candidates for new directors and candidates for new audit and supervisory board members with training with regard to legal and statutory authorities and obligations, etc. utilizing training programs provided by external institutions as necessary. In addition, when a new external director or external Audit & Supervisory Board member is scheduled to come on board, the Company provides training regarding the industry the Company operates business in, the history, business overview, strategy, etc. of the Company.

Furthermore, for directors who execute business and corporate officers, the Company holds an in-house executive program, as well as utilizing training at external institutions, in order to develop leadership capabilities to an even higher level. In respect of the cultivation of the next generation of management, executives who are corporate officer candidates are provided with training programs to nurture their leadership abilities and management skills required for top management officers.

○ 10. Important Position at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.2: Concurrent Posts Assumed by Directors and Audit & Supervisory Board Members>

Matters concerning important positions at other organizations concurrently assumed by directors and Audit & Supervisory Board members of the Company are shown in the Notice of Convocation of the 119th Ordinary General Meeting of Shareholders of the Company (page 53, pages 103 to 107, and page 111).

Also, the important positions at other organizations concurrently assumed by external directors and external Audit & Supervisory Board members and relationships between organizations and the Company are shown in the Notice of Convocation of the 118th Ordinary General Meeting of Shareholders of the Company (pages 55 to 57, pages 104 to 107, and page 111).

https://www.shiseidogroup.com/ir/shareholder/e1902shm/pdf/shm_0000.pdf

11. Information Exchange between External Directors and External Audit & Supervisory Board Members <Supplementary Principle 4.4.1: Coordination between the Audit & Supervisory Board Members and Audit & Supervisory Board, and External Directors, Supplementary Principle 4.8.1 and 2: Establishment of Framework for Information Exchange among Independent Directors/Establishment of Framework for Communication with Various Corporate Bodies>

The Company has elected a total of six external directors and audit & external supervisory board members: three external directors and three external Audit & Supervisory Board members with high degree of independence. To ensure that external directors and external Audit & Supervisory Board members can fully play their expected roles, the Company provides them with training with regard to the industry the Company belongs to, history, business overview and strategies and the like of the Company at the time they newly assume office, and the materials for meetings of the Board of Directors in advance. In addition to the "Board of Directors Member Meeting" consisting of all directors and Audit & Supervisory Board members that has been held as necessary for information exchange and discussions, In addition, information sharing meetings are held between external directors and Audit & Supervisory Board members.

In addition, external directors and external Audit & Supervisory Board members exchange and share information and confirmed mutual recognition through lively discussions in the evaluation working group meeting. The evaluation working group was established as a common deliberation body shared by the Nomination Advisory Committee and the Remuneration Advisory Committee, and the group is comprised of external directors and external Audit & Supervisory Board members. The group's mission is to conduct overall business evaluation including the performance evaluation for President and CEO, and confirm appropriateness of the remuneration level. The evaluation working group also deliberates and reviews reappointment or replacement of President and CEO, playing an extensive role concerning appropriate appointment of President and CEO and determining incentives.

○12. Assessment of the Effectiveness of the Board of Directors <Supplementary Principle 4.11.3: Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors>

The Company conducted an evaluation concerning effectiveness of the Board of Directors in fiscal 2018 with the aim of identifying issues and improvements required to enhance effectiveness of the Board of Directors. In fiscal 2018, we conducted a third-party assessment that is to be conducted once every three years.

Individual interviews with all directors and Audit & Supervisory Board members (for 90 minutes per person in principle) were conducted respectively in addition to anonymous questionnaires to evaluate and analyze the activities of the Board of Directors, the Nomination Advisory Committee, the Remuneration Advisory Committee and the Audit & Supervisory Board and the support system by the secretariat. In order to draw out frank opinions and to ensure objective analysis, the secretariat of the Board of Directors asked external organizations to collect responses from the questionnaires, to conduct and consolidate the results of individual interviews, and the secretariat conducted analyzes using the data after aggregation.

As a result of this compilation and analysis, the secretariat evaluates that the Board of Directors in fiscal 2018 was in the following situation:

- Acclaimed items:
 - Balance of the supervisory functions of the Board of Directors toward the "autonomous corporate governance" we aim to achieve
 - Setting appropriate agenda items and holding open and active discussions at the Board of Directors meeting (but requiring further narrowing down of agendas)
 - Size of the Board of Directors, Composition Ratio of external directors
 - Communication between CEO and external directors
 - Contributions of Audit & Supervisory Board members
- Items to be improved:
 - Discussions at the Nomination Advisory Committee regarding further improvement with respect to diversity of the Board of Directors
 - Composition of external directors and recruitment of candidates for external directors (responding to the current situation becoming increasingly difficult to recruit qualified persons)
 - Enhanced discussion of the succession plan for CEO

- Enhancement of support functions, including providing information, to external directors
- Identifying matters that require further discussion at the Board of Directors meeting

In fiscal 2019, the Company will continue to work on improving these items including new ones, maintaining the institutional design of the Company with the Audit & Supervisory Board. The Company will strengthen the monitoring function of the Board of Directors utilizing the mechanism of the Nomination Advisory Committee and Remuneration Advisory committee.

○13. Policies and Procedures in Determining the Remuneration of the Senior Management and Directors by the Board of Directors <Principle 3.1: Proactive Provision of Information>

The directors, Audit & Supervisory Board members and corporate officers' remuneration policy of the Company is established by the Remuneration Advisory Committee, which is chaired by an external director and includes external professionals as the Committee members, to maintain objectivity and high transparency. Remuneration to directors, Audit & Supervisory Board members and corporate officers of the Company consists of a basic remuneration and a performance-linked remuneration that fluctuates depending on the achievement of management targets and share price. The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and Audit & Supervisory Board members receive only basic remuneration, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th Ordinary General Meeting of Shareholders was held.

More details on the directors, Audit & Supervisory Board members and corporate officers' remuneration policy are shown for disclosure on the Notice of Convocation of the 119th Ordinary General Meeting of Shareholders of the Company (pages 62 to 67).

https://www.shiseidogroup.com/ir/shareholder/e1902shm/pdf/shm_0000.pdf

14. Fundamental Approach to Capital Policy <Principle 1.3: Fundamental Approach to Capital Policy>

The Company endeavors to maintain its shareholders' equity at a certain level in order to invest promptly and decisively when considered necessary in order to ensure sustainable growth. In addition, the Company regards free cash flow and the cash conversion cycle as important, and practices management focused on ensuring capital efficiency by improving its management of cash flows and its balance sheet. With regard to financing which supports our investment for future growth, we will implement timely financing to the best of our abilities, taking into account market conditions and other factors. We set a target of debt-to-equity ratio of 0.3 and interest-bearing debt to EBITDA ratio of 1.0 in order to maintain a single-A credit rating, which enables financing on favorable terms. However, considering future earning ability and capability to create cash flow, we will review these indices as well as the current approach to providing returns to shareholders timely, so as to optimize the capital structure that can contribute to further improvement in capital efficiency.

We aim to achieve total returns, comprising direct returns to shareholders through dividends and medium-to-long term share price gains. Based on this approach, our basic policy is to focus on making strategic investment for sustainable growth, thus aiming for maximization of corporate value. At the same time we will enhance capital efficiency exceeding capital costs, with a view to increasing dividends and our share price over the medium-to-long term.

Upon determining dividends, we will achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and set the minimum level of Dividend on Equity (DOE) of 2.5%, which we see as an indicator that reflects our capital policy. We will also buy back shares flexibly taking the market environment into consideration.

15. Corporate Strategies Focused on Capital Costs <Principle 5.2: Establishing and Disclosing Corporate Strategies and Business Plans >

The Company aims to enhance our advantage globally in the prestige cosmetics field, with its top priority determined by the aforementioned capital policy. Toward 2020, the Company plans to invest more than 300 billion yen in the enhancement of the supply structure, including the building of a new factory, and marketing, which will increase total assets. Concerning cash and deposits, the Company aims to maintain the soundness of liquidity in hand, assigning priority to investment in growth and reduce the inventory to an appropriate level.

Through balance sheet management and cash flow management as outlined under the aforementioned capital policy, the Company aims to achieve more than 12% of return on invested capital (ROIC), a return that exceeds capital costs (WACC).

Business performance data of the most recent quarter and the corresponding corporate strategies are listed in the website below.

https://www.shiseidogroup.jp/ir/library/tanshin/?rt_bt=second-ir-mainmenu_001

(Website>Investors>IR Library>Consolidated Settlement of Accounts/Presentation)

○16. The Company's Policy with Regard to Reduction of Strategic Stockholdings <Principle 1.4: Policy with Regard to Strategic Stockholdings and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings>

The Company conducts strategic stockholdings in accordance with the policy below, and keeps such stockholdings at the minimum level necessary.

- The Company conducts strategic stockholdings at the minimum level necessary only when it determines that such stockholdings would contribute to sustainable growth and mid- and long-term improvement of corporate value.
- The Company regularly examines whether the purpose of holdings and benefits from holdings are balanced with capital costs for each stock it holds, makes the Board of Directors verify the adequacy of the holdings, and discloses the results.
- When a company that holds the Company's shares for the purpose of strategic stockholdings wants to sell the shares, the Company should neither prevent the sales nor suggest that the Company would reduce transactions with the holding company.

As of the end of December 2018, the Company holds stocks of 29 companies as strategic stockholdings. The Company reduced strategic stockholdings by about 21% based on book value since the end of the previous fiscal year by selling all shares of four companies and some shares of two companies.

In addition, when exercising its voting rights with regard to shares of strategic stockholdings, the Company confirms whether the proposed item of business would lead to impairment of shareholder value. It then considers the situation of an investee company and other relevant factors to determine its approval or disapproval before exercising its voting rights.

If the Company wishes to confirm the intent of an item of business, etc., it will discuss the matter with the investee company if necessary.

17. Roles of Corporate Pension Funds as Asset Owners <Principle 2.6: Roles of Corporate Pension Funds as Asset Owners>

For adequate pension fund investments, the Company takes the following actions to perform its roles expected as an asset owner:

- The Company regularly convenes meetings of the asset-investment review conference, which consists of the corporate officer in charge of finance, the Department Director of the Human Resources Department, the Department Director of the Financial Department, board members of the pension fund, and others; at the meeting, the Company determines asset portfolios, investment policies, and investment products based on opinions and advice from external consulting firms.
- Based on the policy determined by the asset-investment review conference, the board member in charge of investment of the pension fund conducts asset investments and reports the results to the asset-investment review conference, the board of representatives, and the board of directors of the pension fund, who monitor investment results.
- The executive board members and the board member in charge of investment are selected from among candidates who have years of experience in corporate pension fund operations at other financial institutions. The members of the asset-investment review conference gain expertise by participating in seminars held by external consulting firms and other professional organizations.

18. Framework for Confirmation of Transactions with Related Parties <Principle 1.7: Framework for Confirmation of Transactions with Related Parties>

The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms

the existence of transactions with the said related parties and the importance of the said transactions, and, if there are transactions to be disclosed, carries out disclosure accordingly. The existence of related parties, the existence of transactions with related parties, the contents of transactions and other such information, are reported to the Board of Directors in advance of disclosure, and a review is conducted based on the criteria for judgment of importance stipulated in the “Guidance on Accounting Standard for Related Party Disclosures.”

19. Communication with Investors <Principle 5.1: Policies concerning the Measures and Organizational Structures Aimed at Promoting Constructive Dialogue with Shareholders>

The Company established the Disclosure Policy, consisting of “Basic Policy on Information Disclosure,” “Standards for Information Disclosure,” “Method of Information Disclosure,” “Quiet Periods,” and “Forward-Looking Statements” in 2006. The Disclosure Policy was partially amended in order to include provisions concerning recognition of material information in January, 2018, and the amended policy is disclosed on the website of the Company.

<https://www.shiseidogroup.com/ir/disclosure/policy/>

Currently, the Company is aggressively implementing the initiatives described in 1. and 2. of “Implementation of Measures for Shareholders and Other Stakeholders” in this report, based on the Disclosure Policy, with the aim of appropriately providing both institutional investors (shareholders) and individual investors (shareholders) with information.

As we believe that the Company is expected to make further improvements in these various activities, from the standpoint of “promoting constructive dialogue,” we are continuously studying this point. We will inform you of results of the study in a timely manner.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,033,600	11.33
Japan Trustee Services Bank, Ltd. (Trust Account)	22,795,100	5.70
BNYM TREATY DTT 15	11,915,384	2.98
Mizuho Trust & Banking Co., Ltd. re-trusted to Trust & Custody Services Bank, Ltd.	10,000,000	2.50
Employees Pension Trust for Mizuho Bank		
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,798,200	1.95
Japan Trustee Services Bank, Ltd. (Trust Account 7)	7,100,600	1.77
STATE STREET BANK WEST CLIENT – TREATY 505234	6,279,378	1.57
THE BANK OF NEW YORK MELLON 140044	5,964,548	1.49
JP MORGAN CHASE BANK 385151	5,897,907	1.47
SSBT CLIENT OMNIBUS ACCOUNT	5,856,871	1.46

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation [Updated]

1. All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account, Trust Account5, and Trust Account7) and Japan Trustee Services Bank, Ltd. (Trust Account) are in connection with the respective bank's trust business.
2. A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc., that on October 15, 2018, it held 32,000 thousand shares through joint holdings (Percentage of shareholding: 8.01%), of which 24,833 thousand shares (6.21%) are held by the Mitsubishi UFJ Trust and Banking Corporation, has been filed with the Director-General of the Kanto Finance Bureau. However, the Mitsubishi UFJ Trust and Banking Corporation has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.
3. A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on October 22, 2018, it held 26,972 thousand shares through joint holdings (Percentage of shareholdings: 6.75%), of which 15,832 thousand shares (3.96%) are held by the Asset Management One Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. However, the Asset Management One Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.
4. A report of amendment to large shareholdings from BlackRock Japan Co., Ltd., that on November 21, 2018, it held 24,051 thousand shares through joint holdings (Percentage of shareholding: 6.02%), of which 8,310 thousand shares (2.03%) are held by BlackRock Japan Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau. However, BlackRock Japan Co., Ltd., has been executed from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.

5. A report of large shareholdings from the Nomura Securities Co., Ltd. that on November 21, 2018, it held 20,023 thousand shares through joint holdings (Percentage of shareholding: 5.01%), of which 19,187 thousand shares (4.80%) are held by the Nomura Securities Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. However, the Nomura Securities Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.
6. A report of amendment to large shareholdings from the Sumitomo Mitsui Trust Bank, Ltd., that on December 21, 2018, it held 28,236 thousand shares through joint holdings (Percentage of shareholding: 7.06%), of which 13,865 thousand shares (3.47%) are held by the Sumitomo Mitsui Trust Asset Management Co., Ltd. and 10,370 thousand shares (2.59%) are held by the Nikko Asset Management Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. However, the Sumitomo Mitsui Trust Asset Management Co., Ltd. and the Nikko Asset Management Co., Ltd., Ltd., have been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year. On March 22, 2019, a report of amendment to large shareholdings from the Sumitomo Mitsui Trust Bank, Ltd., that it held 26,947 thousand shares through joint holdings (Percentage of shareholdings: 6.74%) of which 13,869 thousand shares (3.47%) were held by Sumitomo Mitsui Trust Asset Management Co., Ltd., and 10,077 thousand shares (2.52%) held by Nikko Asset Management Co., Ltd., has been filed with the Director-General of the Kanto Finance Bureau.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

N/A

5. Other Special Circumstances which may have Material Impact on Corporate Governance

None.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6
Number of External Directors	3
Number of Independent Directors	3

External Directors' Relationship with the Company (1) [Updated]

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yoko Ishikura	Other											
Shinsaku Iwahara	Scholar											
Kanoko Oishi	Originally from other company											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2) [Updated]

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoko Ishikura	○	<p>With regard to Ms. Yoko Ishikura, none of the relationship classification stated above (classification “a” – classification “k”) applies to her.</p> <p>Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows</p> <ul style="list-style-type: none"> • Outside Director, Nissin Food Holdings Co., Ltd. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as “Principal Occupation” when it estimates the importance of Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed.”</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Ms. Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a Chairman of the Company’s Nomination Advisory Committee and a member of Remuneration Advisory Committee, she attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></p> <p>Ms. Ishikura maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Ms. Ishikura has fulfilled the Criteria in full. Hence Ms. Ishikura has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p>

		(a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
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Shinsaku Iwahara	○	<p>With regard to Mr. Shinsaku Iwahara, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Mr. Iwahara's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Professor, Faculty of Law, Waseda University <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Iwahara's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Mr. Iwahara has been appointed external director to reflect his legal knowledge, particularly regarding the Companies Act and Financial Laws, to the management of the Company, as well as his knowledge and experiences in the area of corporate governance.</p> <p>Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, he attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></p> <p>Mr. Iwahara maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Iwahara has fulfilled the Criteria in full. Hence Mr. Iwahara has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) a person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
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Kanoko Oishi	○	<p>With regard to Ms. Kanoko Oishi, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Ms. Oishi's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • CEO, MEDIVA Inc. • CEO, Seeds 1 Co., Ltd. • Outside Director, Ezaki Glico Co., Ltd. • External Board Member, Santen Pharmaceutical Co., Ltd. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Ms. Oishi's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Ms. Oishi has many years of experience in managing businesses in Japan and overseas. Currently, she is primarily involved in efforts to transform the healthcare industry from the patient's point of view. In addition, she has accumulated experience as an external director in multiple companies. We believe that Ms. Oishi can help to enhance the Company's corporate value by leveraging this experience and knowledge, in addition to supervising management as an external director.</p> <p>Also, as a Chairman of the Company's Remuneration Advisory Committee and a member of Nomination Advisory Committee, she attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></p> <p>Ms. Oishi maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Ms. Oishi has fulfilled the Criteria in full. Hence Ms. Oishi has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p>
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		(a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Remuneration Advisory Committee
All Committee Members [Updated]	4	4
Full-time Members	0	0
Inside Directors	1	1
External Directors [Updated]	3	3
Outside Experts	0	0
Other	0	0
Chairperson	External Director	External Director

Supplementary Explanation [Updated]

<Nomination Advisory Committee>

The Nomination Advisory Committee makes reports to the Board of Directors on matters including the selection of candidates for directors and corporate officers and their promotions and demotions. In fiscal 2018, 5 meetings of the Nomination Advisory Committee were held. In addition to reporting on the selections of candidates for directors and audit & supervisory board members and the appointment of corporate officers, the committee discussed partial changes of the corporate officer system of the Company.

<Remuneration Advisory Committee>

The Remuneration Advisory Committee makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. In fiscal 2018, 8 meetings of the Remuneration Advisory Committee were held. In addition to discussing bonuses for the Company's directors and corporate officers for fiscal 2017, remunerations for the Company's individual directors and corporate officers for fiscal 2018, and a remuneration system for fiscal 2018, the committee discussed the matter of adopting new long-term incentive-type remuneration using PSU (Performance Share Units).

[Audit & Supervisory Board Members (*Kansayaku*)]

Establishment of Audit & Supervisory Board (<i>Kansayaku</i> Board)	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	The Company doesn't set a ceiling on the number of corporate auditors
Number of <i>Kansayaku</i>	5

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Audit & Supervisory Board members receive reports on audit plans for audit system and schedule from the accounting auditors, and opinions are exchanged. The Audit & Supervisory Board members receive reports on audit results and its method from accounting auditors throughout the fiscal year. The Audit & Supervisory Board members receive reports on audit plans and the results of audits and surveys from the Internal Auditing Department, and opinions are exchanged on necessary commitments. In addition, representative directors and Audit & Supervisory Board members periodically hold meeting for exchanging opinions.

Appointment of External <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

External *Kansayaku*'s Relationship with the Company (1) [Updated]

Name	Attribute	Relationship with the Company*												
		A	b	c	d	e	f	g	h	i	j	k	l	m
Yasuko Goto	Originally from other company													
Hiroshi Ozu	Attorney at Law													
Eiko Tsujiyama	CPA													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

External Kansayaku's Relationship with the Company (2) [Updated]

Name	Designation as Independent Kansayaku	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasuko Goto	○	<p>With regard to Ms. Yasuko Goto, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <p>Ms. Goto's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Director, Audit and Supervisory Committee Member, Kyushu Railway Company <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Ms. Goto's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external member of Audit & Supervisory Board and roles and functions in the Company></p> <p>Ms. Goto has been appointed Audit & Supervisory Board member (external) in order to ensure objectivity and neutrality of auditing by Audit & Supervisory Board members, based on her experience of serving as managing director & CFO and as officer in charge of some businesses, in addition to her extensive experience of having held a succession of various important posts.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor></p> <p>Ms. Goto maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Ms. Goto has fulfilled the Criteria in full. Hence Ms. Goto has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company;</p>

			<p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary</p>
Hiroshi Ozu	○	<p>With regard to Mr. Hiroshi Ozu, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <p>Mr. Ozu's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • External Audit & Supervisory Board Member of MITSUI & CO., LTD. • Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION • Representative Director of Shimizu Scholarship Foundation, general incorporated foundations • President of Criminal Justice Welfare Forum Oasis (general incorporated association) • President of Japan Criminal Policy Society <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Ozu's "Important Position of Other Organizations</p>	<p><Reasons for appointing as an external member of Audit & Supervisory Board and roles and functions in the Company></p> <p>Mr. Ozu has been appointed Audit & Supervisory Board member (external) in order to ensure objectivity and neutrality of auditing by Audit & Supervisory Board members, based on his experiences and knowledge in legal field.</p> <p>Mr. Ozu has expressed necessary views from an independent perspective.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor></p> <p>Mr. Ozu maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Ozu has fulfilled the Criteria in full. Hence Mr. Ozu has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary</p>

		Concurrently Assumed.”	
Eiko Tsujiyama	○	<p>With regard to Dr. Eiko Tsujiyama, none of the relationship classification stated above (classification "a" – classification "m") applies to her.</p> <p>Dr. Tsujiyama's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Professor, Faculty of Commerce, Waseda University • Outside Director of ORIX Corporation • Outside Corporate Auditor of Lawson, Inc. • Outside Corporate Auditor of NTT DoCoMo, Inc. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Dr. Tsujiyama's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external member of Audit & Supervisory Board and roles and functions in the Company></p> <p>Dr. Tsujiyama has been appointed Audit & Supervisory Board member (external) in order to ensure objectivity and neutrality of auditing by Audit & Supervisory Board members, based on her experiences and knowledge as management executive of a medical corporation.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor></p> <p>Dr. Tsujiyama maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Dr. Tsujiyama has fulfilled the Criteria in full. Hence Dr. Tsujiyama has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary</p>

[Independent Directors/*Kansayaku*]

Number of Independent Directors/ <i>Kansayaku</i>	6
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Matters relating to Independent Directors/*Kansayaku*

The Company establishes its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” (the “Criteria”) and “Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”), which is contingent upon the Criteria. In this report, some of the descriptions about the relationships between the Company and other organizations in which external directors/Audit & Supervisory Board members concurrently assume important position are omitted according to the Insignificance Criteria.

<Criteria for Independence of External Directors/Audit & Supervisory Board Members>

Shiseido Company, Limited (the “Company”) deems an external director and Audit & Supervisory Board member (collectively the “External Director”) or a candidate for the External Director to have sufficient independence against the Company in the event that all the following requirements are fulfilled upon the Company’s research to the practically possible and reasonable extent.

1. He/She is not nor has been an executive personⁱ of the Company or an affiliated companyⁱⁱ (collectively the “Shiseido Group”);
In the case of an Audit & Supervisory Board members (external), in addition to the above, he/she has not been a non-executive director nor accounting advisor (in the case of accounting advisor being an artificial person, a staff in charge of the duty) of the Shiseido Group.
2. He/She does not fall under any of the following items for the current fiscal year and the last nine (9) fiscal years (all these fiscal years being referred to as the “Relevant Fiscal Years”):
 - 1) A counterparty which has transactions principally with the Shiseido Groupⁱⁱⁱ, or its executive person (including a person having once been executive officer for the Relevant Fiscal Years. The same is applicable to Items 2) to 4) of this Clause below);
 - 2) A principal counterparty of the Shiseido Group^{iv}, or its executive person;
 - 3) A large shareholder who holds or has held directly or indirectly 10% or more of the voting rights of the Company in the Relevant Fiscal Years or its executive person;
 - 4) An executive person of a company of which the Shiseido Group holds or has held directly or indirectly 10% or more of the total voting rights in the Relevant Fiscal Years;
 - 5) A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets^v in addition to the External Director’s remunerations in the Relevant Fiscal Years. In addition, in the event that the accounting professional or legal professional is an organization such as artificial person or association, a person who belongs to such organization (including a person who has once belonged to such organization in the Relevant Fiscal Years. The same is applicable to Items 6 and 7 below of this Clause) is included.
 - 6) A person/organization who received donation of a large amount of money or other assets from the Shiseido Group in the Relevant Fiscal Years. In addition, in the event that those who received donation from the Shiseido Group are an organization such as artificial person or association, a person who belongs to such organization is included.
 - 7) An accounting auditor of the Company. In addition, in the event that the accounting auditor is an organization such as artificial person or association, a person who belongs to such organization is included.
3. He/She is not a spouse of the following person, relative in second or less degree, relative living in the same place or a person with whom living costs are shared, provided, however that Item 2) is applicable only to make judgment on the independence of an Audit & Supervisory Board members (external).
 - 1) An important persons^{vi} among executive persons of the Shiseido Group;
 - 2) Non-executive director of a company in the Shiseido Group;
 - 3) A person falling under any of Items 1) to 4) of Clause 2; provided, however, that with respect to these executive persons, applicable only to the important persons^{vi}.

- 4) A person falling under any of Items 5) to 7) of Clause 2; provided, however, that with respect to a person belonging to the organization, applicable only to the important persons^{vii}.
4. Any of the following situations that could be deemed as “Cross-Assumption of Offices of Directors, etc.” is not applicable:
- 1) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, external director, corporate auditor or the office equivalent thereto^{viii} of a company other than the Company, in Japan or overseas (the “Subject Company”), an executive person, an external director, corporate auditor (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes director (including an external director), executive officer, corporate auditor (including external corporate auditor), executive officer or person in the position equivalent thereto^{viii} of the Subject Company.
 - 2) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, director, officer or the office equivalent to director or officer of an artificial person or other organization (other than a company) (the “Subject Organization”), an executive person, an external director, corporate auditor (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of director, officer or person in the position equivalent thereto^{ix} of the Subject Organization.
5. In addition to Clauses 1 to 4, there exist no circumstances in which duties imposed on an independent External Director are reasonably deemed not to be achieved.
6. It is presently expected that any event or matter stated in Clauses 1 to 5 would not occur or exist hereafter.

