

# Shiseido CSR

[Shiseido's Corporate Social Responsibility]

Although the target period for the information included in this back number is mainly FY2014 (from April 1, 2014 to March 31, 2015), part of the information also includes contents prior to/after the said period.

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## What is Shiseido CSR?

Shiseido's overall image and domains of CSR activities based on the implementation of "Our Way" and "Shiseido Group Standards of Business Conduct and Ethics."

### Basic Concept of Shiseido CSR

We aim to realize a sustainable society through dialogue and cooperation with stakeholders while also promoting management that contributes to the creation of people's beauty and health by developing activities that address social issues and meet expectations.

The Shiseido Group's corporate social responsibility (CSR) activities follow the basic concept of "Our Way" "Shiseido Group Standards of Business Conduct and Ethics," which denotes action standards that each and every employee should take toward stakeholders based on the Shiseido Group corporate philosophy "Our Mission, Values and Way."



### Initiatives Related to the United Nations Global Compact

In September 2004, Shiseido announced that it was joining the United Nations Global Compact , declaring that it would voluntarily work to solve problems and create an international framework for realizing a sustainable society.

As a specific example of our initiatives in this area, in March 2006 we adopted the "Shiseido Group Supplier Code of Conduct" (revised in December 2011), a series of standards governing Shiseido procurement activities, based on the Global Compact's ten principles. In this way, we have joined our business partners in making a commitment to society to pursue procurement activities based on high ethical standards. In the area of human rights, we continue to pursue initiatives in the context of our own corporate activities. In addition, we joined the CEO Statement, an initiative launched by the Global Compact on the 60th anniversary of the Universal Declaration of Human Rights in December 2008, as part of our program of support for the Global Compact. The statement declares to the world, "We also reiterate our own commitment to respect and support human rights within our sphere of influence. Human rights are universal and are an important business concern all over the globe."

In the area of environmental activities, we have announced our



participation in Caring for Climate, a climate change initiative also being spearheaded by the Global Compact. In addition to striving to protect the environment in our own business activities, Shiseido is committed to offering support for, and actively participating in, international initiatives to address climate change.

Also, in September 2010, Shiseido signed to recognize "the Women's Empowerment Principles," a set of practical guidelines collaboratively developed by UN Women and the United Nations Global Compact for companies and private entities to promote women's empowerment.



Declaration of participation in the United Nations Global Compact's Initiative on Climate Change



Letter of certification

## Shiseido Group Supplier Code of Conduct (December 2011 version)

### Foreword

In April 2011, Shiseido enacted “Our Mission, Values and Way,” a new corporate philosophy for the Shiseido Group, as operational guidelines for Shiseido Group employees worldwide, and is working toward full compliance.

Under “Our Mission” — “We cultivate relationships with people. We appreciate genuine, meaningful values.

We create beauty, we create wellness.” — the Shiseido Group works to research, develop, manufacture and sell products and services that are outstanding in terms of their high quality, the peace of mind they offer and their safety, and that deliver satisfaction from the standpoint of consumers. At the same time, we view all our suppliers as “partners in creating new value,” and we aim to conduct business in compliance with the law and with the highest ethical standards on both sides as we work together toward sustained growth.

Building on its participation in the United Nations Global Compact, the Shiseido Group has established a Supplier Code of Conduct. Based on various international guidelines, the Code aims to share the same ethical standards among the Shiseido Group and its suppliers.

Shiseido Group companies shall use the Supplier Code of Conduct as the basis for selecting suppliers. In addition to requiring suppliers to fully comply with the Code, Shiseido Group companies also expect suppliers to ensure compliance among their own subcontractors involved in business related to the Shiseido Group.

Together with its suppliers, the Shiseido Group shall work to provide products and services that offer peace of mind and safety to consumers and that are friendly to both society and the environment, conduct its business activities in good faith through ample disclosure of information to and communication with consumers, and place greater emphasis on relationships with local communities as it strives to realize a sustainable society.

### Supplier Code of Conduct

#### 1. Human Rights

In conducting transactions with suppliers, Shiseido Group companies shall respect the International Bill of Human Rights and other international standards for human rights.