Note:

- i. An “affiliated company” means the affiliated company stated in Article 2, Paragraph 3, Item 22 of the Ordinance on Company Accounting.
- ii. An “executive person” means an executive director, executive officer, corporate officer, staff executing business of a company divided into interest (mochibun kaisha) (in the event of the staff being a artificial person, a person to discharge duties stated in Article 598, Paragraph 1 of the Companies Act), a person executing business of artificial person or organization other than a company and an employed person (an employee, etc.) of a artificial person or organization including a company.
- iii. A “counterparty which has transactions principally with the Shiseido Group” means a person/organization falling under any of the following items:
 - 1) The counterparty or the counter party group (a consolidated group to which the company that has direct transactions with the Shiseido Group belongs to) (collectively the “counterparty”)which provides or provided products or services to the Shiseido Group and the aggregate amount of transactions between the counterparty and the Shiseido Group exceeds Yen10 million per fiscal year, and which exceeds 2% of consolidated net sales of the counterparty (or if the counterparty does not prepare consolidated financial statement, non-consolidated net sales of the counterparty) for the Relevant Fiscal Years.
 - 2) The counterparty group to which the Shiseido Group is or was indebted to the counterparty group and the aggregate amount of indebtedness of the Shiseido Group exceeds Yen10 million as at the end of each fiscal year, and which exceeds 2% of consolidated total assets (or if the counterparty does not prepare consolidated financial statement, non-consolidated total assets of the counterparty) of the counterparty for the Relevant Fiscal Years.
- iv. A “principal counterparty of the Shiseido Group” means a person/organization falling under any of the following items:
 - 1) The counterparty to which the Shiseido Group provides or provided products or services and the aggregate amount of transactions between the counterparty and the Shiseido Group exceeds ¥10 million per fiscal year, and which exceeds 2% of consolidated net sales of the Shiseido Group for the Relevant Fiscal Years.
 - 2) The counterparty to which the Company Group has account-receivable, advance and account due (collectively “account-receivable”) and the aggregate amount of the account-receivable of the Shiseido Group exceeds Yen10 million as at the end of each fiscal year, and which exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.

- 3) A financial institution group (to which the direct lender belongs) from which the Shiseido Group borrows or borrowed and the aggregate amount of the borrowing exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.
- v. A “large amount of money or other assets” means in excess of Yen 10 million per fiscal year.
 - vi. An “important person” from among executive persons means a director (excluding external director), an executive officer, corporate officer, and employed person in the office of senior management not lower than general manager.
 - vii. An “important person” from among persons “belonging to the organization” stated in 5) and 7) in Clause 2 above means an officer such as certified public accountants belonging to audit corporation or accounting firm, lawyer (including so as to call associates) belonging to law firm, director and supervisor belonging to a judicial foundation, incorporated association, incorporated school and other artificial persons (collectively “Various Artificial Person”) In the event that an organization to which a person belongs is not any of audit corporation, accounting firm, law firm and Various Artificial Person, a person who is deemed objectively and reasonably important equivalent to the persons stated above in this note by the organization.
 - viii. An “office of an executive person, external director, corporate auditor or the position equivalent thereto” includes the positions such as “Counselor”, “Advisor”, etc. assumed by retired director, retired corporate auditor, retired executive officer or retired corporate officer enabling them to give advice to the Company, in addition to an executive person defined in Note ii above, non-executive director (including external director), and corporate auditor (including external corporate auditor).
 - ix. The “office of director or person in the position equivalent thereto” includes the positions such as “Counselor”, “Advisor”, etc. assumed by retired director, retired councilor or retired supervisor enabling them to give advice to the subject organization, in addition to director, councilor or supervisor.

< Insignificance Criteria for Omission of Description about Relationships between the Company and the Eternal Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents >

Shiseido Company, Limited (the “Company”) establishes its own rules of ”Insignificance Criteria for Omission of Description about Relationships between the Company and the Eternal Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”) in accordance with its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” as described below. This Insignificance Criteria defines monetary amount standards by which the Company deems an external director and Audit & Supervisory Board member (collectively the “External Director”) or a candidate for the External Director to axiomatically have sufficient independence against the Company and it is allowed to omit detailed descriptions in the notification documents and disclosure documents (collectively the “Notification Documents”). Descriptions about the independence of the External Directors in the Notification Documents are made according to this Insignificance Criteria and, in principle, some of the descriptions about the relationships between the Company and other organizations in which External Directors concurrently assume important position to be omitted according to this Insignificance Criteria. In addition, the “Relevant Fiscal Years” in this Insignificance Criteria means “the current fiscal year and the last nine (9) fiscal years.”

1. Descriptions on “A principal counterparty of the Shiseido Group, or its executive person” and “A counterparty which has transactions principally with the Shiseido Group, or its executive person”

The Company shall omit descriptions about the transactional relationships if all of transaction amount specified in the following 1) through 5) are smaller than Yen 10 million per year in the Relevant Fiscal Years.

- 1) Total amount of transactions of providing products or services from a counterparty group to the Shiseido Group in each Relevant Fiscal Years
- 2) Shiseido Group’s total unpaid amount to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years
- 3) Total amount of transactions of providing products or services from Shiseido Group to a counterparty group in each Relevant Fiscal Years
- 4) Shiseido Group’s total amount of trade receivable to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years

<p>5) Total amount of debt loan from a financial institution group at the end of each fiscal year of the Relevant Fiscal Years</p> <p>2. Descriptions on “A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets in addition to the External Director’s remunerations”</p> <p>The Company shall omit descriptions about a consultant, accounting professional, or legal professional who has been paid some money from Shiseido Group in addition to the External Director’s remunerations if the amount of payment is smaller than Yen 10 million per year in the Relevant Fiscal Years.</p> <p>3. Descriptions on “A person/organization who received donation of a large amount of money or other assets”</p> <p>The Company shall omit descriptions about a person/organization who received donation from Shiseido Group if the amount of donation is smaller than Yen 5 million per year in the Relevant Fiscal Years.</p> <p>4. Descriptions on “Relatives of the External Directors”</p> <p>The Company shall omit descriptions about relatives in fourth or more degree. However, descriptions about a relative living in the same place with the External Directors or a person with whom living costs are shared with the External Directors can not be omitted.</p> <p>5. Descriptions on “Cross-Assumption of Offices of Directors, etc.”</p> <p>The Company shall omit descriptions about “cross-assumption of offices of directors, etc. (*)” if ten years or more have passed after severing such situations.</p>
<p>* In the event that the External Directors or a candidate for the External Director currently assumes the office of an executive person, external director, corporate auditor or the office equivalent thereto of a company other than the Company, in Japan or overseas (the “Subject Company”), an executive person, an external director, corporate auditor (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes director (including an external director), executive officer, corporate auditor (including external corporate auditor), executive officer or person in the position equivalent thereto of the Subject Company. And also in the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, director, officer or the office equivalent to director or officer of an artificial person or other organization (other than a company) (the “Subject Organization”), an executive person, an external director, corporate auditor (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of director, officer or person in the position equivalent thereto of the Subject Organization.</p>

[Incentives]

Incentive Policies for Directors	Introduced Performance-linked Remuneration and Stock Options
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Supplementary Explanation Updated

The Company regards the directors, Audit & Supervisory Board members and corporate officers remuneration policy as an important matter for the corporate governance. Thus the directors, Audit & Supervisory Board members and corporate officers remuneration policy of the Company is designed at the Remuneration Advisory Committee chaired by external directors based on the following basic philosophy, while incorporating objective points of views.

< Basic philosophy of the directors, Audit & Supervisory Board members and corporate officers remuneration policy>

1. contribute to realizing corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium- to long-term business strategy, and designed to strongly motivate directors, Audit & Supervisory Board members and corporate officers eligible for remuneration to bring medium- to long-term growth;
4. have a mechanism incorporated to prevent overemphasis on a short-term views and wrongdoing; and
5. be designed to transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.

The remuneration of the directors, Audit & Supervisory Board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

As from fiscal 2019, the Company has introduced a new long-term incentive-type remuneration using PSU (Performance Share Units) to replace the former one-yen stock option.

External directors and Audit & Supervisory Board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

Recipients of Stock Options	Inside Directors and others (Corporate Officers)
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Supplementary Explanation Updated

While the Company has introduced new long-term incentive-type remuneration using PSU (Performance Share Units), stock options granted as remuneration up to and through fiscal 2018 are still surviving.

The Company grants stock options to executive directors and corporate officers of the Company who don't concurrently serve as director of the Company in order to have them share risks with its shareholders and to motivate balanced management from a medium-to-long-term perspective, not just a short-term focus. In addition, the Company grants stock options to corporate officers of Shiseido Japan Co., Ltd., a wholly owned subsidiary of the Company, for the same purpose.

The numbers of allotment of the Company's stock options for each allottees are determined based on the business performance and personal evaluations for the previous fiscal year. Therefore, part of the allottees may have retired from their respective positions at the time when stock options are allotted to them. However, the stock options are allotted as remuneration for business execution while the allottees are in the position of director or corporate officer of the Company/wholly owned subsidiary of the Company.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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Supplementary Explanation [Updated]

Total amounts paid to non-external directors, external directors, Audit & Supervisory Board members, and Audit & Supervisory Board members (external) are separately disclosed of basic fixed remuneration, bonuses and stock options.

Amounts of remunerations, etc. paid to representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of remuneration, are individually disclosed. (as from fiscal 2009)

Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2018
(millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Directors (9 persons)	281	212	102	597
External directors (5 persons)	49	-	-	49
Audit & Supervisory Board Members (6 persons)	104	-	-	104
External members (3 persons)	39	-	-	39
Total	386	212	102	701

Notes:

1. The total amount of basic remuneration and bonuses paid to directors are not more than the ceiling amount of ¥2 billion (including the ceiling amount of ¥0.2 billion for remuneration for external directors) per annum, according to the resolution of the 118th annual general meeting of shareholder (March 27, 2018). Basic remuneration for Audit & Supervisory Board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
3. In addition to the above payments, there are other remunerations, etc. of ¥25 million recorded for the fiscal year ended December 31, 2018 as expenses associated with stock options granted to two directors of the Company, at the time the director served as corporate officer not holding the office of director.
4. None of the directors or the Audit & Supervisory Board members will be paid remunerations other than the executive remunerations described above (including those described in notes 1 through 3).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds 100 million yen, by type of remuneration for Fiscal 2018

(millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Masahiko Uotani, Representative Director	153	163	95	412
Jun Aoki, Representative Director	44	25	7	77

Notes:

1. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock

- acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
2. In addition to the above payments, there are other remuneration, etc. of ¥6 million recorded for the fiscal year ended December 31, 2018 as expenses associated with stock options granted to Representative Director Jun Aoki at the time he served as corporate officer not holding the office of director.
 3. None of the two directors above will be paid remunerations other than the remunerations described above (including that described in notes 1 and 2).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
	Updated

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

<Basic principle on determining remuneration amounts and calculation method>

The remuneration of the directors, Audit & Supervisory Board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and Audit & Supervisory Board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

< Directors, Audit & Supervisory Board members and corporate officers remuneration policy aligned to the Three-Year Plan of fiscal 2018 through fiscal 2020>

(Overview)

The Company has dedicated the three years from fiscal 2018 through fiscal 2020 to pursuing new strategies aimed at accelerating growth.

From fiscal 2018 through fiscal 2020, the Company will hasten growth by creating a virtuous cycle while continuing to pursue structural reforms, and will accordingly design the remuneration scheme to place more focus on the notion of "pay linked to the corporate mission." Which constitutes a step beyond the notion of "pay for performance" whereby remuneration paid to an officer reflects his or her accomplishments. Under the notion of "pay linked to the corporate mission," the Company evaluates the extent to which long-term strategies reflecting its management approach and Corporate Philosophy have been achieved, in addition to considering net sales, operating profit, and other quantitative financial results.

Furthermore, given that the Company has achieved some of its financial targets set forth in its VISION 2020 quantitative targets three years ahead of schedule, in 2018, it set new long-term targets of net sales of ¥2 trillion and operating profit of ¥300.0 billion, geared to further achieving sustainable growth over the long run with its sights set on goals further off into the future. As such, the Company introduced performance-linked stock remuneration as a new long-term incentive-type remuneration (LTI), wherein performance share units will replace the existing stock compensation-type stock options, to take effect in fiscal 2019.

(Basic remuneration)

The Company designs basic remuneration in accordance with role grades based on the size and level of responsibility of respective officers in charge, as well as the impact on business management of the Group. In addition, within a same grade, an increase of the amount is allowed within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with the achievements of respective directors and corporate officers. For external directors and Audit & Supervisory Board members, the Company shall not pay the basic remuneration that has a certain allowance for increase, but pay the fixed remuneration only which is determined in accordance with their respective roles.

(Performance-linked remuneration)

The performance linked remuneration consists of an “annual bonus” provided as an incentive for achieving goals of single fiscal years, and “stock compensation as long-term incentive-type remuneration” provided with the aims of establishing a sense of common interests with the shareholders and instilling motivation to achieve the goals over the medium to long term. Accordingly, it is designated to motivate the directors and corporate officers to manage business operations while being more conscious about the Company’s performance and share price from the perspectives of not only a single year but also over the medium to long term.

Given that new long-term goals have been set, the Company introduced a new long-term incentive-type remuneration (LTI) to take effect in fiscal 2019 to replace the stock compensation-type stock options that the Company provided up to and through fiscal 2018.

(Annual bonus)

Of the performance-linked remuneration, the Company has set evaluation items for the annual bonus in accordance with the scope respective directors and corporate officers are in charge of, in addition to the achievement rate of target consolidated net sales and consolidated operating profit as common performance indicators across directors and corporate officers. Although it is essential that the entire management team remain aware of matters involving net profit attributable to owners of parent, it is crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment and resolving challenges with our sights set on achieving long-term growth. As such, upon the Remuneration Advisory Committee deliberation, the Company has preliminarily established certain performance standards (thresholds), with the evaluation framework designed so that the Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual bonus payment attributable to the whole group performance component of the total annual bonus, if results fall below the thresholds.

In addition, we set the individual performance evaluation of all directors and corporate officers in order to add the level of achievement regarding strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

(Long-term incentive-type remuneration)

Whereas the long-term incentive-type remuneration effective through fiscal 2018 had been designed as a means of underpinning efforts to achieve VISION 2020, we have managed to achieve some VISION 2020 targets ahead of schedule. Given such, we have decided to overhaul the long-term incentive-type remuneration (LTI) so that it aligns with our long-term targets which have been newly set with our sights set on goals further off into the future. By not using performance evaluation of single fiscal years, the LTI has been given a more clearly distinctive role from that of the annual bonus. Accordingly, the LTI has been designed with the aims of instilling motivation to create corporate value over the long term and establishing a sense of common interests with the shareholders.

Specifically, we introduced performance share units to act as a type of performance-linked stock compensation while also discontinuing the stock compensation-type stock options which we have been granting thus far. However, our approach to instilling motivation to create corporate value over the long term through annual incentive payments will remain unchanged.

The LTI has been designed specifically in line with the purposes of introduction described below.

[Purposes of introducing the new LTI]

The new LTI is adopted for the purposes of establishing effective incentives for creating and maintaining corporate value over the long term, and ensuring that the directors’ and corporate officers’ interests consistently align with those of our shareholders. To such ends, the LTI will help:

- i) promote efforts to create value by achieving our long-term vision and strategic goals,
- ii) curb potential damage to the corporate value and maintain substantial corporate value over the long-term,
- iii) attract and retain talent capable of taking on leadership in business, and
- iv) realize a “Global One Team” by fostering a sense of solidarity among management teams of the entire Shiseido Group and instill the consciousness of participating in the running of the Company.

Under the LTI, performance share units are adopted to act as a type of performance-linked stock compensation in lieu of the stock compensation-type stock options granted annually thus far. With respect to the Company’s performance share units, the Company will allot a reference share unit to each of the eligible parties once

every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall establish multiple performance indicators beforehand, and three fiscal years, including the fiscal year that the payment relates to, shall be used as the evaluation period. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate after the end of the evaluation period, and it shall be paid monetary remuneration claims and cash for the delivery of the shares of the Company's common stock of a number corresponding to the applicable number of share units, and then each eligible parties shall receive delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind. The financial benefits ultimately gained by the eligible parties are linked not only to performance outcomes associated with the performance indicators, but also to the Company's share price. As such, the LTI substantially links the financial benefits with both performance and the Company's share price. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion, thereby emphasizing the notion of consistently granting stock compensation to the eligible parties. As such, the LTI is designated to help eligible parties realize the aims of more robustly ensuring that their sense of interests consistently aligns with those of our shareholders, curbing potential damage to corporate value and maintaining substantial corporate value over the long term, and helping to attract and retain competent talent. The performance indicators are determined by the Board of Directors upon the matter having been adequately deliberated on by the Remuneration Advisory Committee. To achieve our long-term targets, the performance indicators are configured so that the LTI underpins efforts to enhance our corporate value in terms of both economic value and social value. As such, the performance indicators include (as benchmarks to measure to economic corporate value): compound average growth rates (CAGR) of both consolidated net sales and consolidated operating profit; and (as benchmarks pertaining to social value) multiple internal and external indicators pertaining to the environmental, social and governance (ESG) with special emphasis placed on the area of "empowered beauty," in which we aim to achieve our notion of beauty innovation through providing support to others. Moreover, the performance indicators now also include consolidated return on equity (ROE) which acts as an important benchmark for measuring corporate value from the perspective of establishing a sense of common interests with our shareholders.

Among performance indicators, we have set target values and minimum values for each of the CAGR values for consolidated net sales and consolidated operating profit. Accordingly, the Company will apply the maximum percentage amount of payment attributable to each of the indicators in the event that the target values are achieved, and the Company does not make payment of the performance-linked portion with respect to each of those indicators in the event that performance falls short of the minimum values. As for the environmental, social and governance (ESG) indicators, upon having determined whether each of the multiple benchmarks have been achieved or not, we will set the maximum percentage amount of payment attributable to each of the benchmarks in the event that the targets have been achieved, and will not make payment of the performance-linked portion with respect to each of the benchmarks in the event that the targets have not been achieved. In terms of consolidated return on equity (ROE), as we deem it necessary to ensure that our focus on that benchmark doesn't excessively impede our active efforts with respect to investing in future growth and resolving challenges with our sights set on achieving long-term growth, we will set preliminary ROE targets at certain thresholds per deliberations carried out in that regard by the Remuneration Advisory Committee, and the committee will then discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below such thresholds. In addition, the LTI is designed with a view to the notion of extending payment to management teams at regional headquarters outside of Japan in the future, with the aim of realizing a "Global One Team" by fostering a sense of solidarity among management teams around the world and promoting a participatory approach to business.

Detailed descriptions of the remuneration of the directors, Audit & Supervisory Board members and corporate officers remuneration policy are shown in the Notice of Convocations of the 119th Ordinary General Meeting of Shareholders of the Company (pages 62 to 67)

https://www.shiseidogroup.com/ir/shareholder/e1902shm/pdf/shm_0000.pdf

[Supporting System for Outside Directors and/or *Kansayaku*]

<External Directors>

A section in charge of secretariat of the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee is formed in the Company's Legal and Governance Department. The section provides external directors with various information and assists duties of external directors to ensure smooth operation.

<External Members of Audit & Supervisory Board Members>

Some employees of Internal Auditing Department of the Company are positioned to assist the Audit & Supervisory Board and members of Audit & Supervisory Board.

[Those who Resign from President and Representative Director etc.] Updated

Name etc. of Senior Advisor/Advisor who is a Former President and Representative Director etc.

Name	Title	Role Content	Working Pattern/Conditions (Full time/Non-Full time, With/Without Compensation, Etc.)	Resignation Date from President, Etc.	Term of Office
Shinzo Maeda	Counselor	Assume positions of public/private entities other than the Shiseido Group	<ul style="list-style-type: none"> - Part time - With fixed compensation according to the Company's regulation - Without any fringe benefit 	June 25 th , 2014	Until June 30 th , 2020

Total Number of Senior Advisor/Advisor who is a Former President and Representative Director, etc. Updated

1

Other Matters

We abolished the counselor/adviser system by resolution of the Board of Directors Meeting held on September 29, 2017.

Under the previous counselor/advisor system, the term of office had been clearly established. In this circumstance, counselors/advisors had assumed the positions of public/private entities other than the Shiseido Group on the premise that the counselors/advisors would hold their office until the expiration of the term. Therefore, the Company decided that the term of office of the counselors/advisors who had been appointed to their current title before the abolition of the system will continue until the expiration of their term of office, taking into account the time required for the selection of their successors by the public/private entities in which the counselors/advisors assume the office.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration

Decisions (Overview of Current Corporate Governance System) Updated

<Status of management and business execution (including the roles and functions of the external directors)>
(Board of directors and directors)

Composed of six members including three external directors and chaired by the president & CEO, the Board of Directors is small and able to make decisions quickly. The Board of Directors meets at least once a month to discuss all significant matters.

To obtain an outside point of view and further strengthen the Board of Directors' supervisory function in regard to business execution, the Company had appointed highly independent external directors in the fiscal 2006. Now the Company has three highly independent external directors.

In addition, two out of three directors aside from the external directors have built careers outside of Shiseido, ensuring diversity among the directors.

The term of office of directors is one year.

(Corporate officers and meetings for corporate officers are involved)

Through the adoption of a corporate officer system, the Company separated the supervisory functions of the Board of Directors from the business execution functions of corporate officers. The term of office of corporate officers is one year, and the term limit of corporate officers is four years per position and six years maximum in principle. For extension of the term of office, the matter shall be referred to the Nomination Advisory Committee, which will discuss and check the necessity and appropriateness of the extension, followed by disclosure of the relevant information.

The Company sets up the Executive Committee, in which corporate officers study and discuss about important business execution from various aspects before the final decisions, and the Meetings for Development of Medium-term/Annual Plans, in which corporate officers develop and resolve business plans and brand strategies. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating of business execution. The President & CEO chairs these two committees. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee.

(Advisory committees)

To promote transparency and objectivity in management, The Company established two committees to play an advisory role to the Board of Directors:

the Nomination Advisory Committee, which evaluates candidates for directors and corporate executive officers to make report to the Board of Directors, and

the Remuneration Advisory Committee, which makes report to the Board of Directors about the remuneration system and performance evaluation of directors and corporate officers.

Both committees are chaired by external directors to maintain objectivity.

The Nomination Advisory Committee deliberates about candidates for directors and Audit & Supervisory Board members. The committee also deliberates about appointment, promotion and demotion of corporate officers. In addition, the committee determines the limits on the terms of corporate executive officers as well as the rules for their promotion or demotion and retirement in order to enhance the capabilities of top management, and manages these policies in a highly transparent and impartial manner.

The Remuneration Advisory Committee deliberates about the remuneration system for directors and corporate officers as well as evaluation of their performance.

(Evaluation working group)

In the current remuneration policy, personal evaluation of each director and corporate officer will have a significant impact on determination of the amount of all remunerations including basic remuneration, annual bonus and the long-term incentive-type remuneration. Unlike evaluations based on performance indicators such as consolidated net sales, personal evaluation is not a quantitative evaluation. It therefore requires a framework to ensure its objectivity, fairness and transparency.

To this end, the Company holds meetings of evaluation working group, which was established as a common deliberation body shared by Nomination Advisory Committee and Remuneration Advisory Committee to conduct overall business evaluation including the performance evaluation for President and CEO, and confirm appropriateness of the remuneration level. The evaluation working group also deliberates and reviews reappointment or replacement of President and CEO, playing an extensive role concerning appropriate appointment of President and CEO and determining incentives. The evaluation working group is comprised of external directors and external audit & supervisory board members as importance is put to the independence from President and CEO as well as business execution structure led by President and CEO.

Personal evaluation on corporate officers other than President and CEO (including those who concurrently serve as directors) is performed by President and CEO, together with evaluation based on the performance indicators. Objectivity, fairness and transparency of this personal evaluation are ensured by Remuneration Advisory Committee monitoring this evaluation process and the evaluation approach.

<Diversity of directors and Audit & Supervisory Board members>

The Company believes that the Board of Directors of the Company should be composed of directors with various viewpoints and backgrounds, on top of multilateral sophisticated skills, for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company believes that Audit & Supervisory Board members should have the same diversity and sophisticated skills as the directors as they have a duty to attend meetings of the Board of Directors and state opinions as necessary. When considering the diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc., to stress not only diversity of these attributes, but also diversity in terms of tasks including professional knowledge and experiences in various fields related to the business management. In addition, the Company has set a certain maximum term of office for external directors and external Audit & Supervisory Board members in order to reflect their views, which are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & external supervisory board members to newly-appointed external directors and audit & external supervisory board members to ensure appropriate transition.

<Ratio of external directors at the board of directors>

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company established its view on the ratio of external directors at the Board of Directors. In the Company's articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates of external directors and Audit & Supervisory Board members are required to meet the Company's independence criteria as well as possess high independence in mental attitude.

<Actual composition of directors and Audit & Supervisory Board members>

Of six directors who are currently in office as of March 31, 2019, three directors (50.0%) are highly independent external directors who meet the criteria for independence of the external directors and Audit & Supervisory Board members of the Company. Other three directors who serve concurrently as corporate officers include two with career background as a management outside the Shiseido Group, and one with career background in the Shiseido Group. The directors include two females (33.3%).

Of five Audit & Supervisory Board members, three members (60.0%) are highly independent external Audit & Supervisory Board members and two are full-time members with career background in the Shiseido Group. The members include three females (60.0%).

Of the total eleven directors and Audit & Supervisory Board members, six members (54.5%) are highly independent external directors or external Audit & Supervisory Board members, and five members (45.4%) are female.

<Status of audits>

(Internal audit)

The Internal Auditing Department, which reports directly to the President, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board.

Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant departments.

(Audit & Supervisory Board members' audits and initiatives toward strengthening their functions)
Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three Audit & Supervisory Board member (external) offer advices, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and Audit & Supervisory Board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that Audit & Supervisory Board members discharge their duties effectively, such as the assignment of staff dedicated to assisting them.

(Accounting audits)

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
KPMG AZSA LLC	Koichi Kobori, Designated Limited Liability Partner	3 years
The same as the above	Ryoji Fujii, Designated Limited Liability Partner	6 years

Assistants for the accounting audits of the Company comprise certified public accountants and junior accountants.

(Mutual cooperation among internal audits, Audit & Supervisory Board members' audits, and accounting audits)

The Company, in order to improve the effectiveness and efficiency of the so-called three-pillar audit system (internal audits, Audit & Supervisory Board members' audits, and accounting audits), has been making efforts to enhance the mutual cooperation among the parties concerned by such means as arranging regular liaison meetings to report on audit plans and audit results as well as to conduct exchanges of opinions.

<Systems and schemes unique to Shiseido (Compliance Committee)>

The Compliance Committee, reporting directly to the President and CEO, is established. The committee comprises members elected group-wide. The Committee reports important issues figured out through the Committee's activities to the Board of Directors along with its results of activities.

The Compliance Committee establishes systems to promote the Shiseido Group's compliance and risk management. In addition, the Committee develops and executes the Shiseido Group's sustainability strategy aiming for the Shiseido Group's coexistence and co-prosperity with society and the Earth. These missions of the Committee are directly linked to business execution.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the framework of a company with the Audit & Supervisory Board system, which exercises the dual checking functions over business execution by the Board of Directors and over the legality and effectiveness by the Audit & Supervisory Board members. In order to maintain and improve management transparency, fairness and speed that are provided in the basic policy for the corporate governance within the framework, the Company has incorporated superior functions of company with the nominating committee, etc. and company with the Audit & Supervisory Board system, etc., reinforcing supervisory functions of the Board of Directors.

Effective January 2016, the Shiseido Group has launched full-scale operations of a new matrix-type organizational system with five brand business categories and six regions combined. Under the new organizational system, the Company as the global headquarters is responsible for supervising the overall group and providing necessary support, and is promoting localization of responsibility and authority by delegating many of the authorities that used to be retained by the Company to respective regional head office of Japan,

China, Asia, the Americas, EMEA, and travel retail. The Board of Directors held repeated discussions throughout fiscal 2015 with regard to an ideal state of the Company's corporate governance system that includes composition and operation of the Board of Directors under the new management structure as the premise. As a result, the Board of Directors concluded adopting the "monitoring board-type" would be appropriate to ensure sufficiently effective supervisory functions over the overall Shiseido Group, and resolved to implement the "monitoring board-type corporate governance" while leveraging advantages of the company with the Audit & Supervisory Board system.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Updated

Supplementary Explanations	
Early Notification of General Shareholder Meeting	Shiseido makes every effort to distribute a convocation notice about 3 weeks prior to a general meeting of shareholders. For the 119th Ordinary General Meeting of Shareholders, the convocation of notice was distributed on March 6, 2019, 19 days prior to the Meeting. The Company disclosed the notice of convocations on its website before the date of mailing in light of earliest possible information service (Japanese: on February 22, English translation: on February 28.)
Scheduling AGMs Avoiding the Peak Day	In accordance with the change of the fiscal year-end of the Company, we held the 119th Ordinary General Meeting of Shareholders on March 26, 2019. The date is 2 days (2 business days) prior to the most concentrated date for AGMs of the Japanese companies whose fiscal year-end is December 28.
Allowing Electronic Exercise of Voting Rights	Since the 103rd Ordinary General Meeting of Shareholders in 2003, the Company has introduced the measure of exercising voting rights via website.
Participation in Electronic Voting Platform	Since the 106th Ordinary General Meeting of Shareholders in 2006, the Company has taken part in the Electronic Voting Platform operated and managed by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the convocation of notice is prepared, distributed to foreign shareholders to the maximum extent, and posted on the Tokyo Stock Exchange's website as well as the Company's website.
Other	<p>Starting from June 2008, the Company started disclosing the results of the exercise of voting rights.</p> <p>Starting from 2010, the Company disclosed the result of the exercise of voting rights on the Tokyo Stock Exchange's website, the Company's website, and the extraordinary reports through EDINET of the Financial Services Agency of Japan.</p> <p>In addition, as from fiscal 2015, the Company posts videos of the business report including a presentation by the chairman on the Company's website. The movies are available in Japanese and English language. https://www.shiseidogroup.com/ir/account/shareholder/</p> <p>The ordinary general meeting of shareholders is held using environmental friendly materials. Environmental friendly inks and papers are used for printed materials sent to shareholders, such as Notice of Convocation and Notice of Resolution, in order to contribute to protect the earth from global warming. The Company also uses recycled PET material for receipt number card distributed to attendees.</p>

2. IR Activities

Supplementary Explanations	
Preparation and Publication of Disclosure Policy	<p>Established the Disclosure Policy, consisting of “Basic Policy on Information Disclosure,” “Standards for Information Disclosure,” “Method of Information Disclosure,” “Quiet Periods,” and “Forward-Looking Statements” in 2006. The Disclosure Policy was partially amended in order to include provisions concerning recognition of material information in January, 2018, and the amended policy is disclosed on the website of the Company.</p> <p>https://www.shiseidogroup.com/ir/disclosure/policy/</p>
Regular Investor Briefings for Individual Investors	<p>Hold presentation meetings presented by CEO or other corporate officers, and these presentations are distributed via the Internet.</p> <p>In addition, the Company started the “Individual Shareholders Meeting”, a regular meeting for exchanging opinions concerning shareholder relations of the Company with its individual shareholders (1st round: held in Osaka on February 9, 2012, 2nd round: held in Nagoya on September 7, 2012, 3rd round: held in Fukuoka on February 8, 2013, 4th round: held in Kobe on September 6, 2013, 5th round: held in Saitama on February 6, 2014, 6th round: held in Nagoya on September 12, 2014, 7th round: held in Sapporo on February 20, 2015, 8th round: held in Yokohama on September 29, 2015, 9th round: held in Sendai on June 24, 2016)</p> <p>In fiscal 2017, we renewed our event to the Company Facilities Tour in order to further deepen our understanding of the Company. On June 20th, 2017, we held the first tour at the Kakegawa Factory and the Corporate Museum. The report of this event is posted on our corporate website, so that many shareholders can learn about our position, history, and culture of manufacturing.</p>
Regular Investor Briefings for Analysts and Institutional Investors	Hold meetings twice a year when the Company announces about financial statements of full-year and the second Quarter.
Regular Investor Briefings for Overseas Investors	Hold meetings individually mainly in countries in North America, Europe and Asia.
Posting of IR Materials on Website	<p>The following statutory and non-statutory reports and materials are posted on the Company’s website:</p> <p>Notice of convocation of ordinary general meeting of shareholders, annual security reports (quarterly reports), timely disclosure materials, declaration for timely disclosure, references at financial result briefing, consolidated financial results for quarter, annual report and business report.</p> <p>https://www.shiseidogroup.com/ir/library/</p> <p>In addition, we post Japanese and English version of movies of 2Q and 4Q financial results announcement meeting. Movies of financial results presentation and QA sessions are posted.</p> <p>https://www.shiseidogroup.com/ir/library/acc/</p>
Establishment of Department and/or Manager in Charge of IR	<p>Department in charge: Investor Relations Department</p> <p>Corporate Officer etc. in charge: Michael Coombs, Corporate Officer Chief Finance Officer</p> <p>Person in charge to contact: Harumoto Kitagawa, Vice President of Investor Relations Department</p>

Other	Hold joint-meeting with and individually calling on domestic and foreign investors, in series, in addition to Financial Results Briefings (twice a year.)
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3. Measures to Ensure Due Respect for Stakeholders **Updated**

Supplementary Explanations	
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Company established “Shiseido Group Standards of Business Conduct and Ethics.”</p> <p>The Company defines what corporate actions should be taken in relation to stakeholders (customers, business partners, employees, shareholders, and society and the Earth) and sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conducts with highest ethical standards.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company offers information in its Annual report and the form of CSR reports as part of its effort to inform stakeholders of its social responsibility. In the corporate website, the Sustainability pages (https://www.shiseidogroup.com/sustainability/) have been edited according to the following policies;</p> <ul style="list-style-type: none"> - We introduce each activity according to the 7 core subjects of ISO26000 (Social Responsibility). - We have simplified the contents of reports on each page to make them easier to read. - We have also focused on overseas activities in order to enhance the Group's reports. - We disclose social responsibility/human resources result reports in lists. - Target period for the information included in this website is mainly for Fiscal 2016 (from January 1, 2016 to December 31, 2016). However, part of the information may be from prior to the said period or more recent than the period. - We have edited the website by using the United Nations Global Compact, Sustainability Reporting Guidelines G4 of GRI (Global Reporting Initiative), and ISO26000 (Social Responsibility) for reference. - The scope includes Shiseido Co. Ltd. and 96 Shiseido Group companies (subsidiaries) as of December 31, 2016. Notes have been added to data outside of the above scope.
Other	<p>< Diversity in employees ></p> <p>Employees, who work for the Shiseido Group in various countries and regions worldwide, have diverse attributes, including nationality, gender, age, employment status and developmental challenges, as well as values and viewpoints, and we are promoting diversity on a global level. Since 90 percent of the Shiseido Group's customers are women, we focus on providing new products and services based on our understandings of women's values and current lifestyles. Our female employees, who account for approximately 80 percent of all the employees, must therefore play a central role in management and business activities.</p> <p>One of our core missions is to take a leading role in improving the social standing of women and their empowerment, and we have implemented a variety of measures to help advance women's causes. In January 2017, the Company achieved its target for a 30% ratio of women in management positions in Japan. In 2019, the Company will continue to provide further support for the advancement of women in the workplace, aiming to increase the ratio to 40% by 2020.</p>

	<p>Specific efforts regarding gender equality, including support measures for the balancing of work and child-raising/at-home care of elderly family members, are described on our corporate website.</p> <p>https://www.shiseidogroup.com/sustainability/labor/diversity.html</p> <p>https://www.shiseidogroup.com/sustainability/labor/working.html</p>
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company's Basic Policy regarding Internal Control Systems as of December 31, 2015 is as follows:

(1) System under Which Execution of Duties by Directors and Employees of the Company and all Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Business of the Whole Group Is Ensured

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors' supervisory functions in regard to operational execution. The Audit & Supervisory Board members audit legality and appropriateness of the directors' execution of business. Upon request of any Audit & Supervisory Board member, directors and employees shall report the status of execution of business to the Audit & Supervisory Board member.

In order to realize "Our Mission," which defines the Shiseido Group's corporate philosophy and business domains and sets out its raison d'être, the Company has established "Our Values," which must be held and shared by each and every employee of the Shiseido Group, and "Our Way" and the "Shiseido Ethical Conduct Standards," which sets out the action standards for business conducts with highest ethical standards, and promotes corporate activities that are both legitimate and fair.

The Company should establish a basic policy and rules in line with "Our Way" and the "Shiseido Ethical Conduct Standards," with which the whole Shiseido Group is required to comply. Every group company and business office shall be fully aware of this policy and rules, along with "Our Mission," "Our Values," "Our Way" and the "Shiseido Ethical Conduct Standards," so that environments for the formulation of detailed internal regulations of the Company will be created at every group company and business office.

The "Compliance Committee," directly reporting to the President & CEO, shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The committee shall propose and report the plans and activities to the Board of Directors.

The Company deploys a person in charge of corporate ethics promotion at each group company and business office in order to promote legitimate and fair corporate activities across the Group, and organizes regular training for corporate ethics. The person in charge of corporate ethics promotion drafts plans for corporate ethics activities at each workplace, and reports the status of the said activities and their results to the CSR Committee.

For the purpose of detection and remediation of conducts within the Group that are in violation of laws and regulations, Articles of Incorporation and internal regulations of the Company, the Company shall introduce internal whistle blowing offices under the CSR Committee, where the Chairman of the CSR Committee, staff counselors, an external law office or other representatives will be appointed as a contact for informing and consultations on matters relating to compliance.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the whole Group to audit the appropriateness of business.

The results of audit shall be reported to directors and Audit & Supervisory Board members.

(2) System under Which Directors of the Company and all Group Companies Shall Be Ensured to Efficiently Execute Duties

The Company adopted a corporate executive officer system to actualize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. A corporate officer shall fix the specified target in the assigned field, including all Group companies, and set up a business system by which the target shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the Corporate Executive Officer Committee consisting of corporate officers shall deliberate the business execution from viewpoints of various aspects.

The Board of Directors and the Corporate Executive Officer Committee shall confirm the status of development vis-à-vis the target and conduct necessary improvement measure.

(3) System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall be Reported to the Company

Important documents such as minutes of the Board of Directors meetings and minutes of the Corporate Executive Officer Committee meetings shall be managed pursuant to laws and regulations and the internal regulations of the Company and these important documents shall be presented to directors and Audit & Supervisory Board members immediately whenever requested for inspection.

In addition, for information with respect to execution of business by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with them.

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

(4) Regulation Regarding Control of Risk for Loss at the Company and all Group Companies and Other Regulation Systems

The "CSR Committee," under the jurisdiction of the Board of Directors, shall manage risks associated with corporate activities of the whole group. Risks associated with management strategy and business execution shall be recognized and evaluated by the Committee so that necessary measures shall be taken. A contingency manual shall be prepared to deal with emergency situation.

In the case of emergency, countermeasure headquarters, projects or teams shall be set up pursuant to the levels of the emergency and shall take countermeasures.

(5) System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees

The Audit & Supervisory Board Staff Group shall be established and employees shall be positioned there to assist the Audit & Supervisory Board and Audit & Supervisory Board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from Audit & Supervisory Board members to them, the Audit & Supervisory Board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

(6) System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members

Directors and employees shall report the status of their execution of duties to Audit & Supervisory Board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to Audit & Supervisory Board members. In addition, the status of business and conditions of assets shall be reported to Audit & Supervisory Board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform Audit & Supervisory Board members of issues, and shall make this method known throughout the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to Audit & Supervisory Board members or informing them of issues, and shall make these regulations known.

(7) Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and Audit & Supervisory Board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

(8) Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured Efficiently to Be Performed

Opinion exchange meetings shall be held regularly between representative directors and Audit & Supervisory Board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meeting shall be held among Audit & Supervisory Board members, the accounting auditor and the internal auditing department upon request of Audit & Supervisory Board members. In addition, Audit & Supervisory Board members shall be ensured to attend various meetings.

2. Basic Views on Eliminating Anti-Social Forces Updated

In the "Our Way," the Company has declared that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office was established in the Risk Management Department for the purpose of intensively collecting information and at the same time the Manual on how to cope with such power is revised on the intranet. Consulting with the local police offices for cooperation, the Company is a member of the "Conference on how to cope with particular violence" so that it strengthens to collect outside information and the cooperation with outside organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

None.

2. Other Matters Concerning to Corporate Governance System Updated

The internal system for ensuring the timely disclosure of our corporate information is described below.

We have the "Shiseido Disclosure Policy," (*1) which we established as a policy on the disclosure of management information to investors, etc.

Thus, everyone in the Shiseido Group is working sincerely on disclosing, in a timely and appropriate manner, facts that have a material impact on investment decision-making by investors and financial information.

Specifically, we set in place the following structures to treat material facts that have an impact on decision-making by investors, for facts of decisions made and financial information and for facts of actual events, respectively:

1. Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information

In order to understand and identify what kinds of fact fall under the category of material fact, each place of business and each department of the Shiseido Group has put together a list of material facts under internal rules that reflect laws and regulations and listing rules and makes a judgment on a case-by-case basis whether or not a certain fact is a material fact.

In addition, when an applicable case is brought to the Board of Directors or Executive Committee, etc. for approval, the Investor Relations Department, a section responsible for the Tokyo Stock Exchange, checks whether or not it falls under the category of material fact in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange, and the Corporate Strategy Department and Legal and Governance Department manages material facts.

On top of this framework for the clear representation of material facts, we have other frameworks for the timely disclosure in an appropriate fashion: the "Disclosure Meeting," which is held on a regular basis, and an "Examination Team," which is to be set up flexibly according to the specifics of the material fact. Its work involves not only the examination of the information subject to disclosure, but also the preparation and confirmation of the documents subject to disclosure.

It is after all those frameworks are drawn on that the Board of Directors or Executive Committee approves a case and decides to take an information disclosure action, immediately after which the information is disclosed in an appropriate manner through the Tokyo Stock Exchange.

2. The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters

In preparation for addressing abrupt events, we have developed a framework under which the "Compliance Committee" gathers related departments to take emergency actions and ensure prompt disclosure actions. Specifically, an "Emergency Conference" or "Ad Hoc Committee" will be organized in accordance with the Emergency Procedures Manual, which has been developed as internal rules. The level of risk involved is determined there and, depending on the level, an organ responsible for addressing it will be set up. For those of which level of risk falls under the category of material fact, an Emergency Task Force will be established in an attempt to take quick and appropriate disclosure actions.

For any business execution by each place of business and each department, the Internal Auditing Department strives to ensure and improve the fairness and transparency of our corporate management by performing stringent internal audits.

(*1)

Shiseido Disclosure Policy

I. Basic Policy on Information Disclosure

Shiseido fully recognizes that the timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market. We will make constant efforts to improve our internal systems to ensure the prompt, accurate and fair disclosure of corporate information from an investor's viewpoint, and will focus on the timely and appropriate disclosure of corporate information to investors. Through this timely and appropriate disclosure, we will endeavor to increase shareholder value by building favorable relationships with the capital market and incorporating market valuations in feedback to the management of the company.

II. Standards for Information Disclosure

1. Timely Disclosure of Material Information

We will disclose information in accordance with the Financial Instruments and Exchange Act, other legislation and the rules on timely disclosure as defined by the Tokyo Stock Exchange, on which Shiseido is listed. Additionally, material information will be determined by the information management officer (corporate officer in charge of disclosure) upon consultation with relevant departments within the company according to the contents of the information.

2. Voluntary Disclosure

Any information not required by the above rules on timely disclosure will be disclosed by us in light of timeliness and fairness if we consider it useful for investment decisions.

III. Method of Information Disclosure

The disclosure of the material information prescribed in the rules for timely disclosure and the voluntary disclosure of other useful information not required by the rules will be made through TDnet, a timely disclosure system provided by the Tokyo Stock Exchange. Information disclosed on TDnet is also disclosed promptly on the Shiseido website.

IV. Handling of Nonpublic Information and Response to Rumors

To avoid selective disclosure of nonpublic and voluntarily disclosed information to specific investors, we will manage information properly in accordance with internal rules for internal stakeholders involved with such information. In addition, when we recognize that certain rumors about the company are circulating that can significantly affect the capital market, we will disclose information promptly through channels such as "TDnet."

V. Quiet Periods

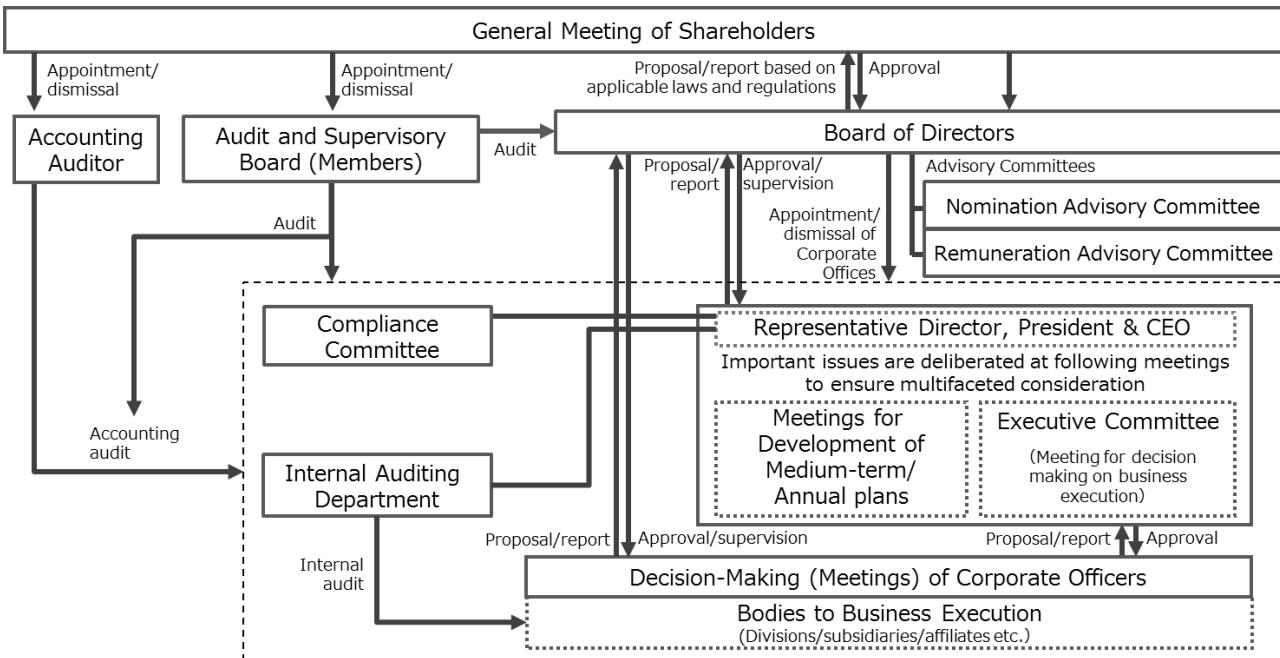
To prevent leaks of financial results before the announcement and to assure fairness, Shiseido observes a quiet period before the announcement of business results. The quiet period is from the day after the closing date※ to the date on which earnings are announced each quarter. During the quiet period, we do not answer inquiries or make any comments on business results. Should it prove necessary to make timely disclosure during the quiet period, Shiseido will do so under the rules on timely disclosure.

*The closing date of the fiscal year was March 31 but is December 31 from fiscal 2015.

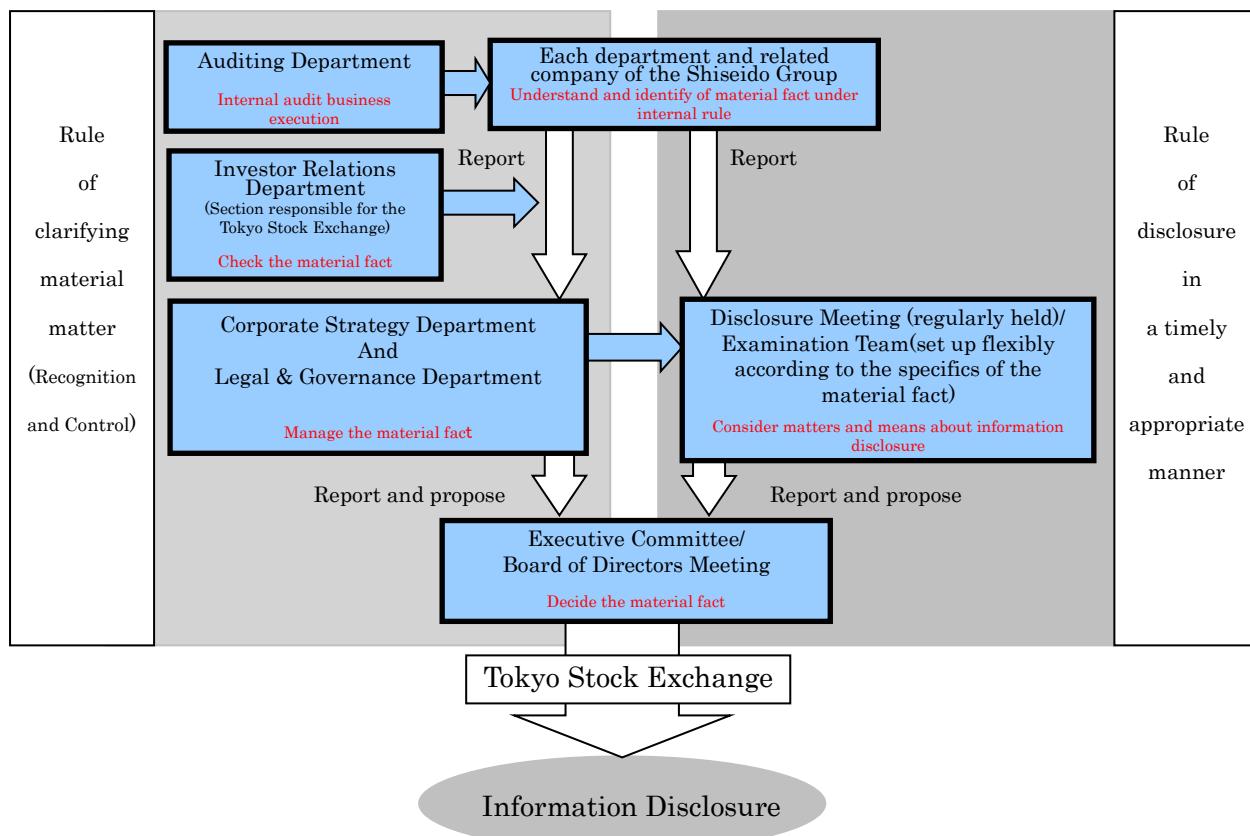
VI. Forward-Looking Statements

Statements of information disclosed by Shiseido that are not historic facts are forward-looking statements that reflect management's views and assumptions at the time of the announcement and management targets based on its plans. These forward-looking statements may involve risks and other uncertain factors, and the actual business results and performance may differ materially from the projections contained in these forward-looking statements.

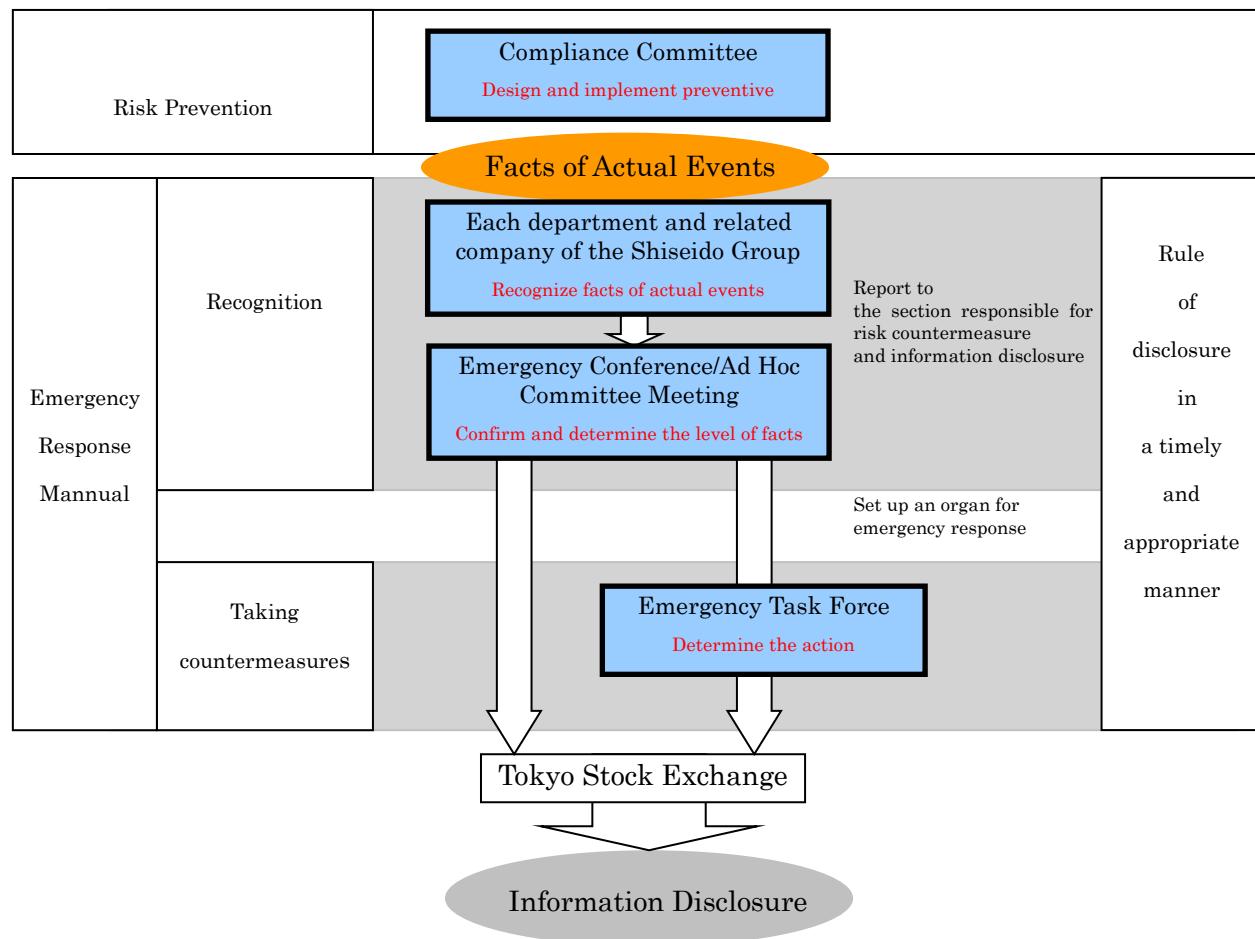
<The Company's Corporate Governance Framework>



<The Company's System for Information Disclosure of Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information>



<The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters>



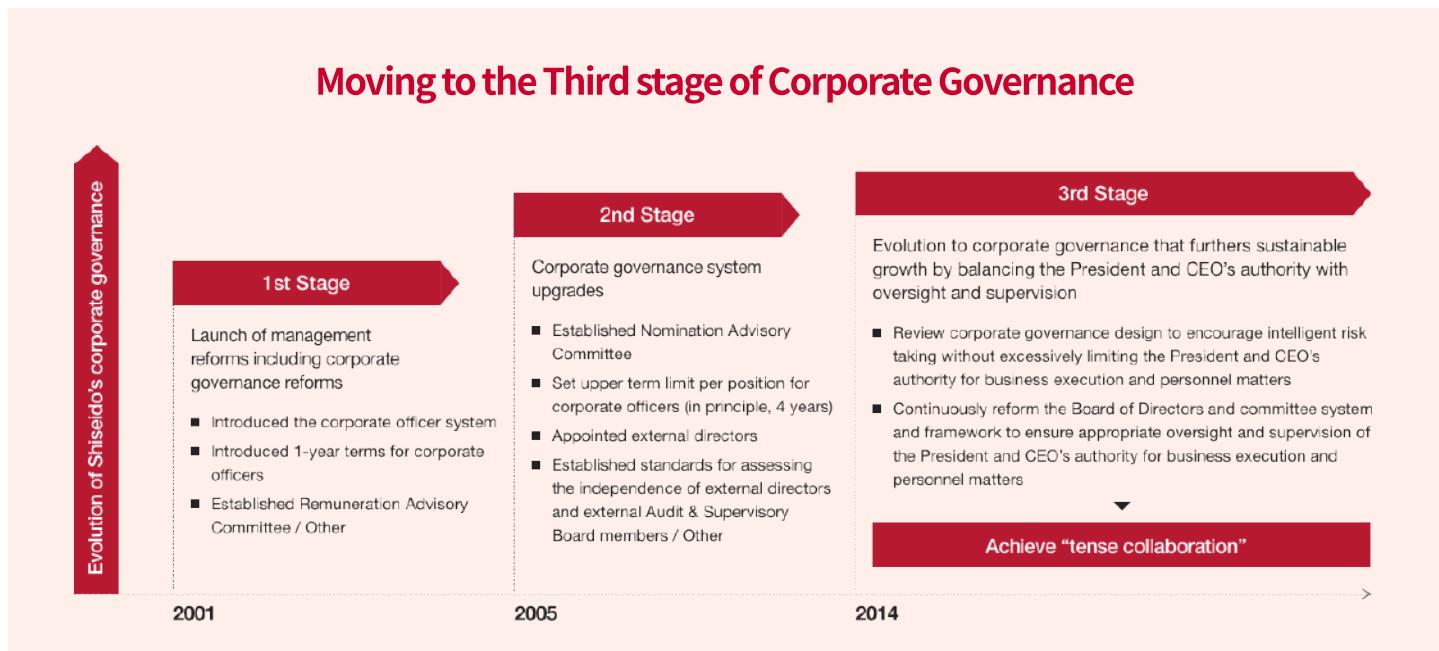
EVOLUTION

Process of Evolution

Process of Corporate Governance Evolution

The Shiseido Group (hereinafter “Shiseido” or the “Group”) defines corporate governance as its “platform to realize sustainable growth by fulfilling its corporate mission,” and is enhancing corporate governance to achieve the objectives of its medium-to-long-term strategy, VISION 2020.