Shiseido Group companies shall favor suppliers that do not discriminate against their employees in hiring practices or treatment on any basis including, but not limited to, race, color, gender, age, language, property, nationality or national origin, religion, ethnic or social origin, political or other opinion, disability, health status and sexual orientation. Shiseido Group companies shall also favor suppliers that do not engage in moral harassment, including sexual harassment and abuse of power.

#### 2. Legal Compliance

Shiseido Group companies shall conduct business with suppliers that are in full compliance with the laws of the countries and regions in which they operate.

Shiseido Group companies shall favor suppliers that meet stricter international and industry standards than those mandated by law.

### **3. Labor Practices**

Shiseido Group companies shall conduct business with suppliers that are in full compliance with the labor laws of the countries and regions in which they operate.

When selecting a supplier, Shiseido Group companies shall pay particular attention to issues such as the prohibition of child labor and forced labor; the maintenance of safe, clean and healthy work environments for employees; the payment of an employee wage that is not less than the minimum wage; compliance with applicable laws regarding working hours; and respect for the right of employees to organize.

### **4. Protection of Intellectual Property\* and Maintenance of Confidentiality**

Shiseido Group companies shall conduct business with suppliers that have instituted measures necessary to manage and safeguard confidential and personal information and ensure the protection of their own intellectual property as well as that of other Shiseido Group companies and third parties.

In addition to efforts to acquire intellectual property rights pertaining to business conducted with Shiseido, Shiseido Group companies shall specifically require suppliers to maintain policies and procedures as well as to provide employee instruction and training to assure compliance in areas including preventing infringement on intellectual property rights, identifying and managing business secrets, and protecting personal information.

\*Intellectual Property refers to patents, trademarks, copyright and trade secrets.

### **5. Protection of the Environment**

Shiseido Group companies shall conduct business with suppliers that are in full compliance with the environmental laws of the countries and regions in which they operate.

Through their business activities, Shiseido Group companies shall maintain a proactive stance toward protection of the environment and shall work to contribute to the development of a sustainable society in which humanity and the Earth coexist beautifully through measures such as protecting biodiversity, reducing greenhouse gas (GHG) emissions, conserving resources and recycling, and preventing pollution.

Shiseido Group companies shall specifically require suppliers to recognize the importance of protection of the environment and to conduct environmentally friendly business operations that include measures such as assuring biodiversity and reducing GHG emissions in all phases from the use of resources to the management of waste materials.

## 6. Fair Operating Practices

Shiseido Group companies shall conduct business with suppliers that thoroughly comply with all applicable fair trade laws of the countries and regions in which they operate.

Shiseido Group companies shall select suppliers on the basis of considerations including quality, cost and supply capabilities.

Shiseido Group companies shall neither provide nor accept gifts or entertainment that may cause suspicion regarding fairness.

Shiseido Group companies shall require that suppliers neither give gifts nor engage in entertainment intended to furnish inappropriate or illegal benefits such as bribes.

## Verification of Compliance

Shiseido Group companies shall require suppliers to submit answers to questionnaires, to accept on-site verification, and to submit materials and records bearing the signature of an authorized representative of the company for the purpose of verifying that they are in compliance with this Supplier Code of Conduct.

Shiseido Group companies shall obtain suppliers' agreement with the Shiseido Group Supplier Code of Conduct when initiating business, and shall request compliance with the Code's content and the submission of documentation that demonstrates suppliers' intention to comply with the Code.

Moreover, the Shiseido Group may revise its Supplier Code of Conduct in accordance with changing circumstances and social requirements, and shall inform suppliers of such revisions in addition to disclosing them on its website. Following revisions to the Shiseido Group Supplier Code of Conduct, Shiseido Group companies shall request the continued agreement and compliance of suppliers.

Suppliers that need clarification or have opinions concerning the content of revisions should contact a Shiseido Group company.