We began full-fledged initiatives toward strengthening corporate governance in 2001, and the ongoing reforms to date can be divided into three stages.



The first stage initiated corporate governance reform. Initiatives to separate the functions of management supervision and execution included the introduction of the corporate officer system. At the second stage, we implemented many initiatives for creating the framework of our corporate governance such as the establishment of the Nomination Advisory Committee and the appointment of external directors. In this way, we have set out objective quantitative and pro forma standards. We enhanced the quality of corporate governance by rigorously employing this framework and actively disclosing the outcomes. We have now begun the third stage, in which we are targeting corporate governance that furthers sustainable growth. We will achieve “tense collaboration” by balancing management oversight and supervision with the broad authority vested in the President and CEO, which he or she needs in order to exercise ultimate leadership of Shiseido’s global management. This tense collaboration does not excessively limit or decrease the CEO’s authority, but rather establishes a process driven by full accountability of the CEO to the Board of Directors and other supervisory organs to regularly evaluate the CEO and management execution given the broad authority vested in the CEO. This process also sets a precedent for evaluations by the Nomination Advisory Committee and the Remuneration Advisory Committee, which are carried out on a regular basis.

GOVERNANCE SYSTEM

Corporate Governance System

Reason for Choosing the Current Structure

The Company has selected the framework of a company with an Audit & Supervisory Board structure with double check functions for business execution: supervision by the Board of Directors and audits of legality and adequacy by audit & supervisory board members. In order to maintain and improve management transparency, fairness, and speed as per the basic policy for corporate governance, the Company has reinforced the supervisory function of the Board of Directors by incorporating outstanding functions including those of a company with nominating committee, etc.

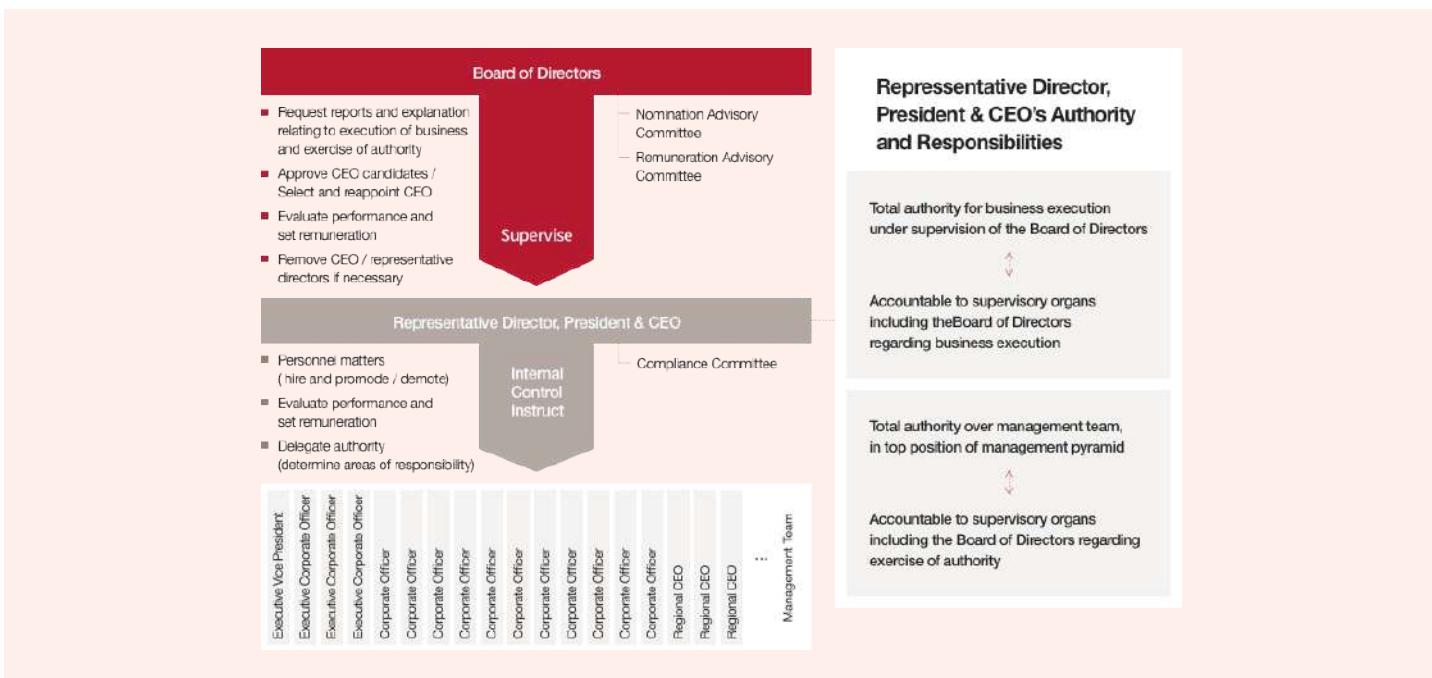
Effective January 2016, Shiseido committed to a new matrix organization encompassing five brand categories and six regions. Under this organization, the Company serves as the global headquarters responsible for providing overall supervision of the Group and the support it requires, and is promoting localization of responsibility and authority by delegating much of the authority formerly exercised by the Company to respective regional headquarters for Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail. The Board of Directors frequently discussed issues including the composition and operation of the Board of Directors to determine an ideal corporate governance system, premised on this organization and management structure. As a result, the Board of Directors concluded that adopting a monitoring board structure would be appropriate for ensuring adequate overall supervision of Shiseido. Accordingly, the Company has been implementing “monitoring board corporate governance” while leveraging the advantages of being a company with an Audit & Supervisory Board.

Diversity of Directors and Audit & Supervisory Board Members

The Company believes that the Board of Directors of the Company should be composed of directors with various viewpoints and backgrounds, on top of diverse and sophisticated skills, for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company believes that audit & supervisory board members should have the same diversity and sophisticated skills as the directors, as they have a duty to attend meetings of the Board of Directors and state opinions as necessary. When considering diversity, the Company selects candidates based on attributes of personality and insight regardless of gender, age, or nationality, etc. in order to stress diversity of these attributes as well as diversity in terms of competencies including professional skills and experience in various fields related to business management.

In addition, the Company has set term limits for external directors and external Audit & Supervisory Board members so that management can benefit from views that are not bound by the Company's existing structures, and ensures appropriate transition to newly appointed external directors and external Audit & Supervisory Board members by allowing a handover period from those who have served for an extended period.

Management Supervision System



Ratio of External Directors on the Board of Directors

The Company's Articles of Incorporation limit the number of directors to 12. The Company considers issues including business portfolio and scale in electing the optimum number of directors to appropriately supervise management. The Company shall have at least three external directors to ensure that they have a certain degree of influence within the Board of Directors. The Company has established a target of making at least half of the directors external. Independence is emphasized in selecting external directors and Audit & Supervisory Board members. In principle, external director and Audit & Supervisory Board member candidates must meet the Company's criteria for independence and have an independent mindset.

Criteria for Independence of External Directors and Audit & Supervisory Board Members (summary)

- Not a person who is or has ever been responsible for executing the business of the Company or its affiliated companies (collectively, the Shiseido Group)
- Not a person for whom the Shiseido Group is or has ever been a major client or a person who has executed business for an entity for which the Shiseido Group is or has ever been a major client
- Not a person who is or has ever been a major client of the Shiseido Group or a person who has executed business for an entity that is or has ever been a major client of the Shiseido Group
- Not a person who executes or has ever executed business for an entity in which the Shiseido Group is a major shareholder
- Not a person who is or has ever been a major shareholder of the Company or a person who has executed business for an entity that is or has ever been a major shareholder of the Company
- Not a professional such as an attorney or a consultant who has received a large amount of money from the Shiseido Group
- Not a person who is receiving or has ever received a large donation from the Shiseido Group or a person who has executed business for an entity that is receiving or has ever received a large donation from the Shiseido Group
- Not a person who is or has ever been an accounting auditor of the Company or a person who has belonged to an entity that is or has ever been an accounting auditor of the Company
- Not a spouse or close relative of any person excluded above
- Not a person affiliated with a company that reciprocally appoints a director or Audit & Supervisory Board member from the Shiseido Group
- Not a person who could otherwise be reasonably judged unable to fulfill the duties of an independent director or independent Audit & Supervisory Board member

(Please refer to the corporate Governance Report available at Shiseido's corporate website for detail.)

COMMITTEES

Basic Policy

With a view to promoting transparency and objectivity in management, the Company has established two committees to advise the Board of Directors: the Nomination Advisory Committee, which makes recommendations on director and corporate officer candidates and promotions; and the Remuneration Advisory Committee, which makes recommendations on executive remuneration and performance evaluation standards. Both committees are chaired by external directors to ensure objectivity. Furthermore, the Compliance Committee has been established as a committee that reports directly to the CEO. It collaborates with compliance organizations at the six regional headquarters and provides overall direction for activities that improve corporate quality, including the promotion of legal compliance, fair business practices, and risk countermeasures. Committee members are selected from across the Group and include the heads of each region.

Evaluation Working Group

Within the Company's corporate governance, there is a need to appropriately concentrate authority in the CEO while maintaining a strong oversight function to counterbalance that authority. Accordingly, the Company has established the Evaluation Working Group as a shared organization of the Nomination Advisory Committee and the Remuneration Advisory Committee to discuss and consider matters relating to the CEO, including reappointment and replacement. The Evaluation Working Group conducts performance evaluation that includes a personal evaluation of the CEO, and confirms the appropriateness of the CEO's remuneration. In this way, the Evaluation Working Group comprehensively oversees the CEO from two aspects: appointment and dismissal, and incentives. To emphasize its independence from the CEO and the CEO's business execution framework, the Evaluation Working Group consists solely of external directors and external Audit & Supervisory Board members.

Members of the Nomination Advisory Committee and the Remuneration Advisory Committee

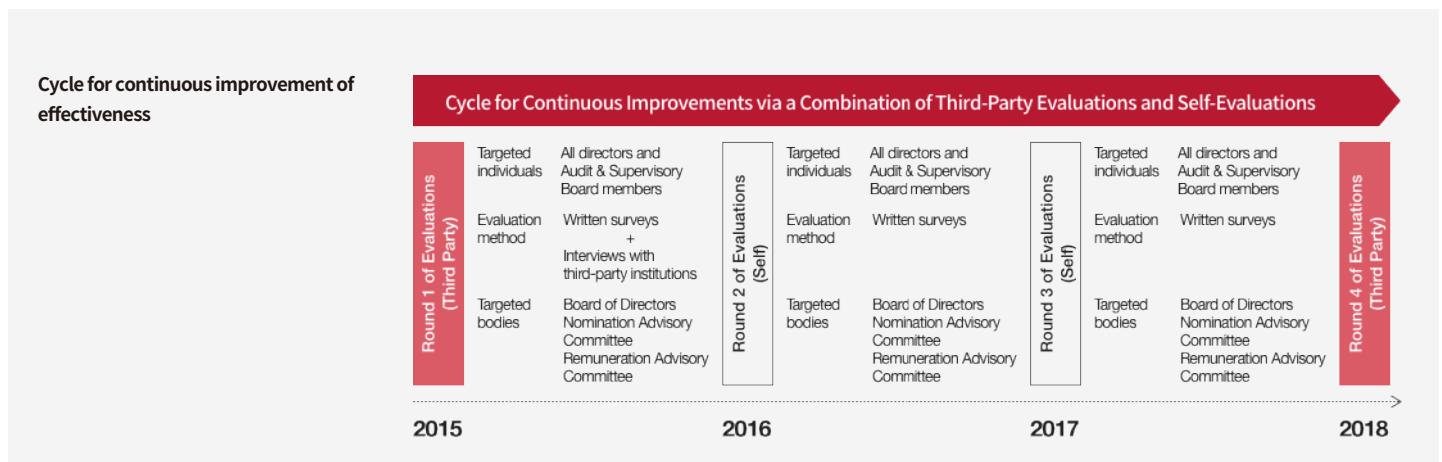
Members of the Nomination Advisory Committee and the Remuneration Advisory Committee	Nomination Advisory Committee			Remuneration Advisory Committee		
	Chair	Yoko Ishikura	External Director	Chair	Kanoko Oishi	External Director
	Member	Shinsaku Iwahara	External Director	Member	Yoko Ishikura	External Director
		Kanoko Oishi	External Director		Shinsaku Iwahara	External Director
		Masahiko Uotani	Representative Director, President and CEO		Masahiko Uotani	Representative Director, President and CEO

EVALUATION

Evaluation of the Effectiveness of the Board of Directors

Basic Policy

With the aim of evaluating the effectiveness of the Board of Directors, the Company has in place a policy of regularly identifying issues related to enhancing the effectiveness of the Board of Directors, the Nomination Advisory Committee, and the Remuneration Advisory Committee and confirming the status of efforts to resolve such issues. To incorporate an objective evaluation and analysis from a standpoint that is independent from the Company, third-party evaluations are conducted once every three years. The Company confirms the status of efforts to resolve issues identified through these third-party evaluations, and conducts self-evaluations during the years between third-party evaluations to determine specific initiatives to undertake each year.



Changing the Awareness of Issues

Initiatives Determined through the 2015 Evaluation

- Narrow down agenda items at Board meetings to focus on truly important matters
- Enhance the provision of information to the external directors
- Clarify the functions and authority of both advisory committees
- Expand the task diversity of the Board of Directors
- Develop succession plans for the CEO
- Develop succession plans for the external directors

Initiatives Determined through the 2016 Evaluation

- Narrow down agenda items at Board meetings to focus on truly important matters (ongoing)
- Enhance the provision of information to the external directors (ongoing)
- Strengthen communication between the external directors and the Audit & Supervisory Board
- Develop succession plans for the CEO (ongoing)
- Clarify the functions and role of the Audit & Supervisory Board amid the transition to a monitoring board structure

Initiatives Determined through the 2017 Evaluation

- Develop succession plans for the CEO (ongoing)
- Reconfirm the importance of external directors and develop succession plans
- Ensure even higher levels of diversity for the Board of Directos
- Strengthen communication between the external directors and the Audit & Supervisory Board (ongoing)
- Enhance the secretariat system for the Board of Directors and both advisory committees and strengthen collaboration with the secretariat of the Audit & Supervisory Board
- Enhance the Provision of information to the Audit & Supervisory Board regarding both advisory committees

Initiatives Determined through the 2018 Evaluation

- Develop succession plans for the CEO (ongoing)
- Reconfirm the importance of external directors and develop succession plans(ongoing)
- Ensure even higher levels of diversity for the Board of Directors(ongoing)
- Strengthen communication between the external directors and the Audit & Supervisory Board (ongoing)
- Enhance the secretariat system for the Board of Directors and both advisory committees and strengthen collaboration with the secretariat of the Audit & Supervisory Board(ongoing)
- Enhance the Provision of information to the Audit & Supervisory Board regarding both advisory committees (ongoing)

Ongoing Initiatives-Developing Succession Plans for the CEO, External Directors and External Audit & Supervisory Board Members

Within the evaluations of the effectiveness of the Board of Directors, the Company determined that the development of succession plans for the CEO is a task that should be continuously examined by the Board of Directors, the Nomination Advisory Committee, and the Remuneration Advisory Committee. The Company believes that the CEO should have the responsibility and authority to select his or her own successor and that the CEO should be in charge of drafting succession plans. In addition, the Nomination Advisory Committee, which is responsible for certain functions of the Board of Directors, should receive sufficient reports from the CEO regarding the details of the succession plans and the candidates chosen. After the exchange of opinions, the committee should provide feedback to the CEO, evaluating the candidates chosen from an independent standpoint and examining their appropriateness based on management issues the Company is facing.

In addition, the evaluations of the effectiveness of the Board of Directors have highlighted the need for developing succession plans for external directors and external Audit & Supervisory Board members, who play an essential role in monitoring the Company's management. The Company believes that the development of succession plans, which should include oversight on various conditions pertaining to term of office and clear criteria for successor candidates, is an issue that should be constantly on the agenda of the Nomination Advisory Committee rather than something only addressed prior to the succession event.

REMUNERATION

Remuneration for Directors, Audit & Supervisory Board Members and Corporate Officers

Overview of the Policy for Remuneration for Directors, Audit & Supervisory Board Members and Corporate Officers

The Company regards the remuneration policy for directors, Audit & Supervisory Board members, and corporate officers as an important matter for corporate governance. The policy is therefore designed by the Remuneration Advisory Committee, chaired by an external director, based on the following basic philosophy while incorporating objective points of view. Remuneration for directors and corporate officers consists of basic remuneration and performance-linked remuneration.

The remuneration policy for directors, Audit & Supervisory Board members, and corporate officers shall

1. contribute to realizing the corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium-to-long-term business strategy, and to strongly motivate directors, Audit & Supervisory Board members, and corporate officers eligible for remuneration to achieve medium-to-long-term growth;
4. have a mechanism incorporated to prevent wrongdoing and overemphasis on short-term views; and
5. be designed to be transparent, fair, and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and shall ensure these points by determining remuneration through appropriate processes.

The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas, taking the Company's financial condition into consideration.

External directors and Audit & Supervisory Board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Shiseido also abolished its officers' retirement benefit plan as of June 29, 2004, the date of the 104th Ordinary General Meeting of Shareholders.

Directors, Audit & Supervisory Board Members and Corporate Officers Remuneration Aligned to the Three-Year Plan for Fiscal 2018 through Fiscal 2020

The Company has dedicated the three years from fiscal 2018 through fiscal 2020 to pursuing new strategies aimed at accelerating growth.

From fiscal 2018 through fiscal 2020, the Company will hasten growth by creating a virtuous cycle while continuing to pursue structural reforms, and will accordingly design the remuneration scheme to place more focus on the notion of "pay linked to the corporate mission," which constitutes a step beyond the notion of "pay for performance" whereby remuneration paid to an officer reflects his or her accomplishments. Under the notion of "pay linked to the corporate mission," the Company evaluates the extent to which long-term strategies reflecting its management approach and Corporate Philosophy have been achieved, in addition to considering net sales, operating profit, and other quantitative financial results.

Furthermore, given that the Company has achieved some of its financial targets set forth in its VISION 2020 quantitative targets three years ahead of schedule, in 2018, it set new long-term targets of net sales of ¥2 trillion yen and operating profit of ¥300 billion yen, geared to further achieving sustainable growth over the long term with its sights set on goals further off into the future. As such, the Company will introduce performance-linked stock remuneration as a new long-term incentive type remuneration (LTI), wherein performance share units will replace the existing stock compensation-type stock options, to take effect in fiscal 2019.

Proportion of Remuneration by Remuneration Type for Each Rank of Director

Remuneration Type for Each Rank of Director

Rank as Corporate officer	Composition of remuneration as corporate officer				Total	
	Basic remuneration	Performance-linked remuneration				
		Annual bonus	Long-term incentive remuneration			
President & CEO	46%	27%	27%			
Executive Vice President	54~56%	22~23%	22~23%			
Corporate Executive Officer	54~60%	20~23%	20~23%		100%	
Corporate Officer	56~64%	18~22%	18~22%			

Notes

- In this model, the basic remuneration amount is the median of the applicable role grade, and the amount paid for performance-linked remuneration is based on 100% of a reference amount determined by the Company. The proportions stated above may change depending on changes in the Company's performance and changes in the share price.
- There is no difference in the proportion of remuneration by remuneration type applied to directors based on whether a director has a representation right or otherwise.
- Because different remuneration tables will be applied depending on the role grade of respective directors and corporate officers, proportions of remuneration by remuneration type will vary even within a same rank.
- A fixed amount of remuneration separately provided in accordance with roles such as Chairman of the Board is not included in the table.

Performance indicators and evaluation weights for annual bonus

Evaluation item	Performance Indicators	Evaluation Weight											
		President and CEO		Corporate Officers in Charge of Businesses			Corporate Officers Other than Those in Charge of Businesses						
				Regional Headquarters President	Other	CFO and Other							
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	30%	70%					
	Consolidated operating profit	40%		10%		10%	40%						
	Net profit attributable to owners of parent	If this amount ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the whole group performance component.											
Performance of Business Unit in Charge	Business performance evaluation			50%		50%							
Personal Evaluation	Level of achievement of strategic goals set individually	30%											
		Setting no more than five priority objectives which contribute to realizing long-term strategies reflecting the Company's management approach and Corporate Philosophy.											

Notes

There is no difference in the performance indicators and the weight of performance indicators applied to directors based on whether a director has a representation right or otherwise.

Basic Remuneration

Basic remuneration corresponds to each officer's role grade, which is based on the scale and scope of their responsibilities and impact on Group management. Moreover, basic remuneration may increase within the same role grade within a designated range in accordance with the performance of respective directors or corporate officers in the previous fiscal year in terms of numerical business performance and personal performance evaluation. This mechanism allows the Company to adjust basic remuneration in light of the achievements of respective directors and corporate officers.

The Company will continue to pay external directors and Audit & Supervisory Board members fixed basic remuneration with no variable component as under the previous system.

Annual Bonus

The Company has determined evaluation items for the annual bonus linked to performance in accordance with the scope of responsibilities of the respective director or corporate officer as described in the table below. The achievement rates for consolidated net sales and consolidated operating profit targets are common performance indicators used for all directors and corporate officers. Although it is essential that the entire management team remains aware of matters involving net profit attributable to owners of parent, it is also crucial that management not allow such a benchmark to weigh too heavily on proactive efforts particularly involving future growth-oriented investment. As such, after deliberations by the Remuneration Advisory Committee, the Company has provisionally established certain standards (thresholds) as described in the table above, with the evaluation framework designed so that the Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual bonus payment attributable to the Company-wide performance component of the total annual bonus, if results fall below the thresholds. In addition, as was the case for remuneration policy up to 2017, the Company has set personal performance evaluation components for all directors and corporate officers to provide a standard for evaluating the level of achievement of strategic goals in initiatives that cannot be measured with financial performance data, such as rebuilding the business foundation for sustainable growth.

Long-Term Incentive-Type Remuneration (LTI)

Performance-Linked Stock Compensation / Performance Share Units (from Fiscal 2019)

Purposes of introducing the LTI

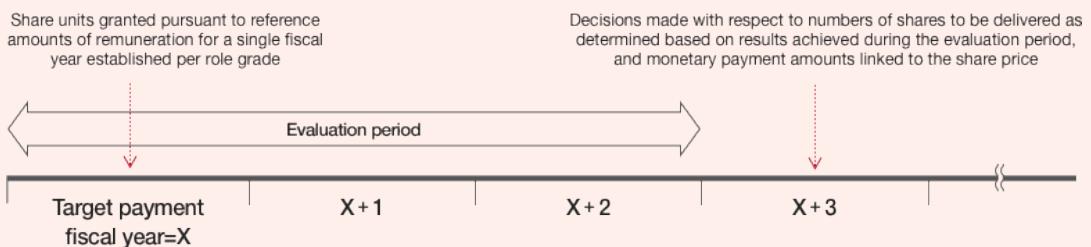
The LTI is adopted for the purposes of establishing effective incentives for creating and maintaining corporate value over the long term, and ensuring that the directors' interests consistently align with those of our shareholders.

To such ends, the LTI will help:

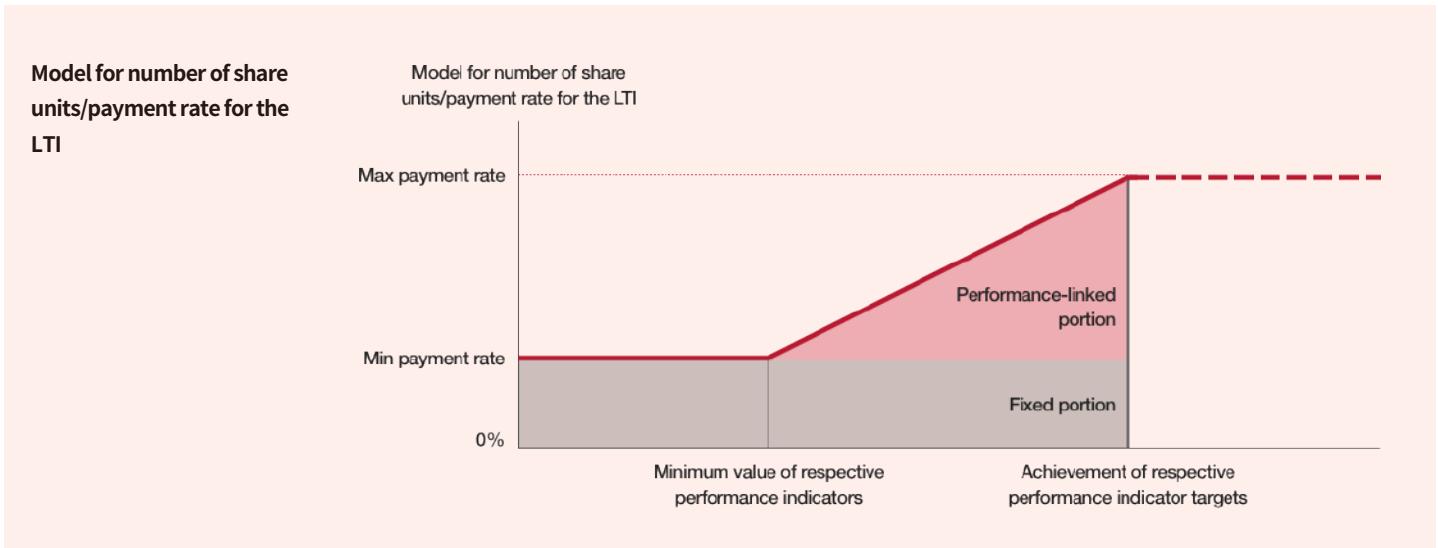
- i) promote efforts to create value by achieving our long-term vision and strategic goals,
- ii) curb potential damage to the corporate value and maintain substantial corporate value over the long-term,
- iii) attract and retain talent capable of taking on leadership in business, and
- iv) realize a "Global One Team" by fostering a sense of solidarity among management teams of the entire Shiseido Group and instill the consciousness of participating in the running of the Company.

Under the LTI, performance share units are adopted to act as a type of performance-linked stock compensation in lieu of the stock compensation-type stock options granted annually thus far. With respect to the Company's performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall establish multiple performance indicators beforehand, and three fiscal years, including the fiscal year that the payment relates to, shall be used as the evaluation period. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate after the end of the evaluation period, and it shall use the payment rate to increase or decrease the number of share units. The eligible parties shall be paid monetary remuneration claims and cash for the delivery of a number of shares of the Company's common stock corresponding to the applicable number of share units, and then each eligible parties shall receive delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind.

LTI schedule



The financial benefits ultimately gained by the eligible parties are linked not only to performance outcomes associated with the performance indicators, but also to the Company's share price. As such, the LTI substantially links the financial benefits with both performance and the Company's share price. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion, thereby emphasizing the notion of consistently granting stock compensation to the eligible parties. As such, the LTI is designed to help eligible parties realize the aims of more robustly ensuring that their sense of interests consistently aligns with those of our shareholders, curbing potential damage to corporate value and maintaining substantial corporate value over the long term, and helping to attract and retain competent talent.



The performance indicators are determined by the Board of Directors upon the matter having been adequately deliberated on by the Remuneration Advisory Committee. To achieve our long-term targets, the performance indicators are configured so that the LTI underpins efforts to enhance our corporate value in terms of both economic value and social value. As such, the performance indicators include (as benchmarks to measure to economic corporate value): compound average growth rates (CAGR) of both consolidated net sales and consolidated operating profit; and (as benchmarks pertaining to social value) multiple internal and external environmental, social and governance (ESG) indicators with special emphasis placed on the area of "empowered beauty," in which we aim to achieve our notion of beauty innovation through providing support to others. Moreover, the performance indicators now also include consolidated return on equity (ROE) which acts as an important benchmark for measuring corporate value from the perspective of establishing a sense of common interests with our shareholders.

Among the performance indicators, we have set target values and minimum values for each CAGR for consolidated net sales and consolidated operating profit. Accordingly, the Company will apply the maximum percentage amount of payment attributable to each of the indicators in the event that the target values are achieved, and the Company does not make payment of the performance-linked portion with respect to each of those indicators in the event that performance falls short of the minimum values. As for environmental, social and governance (ESG) indicators, upon having determined whether each of the multiple benchmarks have been achieved or not, we will set the maximum percentage amount of payment attributable to each of the benchmarks in the event that the targets have been achieved, and will not make payment of the performance-linked portion with respect to each of the benchmarks in the event that the targets have not been achieved. In terms of consolidated return on equity (ROE), as we deem it necessary to ensure that our focus on that benchmark doesn't excessively impede our active efforts with respect to investing in future growth and resolving challenges with our sights set on achieving long-term growth, we will set preliminary ROE targets at certain thresholds per deliberations carried out in that regard by the Remuneration Advisory Committee, and the committee will then discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below such thresholds.

In addition, the LTI is designed with a view to extending payment to management teams at regional headquarters outside of Japan in the future, with the aim of realizing a "Global One Team" by fostering a sense of solidarity among management teams around the world and promoting a participatory approach to business.

Model for number of share units/payment rate for the LTI

Evaluation Item	Performance Indicators	Evaluation Weight	
Economic Value Indicators	Consolidated net sales compound average growth rate (CAGR)	45%	100%
	Consolidated operating profit compound average growth rate (CAGR)	45%	
Social Value Indicators	Multiple internal and external indicators such as those related to environmental, social and governance (ESG) with focus on the area of "empowered beauty"	10%	
Economic Value Indicator	Consolidated ROE (return on equity)	If this ends up below the threshold, the remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

Long-Term Incentive-Type Remuneration Until Fiscal 2018

Until fiscal 2018, as long-term incentive-type remuneration included in performance-linked remuneration, we applied a stock compensation-type stock option using stock acquisition rights as stock options with an amount of 1 yen invested when exercising a stock acquisition right as a means of paying stock as compensation, etc., instead of cash-based compensation, etc. The limits on this long-term incentive-type remuneration apply on two occasions: when the stock acquisition rights are allotted, and when the allotted stock acquisition rights have vested. When actually allotting the stock acquisition rights after obtaining approval for the maximum number of stock acquisition rights to be allotted at the General Meeting of Shareholders, the Company shall increase or decrease the number of stock acquisition rights to be granted in the range of 0 to the maximum by using the performance indicators for annual bonuses for the preceding fiscal year. In addition, the Company has introduced a mechanism when the stock acquisition rights vest that limits the exercise of stock acquisition rights to 30 to 100 percent of the allotted number, according to consolidated results and other indicators up to the preceding fiscal year.

Remuneration for Directors and Audit & Supervisory Board Members for the Year Ended December 2018

	(Millions of yen)			
	Basic Remuneration	Bonus	Long-Term Incentive (Stock Options)	Total
Directors (9 persons)	281	212	102	597
External Directors among Directors (5 persons)	49	—	—	49
Audit & Supervisory Board Members (6 persons)	104	—	—	104
Audit & Supervisory Board Members (External) among Audit & Supervisory Board Members (3 persons)	39	—	—	39
Total	386	212	102	701

Notes

1. Basic remuneration for directors has a ceiling of ¥2.0 billion annually (including a total of ¥0.2 billion or less for external directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018. Basic remuneration for audit & supervisory board members has a ceiling of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The amount to be paid as bonuses to directors for fiscal 2018 indicated above is the amount that the Board of Directors has resolved to pay, such that is within the ceiling amount as stated above in Note 1. The sum total of the amount to be paid for the aforementioned bonuses and the amount paid as basic remuneration in fiscal 2018 is within the ceiling amount as stated above in Note 1.
3. The amount of long-term incentive-type remuneration (stock options) indicated above represents the expenses associated with the fiscal year among the stock options (share acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
4. In addition to the above payments, other remuneration, etc. of ¥25 million was recorded for the fiscal year ended December 31, 2018 as expenses associated with stock options granted to two directors of the Company, at the time the directors served as corporate officers not holding the office of directors.
5. None of the directors or the audit & supervisory board members will be paid remuneration other than described above (including that described in notes 1 through 4).

Remuneration by Type to Representative Directors and Directors Whose Total Remuneration Exceeded 100 Million Yen for the Year Ended December 2017

		Millions of yen			
		Basic Remuneration	Bonus	Long-Term Incentive (Stock Option)	Total
Masahiko Uotani	Representative Director President & CEO	153	163	95	412
Jun Aoki	Representative Director	44	25	7	77

Notes

1. The above amount to be paid as bonuses to directors for fiscal 2018 is the amount that the Board of Directors has resolved to pay, such that is within the ceiling of ¥2.0 billion annually (including a total of ¥0.2 billion or less for external directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018.
2. The amount of long-term incentive-type remuneration (stock options) indicated above represents the expenses associated with the fiscal year among the stock options (share acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
3. In addition to the above payments, there are other remuneration, etc. of ¥6 million recorded for the fiscal year ended December 31, 2018 as expenses associated with stock options granted to Representative Director Jun Aoki at the time he served as corporate officer not holding the office of director.
4. None of the two directors above will be paid remuneration other than described above (including that described in notes 1 through 3).

AUDIT STRUCTURE

Audit Structure

Internal Audit

The Internal Auditing Department, which reports directly to the President and CEO, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board. Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant divisions.

Audit & Supervisory Board Members' Audits and Initiatives toward Strengthening Their Functions

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three audit & supervisory board members (external) offer advice, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and audit & supervisory board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that audit & supervisory board members discharge their duties effectively, such as setting up a supporting group for audit & supervisory board members.

Accounting Audits

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act.

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

Accounting Audits	Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
	KPMG AZSA LLC	Koichi Kobori, Designated Limited Liability Partner	3 years
		Ryoji Fujii, Designated Limited Liability Partner	6 years

(As of March 26, 2019)

Assistants for the accounting audits of the Company comprise certified public accountants and junior accountants.

Mutual Cooperation among Internal Audits, Audit & Supervisory Board Members' Audits and Accounting Audits

The Company, in order to improve the effectiveness and efficiency of the so-called three-pillar audit system (internal audits, audit & supervisory board members' audits, and accounting audits), has been making efforts to enhance the mutual cooperation among the parties concerned by such means as arranging regular liaison meetings to report on audit plans and audit results as well as to conduct exchanges of opinions.

Remuneration, etc. to the Accounting Auditor

Remuneration, etc. to the Accounting Auditor	Category	Amount (Millions of yen)
	Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2018	186
	Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	227
<p>Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in "Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2018" above.</p>		

Reason for Audit and Supervisory Board to Have Agreed to Remuneration, etc. to the Accounting Auditor

The Audit and Supervisory Board of the Company reviewed the status of performance of duties and basis for the calculation of the estimated amount of remuneration in the previous fiscal year as well as the validity of both descriptions in the audit plan prepared by the accounting auditor during the fiscal year and the estimated amount of remuneration, using the "Practical Guidelines for Cooperation with accounting auditors" released by the Japan Corporate Auditors Association as a guide, and by way of necessary documents obtained from directors, internal relevant departments and the accounting auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the accounting auditor were appropriate, in agreement with Article 399, Paragraphs 1 and 2 of the Companies Act.

RISK MANAGEMENT AND COMPLIANCE

Compliance Committee

Shiseido has established a Compliance Committee headed by the CEO which oversees all areas in which the Company should fulfill its social responsibilities, and carries out the following tasks:

- Accurately assesses social changes and in-house conditions, identifying enterprise risk factors
- Deliberates on and approves measures to prevent incidents/mitigate risks
- Reports on incidents/crises and examines measures to prevent recurrence
- Informs the Board on whistle-blowing and other reports, considering measures to fundamentally improve the workplace culture
- Monitors compliance-related activities, identifying issues

As risk management relates closely to the characteristics of the industry, business model, and management strategies of the Company, the CEO heads the Compliance Committee as Chairman and reports to the Board of Directors as required.

Risk Monitoring by the Board of Directors

Monitoring risks on a Group-wide basis is one of the key responsibilities of the Board of Directors. The Board reviews reports on risks factors identified by the Compliance Committee and provides feedback on the measures the Committee has developed to prevent incidents/mitigate risks. Also, for individual reports and strategies proposed, the Board makes inquiries on the prerequisites, risk tolerance, and risk limit of each to confirm risks are being considered in an appropriate manner. Through these means, the Board urges the Management to identify risks, implement measures to prevent incidents/mitigate risks, and take risks appropriately.

In addition to receiving individual reports/proposals and Compliance Committee reports, the Board compiles risk-related information through sharing of information with the Audit & Supervisory Board, also contributing to the realization of highly effective risk monitoring.

Review of Risks

Among risks pertaining to its business and financial conditions, the Company revises in a timely manner the list of risks which may impact its financial or business performance based on examinations made by the Compliance Committee.

In undertaking these revisions, the Company not only determines the necessity of existing risk items and additional risk items, but also reviews the order of priority, based on factors such as the impact of an incident.

Business and other Risks

Business and other Risks

1. Business Strategies
2. Brand Image
3. Quality Control
4. Strategic Investment Activities

Risks Related to Business Environment

5. Exchange Rate Fluctuations
6. Procurement of Raw Materials
7. Human Resources
8. Response to the Environment

External Risks

9. Economic and Political Conditions
10. Natural Disasters
11. Information Security

Compliance-Related Risks

12. Regulatory Risks
13. Material Litigation

Whistle-Blowing System

To discover acts which violate laws, the Articles of Incorporation, or other regulations within Shiseido and to promptly correct such issues, the Company has established a means of reporting compliance-related issues. For overseas, the Company has set up local/regional hotlines, in addition to which it has established a Shiseido Group Global Hotline at the Head Office for direct reports from overseas employees. In the Japan region, the Company has established the Compliance Committee Hotline specialized in whistle-blowing, an in-house Shiseido Helpline consisted of in-house counselors, and an external Shiseido Hotline as a means of reporting. The Company has also created a reporting route to audit & supervisory board members for reports related to corporate officers. Shiseido is working to make known these hotlines to employees.

To secure the effectiveness of this whistle-blowing system, the Company has developed internal regulations to ensure directors, audit & supervisory board members, corporate officers, and employees are not dismissed, discharged from service, or receive other disadvantageous treatment due to reporting. These regulations are made known to employees.

INTERNAL CONTROL

Internal Control Systems of the Company

(1) System under Which Execution of Duties by Directors and Employees of the Company and all Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Business of the Whole Group Is Ensured

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors' supervisory functions in regard to operational execution. The audit & supervisory board members audit the legality and appropriateness of the directors' execution of business. Upon request of any audit & supervisory board member, directors and employees shall report the status of execution of business to the audit & supervisory board member.

In order to realize "Our Mission," which defines the Shiseido Group's corporate philosophy and business domains and sets out its raison d'être, the Company has established "Our Values," which must be held and shared by each and every employee of the Group, and "Our Way" and the "Shiseido Ethical Conduct Standards," which set out the action standards for business conduct with the highest ethical standards, and promote corporate activities that are both legitimate and fair. (*)

The Company shall establish a basic policy and rules in line with "Our Way" and the "Shiseido Ethical Conduct Standards," with which the entire Group shall comply. Each Group company and business office shall be fully aware of this policy and rules, along with "Our Mission," "Our Values," "Our Way" and the "Shiseido Ethical Conduct Standards," so that environments for the formulation of detailed internal regulations of the Company will be created at each Group company and business office.

The Compliance Committee, under jurisdiction of the Board of Directors, shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The committee shall propose and report plans and activities to the Board of Directors.

The Company deploys a person in charge of corporate ethics promotion at each group company and business office in order to promote legitimate and fair corporate activities across the Group, and organizes regular training for corporate ethics. The person in charge of corporate ethics promotion drafts plans for corporate ethics activities at each workplace, and reports the status of the said activities and their results to the Compliance Committee.

For the purpose of detection and remediation of conducts within the Group that are in violation of laws and regulations, the Articles of Incorporation, and other internal regulations of the Company, the Company shall introduce internal whistle-blowing offices under the Compliance Committee, where the Chairman of the Compliance Committee, staff counselors, an external law office or other representatives will be appointed as a contact for informing and consultations on matters relating to compliance.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the entire Group to audit the appropriateness of business.

The results of audit shall be reported to directors and audit & supervisory board members.

(2) System under Which Directors of the Company and all Group Companies Shall Be Ensured to Efficiently Execute Duties

The Company adopts a corporate executive officer system to actualize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

The representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. A corporate officer shall fix the specified target in the assigned field, including all Group companies, and set up a business system by which the target shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the Corporate Executive Officer Committee consisting of corporate officers shall deliberate business execution from viewpoints of various aspects.

The Board of Directors and the Corporate Executive Officer Committee shall confirm the status of development vis-à-vis the target and conduct necessary improvement measures.

(3) System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall be Reported to the Company

Important documents such as minutes of the Board of Directors meetings and minutes of the Corporate Executive Officer Committee meetings shall be managed pursuant to laws and regulations and the internal regulations of the Company, and these important documents shall be presented to directors and audit & supervisory board members immediately whenever requested for inspection.

In addition, for information with respect to business execution by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with the regulations.

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

(4) Regulation Regarding Control of Risk for Loss at the Company and all Group Companies and Other Regulation Systems

The Compliance Committee, under the jurisdiction of the Board of Directors, shall manage risks associated with corporate activities of the entire Group. Risks associated with management strategy and business execution shall be recognized and evaluated by the committee so that necessary measures shall be taken. A contingency manual shall be prepared to deal with emergency situation.

In the case of emergency, countermeasure headquarters, projects or teams shall be set up pursuant to the levels of the emergency and shall take countermeasures.

(5) System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees

The Audit & Supervisory Board Staff Group shall be established and employees shall be appointed to assist the Audit & Supervisory Board and audit & supervisory board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from employees to audit & supervisory board members the audit & supervisory board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

(6) System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members

Directors and employees shall report the status of their execution of duties to audit & supervisory board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to audit & supervisory board members. In addition, the status of business and conditions of assets shall be reported to audit & supervisory board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform audit & supervisory board members of issues, and shall make this method known across the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to audit & supervisory board members or informing them of issues, and shall make these regulations known.

(7) Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and audit & supervisory board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

(8) Other Systems under Which Auditing by Audit & Supervisory Board Members Is Ensured to Be Efficiently Performed

Meetings for the exchange of opinions shall be held regularly between representative directors and audit & supervisory board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meetings shall be held among audit & supervisory board members, the accounting auditor and the internal auditing department upon request of audit & supervisory board members. In addition, audit & supervisory board members shall be ensured to attend various meetings.

(*) Fundamental Thinking on Exclusion of Anti-Social Forces and the Status for Arrangement

In the Company's "Ethical Conduct Standards," it is have declared that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office has been established in the Risk Management Department for the purpose of intensively collecting information, while a manual on how to cope with such forces is maintained on the intranet, among other activities. The Company is strengthening its collection of outside information and cooperation with outside organizations by such means as coordinating with local police offices and having membership in an organization that promotes the exclusion of anti-social forces.

(As of Feb 28, 2019)

Social Contribution Activities

The Shiseido Group established Protect Beauty, Empower Beauty, and Inspire Beauty as the core areas of its corporate sustainability initiatives in 2019. We aim to achieve sustainable development together with society and the earth, and we will contribute to society through activities related to our core areas of sustainability and solutions that address local issues through our corporate strengths.

Guidelines for Social Contribution Activities

The Shiseido Group aims to achieve sustainable development together with society and the earth. In accordance with the Shiseido Group Standards of Business Conduct and Ethics, we will contribute to the realization of a sustainable society through our efforts to resolve social issues and leveraging our business practices, as well as through activities that address issues of each local community, to gain support from various stakeholders across the world for years to come.

Shiseido Group Standards of Business Conduct and Ethics "With Society and the Earth"

We engage in a broad dialogue with society and strive to cooperate in solving social challenges.

- (1) We strive to meet the expectations of global society through various activities, such as using the power of cosmetics to lift people's spirits and improve their quality of life, furthering the advancement of women, promoting the arts and culture, and conducting environmental activities.
- (2) We work to deepen our interaction with communities where our affiliates are located and contribute to their development, thereby fulfilling our responsibility as a good corporate citizen.

For details, please refer to "Shiseido Group Standards of Business Conduct and Ethics"

Core Areas of Social Contribution Activities

We established six core areas in accordance with the Shiseido Group Standards of Business Conduct and Ethics and our corporate materiality issues. In addition to three areas (key issues) of Protect Beauty (environment), Empower Beauty (cosmetics, beauty, and support for women), and Inspire Beauty (art and culture), we are also engaged in Community and Disaster Support, Academic Support, and Activities for Children, in response to the needs of the local community.

Highlights of our Social Contribution Activities Results

2018 Results

Number of social contribution activities (Number of activities)

Target	2018
All Shiseido Group	408

Number of participating employees (Cumulative number)

Target	2018
All Shiseido Group	10,040

Spending on social contribution activities (Unit: 1 million yen)

Target	2018	
Shiseido Company, Limited	Spending on donations	*203
	Breakdown	Donations made in cash
		Donations made by product offerings
Shiseido Group in Japan a)	Spending on donations	*210
	Breakdown	Donations made in cash
		Donations made by product offerings
Shiseido Group outside Japan b)	Spending on donations	114
	Breakdown	Donations made in cash
		Donations made by product offerings

a) Shiseido Group (Japan): Shiseido Company, Limited and 20 domestic affiliated companies subject to consolidation (as of December 31, 2018)

b) Shiseido Group (Overseas): 58 overseas affiliated companies subject to consolidation (as of December 31, 2018)

Data marked with * has been third-party certified.

For details, please refer to Social Data.

Initiatives

Here is an outline of the six core areas of our social contribution activities. Please follow the link below for details.

1. Protect Beauty (Environment)

We manufacture our products from many plant-derived raw materials by making use of the bounty of the Earth, and we strive to raise employee awareness through environmental greening and environmental education.

- Camellia Planting and Conservation Volunteer Activities in the Goto Islands, Nagasaki Prefecture

- Shiseido Thailand Co., Ltd. Volunteers Plant Mangrove Trees in Thailand

- Cleaning Activities at the Shiseido Osaka Factory

The Shiseido Osaka Factory continues its monthly activity of cleaning the riverbed of the Kanzaki River, which flows next to the factory.

2018 results

Total number of activities: 8

Total number of participating employees: 232

Amount of waste collected: 49 kg

2. Empower Beauty (Cosmetics, beauty, and support for women)

Making the most of our beauty technology and know-how to support job opportunities for women, we aim to raise awareness of the cosmetics business and realize a better society for everyone.

- Shiseido Life Quality Makeup
- Shiseido Life Quality Beauty Seminar
- Awareness-Raising Activities on Gender Equality
- Support for Patients with Xeroderma Pigmentosum (XP), a UV-Sensitive Intractable Disease
- Shiseido Female Researcher Science Grant
- Shiseido Social Welfare Foundation

3. Inspire Beauty (Art and culture)

Making the most of our high-quality craftsmanship skills and know-how accumulated over more than 100 years, we support contemporary art and experimental expression activities.

- “art egg” artist support
- Art and culture (co-sponsorship) activities
- Other

We have co-sponsored various art exhibitions including “Fujita in the 1940s: Tributes” at the University Art Museum, Tokyo University of the Arts, and “YASUMASA MORIMURA: EGO OBSCURA,” a private exhibition of Yasumasa Morimura works at the Japan Society Gallery in New York.

4. Community and Disaster Support

Insight into society and self-growth through relationships with society will lead to the growth of our employees and eventually, the growth of our company.

- Social contribution activities by region and facility
- The Social Contribution Club, a social contribution approach funded by our employees
- Disaster support activities
- Aid Initiatives in the Wake of the Great East Japan Earthquake

5. Academic Support

We actively provide support (research support) for cutting-edge studies which will lead to the development of next-generation science engineers and improvement of our corporate research competency.

- Shiseido Female Researcher Science Grant to support leading female scientists
- JSID's Fellowship Shiseido Research Grant to support advanced dermatological research and development initiatives
- Japanese Dermatological Association Basic Medical Science Research Fund (Donation by Shiseido) supporting basic medical research in dermatology

6. Activities for Children

We carry out activities to give opportunities to children so that they can gain the right knowledge through various experiences.

- Initiatives for children including enlightenment activities to raise awareness of sunscreen care
- Participation of 3 Shiseido factories in Japan in the Youngsters' Science Festival National Convention.
On July 28 and 29, 2018, our three domestic factories (Kuki Factory, Kakegawa Factory, and Osaka Factory) jointly exhibited the "Create Your Own Lip Color" experience booth at the Youngsters' Science Festival National Convention held at the Science Museum. The purpose of the exhibition is to give children an opportunity to experience the fun of science and technology through hands-on experiments and crafting.

2018 results

Number of participating employees: 13

Number of booth visitors: Approx. 200

Shiseido Social Welfare Foundation

Social Contribution Activities by Region and Facility

Insight into society and self-growth through relationships with society will lead to the growth of our employees and eventually, the growth of our company.

Japan

We Meet Up Again! Handcare and Cover Makeup Activity at Open Hospital

On October 28, 2017, Kyoto University Hospital invited inpatients, outpatients, their family members and local residents to its annual event named Open Hospital 2017, where we provided handcare and cover makeup services to visitors.

This year, our sixth year of participation, a cross-departmental team of 18 employees gathered from the Sustainability Strategy Department and the nearby Kinki area business units including Osaka Factory, Kinki Offices and Department Stores Sales Division, and provided handcare services to 247 visitors and cover makeup services to 58 visitors.

In the handcare section, we were impressed that there were so many fans of our continuing activities. The participants said, "I came here last year and this year. I love your handcare services and really appreciate them," "I will surely come next year, too."

And in the cover makeup section, we taught some makeup techniques to draw eyebrows or to cover skin concerns using Perfect Cover Foundation MV, launched on October 21 that year. One of the participants looked in a mirror and said with a smile, "My complexion looks brighter by covering only the area of concern."

[Feedback from employees who participated]

- I gave a handcare service to an inpatient lady and noticed that she looked really happy. I am grateful that I could directly feel the power of makeup.
- Though my arms got terribly tired by providing handcare service for many participants with no breaks, their words, "Thank you," and "It was so comforting" gave me genuine pleasure that cannot be experienced in my daily work.
- Doing such activities with members from other business units, who I have little opportunity to work with, was very stimulating.

We will come back to Kyoto next year for many Shiseido fans who are looking forward to our activities!



"Lip Gloss Factory," a Craft Workshop Providing Children with an Unforgettable Experience

Shiseido Japan Kyushu/Okinawa Sales Department held a craft workshop named "Lip Gloss Factory" at the "Spring Festa 2017," an event hosted by Toyota Motor Kyushu, Inc. on the premises of its factory. Our first-time participation in the event was achieved through the collaboration with three of our domestic factories (Osaka, Kakegawa and Kuki).

This event, visited by nearly 10,000 people every year, is a "festival" that local residents and families of Toyota Motor Group employees look forward to. Our "Lip Gloss Factory" attracted many people and all of its tickets sold out as soon as the doors were opened.

Through the exciting experience, participating children discovered the joy of craftwork. We look forward to continuing such activities to give children more unforgettable moments.



Flowers to Brighten Up the Town of Ginza! Flowerbed-making Volunteer Activities

The Quality Management Department has been participating in "Green Adaptation Campaign" of Chuo Ward since 2012, taking care of three flowerbeds in Ginza.

32 volunteer members have been engaged in flowerbed-making activities including seasonal flower planting four times a year, in addition to daily watering, weeding and cleaning. They take turns in pairs watering the flowers while interacting with each other.

In 2017, they planted linaria and primula polyantha on February 24, and dianthus and coleus on May 18 at three of their flowerbeds. Pentas and catharanthus were planted on August 25, and pansy and miniature flowering kale on December 1.

Wishing for steady growth of the flowers as in usual years, they worked considering the balance of color to make beautiful flowerbeds. Members will continue to take care of the flowers lovingly to brighten up the town of Ginza.



Science Cafe “Skincare for Babies” at Showa University

On October 19, 2017, Shiseido Global Innovation Center and Showa University Career Support Office co-hosted a Science Cafe for fourth- and fifth-year students of the university. Unlike regular seminars, Science Cafes are group discussions where researchers join in and raise topics for students to think about and deepen their knowledge in science. The cafe was attended by about 20 participants including teachers and students from the schools of medicine, dentistry, and pharmacy. The theme of the discussion was Shiseido’s research activities on the “power of makeup” and the “importance of skincare for babies,” which provided beneficial information for future medical professionals. A total of eight employees from the Global Innovation Center and the Sustainability Strategy Department facilitated the discussion.

The students were surprised about the facts that cosmetics can improve people’s quality of life (QOL) and that skincare for babies decreases the incidence of atopic dermatitis. They also showed a positive response saying, “I want to utilize the information for my future work” and “I will share today’s topics with friends who have babies.” It was a really active and exciting session, where opinions and questions typical of young students were raised such as “What is the difference between spots and freckles?” “What kind of brightening agent is most effective?” “I need an easy-to-use, effective sunscreen product,” etc.