Revised December 2011

## Ten Principles of the 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 Information Center (UNIC) website

## Overall Image of CSR activities

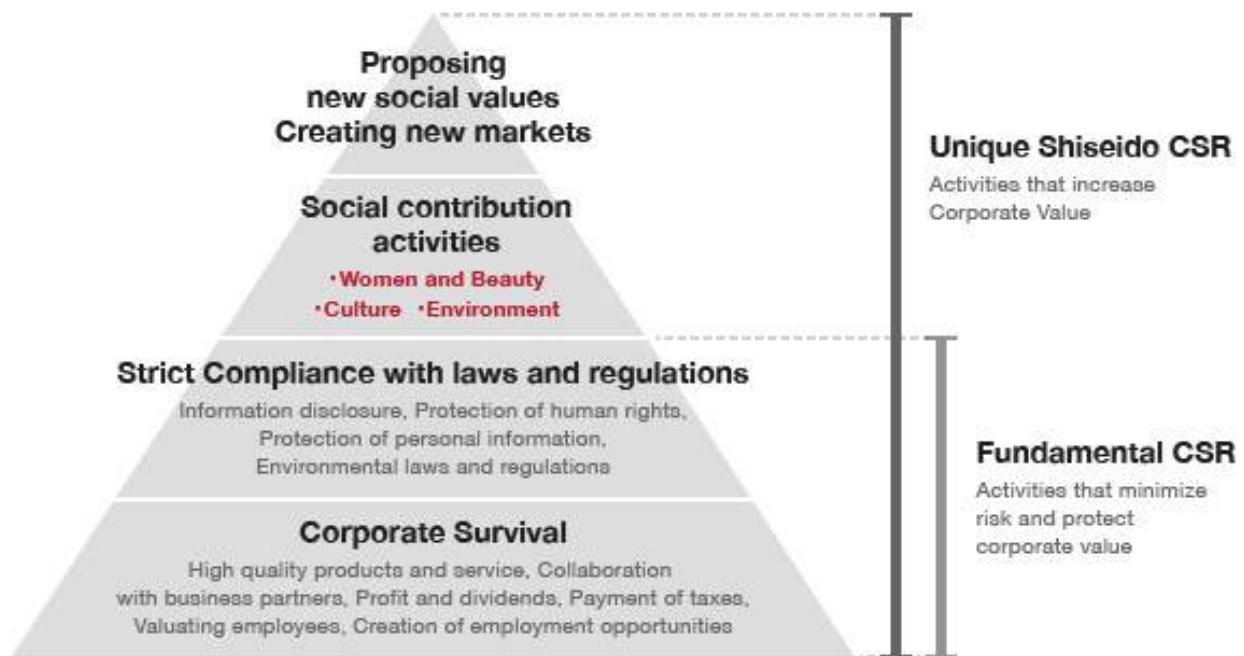
Shiseido's CSR activities are promoted with the focus on the following 2 domains.

### Fundamental CSR

Minimize risks and swiftly resolve issues that affect compliance with the laws and regulations to protect the corporate value and continuation of the company.

### Unique Shiseido CSR

Activities to enhance the corporate value, such as proposal of new values that incorporate social/environmental perspectives as well as social contribution activities, etc., with the aim of creating a beautiful society that will be sustainable well into the future. Especially in the areas of "Women and Beauty", "Culture" and "Environment", which have high expectations from the society and in which we can utilize our advantages, we promote our original initiatives.



## CSR Activity Promotion Structure

Shiseido's CSR activities are deliberated and discussed by the CSR Committee under the direct authority of the Board of Directors in order to steadily promote the activities that will lead to enhancing the corporate value.

### Committee Organization



### CSR Committee

CSR Committee covers all the potential areas which are supported to be required for Shiseido Group to carry out social responsibility.

Comprehending the social demand/expectations as well as examining the orientation of CSR activities, we try to obtain and evaluate possible risks in management strategies and operating business activities, and thus, try to take necessary measures. Activity plans and results on important themes are proposed and reported to the Board of Directors.

A total of three meetings were held in fiscal 2014 to report and deliberate the overall group's global risk management and compliance organization as well as the orientation of the future social/environmental activities. The CSR Committee is run by members who are selected from throughout the Company. Furthermore, to ensure expertise, fairness, and transparency, external committee members and a Shiseido labor union committee chairman representing Shiseido employees are included as members.

#### Fiscal 2014 CSR Committee members

- Chairperson : President & CEO (Representative Director)
- Members : 1 external director, 3 internal directors, 3 corporate officers in charge of individual businesses,  
1 manager of the Corporate Planning Department, 1 representative of SHISEIDO Labor Union,  
1 outside member, 1 internal corporate auditor (observer)

## Important Theme

We have set the Shiseido Group's important themes for 2020 based on the below concept and procedures.