Asia and Oceania

Beauty Seminar for Art College Students

Shiseido Thailand held a work session on skincare and makeup techniques for 60 junior year students at an art college on November 2, 2017. Being very popular among the students, the seminar provides those who are studying beauty and culture with an opportunity to discover Shiseido’s technology and know-how and to acquire beauty-related knowledge and skills, which they can exercise as professionals after graduation. Two identical sessions were held in the morning and afternoon, each of which was attended by 30 students who learned about skincare and makeup techniques with hands-on practice. The students’ feedback was positive, such as “We learned a lot about basic skincare and makeup techniques/knowledge. Thank you for giving us this opportunity. We want to make good use of this experience in our future.” We are very happy to be able to inspire young students through the seminar.



■ America and Europe

Annual Beauty Seminar for the Elderly

A team from Shiseido Spain offers every year a beauty seminar for elderly people at a local nursing home. On October 21, 2017, 10 employees visited the facility. Divided into two groups, they offered skincare and hand massage services, which the elderly enjoyed a lot.



Social Contribution Club

The Social Contribution Club was voluntarily established by employees in Japan in 2005. Its activity programs vary from Shiseido Camellia Fund to donations for disaster-affected areas, Volunteer Activity by Collecting Various Items, TABLE FOR TWO (TFT) and Volunteer Menu. A paid-leave system named Social Studies Days* supports employees who do voluntary activities during working hours on weekdays. We aim to establish a company climate in which "each and every employee possesses a perspective for social issue solutions and an opportunity to voluntarily consider and take action," and utilize in daily work and activities the findings and knowledge obtained through social participation and taking a broader view. We believe these efforts will lead us to the creation of greater value.

* Social Studies Days: A system that allows employees to participate in social contribution activities instead of coming to work for up to three days a year.

■ Shiseido Camellia Fund

Shiseido Camellia Fund is a social contribution activity promoted through donations made by Shiseido Group employees and friends of the company to support the activities of NPOs and NGOs that aim to resolve social issues. Shiseido Group employees who support the cause participate in this initiative by saving money in the unit of 100 yen from their monthly salary, and retirees of the company also participate by transferring money in the unit of 1,000 yen. Also, they hold a review meeting every year to assess support contents of each organization and select new organizations to support. For details, please refer to Social Data.

■ Donations for Disaster-affected Areas

We donated to disaster-affected areas around the world. The combined goodwill of each of our employees and company friends has a tremendous impact.

For details, please refer to Social Data.

Organizations and activities supported by the Camellia Fund in FY2019

Areas	Supported organizations	Support activities of the Camellia Fund
Women/Child	All Japan WOMEN'S SHELTER NETWORK	 <p>Supporting the enrollment of children who have escaped domestic violence.</p>
	Save the Children Japan	 <p>Support for securing food and nutrients for mothers and children in the northern mountains of Vietnam.</p>
	Japanese Organization International Cooperation in Family Planning (JOICFP)	 <p>Support for activities to protect the lives and health of pregnant women in Zambia.</p>
Next Generation	SHISEIDO SOCIAL WELFARE FOUNDATION	 <p>Assistance for foster children and children living in nursing homes for their access to higher education.</p>
	Japanese National Network of Xeroderma Pigmentosum (XP)	 <p>Support for children suffering from Xeroderma Pigmentosum (XP), a skin disease that becomes severer with UV rays exposure.</p>
	JAPAN TEAM OF YOUNG HUMAN POWER (JHP)	 <p>Activities to build schoolhouses and sanitary toilets in Cambodia to support the future of young people.</p>
Environment	World Wide Fund for Nature (WWF Japan)	 <p>Support for the forest restoration and coexistence of wild animals and humans in Indonesia.</p>
	The NATURE CONSERVATION SOCIETY OF JAPAN	 <p>Support for nature conservation activities and the preservation of the habitats of endangered species in Japan.</p>
Support for Disaster Areas	JAPAN PLATFORM	 <p>Continuous support for the reconstruction of areas affected by the Great East Japan Earthquake.</p>
Health	Japan Cancer Society	 <p>Supporting cancer patients, families, and those with cancer experience.</p>

Efforts of "TABLE FOR TWO"

TABLE FOR TWO. This is an effort representing a concept that we, who live in advanced countries, share a table with children in developing countries beyond time and space. Our placing an order for one designated healthy meal delivers a meal to one child through TABLE FOR TWO International (TFT), a specified non-profit corporation. In June 2017, TFT gave us a certificate of appreciation praising our annual contributions to the activity as a Silver Supporter company. Providing meals for children in developing countries enhances not only their physical growth but also their awareness of the joy of learning and their steady motivation for studying. We will continuously support TFT activity, through which we can contribute to society just by having a meal.

Volunteer Activity by Collecting Various Items

Since 2005, Shiseido has been engaged in a company-wide activity to support women, mothers and expectant mothers and to offer educational support to children in developing countries by collecting used stamps and miswritten postcards. Collected used stamps and miswritten postcards will be turned into cash and will be used for various purposes in developing countries, including the shipping cost for recycled bicycles as well as the rescue activities for mothers and babies through the Japanese Organization for International Cooperation in Family Planning (JOICFP), and Darunee Scholarship Fund to support children in need in Thailand, Laos, Cambodia, Vietnam and Myanmar through the Education for Development Foundation (EDF).

■ Social Studies Days

Since 1993, Shiseido's Social Studies Days Program has allowed employees to participate in social contribution activities instead of coming to work for up to three days each year.

Disaster Support Activities

Volunteer Employees Present Donations for the Victims of the Kumamoto Earthquake

The Kumamoto Earthquake that occurred in April 2016 caused serious damage to wide areas of the Kyushu region, mainly Kumamoto and Oita Prefectures, which were hit by strong earthquakes. The Shiseido "Social Contribution Club" presented donations collected from volunteer employees of the company group (a total of 2,499,500 yen from 3,444 supporters) to the authorized NPO Japan Platform (JPF) for disaster relief.

The donated money was used for assistance, especially for those who are vulnerable to disasters such as elderly people, women, children, and handicapped people, and for gender-oriented support activities, which are in line with the "JPF Emergency Response to Earthquake in Kyushu" program.



Donation at Japan Platform



Letter of appreciation from Japan Platform

Volunteer Employees Present Donations for the Victims of Hurricane Matthew

The Shiseido "Social Contribution Club" presented donations collected from volunteer employees of the company group (418,500 yen from 837 supporters) to the authorized NPO Japan Platform (JPF) for the disaster relief of Hurricane Matthew in the Republic of Haiti, which suffered devastating damages in October 2016.

The donation money was used for humanitarian relief activities such as the distribution by JPF member NGOs of emergency relief goods (food, chlorine water purification tablets, hygiene goods such as oral rehydration solutions to prevent dehydration, and daily commodities), which are in line with the "JPF Emergency Response to Hurricane Matthew 2016" program.



Donation at Japan Platform



Letter of appreciation from Japan Platform

Aid Initiatives in the Wake of the Great East Japan Earthquake

We would like to express our sympathy for the people affected by the Great East Japan Earthquake. Shiseido Group wishes to support affected people right by their sides through beauty support activities and activities that only Shiseido can promote.

Concept of Reconstruction Support

Company lives with society, and society is what lets us survive. Our hope is to fulfill the company's responsibilities as a member of society when society faces difficulties. Reconstruction of the Tohoku region, which received unprecedented damage, has a long way ahead. We intend to support affected people right by their sides for a long time so that they can become independent by utilizing our resources, such as people, objects, information, technologies, and culture, etc. What can we do to give energy to affected people as a cosmetics company, even if the amount may be small? With such a hope, we have been promoting "beauty support activities", in which we offer beauty services like skincare, makeup, and hand care, etc., for not only women but also children and men since the quake. Through the beauty support activities, we have learned that there is "power of makeup" that can heal people's hearts, make them positive, and give them energy. For details on our past social contribution activities, please refer to CSR/Environmental Reports (Back Issues).

Reconstruction Support Linked by "Camellia"

A few years after the Great East Japan Earthquake, it is shifting from the resettlement phase, which involves environmental establishment of temporary housing and debris processing, etc., to the reconstruction phase, which involves self-reliant re-building of houses, re-building of lifelines/infrastructures, and reconstruction of business districts and local industries, etc. The reconstruction speed also differs in each area. Due to this, affected people's desires are also changing and becoming diversified. Shiseido has promoted the corporate activity style of establishing relationships with stakeholders, including consumers and business partners, in which we can see each other's face and providing thorough response. Since FY2013, we have been promoting beauty support activities leveraging the "power of makeup", which can only be offered by a cosmetics company, and reconstruction activities with the government and local residents by utilizing our resources. We hope to consider and overcome issues that we find with local residents through face-to-face efforts and steadily promote reconstruction by accumulating results. Therefore, we will continue to support new city development by limiting the areas.

The Reason We Started Promoting These Activities

Reconstruction Support Linked by "Camellia"

Shiseido's symbol is "Hanatsubaki (camellia)". The city flower of Ofunato City/Rikuzentakata City in the Kesen area in Iwate Prefecture is "camellia". Because of this connection, we wondered if there was anything we can do to support them by using "camellia" as the keyword and held a number of dialogues with people of these cities. Through the dialogues, we learned that people in the Kesen area used to press oil from camellia fruits in each household to use for cooking and hair care, etc. until several decades ago.

In addition, we learned that people wanted to use camellia, which residents of these cities have always treasured, as a new industry for these cities. We also learned that there had been a foundation in which Ofunato had been treating camellia as a tourism resource – "home of camellia: Ofunato" – since before the quake. We thought that there must be something we can do to support these activities by utilizing Shiseido's resources.

Our Dream - In Preparation for Specific Actions -

Our greatest dream is to nurture camellia as a new industry for these cities, which will rapidly develop in the course of reconstruction, and to provide support for the efforts.

We hope to make the dream come true by holding dialogues and generating ideas with residents of the Kesen area and Ofunato City/Rikuzentakata City and also promote our own activities so that we can help the people develop their ideal cities.



1. Activities with Hopes of Industrialization

We promote camellia tree-planting activities every year so that camellia can become a new industry for the city and that they can be utilized as a tourism resource.

Since FY2014, we have been transporting and planting 30-year-old camellia trees from Machida in Tokyo with the cooperation of the JAPAN CAMELLIA SOCIETY as a specific means to accelerate the industrialization process.

In collaboration with Ofunato City, we have planted approximately 470 nursery trees and about 100 mature trees (as of May 2017).

A Camellia Tree Planting Event Held to Contribute to the City Development Project

Shiseido launched the planting activity in 2012. In 2017, its sixth anniversary year, the participants planted nursery trees, which they plant every year, as well as mature trees, a new symbol of the city, to support the revitalized city of Ofunato. 15 employees from Shiseido planted trees with people from Taiyo-kai, the Ofunato City Office, and the JAPAN CAMELLIA SOCIETY.

(1) Nursery Camellia Tree Planting Event

On Thursday, May 25, 2017, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event on the premises of Taiyo-kai Fukushi-no-sato Center in Ofunato City. The participants planted 32 trees. To support this activity, Shiseido donates part of the sales of the Shiseido Relaxing Night Mist and of Ofunato's signature products that SHISEIDO AMENITY GOODS CO., LTD. offered in its mail order catalogues.



Planting ceremony
(Ofunato City Mayor
Kimiaki Toda, second
from right)



A city office worker and a
Shiseido employee
planting a nursery tree



Participants of the
planting event

(2) Commemorative Mature Camellia Tree Planting Event

On Friday, May 26, 2017, Shiseido planted nine mature trees as a new symbol of the city in the KYASSEN Mall & Patio, a commercial facility. Shiseido and KYASSEN CO., LTD., a city development company, co-hosted the ceremony.



Memorial plate unveiling
ceremony



Employees wrapping a
tree trunk in cloth



During the ceremony



A Camellia Tree Planting Event with Wishes for Reconstruction

Held on June 11, 2016

A camellia tree planting event was also held this year, on June 11, 2016

On Saturday, June 11, 2016, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural Fukushi-no-sato Center. 20 employees from Shiseido participated in the event and planted trees together with people from Taiyo-kai, the Ofunato City Office, and the JAPAN CAMELLIA SOCIETY.

(1) Mature camellia tree planting

In order to harvest camellia seeds, from which oil is extracted, at an early stage, we planted 20 mature trees. This year, as well as last year, the JAPAN CAMELLIA SOCIETY donated 30-year-old trees.

(2) Nursery camellia tree planting

In the hope that the trees will grow well and vigorously, commemorative trees were planted by Ofunato City Mayor Kimiaki Toda, Shiseido Executive Vice President and Representative Director Tsunehiko Iwai, Taiyo-kai Director Noriya Kikawada, and Mr. Kiyohiko Nakamura of the JAPAN CAMELLIA SOCIETY. A part of the sales of the "Shiseido Relaxing Night Mist" and of Ofunato's signature products that SHISEIDO AMENITY GOODS CO., LTD. offered in its mail order catalogues is donated to this nursery tree planting event.



The tree planting ceremony with Ofunato City Mayor, Kimiaki Toda (right) and Shiseido Executive Vice President and Representative Director, Tsunehiko Iwai (left)



Planting nursery trees on a steep slope



Shiseido staff who participated in the tree planting event



Hosting a Camellia Tree-planting with Hopes of Industrialization

Event on June 12, 2015

"Camellia seedling planting" held on July 12, 2013

The city of Ofunato took the lead to host the tree-planting event with hopes of industrialization so that camellia can become a new industry for the town and that they can be effectively utilized as a tourism resource. From Shiseido, 13 employees participated and promoted the tree-planting activities with local people. The camellia seedlings, which were used in this event, were donated from Shin-kamigoto-cho in Nagasaki Prefecture because of Shiseido's activities. Among the 1,000 donated trees, approximately 300 seedlings were planted on this day.



Scene from tree-planting



Shiseido employees who participated in the tree-planting activities



After the tree-planting activities

"Tree-planting of mature camellia trees" held on June 28, 2014

Due to the fact that camellia trees take approximately 20 years to become mature, nut harvesting is the issue in industrialization. In order to accelerate the industrialization of camellia and effectively utilize it as a tourism resource, we planted mature trees at Iwate Prefectural Fukushi-no-sato Center. 8 members participated from Shiseido and planted 40 mature trees, which were donated by members of the JAPAN CAMELLIA SOCIETY via Machida City, Tokyo, along with members of Taiyo-kai and employees of Ofunato City Office.



Scene from tree-planting



Completed line of Camellia trees

Mature and young camellia tree planting event held on June 12, 2015

On Friday, June 12, 2015, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural Fukushi-no-sato Center.

16 employees from Shiseido participated in the event and planted trees together with people from Taiyo-kai, the Ofunato City Office, and the general incorporated association RCF.

(1) Mature camellia tree planting

In order to harvest camellia seeds, from which oil is extracted, at an early stage, we planted 30 mature trees. The planted mature trees were donated from the JAPAN CAMELLIA SOCIETY, which has supported this activity.

(2) Nursery camellia tree planting

We planted 40 nursery trees. A part of the sales of the "Shiseido Relaxing Night Mist" and of Ofunato's signature products that SHISEIDO AMENITY GOODS CO., LTD. offered in its mail order catalogues is donated to this nursery tree planting event.



Installing poles for protecting nursery trees from deer



Planting mature camellia trees



Shiseido staff who participated in the tree planting event

2. Initiatives for Raising Awareness of Camellia in Kesen Area



Releasing "Before bedtime" Fragrance with the Motif of "Sanmen Tsubaki" of Ofunato City

Released on October 1, 2014

Fragrance soothes our feelings and gives us a sense of relaxation. With the hopes of delivering pleasant sleep with good fragrance to affected people, we worked on developing a product by utilizing Shiseido's aromachology research. As a result, we have developed a new fragrance for users of all ages regardless of gender to experience a sense of relaxation before bedtime, by combining with the fragrance ingredient of flowers of "Sanmen Tsubaki", which is 1,400 years old and is the oldest camellia tree in Japan located at "Nakamori Kumano Shrine" in Massaki-cho, Ofunato City. We collaborated with local people to create a new fragrance "Shiseido Relaxing Night Mist".

It was released on October 1 (Wed), 2014, with limited volume via the Shiseido website, and is available at 4 department stores, Isetan Mitsukoshi Ltd.* from March 9 (Wed), 2016.

*available through e-commerce and selected stores only.



Shiseido Relaxing Night Mist

Can be used on the linen and skin.



Using Camellia in Reconstruction Efforts Initiatives Shiseido Parlour Launching "Kesen Tsubaki Dressing"

November 10, 2014

On November 10, Shiseido Parlour, participating in Shiseido's reconstruction efforts initiatives centered around the use of camellia, launched a series of dressings in the market with a limited number of products. These dressings contain "Kesen Tsubaki" camellia oil made from camellia seeds from Kesen area, a town that was affected by the Great East Japan Earthquake and Tsunami.

Kesen Tsubaki camellia oil is made by roasting camellia seeds and carefully wringing the oil out with manual oil wringers. Roasting the seeds brings out a distinctive, rich aroma and gives the oil a beautiful golden color.

This series comes in two varieties: Onion and French mustard. Head chef at Ginza Shiseido Parlour has made the best of this aroma, using a signature recipe in the making of the dressings.



Kesen Tsubaki Dressing



"TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)"

October 4, 2014

Shiseido held "TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)" at Rias Hall in Ofunato City, Iwate on October 4, 2014, as part of Shiseido's "Using Camellia in reconstruction efforts" initiatives.

The purpose of this event was to let the local young people experience and know the potential of camellia as an industrial and tourism resource.

The theme of the performances for the event was "Experience camellia with all five senses," including a "Fragrance Seminar" to feel the effects of fragrance and "Shiseido Relaxing Night Mist," a "Mini Gallery" exhibiting Shiseido products and posters designed with camellia motifs, and a "Tasting camellia oil" activity where people could try foods and sweets that contain camellia oil.

In "Tasting camellia oil," Ofunato Higashi High School students presented their hand-made sweets that contained camellia oil.



Fragrance Seminar



Serving Spiedini with
"Kesen Tsubaki Dressing"



Ofunato Higashi High School with their food and sweets
that contain camellia oil



Shiseido also held "Hair & Skincare Seminars" for both male and female high school students to show the students how to style their hair and provide some tips on how to maintain healthy skin. It was a way of drawing the local youth to this festival, since it is them who will have to shoulder the responsibility for the reconstruction of the region.

The event closed with the "Hair & Makeup Show" by Shiseido's hair & makeup artists, and featured models selected from among the local youth.

Thanks to the popular fashion brands, CECIL McBEE and SLY from Shibuya 109, all participants were able to express their "Ideal ME."



"Hair & Skincare Seminars" for high school students



"Hair & Makeup Show"



Hosting "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)"

Hosted on November 23, 2013

We focused on the "food culture" of camellia to support its industrialization by promoting the recognition of edible camellia oil, which was commercialized after the quake. We planned the "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)" with the hopes of creating an opportunity to explore the potential of camellia with local residents through food experience.

In this event, local restaurants and Japanese/Western sweets stores prepared new dishes and sweets using camellia oil, and we held a menu contest. The head chef of Ginza Shiseido Parlour participated from Shiseido and served the signature menu, "Meat Croquette", which was fried in camellia oil.

Local women made "Kenchin-jiru (miso soup with root vegetables)", which has always been made with camellia oil in the area, and served it at the venue. They simultaneously handed down the culture to children, who did not know camellia oil.



Menu contest



Camellia oil pressing experience



Food experience venue



Food experience venue reception



Local performing art (deer dance) by Ofunato
Nursery School students

In addition, we also held an event to experience harvesting camellia fruits, which will be important in industrialization, in another venue (Goishi District, a tourist spot for camellia in Ofunato), and picked 54 kg fruits with the local residents. The harvested fruits were donated to Seishokan of Taiyo-kai, a social welfare corporation, and an oil factory in Rikuzentakata, that faces an issue of fruit harvesting in preparation for the industrialization.



Fruit harvesting experience



Harvested camellia fruits

In addition, we also held a makeup seminar at the request of local residents.

We were able to experience "camellia", which is much more than just flowers, together with them on this day.



Beauty seminar



Staff who participated in
the "TSUBAKI NO
MEGUMI FESTIVAL
(Blessings of Camellia
Festival)"

3. Activities to Grow Camellia with the Next Generation

Ofunato City Hikoroichi Junior High School's Activities

Ofunato City Hikoroichi Junior High School in Iwate Prefecture is implementing a school-wide program named the "Camellia Learning Program" for further understanding of camellias, the city flower. At the junior high school's request, Shiseido is supporting the students, who will play a central role in the future city development, in experiencing the "potential of camellias".

Cooking Class with the Shiseido Parlour Held on Augsut 28, 2017

On Monday, August 28, the students made special omelet with rice under the guidance of the chefs of Shiseido Parlour and compared the taste of croquettes fried with camellia oil produced in Ofunato City.

First, the grand chef of Shiseido Parlour demonstrated how to make omelet with rice. He told the students the secret to wrapping chicken fried rice gently in a thin sheet of egg omelet. The students were fascinated by the process of cooking the delicious-looking dish.

The students were nervous and looked awkward at the start of cooking, but they gradually began to smile. Everyone managed with the difficult task - wrapping chicken fried rice in a thin sheet of egg omelet - to make tasty omelet with rice.

Eating the home-made omelet with rice made them smile because making it themselves gave them confidence, and they were happy with its mild taste. In addition, they compared the taste of croquettes fried with camellia oil or cooking oil. They enjoyed the flavor and aroma of the croquettes fried with camellia oil produced in their hometown.



Students watching the
skillful techniques of the
grand chef



Students cooking



Students enjoying the
omelet with rice they
made

Activities in Ofunato Municipal Akasaki Junior High School

Our encounter with Ofunato Municipal Akasaki Junior High School in Iwate Prefecture was on September 11, 2012. Shiseido employees and all of Akasaki Junior High School students planted the same number of camellia seedlings as the number of 9th grade students in front of the temporary building of the school, which was affected by the tsunami. Plates of haiku, written on the themes of "home of camellia: Ofunato" and "reconstruction of our home", were attached to the camellia seedlings. Since then, we have been continuing to promote the activities to grow the camellias, which we planted with the students of Akasaki Junior High School. Students are passing down the responsibility to grow the camellias with care while communicating the possibility that these trees may become a seed for a new industry for Ofunato someday.



Haiku Works

The students in the 9th grade have been composing haiku (Japanese poems in 5-7-5 syllabic form) with the themes of "home of camellia: Ofunato" and "reconstruction of our home" annually since 2012.

We have organized their haiku works into a "haiku booklet" as records of steps to reconstruction, and presented to them.



Activities to Grow Camellia (Video conferences/Tsubaki Journal)

Holding Video conferences

We began holding Video conferences with maintenance and safety representative students in June, 2013. In these "Tsubaki Meetings", students discuss what they have noticed and wondered about in the course of providing care for the camellia trees, and we share information.

We considered what was necessary to nurture camellia trees and prepared a nurturing program while seeking advice from specialists.

Akasaki Junior High School "Tsubaki Journal"

Akasaki Junior High School has decided that "maintenance and safety representative" students would be in charge of nurturing the camellia trees, starting in FY2013.

Mr. Takashi Takahashi, teacher in charge, started sending us reports on the camellia trees.

We have decided to keep them as records under the name of "Tsubaki Journal".



Oil Pressing Event Held on November 17, 2015

"Grow camellia" ⇒ "harvest its fruits" ⇒ "extract oil"

We held an event to extract oil from camellia fruit to support Ofunato City's goal of industrializing camellia through an event to experience this important process with local students and by deepening their interest in camellia.

About 30 students participated on the day, watched how oil was extracted by a traditional oil press machine in Ofunato and experienced extraction by home oil press machines. Afterwards, they tasted "Kesen Tsubaki (camellia) Dressing" from Shiseido Parlour to experience an example of how the camellia oil is used.

The participating junior high school students told us with excitement, "It was my first time to actually touch camellia fruit and extract camellia oil. It was very interesting", "when you actually experience it, you realize that you need quite a lot of power to extract even the smallest amount of oil", and "I learned for the first time that camellia oil is used for many things".



Oil pressing experience
with a home oil press
machine



Tasting "Kesen Tsubaki
(camellia) Dressing"



A photo taken with the
participating students

4. Reconstruction Support Market

We have been holding the reconstruction support market, in which we collect and internally sell products from the Kesen area that we have been supporting, in the Shiseido Shiodome Head Office every year since FY2013.

<Objectives of the market>

For Region	<ul style="list-style-type: none">▪ Improvement of the recognition of the Kesen area▪ Development of new sales channels
For Employees	<ul style="list-style-type: none">▪ Opportunity to PR the reconstruction support activities to gain sympathy▪ Opportunity to realize employees' will to help with reconstruction support



Scene from the reconstruction support market

Activities for Children

We carry out activities to give opportunities to children so that they can gain the right knowledge through various experiences.

Activities to Provide Beauty Information to the Next Generation

The number of children with skin problems such as rough skin is increasing, caused by their random use of cosmetic products at a younger age. To address this issue, Shiseido is disseminating daily beauty information for children, including face washing and UV-protection methods in an easy-to-understand manner, thereby enabling children to protect healthy skin on their own.

The initiative launched in 2009, and we have reached out to about 6000 children in total.

For details, please refer to Social Data.



The scene of the Shiseido Kodomo Seminar

Onsite Education Activities



Shiseido Kodomo Seminar

Shiseido Kodomo Seminar is a free, onsite class given at elementary schools all over Japan. We provide prepubertal fourth- to sixth-grade students with information on skin and hygiene as well as on correct skincare methods as a lifelong habit through hands-on practice.

Knowledge about taking care of the skin, keeping the skin clean and about correct methods to protect the skin would encourage children to solve their future skin problems, such as pimples and roughness, without unduly worrying or being over self-conscious. We believe that will accordingly improve their confidence.

Two seminars

Correct Face Washing



Children will learn how impurities affect the skin and how to keep their skin clean.

UV Protection



Children will learn what damage UV rays cause to the skin and how to protect their skin against UV radiation.

Onsite Education Activities



We present a lecture entitled "For your healthy days – UV protection and correct facial cleansing" at the School Health Committee meetings attended by parents and teachers.

School Health Committee is a meeting organized mainly by nursing teachers of each local school. School doctors such as physicians, otolaryngologists, ophthalmologists, dentists or pharmacists give presentations on students' health and growth status with the aim of providing information to be shared by teachers and parents.

Recognizing the seminar as a supporting tool to promote health education at elementary schools, we present lectures with some demonstrations for adults, who are close to children, on UV protection and the importance of facial cleansing, which are key contents of our Kodomo Seminar.

Nursing Teachers' Study Meeting



We present a lecture entitled "For your healthy days – UV protection and correct facial cleansing" at Nursing Teachers' Study Meeting attended by nursing teachers of elementary and junior high schools.

Nursing Teachers' Study Meeting is a study group of nursing teachers organized by each municipality. We present a lecture on UV protection and correct facial cleansing with many hands-on demonstrations aiming to broadly deliver information useful to protect children's healthy skin.

Website

Beauty and lifestyle information for children is available on our website, "Kirei Club for Kids."



Educational Materials for Supporting Healthcare Lessons

To support healthcare lessons, we provide free of charge visual educational materials (DVDs) and leaflets to be distributed to children.

External Evaluations and Awards

SRI Indexes Selection Status

Shiseido received positive evaluations from Socially Responsible Investment (SRI) evaluation institutions of countries worldwide and was selected for inclusion as a constituent company for SRI indexes, which take account of companies that are highly trusted by society in terms of ethics, environment, employment and safety in their operations, in Japan and overseas. The period of selection appears in brackets.

Global

FTSE4Good Index Series



FTSE4Good

SRI indexes that are announced by the UK's FTSE Russell and used by investors as one of the sets of ESG ratings. They are a series of indexes designed to promote investment in companies that meet global environmental/social/governance standards. (June 2019)

MSCI ESG Leaders Indexes



Index that is designed by the US's MSCI and selects companies that demonstrate strong environmental, social and governance (ESG) practices. (July 2019)

THE INCLUSION OF Shiseido Company, Limited IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Shiseido Company, Limited BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Japan

Shiseido was selected for inclusion in all three ESG indexes that the Government Pension Investment Fund (GPIF) adopted at the start of ESG investment operations in July 2017.

FTSE Blossom Japan Index



Index that is designed by the UK's FTSE Russell and selects Japanese companies that demonstrate strong environmental, social and governance (ESG) practices. (June 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

MSCI Japan ESG Select Leaders Index



Index that is designed by the US's MSCI and selects Japanese companies that receive positive evaluations of environmental, social and governance (ESG) practices. (July 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

MSCI Japan Empowering Women Index (WIN)



Index that is designed by the US's MSCI and selects Japanese companies that receive a high score for empowering women and promoting gender diversity. (July 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

THE INCLUSION OF Shiseido Company, Limited IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Shiseido Company, Limited BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

SNAM sustainability index



SNAM sustainability index is a proprietary active index created by Sompo Japan Nipponkoa Asset Management which combines ESG (environment, social, and governance) and equity fundamental evaluation. (June 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2012.

Evaluation of Other Activities

■ Shiseido Selected as "Noteworthy IT Strategy Company" in the "2018 Survey of Competitive IT Strategies"

Shiseido has been selected as one of "Noteworthy IT Strategy Companies" by the Japan's Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE) in the "2018 Survey of Competitive IT Strategies." Under their "Competitive IT Strategy Company Stock Selection" program, METI and TSE select companies that are engaged in competitive strategic IT-related investment as a means of enhancing competitiveness and increasing corporate value in the medium-to-long term. Companies that are implementing remarkably progressive, forward-thinking initiatives receive recognition as "Noteworthy IT Strategy Companies."

■ Shiseido Receives 5 Stars in Customer Service Ranking, a Cosmetics Industry First

Our "Consumer Information Center" received 5 stars for the Customer Service Ranking, by HDI-Japan, for the first time in the cosmetics industry.



Sustainability Data

Data detailing Shiseido's activity towards sustainability is available.

Environmental Data

Shiseido Group (Global)

Input

Index	FY2015	FY2016	FY2017	FY2018
Energy consumption (MWh) (Coverage rate *3)	232,591 (94%)	282,416 (95%)	283,298 (93%)	265,179 (90%)
Electric power (10,000 kWh)	9,640	11,276	11,327	10,722
City gas (10,000m³) *1	824	1,052	1,057	972
LPG (t)	180	236	279	208
Fuel (kl) *2	2,374	2,577	2,594	2,491
Steam (GJ)	16,039	21,165	17,412	20,777
Water (10,000m³) (Coverage rate *4)	105 (100%)	124 (100%)	122 (100%)	128 (100%)
Municipal water (10,000m³)	76	93	100	111
Industrial water (10,000m³)	18	20	12	6
Ground water (10,000m³)	10	11	11	11

Output

Index	FY2015	FY2016	FY2017	FY2018
CO2 (t) (Coverage rate *3)	78,257 (94%)	87,421 (95%)	90,105 (93%)	□79,222 (90%)
SCOPE1 (t)	34,786 (93%)	40,107 (93%)	39,923 (92%)	□33,150 (87%)
SCOPE2 (t)	43,471 (95%)	47,314 (96%)	50,181 (94%)	□46,072 (92%)
SOx (t) (Coverage rate *4)	1 (54%)	1 (77%)	0 (54%)	0 (45%)
NOx (t) (Coverage rate *4)	5 (54%)	11 (85%)	5 (54%)	4 (45%)
Wastewater (10,000m³) (Coverage rate *4)	84 (100%)	101 (100%)	97 (100%)	□99 (100%)
BOD (t) (Coverage rate *4)	116 (100%)	114 (92%)	65 (92%)	□60 (100%)
COD (t) (Coverage rate *4)	227 (85%)	213 (85%)	103 (92%)	□117 (91%)
Waste (t) (Coverage rate *3)	8,893 (96%)	9,637 (97%)	10,950 (96%)	□11,594 (81%)
Final disposal volume (t)	772	777	528	□1,311
Recycling rate (%)	91%	92%	95%	89%

Calculation method

Domestic facilities: The performance data were calculated based on the market-based emission factors published by the Ministry of the Environment.

Overseas facilities: The performance data were calculated based on the location-based factors published by the International Energy Agency (IEA).

FY2015: April 1 - December 31, 2015 (due to the irregular account settlement of 2015)

*1 Total value of city gas and natural gas consumption

*2 Total value of gasoline, kerosene, diesel oil and fuel oil consumption

*3 Achievements identified/Estimated value of the entire group

*4 Number of production facilities whose achievements are identified/Number of production facilities in the entire group

Third-Party Certification

The data marked with □ in the above figure has been third-party certified.



ASSURANCE STATEMENT

SGS Japan's Report on Sustainability Activities in the Shiseido Group's Sustainability website.

NATURE AND SCOPE OF THE ASSURANCE

SGS Japan Inc. was commissioned by Shiseido Company, Limited (hereinafter referred to as "the Organization") to conduct an independent assurance of its Sustainability web site (hereinafter referred to as "the Report"). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, includes the stakeholder management process, data on greenhouse gas(GHG) emissions (Scope 1, 2, and category 1,4,5,11 and 12 of Scope 3), energy consumption, amount of water intake and drainage, BOD/COD, waste (generation and discharge) and the management systems supporting the reporting process.

The information contained in the Report and its presentation are the responsibility of the governing body and the management of the Organization. SGS Japan Inc. has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data and statements within the scope of assurance with the intention to inform all the Organization's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured at a moderate level of scrutiny using our protocols for:

- Evaluation of content veracity;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- Evaluation against the ISO14064-3(2006);

The assurance comprised a combination of pre-assurance research, interviews with the management, the division of responsible for CSR and the person in charge of producing the report at the head office, onsite visits to the Kuki Plant and Kakegawa Plant, verification and confirmation of vouchers, and review of related materials and records.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; and environmental, social and sustainability report assurance. SGS Japan Inc. affirms our independence from the Organization, being free from bias and conflicts of interest with the Organization, its subsidiaries and stakeholders.

The assurance team was assembled based on the knowledge, experience and qualifications of the each of the team members for this assignment, and comprised auditors registered with lead auditors of ISO9001, ISO14001, ISO45001 and lead verifiers of greenhouse gas emissions.

ASSURANCE OPINION

Within the scope of the assurance activities employing the methodologies described above, nothing has come to our attention that caused us to believe that the information and data contained within the Report does not provide a fair and balanced description of the Organization's sustainability activities from 1st January, 2018 to 31st December, 2018.

The assurance team is of the opinion that the Report can be used by the Reporting Organization's Stakeholders. We believe that the Organization has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

The Organization recognizes the importance of the multi-stakeholders (consumers, suppliers, business partners, employees, local communities and shareholders/investors), and perceives the needs and expectations through various stakeholder engagements. The Organization conducts business activities to achieve a sustainable society with the mission "BEAUTY INNOVATIONS FOR A BETTER WORLD". The Organization, assessing the relevance of the mission and business activities to issues from stakeholders and SDGs, practices sustainability management by reflecting the results in the business strategy.

The series of processes is available in the Report. SGS Japan Inc. confirmed the above processes through the assurance.

Materiality

The material issues identified by the Organization are determined with consideration of business activities including the value chain and the expectations from society, and the Organization addresses the issues in the entire Organization and the relevant divisions through the business activities. The relevant actions addressing the issues are defined as "the three key activity themes", and their detailed activities are available in the Report. SGS Japan Inc. confirmed the above processes through the assurance.

Responsiveness

The Organization addresses the identified issues in the relevant divisions through the business activities. The Organization communicates with the stakeholders by various measures including direct dialogue. The correspondence to stakeholders is also disclosed in the report along with its direction and specific cases in point demonstrating such measures.

SGS Japan Inc. confirmed the above processes through the assurance.

For and on behalf of SGS Japan Inc.

Senior Executive & Business Manager
Certification and Business Enhancement Yuji Takeuchi

18 June, 2019

Signed:



AA1000
Licensed Assurance Provider
000-8

Japan

Input

Index	Scope	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	Production facilities	2,015	2,753	2,925	3,258
	Non-production facilities	2,286	3,060	2,945	2,862
City gas (10,000m³) *1	Production facilities	397	585	606	675
	Non-production facilities	45	67	68	70
LPG (t)	Production facilities	8	14	17	19
	Non-production facilities	0	0	0	0
Fuel (kl) *2	Production facilities	—	—	—	—
	Non-production facilities	1,299	1,498	1,526	1,385
Steam (GJ)	Production facilities	—	—	—	—
	Non-production facilities	6,836	11,584	10,205	11,633
Water (10,000m³)	Production facilities	54	70	73	84
	(Basic Unit) *5	(12.0)	(9.7)	(9.4)	(9.5)

Output

Index	Scope	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	Production facilities	18,722	22,729	27,061	26,658
	(Basic Unit) *6	(0.42)	(0.35)	(0.37)	(0.33)
	Non-production facilities	15,555	19,955	19,310	19,009
SOx (t)		—	—	—	0
NOx (t)		3	4	4	3
Wastewater (10,000m³)	Production facilities	49	63	59	67
BOD (t)		11	21	20	27
COD (t)		21	37	39	43
Waste (t)	Production facilities	2,464	3,543	5,300	5,377
	(Basic Unit) *5	(0.06)	(0.05)	(0.07)	(0.06)
	Non-production facilities	838	966	825	1,245
Recycling rate (%)	All facilities	100%	100%	100%	100%

Calculation method

Domestic facilities: The performance data were calculated based on the market-based emission factors published by the Ministry of the Environment.

Overseas facilities: The performance data were calculated based on the location-based factors published by the International Energy Agency (IEA).

FY2015: April 1 - December 31, 2015 (due to the irregular account settlement of 2015)

*1 Total value of city gas and natural gas consumption

*2 Total value of gasoline, kerosene, diesel oil and fuel oil consumption

*3 Achievements identified/Estimated value of the entire group

*4 Number of production facilities whose achievements are identified/Number of production facilities in the entire group

*5 Per bulk (t)

*6 Per 10,000 production quantity

Data by production facilities in Japan

● Shiseido Osaka Factory

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	542	745	775	777
City gas (10,000m ³) *1	51	72	76	73
LPG (t)	—	—	—	—
Water (10,000m ³)	14	17	18	20

Output

Index	FY2015	FY2016	FY2017	FY2018
CO ₂ (t)	3,933	4,577	5,345	4,282
SO _x (t)	—	—	—	—
NO _x (t)	0	1	1	0
Wastewater (10,000m ³)	14	17	13	13
BOD (t)	2	2	1	2
COD (t)	6	8	7	7
Waste (t)	770	966	1,029	1,097

● Shiseido Kakegawa Factory

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	1,017	1,390	1,506	1,793
City gas (10,000m³) *1	138	197	190	260
LPG (t)	—	—	—	—
Water (10,000m³)	17	23	23	30

Output

Index	FY2015	FY2016	FY2017	FY2018
CO2 (t)	7,984	8,220	11,264	12,377
SOx (t)	—	—	—	—
NOx (t)	1	2	2	0
Wastewater (10,000m³)	15	20	20	26
BOD (t)	1	5	4	10
COD (t)	2	5	5	10
Waste (t)	322	486	588	871

Shiseido Kuki Factory

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	456	617	644	688
City gas (10,000m³) *1	208	316	340	343
LPG (t)	8	14	17	19
Wastewater (10,000m³)	23	30	31	34

Output

Index	FY2015	FY2016	FY2017	FY2018
CO2 (t)	6,805	9,931	10,453	9,999
SOx (t)	—	—	—	—
NOx (t)	1	2	2	2
Wastewater (10,000m³)	20	26	26	28
BOD (t)	8	14	15	15
COD (t)	13	23	27	26
Waste (t)	1,372	2,091	3,683	3,409

Calculation method

Domestic facilities: The performance data were calculated based on the market-based emission factors published by the Ministry of the Environment.

Overseas facilities: The performance data were calculated based on the location-based factors published by the International Energy Agency (IEA).

FY2015: April 1 - December 31, 2015 (due to the irregular account settlement of 2015)

*1 Total value of city gas and natural gas consumption

*2 Total value of gasoline, kerosene, diesel oil and fuel oil consumption

*3 Achievements identified/Estimated value of the entire group

*4 Number of production facilities whose achievements are identified/Number of production facilities in the entire group

*5 Per bulk (t)

*6 Per 10,000 production quantity

Overseas (Facilities outside Japan)*7

Input

Index	Scope	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	Production facilities	4,824	4,984	4,804	3,786
	Non-production facilities	515	479	654	816
City gas (10,000m³) *1	Production facilities	374	379	363	181
	Non-production facilities	8	20	19	46
LPG (t)	Production facilities	171	223	261	189
	Non-production facilities	0	0	—	—
Fuel (kl) *2	Production facilities	77	79	65	58
	Non-production facilities	998	1,000	1,003	1,047
Steam (GJ)	Production facilities	9,203	9,581	7,208	9,144
	Non-production facilities	—	—	—	—
Water (10,000m³)	Production facilities	49	50	44	39
	(Basic Unit) *5	(9.1)	(9.4)	(10.0)	(13.8)

Output

Index	Scope	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	Production facilities	38,628	39,066	37,427	25,048
	(Basic Unit) *6	(0.87)	(0.90)	(0.97)	(0.70)
	Non-production facilities	5,353	5,671	6,307	8,507
SOx (t)		1	1	0	0
NOx (t)		1	2	1	1
Wastewater (10,000m³)	Production facilities	34	38	32	31
BOD (t)		104	93	37	32
COD (t)		204	176	59	73
Waste (t)	Production facilities	5,181	4,742	4,429	2,367
	(Basic Unit) *5	(0.10)	(0.09)	(0.10)	(0.08)
	Non-production facilities	409	386	396	2,604
Recycling rate (%)	All facilities	86%	85%	89%	74%

Calculation method

Domestic facilities: The performance data were calculated based on the market-based emission factors published by the Ministry of the Environment.

Overseas facilities: The performance data were calculated based on the location-based factors published by the International Energy Agency (IEA).

FY2015: April 1 - December 31, 2015 (due to the irregular account settlement of 2015)

*1 Total value of city gas and natural gas consumption

*2 Total value of gasoline, kerosene, diesel oil and fuel oil consumption

*3 Achievements identified/Estimated value of the entire group

*4 Number of production facilities whose achievements are identified/Number of production facilities in the entire group

*5 Per bulk (t)

*6 Per 10,000 production quantity

*7 Main offices only, for overseas non-production facilities

Data by production facilities outside Japan

● Shiseido America, Inc. (East Windsor Factory)

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	867	881	1,062	860
City gas (10,000m³) *1	89	75	115	56
LPG (t)	—	—	—	—
Fuel (kl) *2	—	—	—	—
Steam (t)	—	—	—	—
Water (10,000m³)	4	4	3	4

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	6,915	6,093	8,921	5,714
SOx (t)	—	—	—	—
NOx (t)	—	—	—	—
Wastewater (10,000m³)	4	3	3	3
BOD (t)	21	22	17	5
COD (t)	—	—	—	—
Waste (t)	894	844	986	1,001

● Shiseido International France S.A.S. Unité du Val de Loire

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	423	404	378	382
City gas (10,000m³) *1	49	47	42	38
LPG (t)	—	—	—	—
Fuel (kl) *2	0	0	1	—
Steam (t)	—	—	—	—
Water (10,000m³)	2	3	2	2

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	2,255	1,482	2,007	1,844
SOx (t)	—	—	—	—
NOx (t)	0	—	—	—
Wastewater (10,000m³)	2	2	2	2
BOD (t)	16	16	13	19
COD (t)	56	44	40	51
Waste (t)	327	346	269	325

● Shiseido International France S.A.S. Unité de Gien

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	399	381	426	435
City gas (10,000m³) *1	30	31	29	26
LPG (t)	—	—	—	—
Fuel (kl) *2	2	1	1	—
Steam (t)	—	—	—	—
Water (10,000m³)	1	1	1	1

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	1,458	1,482	1,505	1,382
SOx (t)	—	—	—	—
NOx (t)	—	0	—	—
Wastewater (10,000m³)	0	0	0	0
BOD (t)	0	0	0	1
COD (t)	1	0	0	1
Waste (t)	1,052	347	506	322

Shiseido Liyuan Cosmetics Co., Ltd.

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	253	300	261	302
City gas (10,000m³) *1	1	1	1	1
LPG (t)	—	—	—	—
Fuel (kl) *2	—	—	—	—
Steam (t)	3,434	3,575	2,690	3,412
Water (10,000m³)	4	4	3	4

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	2,906	3,161	2,581	3,021
SOx (t)	—	—	—	—
NOx (t)	—	—	—	—
Wastewater (10,000m³)	3	3	2	3
BOD (t)	1	3	4	0
COD (t)	2	6	7	1
Waste (t)	205	346	93	110

● **Shanghai Zotos Citic Cosmetics Co., Ltd.**

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	527	596	550	651
City gas (10,000m³) *1	43	52	44	53
LPG (t)	—	—	—	—
Fuel (kl) *2	—	—	—	—
Steam (t)	—	—	—	—
Water (10,000m³)	15	16	12	14

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	5,802	6,009	5,333	6,333
SOx (t)	0	0	0	0
NOx (t)	1	1	0	1
Wastewater (10,000m³)	7	11	10	11
BOD (t)	0	1	0	2
COD (t)	3	3	2	5
Waste (t)	174	443	341	271

● Taiwan Shiseido Co., Ltd. Hsinchu Factory

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	185	223	215	195
City gas (10,000m³) *1	7	5	6	7
LPG (t)	—	—	—	—
Fuel (kl) *2	2	0	—	—
Steam (t)	—	—	—	—
Water (10,000m³)	2	2	3	2

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	1,419	1,568	1,527	1,481
SOx (t)	—	—	—	—
NOx (t)	—	—	—	—
Wastewater (10,000m³)	3	2	0	1
BOD (t)	7	2	0	0
COD (t)	18	4	0	0
Waste (t)	36	43	56	42

* Chung-Li Factory stopped manufacturing activities in July 2016, and Hsinchu Factory started operation in the same month.

● Shiseido Vietnam Inc.

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	807	863	873	806
City gas (10,000m³) *1	—	—	—	—
LPG (t)	156	209	251	189
Fuel (kl) *2	—	—	—	—
Steam (t)	—	—	—	—
Water (10,000m³)	9	9	9	10

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	4,326	4,477	4,646	4,162
SOx (t)	0	0	—	—
NOx (t)	0	0	—	—
Wastewater (10,000m³)	7	9	8	9
BOD (t)	0	1	1	4
COD (t)	2	4	4	13
Waste (t)	701	324	989	243

● Shanghai Huani Transparent Beauty Soap Co., Ltd.

Input

Index	FY2015	FY2016	FY2017	FY2018
Electric power (10,000 kWh)	147	140	137	155
City gas (10,000m³) *1	—	—	—	—
LPG (t)	—	—	—	—
Fuel (kl) *2	73	78	64	58
Steam (t)	—	—	—	—
Water (10,000m³)	3	3	3	2

Output

Index	FY2015	FY2016	FY2017	FY2018
CO₂ (t)	1,158	1,084	1,014	1,111
SOx (t)	0	0	0	0
NOx (t)	0	1	0	0
Wastewater (10,000m³)	2	2	3	2
BOD (t)	1	2	2	1
COD (t)	4	5	5	3
Waste (t)	27	30	35	54

Calculation method

Domestic facilities: The performance data were calculated based on the market-based emission factors published by the Ministry of the Environment.

Overseas facilities: The performance data were calculated based on the location-based factors published by the International Energy Agency (IEA).

FY2015: April 1 - December 31, 2015 (due to the irregular account settlement of 2015)

*1 Total value of city gas and natural gas consumption

*2 Total value of gasoline, kerosene, diesel oil and fuel oil consumption

*3 Achievements identified/Estimated value of the entire group

*4 Number of production facilities whose achievements are identified/Number of production facilities in the entire group

*5 Per bulk (t)

*6 Per 10,000 production quantity

*7 Main offices only, for overseas non-production facilities

Social Data

Number of the Shiseido Group Employees

Indicator		Period	2017	2018	2019
Total (persons)		The number of employees in Japan is as of January 1 each year and the number of employees outside Japan is as of December 31 in the previous year.	45,094	44,900	45,493
Female ratio (%)	All Shiseido Group	As of December 31 in the previous year	84.7	83.8	83.1
	Shiseido Group in Japan	As of January 1 of each year	83.3	83.4	83.0

Number of Employees by Region (persons)

Indicator	Period	2017	2018	2019
Japan	As of January 1 of each year As of December 31 in the previous year	23,276	23,505	24,346
China		9,375	8,792	8,264
Asia Pacific		3,653	3,663	3,699
Americas		6,399	6,169	4,314
Europe		2,391	2,861	4,675
Travel Retail		-	133	225

The data in the red text has been third-party certified.

Scope: Shiseido Group in Japan (21 companies)

Number of employees by type of employment (persons)

Indicator			Period	2017	2018	2019	
Japan	Employee	Total	As of January 1 of each year	14,807	15,784	16,704	
		Male		3,168	3,271	3,598	
		Female		11,639	12,513	13,106	
	Fixed-term contract employee	Total		8,469	7,721	7,642	
		Male		706	628	559	
		Female		7,763	7,093	7,083	
China	Employee		As of December 31 in the previous year	9,274	8,686	8,138	
	Fixed-term contract employee			101	106	126	
Asia Pacific	Employee			3,228	3,228	3,248	
	Fixed-term contract employee			425	435	421	
Americas	Employee			5,942	5,873	4,063	
	Fixed-term contract employee			457	296	251	
Europe	Employee			2,160	2,448	4,186	
	Fixed-term contract employee			231	413	489	
Travel Retail	Employee			-	129	218	
	Fixed-term contract employee			-	4	7	

Number of leaders (persons)

Indicator			Period	2017	2018	2019
Japan	Leader* ¹	Male	As of January 1 of each year	866	792	817
		Female		353	265	389
	Junior Manager* ²	Male		519	612	589
		Female		233	214	384
	China	Male	As of December 31 in the previous year	137	90	193
		Female		186	177	256
	Asia Pacific	Male		58	89	151
		Female		102	175	286
Americas	Leader	Male		213	221	249
		Female		730	650	689
Europe	Leader	Male		155	159	172
		Female		250	307	337
Travel Retail	Leader	Male		-	-	37
		Female		-	-	9

The data in the red text has been third-party certified.

Scope: Shiseido Group in Japan (21 companies)

*1 Leader: Manager position holders and annual salary system Employees

*2 Junior Manager: Manager position holders without subordinates and career path employees with subordinates

Ratio of Female Leaders (%)

Indicator		Period	2017	2018	2019
All Shiseido Group	Ratio of Female Leaders ^{*1}	The ratio in Japan is as of January 1 each year and the ratio outside Japan is as of December 31 in the previous year.	53.2	53.9	54.8
Japan	Ratio of Female Leaders Target: To achieve 40.0% in 2020	As of January 1 of each year	29.0	25.1	32.3
	Ratio of Female Junior Manager ^{*2}		31.0	25.9	39.5
China	Ratio of Female Leaders	As of December 31 in the previous year	57.6	66.3	57.0
Asia Pacific	Ratio of Female Leaders		63.8	66.3	65.4
Americas	Ratio of Female Leaders		77.4	74.6	72.6
Europe	Ratio of Female Leaders		61.7	65.9	63.4

The data in the red text has been third-party certified.

Scope: Shiseido Group in Japan (21 companies)

*1 Leader: Manager position holders and annual salary system Employees

*2 Junior Manager: Manager position holders without subordinates and career path employees with subordinates

Ratio of Employees with Disabilities^{*1} (%)

Indicator	Period	2017	2018	2019
Shiseido Company, Limited	As of June 1 of each year	3.41	3.30	3.19
Shiseido Group in Japan ^{*2}		2.06	2.02	2.05
Target		2.0	2.0	2.2

The data in the red text has been third-party certified.

*1 Ratio of Employees with Disabilities: Physically-disabled, intellectually-disabled, and mentally-disabled people are included, and the employment rate for disabled people is indicated by three significant figures.

*2 Shiseido Group in Japan: 10 special subsidiary companies in the Shiseido Group

Average Service Years of Employees (years)

Indicator		Period	2017	2018	2019
Shiseido Group in Japan Employees (excluding fixed-term contract employees)	Average	As of January 1 of each year	16.5	15.6	14.9
	Male		18.2	17.3	15.5
	Female		16.0	15.1	14.7

Job Turnover Rate (%)

Indicator		2017	2018	2019
Shiseido Group in Japan	Manager position/Career path positions	2.4	2.1	2.9
Shiseido Japan Co., Ltd.	Beauty consultant (BCs) positions only (excluding fixed-term contract employees)	3.9	3.4	3.7

Working Hours

Indicator		2017	2018	2019
Working Hours	Total annual hours worked per person (hours/years/persons)	Shiseido Company, Limited	1913.9	1915.4
		Shiseido Group in Japan	1828.8	1834.6
Prescribed Working Hours	Annual prescribed working hours (hours/years/persons)	Shiseido Group in Japan	1844.5	1860.0
Overtime hours	Annual overtime hours per person (hours/years/persons)	Shiseido Company, Limited	227.9	216.6
		Shiseido Group in Japan	104.3	102.1

Rate of Paid Leave Taken

Indicator		2017	2018	2019	Target
Annual rate of paid leave taken per person (%)	Shiseido Company, Limited	76.8	79.0	77.4	To achieve 80.0% in 2019
	Shiseido Group in Japan	58.0	63.3	65.1	

Number of Employees Hired

Indicator		2017	2018	2019
Shiseido Group in Japan	Periodical employment of career path positions	Male (persons)	66	83
		Female (persons)	83	72
		Female ratio (%)	55.7	46.5
	Periodical employment of Beauty consultant (BCs) positions	Male (persons)	3	2
		Female (persons)	238	255
		Female ratio (%)	98.8	99.2
	Mid-career employment	Male (persons)	-	53
		Female (persons)	-	44
		Female ratio (%)	-	45.4
				42.9

Starting Pay (yen/month)

Indicator		2017	2018	2019
Monthly amount paid*	Doctoral graduate	265,000	265,000	265,000
	Master's graduate	235,000	235,000	235,000
	Undergraduate	215,000	215,000	215,000
	Technical/Junior college graduate	195,000	195,000	195,000

* Area Allowance of 9,000 yen is provided to the employees who live in the Tokyo wards area. (Amount varies from 0 to 9,000 yen depending on the area.)

Average annual salary*(Yen/year)

Indicator	2017	2018	2019
Shiseido Group in Japan	7,177,618	7,239,104	7,313,401

* Including bonuses and extra wages

Number of Employees Rehired after Retirement (persons)

Indicator	Period	2017	2018	2019
Shiseido Group in Japan	As of January 1 of each year	333	275	374

Childcare Leave and Family Care Leave

Number of employees who used Childcare Leave System*1 (persons)

Indicator		2016	2017	2018
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	14	18
		Female	1,439	1,465
				1,300

Number of employees who used Childcare Time System*2 (persons)

Indicator		2016	2017	2018
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	2	2
		Female	2,154	2,128
	In-store beauty consultant	Male	0	0
		Female	1,616	1,536
				1,530

Reinstatement Rate after Childcare Leave*3 (%)

Indicator		2016	2017	2018
Shiseido Group in Japan	Manager position/Career path positions	98.2	97.5	97.5
Shiseido Japan Co., Ltd.	Beauty consultant (BCs) positions only (excluding fixed-term contract employees)	98.2	97.5	93.1

Retention Rate after Childcare Leave*4 (%)

Indicator		2016	2017	2018
Shiseido Group in Japan	Manager position/Career path positions	95.7	98.2	98.9
Shiseido Japan Co., Ltd.	Beauty consultant (BCs) positions only (excluding fixed-term contract employees)	90.8	98.5	92.1

Number of employees who used Family Care Leave System*5 (persons)

Indicator		2016	2017	2018
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	3	3
		Female	20	34
				22

Number of employees who used Family Care Time System*6 (persons)

Indicator		2016	2017	2018
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	1	2
		Female	26	22
				30

Kangaroo Staff*7 (persons)

Indicator	2016	2017	2018
Shiseido Group in Japan	1,803	1,837	2,009

*1 Includes short-term childcare leave. Employees can use the system up to 5 years in total until the child turns 3 years old. (Employees are eligible to use the system 3 times for the same child under special circumstances)

*2 Employees can shorten their work hours by up to 2 hours a day until the child is in the 3rd grade of elementary school

*3 Reinstatement Rate = (Number of reinstatements from childcare leave in the current fiscal year)/(Number of scheduled reinstatements from childcare leave in the current fiscal year) × 100

*4 Retention rate = (Number of employees who stayed in the company as of December 31 of the current fiscal year since reinstatement from childcare leave in the year before)/(Number of reinstatements from childcare leave in the year before) × 100

*5 Up to 1 year per leave for 1 family member. Up to 3 years in total.

*6 Up to 2 hours a day. Up to 1 year per leave for 1 family member. Up to 3 years in total.

*7 Kangaroo Staff System: A system to allocate substitutes to support storefront operations for beauty consultant employees who take time off for childcare.

Labor accidents**Number of Work-related Accidents*1**

Indicator		2016	2017	2018
11 Shiseido Group companies in Japan*2	Directly hired employees	Total	29	23
	-	Factories/contractors*3	9	3
Shiseido Group outside Japan (Coverage by number of facilities: 80%)	Directly hired employees	Total	111	72
Shiseido Company, Limited and Shiseido Japan Co., Ltd.	Indirectly hired employees (temporary staff) 3 major companies		-	0

Accident severity rate*4

Indicator	2016	2017	2018
11 Shiseido Group companies in Japan*2	0.018	0.006	0.010
Directly hired employees			

LTIFR^{*5}

Indicator		2016	2017	2018
11 Shiseido Group companies in Japan ^{*2}	Directly hired employees	0.96	0.59	0.85
	Employee coverage (%)	100	100	92.1
	Indirectly hired employees (temporary staff) 3 major companies	-	-	0.00
	Employee coverage (%)	-	-	38.8

*1 Number of labor accidents that resulted in the suspension of work

*2 11 Shiseido Group companies in Japan: Shiseido Company, Limited, consolidated subsidiaries of operations in Japan

*3 The number of work-related accidents in factories in Japan is based on the number reported by our contractors

*4 Accident severity rate = Number of days lost due to work-related accidents/Total hours worked × 1,000

*5 Lost Time Injury Frequency Rate (LTIFR) = Number of work-related accidents/Total hours worked × 1,000,000

Labor Union

Percentage of corporations with labor union (%)

Indicator	Period	2017	2018	2019
Shiseido Group in Japan	As of January 1 of each year	25.0	26.3	29.4
Shiseido Group outside Japan *1 (Coverage 100%)		45.9	68.4	68.4

Number of labor union members

Indicator	Period	2017	2018	2019
Shiseido Group in Japan	As of January 1 of each year	10,224	11,680	12,732

Ratio of labor union members (%)

Indicator	Period	2019
Shiseido Group in Japan	Ratio including fixed-term contract employees ^{*2}	52.3
	Ratio excluding fixed-term contract employees ^{*3}	76.2

*1 Including works council

*2 Ratio of employees subject to collective bargaining agreement among all employees including fixed-term contract employees = Number of labor union members/Number of employees (including managerial position holders and fixed-term contract employees, but excluding temporary staff and corporate officers) × 100

*3 Ratio of employees subject to collective bargaining agreement among all employees excluding fixed-term contract employees = Number of labor union members/Number of employees (including managerial position holders, but excluding fixed-term contract employees, excluding temporary staff and corporate officers) × 100

Employee Satisfaction*

Indicator	2017	2019
Shiseido Group worldwide	76	76

* Survey conducted every two years

Compliance and Risk Management

Anti-corruption

	Target	2016	2017	2018
Operations assessed for risks related to corruption	All business offices inside and outside Japan	Significant risk identified: None	Significant risk identified: None	Significant risk identified: None
Confirmed incidents of corruption and actions taken	All business offices inside and outside Japan	Confirmed incidents of corruption: None	Confirmed incidents of corruption: None	Confirmed incidents of corruption: None

Anti-competitive behavior

	Target	2016	2017	2018
Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	All business offices inside and outside Japan	No legal action	No legal action	No legal action

Operating performance of reporting and the consultation center for employees

Reporting/consultation center	Target	2016	2017	2018
The In-house Shiseido Consultation Office				
External Shiseido Hotline	Employees of the Shiseido Group in Japan	230 cases	224 cases	241 cases
Compliance Committee Hotline				

Number of serious compliance violations*

Target	2016	2017	2018
The Shiseido Group	None	None	None

* Define and manage serious compliance violations within the internal business operations of the Shiseido Group

Donations to Political Parties

	2017 (million yen)	2018 (million yen)
Shiseido Company, Limited	-	None
Shiseido Group in Japan a)	-	None

a) Shiseido Group in Japan: Shiseido Company, Limited and 20 domestic affiliated companies subject to consolidation (as of December 31, 2018)

Non-compliance with laws and regulations in the social and economic area**Incidents of non-compliance concerning the health and safety impacts and services**

	Target	2016	2017	2018
Examples of administrative guidance based on the Act against Pharmaceuticals and Medical Devices Law	Japan	No violations against regulations and voluntary codes (Examples of administrative guidance based on the Act against Pharmaceuticals and Medical Devices Law)	No violations against regulations and voluntary codes	No violations against regulations and voluntary codes
Examples of recalls and voluntary collections that required announcement in newspapers, etc.	Japan		Violations against regulations and voluntary codes: 4 cases	Violations against regulations and voluntary codes: 1 case

Incidents of non-compliance concerning product and service information and labeling

	Target	2016	2017	2018
Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations, and Pharmaceuticals and Medical Devices Law	Japan	Violations against regulations and voluntary codes: 1 case	Violations against regulations and voluntary codes: 1 case	No violations against regulations and voluntary codes

Incidents of non-compliance concerning marketing communications

	Target	2016	2017	2018
Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations, and Pharmaceuticals and Medical Devices Law	Japan	No violations against regulations and voluntary codes	No violations against regulations and voluntary codes	No violations against regulations and voluntary codes

Incidents of reporting personal information disclosure to Personal Information Protection Commission

Target	2016	2017	2018
Shiseido Company, Limited, Shiseido Japan Co., Ltd.	5 cases	6 cases	3 cases

Non-compliance with laws and regulations in the social and economic area

Target	2016	2017	2018
Shiseido Group in Japan	No fine imposed for violation of law	No fine imposed for violation of law	No fine imposed for violation of law

Highlights of our Social Contribution Activities Results

Number of social contribution activities (Number of activities)

Target	2018
All Shiseido Group	408

Number of participating employees (Cumulative number)

Target	2018
All Shiseido Group	10,040

Spending on social contribution activities (Unit: 1 million yen)

Target	2018	
	Spending on donations	*203
Shiseido Company, Limited	Breakdown	Donations made in cash
		*203
		Donations made by product offerings
Shiseido Group in Japan a)	Spending on donations	
	Breakdown	Donations made in cash
		*210
Shiseido Group outside Japan b)	Spending on donations	
	Breakdown	Donations made in cash
		101
All Shiseido Group	Spending on donations	
	Breakdown	Donations made by product offerings
		12
	324	
	Breakdown	Donations made in cash
		311
	Donations made by product offerings	
		13

a) Shiseido Group in Japan: Shiseido Company, Limited and 20 domestic affiliated companies subject to consolidation (as of December 31, 2018)

b) Shiseido Group outside Japan: 58 overseas affiliated companies subject to consolidation (as of December 31, 2018)

The data marked with * has been third-party certified.

Social Contribution Activities Protect Beauty (Environment)

Item	Indicator<unit>	2017	2018	Target
Camellia Planting and Conservation Volunteer Activities in the Goto Islands, Nagasaki Prefecture	Planting area/Number of trees planted	0.07 hectares 80 trees	0.18 hectares 75 trees	Japan
Shiseido Thailand tree planting activities	Number of planted trees	500 trees	500 trees	Thailand

Please check the details in "Reducing environmental burden, Conservation of biodiversity"

Social Contribution Activities Empower Beauty (Cosmetics, beauty, and support for women)

Item	Indicator<unit>	2016	2017	2018	Target
Shiseido Life Quality Beauty Center	Number of facilities* <Location>	1	1	1	Japan
		4	4	4	Outside Japan
	Number of users <Persons>	495	466	319	Japan
		828	935	1,022	Outside Japan
Shiseido Life Quality Beauty Seminar	Total number of events held <events>	4,522	4,705	4,457	Japan
	Total number of participants <persons>	73,345	74,014	70,222	Japan

* Held in four locations in Tokyo, Shanghai, Hong Kong, Taipei, and Kaohsiung until 2018. Singapore was added in 2019.

Promotion of Gender Equality

Item	2018 Results
Raising Awareness of Gender Equality Target: Raise awareness of gender equality among 1,000 people in FY2017-2018.	<ul style="list-style-type: none"> ▪ Actual results as of October 31, 2018: 505 people ▪ Cumulative number: 1,005 people
"Gender Equality Awareness-raising Workshop" for young people	<ul style="list-style-type: none"> ▪ Supporting high school students in 25 schools across Japan ▪ We distributed Shiseido's gender equality promotion materials (supervised by UN Women Japan Office) to participating schools so that high school students can use them to create their own action plans.

Support for patients with xeroderma pigmentosum (XP), a UV-sensitive intractable disease

Item	Description	2018 Results
Donation of sunscreen products	We provided Shiseido Group's various sunscreen products (ANESSA, 2e, SUMMEDIC, Avene, etc.) to the Japanese National Network of Xeroderma Pigmentosum (XP)*.	1,821 items, 22 types of sunscreen products donated to 92 XP patients
Donations by employees	We make good use of donations by employees (Shiseido Camellia Fund) to support patient exchange meetings and purchase UV protective clothing.	2,164,977 yen
Number of employees involved in support of activities of the Japanese National Network of Xeroderma Pigmentosum (XP)	1. Seminar on usage of sunscreen products: Our research staff and beauty consultants provide patients and their families with the latest information on sunscreen products, as well as practical training and individual consultation on how to apply and remove sunscreen products correctly. 2. Support for patient meetings: Our employees act as child care volunteers during exchange meetings which are held to establish a network between patients.	18 employees
Number of XP enlightenment leaflets distributed	In order to raise awareness of XP, an intractable disease, we support the creation and distribution of patient group leaflets.	<ul style="list-style-type: none"> ▪ Approx. 120 patient group leaflets distributed ▪ 400 copies of 3rd XP national convention report produced
Other Focus topics	In February 2019, we won the Corporate Philanthropy Award from the Japan Philanthropic Association in recognition of our social contribution activities that utilize our management resources organically and sustainably to resolve social issues.	

* Japanese National Network of Xeroderma Pigmentosum (XP) : A network consisting of three XP patients groups in Japan (Osaka, Kobe, and Tokyo). We are working to achieve more fulfilling daily lives for XP patients and their families.

Please check the support details in "Support for patients with xeroderma pigmentosum (XP), a UV-sensitive intractable disease."

Social Contribution Activities Inspire Beauty (Art and culture)

Item	Indicator<unit>	2016	2017	2018	Target
Shiseido Gallery (Ginza)	Number of visitors <Persons>	54,626	83,573	54,300	Japan
Shiseido Corporate Museum (Kakegawa)		30,571	29,735	31,733	Japan
Shiseido Art House (Kakegawa)		31,939	23,536	35,177	Japan

Please check the details in "Art & Heritage Inspire Beauty"

Community and Disaster Support

The results of donations and social contribution activities by Shiseido Group employee volunteers (Social Contribution Club) are as follows.

Item	Unit	2017	2018	Total	Target
Amount of donations through Shiseido Camellia Fund	Yen	17,623,751	16,884,724	284,860,593 (FY2005-2018)	Japan
Amount of donations through Disaster Contribution	Yen	0	2,974,526	62,261,486 (FY2004-2018)	Japan
Number of students supported by Volunteer Activity by Collecting Various Items	Persons	1	1	115(FY2001-2018)	In Japan/Outside Japan

Please check the support details in "Social Contribution Club."

Academic Support

Item	Indicator<unit>	2016	2017	2018	Target
Shiseido Female Researcher Science Grant	Number of award winners <Persons>	10	10	10	Japan
JSID's Fellowship Shiseido Research Grant	Number of award winners <Persons>	2	2	2	Japan
Japanese Dermatological Association basic medical research grant (Shiseido donation)	Number of award winners <Persons>	6	6	6	Japan

Activities for Children

Item	Indicator<unit>	2016	2017	2018	Target
Initiatives for Children Shiseido Kodomo Seminar for Juniors	Number of participants* <Persons>	659	753	781	Japan

* Target audience: Upper grade students in elementary school after FY2017.

Please check the support details in "Activities for Children."

INDEPENDENT ASSURANCE STATEMENT



To: Shiseido Company, Limited

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Shiseido Company, Limited (Shiseido) to provide limited assurance over its sustainability information selected by Shiseido. This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over the following information included within Shiseido Corporate Website 'Sustainability / CSR' page (the 'Web page') for the period of January 1, 2018 through December 31, 2018 (the 'Selected Information'):

Shiseido Group (Japan)

- Number of employees (total)
- Number of leaders (total / male / female)
- Ratio of male leaders
- Ratio of female leaders
- Ratio of employees with disabilities
- Amount of financial and in-kind contributions (total / financial / in-kind)

Reporting criteria

The Selected Information included within the Web page needs to be read and understood together with the reporting criteria stated in the Shiseido Corporate Website.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Any other information within the Web page, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the Web page are the sole responsibility of the management of Shiseido.

Bureau Veritas was not involved in the drafting of the Web page or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of Shiseido.



Assessment Standard

We performed our work in accordance with Bureau Veritas' standard procedures and guidelines for external verification of sustainability reporting, based on International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) that was used as the reference assurance standard.

Summary of work performed

As part of our independent verification, our work included:

1. Conducting interviews with relevant personnel of Shiseido;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by Shiseido;
4. Reviewing Shiseido systems for quantitative data aggregation and analysis;
5. Verification of sample of data back to source by carrying out physical site visit to Shiseido's head office;
6. Reperforming a selection of aggregation calculations of the Selected Information;
7. Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria;
- It is our opinion that Shiseido has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.



Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFI), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd.

Yokohama, Japan

April 26, 2019



Editorial Policy and GRI Content Index

Editorial Policy

The "Sustainability/CSR" section of the Shiseido Group corporate website is edited according to the following policy.

- We report the activities that lead to the solution of social issues and the role that we play in a sustainable society. We explain how we create social value that we provide as a company to various stakeholders.
- Scope: Based on Shiseido Company, Limited and the Shiseido Group (84 consolidated companies, as of December 31, 2018).
- Target period: Mainly fiscal 2018 (from January 1, 2018 to December 31, 2018). Some pages include content which is prior to the target period or is more recent.
- Reference guidelines: UN Global Compact, GRI Standards (Global Reporting Initiative), Environmental Reporting Guidelines of the Ministry of the Environment (2012 edition)
- Update period: June 2019 (next update scheduled July 2020, previous update June 2018)
- Our sustainability initiatives are also disclosed in our Annual Report.
- Our sustainability report ("Sustainability/CSR" on the Shiseido Group corporate website) is not backed by external guarantee.
- Some environmental and social data are backed by external guarantee. For details, please refer to "Sustainability Data."

GRI Content Index

This is a content index created in line with the GRI Standards, an international guideline for information disclosure on sustainability.

* Information related to the GRI Standards is described for reference. It does not indicate compliance with the GRI Standards.

* "Not applicable" indicates topics that are irrelevant or when there are no cases we are involved in at a significant level. “-” indicates topics that we do not disclose.

102 : General Disclosures

1. Organizational profile		Reference
102-1	Name of the organization	Corporate Information
102-2	Activities, brands, products, and services	Business Overview Brands Annual Report
102-3	Location of headquarters	Corporate Information
102-4	Location of operations	Shiseido Group Standards of Business Conduct and Ethics Corporate Profile Major Offices

102-5	Ownership and legal form	Corporate Information
102-6	Markets served	Business Overview
102-7	Scale of the organization	KEY FIGURES
		Annual Report
		Major Offices
102-8	Information on employees and other workers	Social Data
		Corporate Information
102-9	Supply chain	With our Suppliers
		Global Network
102-10	Significant changes to the organization and its supply chain	Annual Report
102-11	Precautionary Principle or approach	What is Shiseido's Sustainability
		Risk Management
102-12	External initiatives	What is Shiseido's Sustainability
		External Collaboration
102-13	Membership of associations	What is Shiseido's Sustainability
		External Collaboration
2. Strategy		Reference
102-14	Statement from senior decision-maker	Top Commitment
102-15	Key impacts, risks, and opportunities	What is Shiseido's Sustainability
		Risk Management
		Annual Report
3. Ethics and integrity		Reference
102-16	Values, principles, standards, and norms of behavior	Shiseido Group Standards of Business Conduct and Ethics
102-17	Mechanisms for advice and concerns about ethics	Activities to Enhance Corporate Ethics
		Fair Evaluation of Employees
4. Governance		Reference
102-18	Governance structure	What is Shiseido's Sustainability
		Corporate Governance
102-19	Delegating authority	Annual Report

102-20	Executive-level responsibility for economic, environmental, and social topics	Directors, Audit & Supervisory Board Members and Corporate Officers
102-21	Consulting stakeholders on economic, environmental, and social topics	General Meeting of Shareholders
102-22	Composition of the highest governance body and its committees	Corporate Governance
		Annual Report
		Corporate Governance Report
102-23	Chair of the highest governance body	Corporate Governance
102-24	Nominating and selecting the highest governance body	Corporate Governance Report
		Corporate Governance
102-25	Conflicts of interest	Corporate Governance Report
		Annual Report
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance
102-27	Collective knowledge of highest governance body	Corporate Governance
102-28	Evaluating the highest governance body's performance	Corporate Governance
102-29	Identifying and managing economic, environmental, and social impacts	Risk Management
		Annual Report
102-30	Effectiveness of risk management processes	Corporate Governance Report
		Annual Report
102-31	Review of economic, environmental, and social topics	Our Environmental Approach
102-32	Highest governance body's role in sustainability reporting	What is Shiseido's Sustainability
102-33	Communicating critical concerns	Corporate Governance
		Reporting and consultation center for employees
		Annual Report
102-34	Nature and total number of critical concerns	—
102-35	Remuneration policies	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Corporate Governance Report

102-36	Process for determining remuneration	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Corporate Governance Report
102-37	Stakeholders' involvement in remuneration	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		General Meeting of Shareholders
		Good Relationship with labor union
102-38	Annual total compensation ratio	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Social Data
102-39	Percentage increase in annual total compensation ratio	—
5. Stakeholder engagement		Reference
102-40	List of stakeholder groups	Shiseido Group Standards of Business Conduct and Ethics
102-41	Collective bargaining agreements	Social Data
102-42	Identifying and selecting stakeholders	Shiseido Group Standards of Business Conduct and Ethics
102-43	Approach to stakeholder engagement	What is Shiseido's Sustainability
102-44	Key topics and concerns raised	Initiatives in Response to Animal Testing and Alternative Methods
		Reflecting Consumer Feedback
6. Reporting practice		Reference
102-45	Entities included in the consolidated financial statements	Editorial Policy
		Annual Report
102-46	Defining report content and topic Boundaries	What is Shiseido's Sustainability
102-47	List of material topics	What is Shiseido's Sustainability
102-48	Restatements of information	Annual Report
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	Editorial Policy
102-51	Date of most recent report	Editorial Policy

102-52	Reporting cycle	Editorial Policy
102-53	Contact point for questions regarding the report	Contact Us
102-54	Claims of reporting in accordance with the GRI Standards	Not Applicable
102-55	GRI content index	GRI content index (This page)
102-56	External assurance	Editorial Policy

200 : Economic

201 : Economic Performance		Reference
201-1	Direct economic value generated and distributed	Annual Report
201-2	Financial implications and other risks and opportunities due to climate change	Reducing Environmental Burden
201-3	Defined benefit plan obligations and other retirement plans	Annual Report
		Employee Benefits and Welfare
201-4	Financial assistance received from government	—
202 : Market Presence		Reference
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Social Data
202-2	Proportion of senior management hired from the local community	—
203 : Indirect Economic Impacts		Reference
203-1	Infrastructure investments and services supported	Social Contribution Activities
203-2	Significant indirect economic impacts	Social Contribution Activities
		Social Data
204 : Procurement Practices		Reference
204-1	Proportion of spending on local suppliers	—
205 : Anti-corruption		Reference
205-1	Operations assessed for risks related to corruption	Social Data
205-2	Communication and training about anti-corruption policies and procedures	Activities to Enhance Corporate Ethics
205-3	Confirmed incidents of corruption and actions taken	Social Data
206 : Anti-competitive Behavior		Reference
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Social Data

300 : Environmental

301 : Materials		Reference
301-1	Materials used by weight or volume	—
301-2	Recycled input materials used	—
301-3	Reclaimed products and their packaging materials	Environmental Data
302 : Energy		Reference
302-1	Energy consumption within the organization	2018 Performance
		Environmental Data
302-2	Energy consumption outside of the organization	2018 Performance
302-3	Energy intensity	Environmental Data
302-4	Reduction of energy consumption	2018 Performance
		Environmental Data
302-5	Reductions in energy requirements of products and services	2018 Performance
		Environmental Data
303 : Water		Reference
303-1	Water withdrawal by source	Environmental Data
303-2	Water source significantly affected by withdrawal of water	Reducing Environmental Burden
303-3	Water recycled and reused	2018 Performance
304 : Biodiversity		Reference
302-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Applicable
302-2	Significant impacts of activities, products, and services on biodiversity	Reducing Environmental Burden
302-3	Habitats protected or restored	Reducing Environmental Burden
302-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—
305 : Emissions		Reference
305-1	Direct (Scope 1) GHG emissions	2018 Performance
		Environmental Data
305-2	Energy indirect (Scope 2) GHG emissions	2018 Performance
		Environmental Data

305-3	Other indirect (Scope 3) GHG emissions	2018 Performance
		Environmental Data
305-4	GHG emissions intensity	2018 Performance
		Environmental Data
305-5	Reduction of GHG emissions	2018 Performance
		Environmental Data
305-6	Emissions of ozone-depleting substances (ODS)	Not Applicable
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	2018 Performance
		Environmental Data
306 : Effluents and Waste		Reference
306-1	Water discharge by quality and destination	2018 Performance
		Environmental Data
306-2	Waste by type and disposal method	Reducing Environmental Burden
		2018 Performance
		Environmental Data
306-3	Significant spills	Not Applicable
		Our Environmental Approach
306-4	Transport of hazardous waste	Not Applicable
306-5	Water bodies affected by water discharges and/or runoff	—
307 : Environmental Compliance		Reference
307-1	Non-compliance with environmental laws and regulations	Our Environmental Approach
308 : Supplier Environmental Assessment		Reference
308-1	New suppliers that were screened using environmental criteria	With our Suppliers
		Responsible Procurement
308-2	Negative environmental impacts in the supply chain and actions taken	With our Suppliers
		Responsible Procurement

400 : Social

401 : employment		Reference
401-1	New employee hires and employee turnover	Social Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment and Labor
		Realizing a Rewarding Workplace
401-3	Parental leave	Social Data
		Realizing a Rewarding Workplace
402 : Labor/Management Relations		Reference
402-1	Minimum notice periods regarding operational changes	Employment and Labor
403 : Occupational Health and Safety		Reference
403-1	Workers representation in formal joint management-worker health and safety committees	Safety and Health of Employees
		Social Data
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Social Data
403-3	Workers with high incidence or high risk of diseases related to their occupation	—
403-4	Health and safety topics covered in formal agreements with trade unions	Safety and Health of Employees
		Good Relationship with Labor Union
404 : Training and Education		Reference
401-1	Average hours of training per year per employee	—
403-2	Programs for upgrading employee skills and transition assistance programs	Utilization and Development of Human Resources
403-3	Percentage of employees receiving regular performance and career development reviews	Performance measurement setting and appraisal on regular basis : 100%
		Fair Evaluation of Employees
405 : Diversity and Equal Opportunity		Reference
405-1	Diversity of governance bodies and employee	Corporate Governance
405-2	Ratio of basic salary and remuneration of women to men	Employment and Labor
406 : Non-discrimination		Reference
406-1	Incidents of discrimination and corrective actions taken	—

	407 : Freedom of Association and Collective Bargaining	Reference
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—
	408 : Child Labor	Reference
408-1	Operations and suppliers at significant risk for incidents of child labor	Response to the United Kingdom's Modern Slavery Act 2015 Responsible Procurement
	409 : Forced or Compulsory Labor	Reference
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Response to the United Kingdom's Modern Slavery Act 2015 Responsible Procurement
	410 : Security Practices	Reference
410-1	Security personnel trained in human rights policies or procedures	—
	411 : Rights of Indigenous Peoples	Reference
411-1	Incidents of violations involving rights of indigenous peoples	—
	412 : Human Rights Assessment	Reference
412-1	Operations that have been subject to human rights reviews or impact assessments	Respecting Human Rights and Ensuring Responsible Procurement
412-2	Employee training on human rights policies or procedures	Primary Initiatives
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—
	413 : Local Communities	Reference
413-1	Operations with local community engagement, impact assessments, and development programs	Social Contribution Activities Social Data
413-2	Operations with significant actual and potential negative impacts on local communities	Not Applicable
	414 : Supplier Social Assessment	Reference
414-1	New suppliers that were screened using social criteria	With our Suppliers Responsible Procurement
414-2	Negative social impacts in the supply chain and actions taken	With our Suppliers Responsible Procurement

415 : Public Policy		Reference
415-1	Political contributions	Social Data
416 : Customer Health and Safety		Reference
416-1	Assessment of the health and safety impacts of product and service categories	Promotion of Safe and Reliable Manufacturing
416-2	Incidents of non-compliance concerning the health and safety impacts and services	Social Data
417 : Marketing and Labeling		Reference
417-1	Requirements for product and service information and labeling	Promotion of Safe and Reliable Manufacturing
417-2	Incidents of non-compliance concerning product and service information and labeling	Social Data
417-3	Incidents of non-compliance concerning marketing communications	Social Data
418 : Customer Privacy		Reference
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social Data
		Information Security Management
419 : Socioeconomic Compliance		Reference
419-1	Non-compliance with laws and regulations in the social and economic area	Social Data
		Compliance and Risk Management