International guidelines for CSR, such as ISO26000 and the United Nations Global Compact, etc.,  
as well as the concept of initiatives in addition to the Corporate Philosophy,  
social situation, social movements, and future expectations

**Important themes  
from the CSR perspective**  
Expectations and needs toward Shiseido  
from stakeholders/society obtained  
through dialogues with stakeholders

**Management/business aspect**  
Shiseido's "ideal figure" to achieve by 2020  
as well as management/business strategies  
to achieve it  
→ [Medium-to-Long Term Strategy 「VISION 2020」](#)

Shiseido Group's important themes for 2020  
**Realization of sustainable society to make people happy through beauty**

Specific initiatives

- Enhancement of the global governance organization
- Response to social issues and expectations

## Top Commitment

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### Heading for the future Shiseido and the next 100 years

With "to inspire a life of beauty and culture" as Our Mission, we at Shiseido will aspire to sustainably enhance corporate value by continuously contributing to the happiness of people who wish to lead their lives in the way they like. To meet this goal, in December 2014, we announced our medium-to-long term strategy, VISION 2020.

To fulfill VISION 2020, Shiseido must first acknowledge the fact that it has not fully leveraged either its tangible or intangible assets-such as the technical expertise cultivated to date, the ability to deploy business globally, and human resources-and dramatically restructure its entire range of activities from a "consumer-focused viewpoint."

Furthermore, we will put marketing into practice through the concerted efforts of the entire workforce, and continue to propose new values to the world through innovation thanks to revolutionary technological development, thereby making our brands, which stand for crucial bonds with our consumers, shine even more brightly than before. At the same time, we will exist in harmony with the environment and society as part of our endeavor to contribute to making a sustainable society a reality.

Based on this philosophy, making a prototype of Shiseido that will be thriving 100 years from now is the mission that I must accomplish.

By 2020, I will transform Shiseido into:

- a company filled with energy;
- a company overflowing with youthful spirit;
- a company always much talked about;
- a company inspiring to, and admired by, younger generations; and
- a company driven forth by diverse cultures.

I will make Shiseido into a company that is supported and needed by consumers and societies not only in Japan and Asia, but also in the rest of the world.

Our motto is "Rejuvenate, Shiseido."

Let us move forward with each consumer to build the future of Shiseido, and let us generate new values as professionals who inspire a life of beauty and culture. With these above objectives in mind, the entire workforce has begun moving as one.

Moreover, to realize a beautiful society that will continue into the future, all employees of Shiseido will put into practice "Our Way" and the "Shiseido Group Standards of Business Conduct and Ethics," which define the standards of action that we should take when interacting with stakeholders throughout the world. The "Shiseido Group Standards of Business Conduct and Ethics" contains 10 principles regarding "Human Rights", "Labor Standards", "Environment", and "Anti-Corruption" declared in the United Nations Global Compact, which Shiseido has proclaimed its participation in.



Guided by incorruptible ethics and a strong sense of mission, we will strive to live up to our stakeholders' expectations, and to still be shining 100 years from now.

Masahiko Uotani  
Representative Director, President and CEO  
Shiseido Co., Ltd.



April 2015

## Women and Beauty

We support women's ways of living from all angles, including social activities through makeup and beauty that not only enrich appearances but also minds as well as support women to become independent and active in society, etc.

## SHISEIDO LIFE QUALITY BEAUTY PROGRAM

Shiseido promotes the "SHISEIDO LIFE QUALITY BEAUTY PROGRAM," which enables us to harness the results of our accumulated makeup and beauty-related research for both products and services to help each and every customer achieve the beauty they desire and enrich them emotionally.

Under this program, Shiseido carries out "SHISEIDO LIFE QUALITY MAKEUP" at the "SHISEIDO LIFE QUALITY BEAUTY CENTER" (Tokyo) which was established in 2006 to provide makeup services for customers who are deeply concerned about their skin. Also, the "SHISEIDO LIFE QUALITY BEAUTY SEMINAR" provides skincare and makeup services for the elderly, persons with disabilities, students, and adults, etc. throughout Japan. These activities are also being developed worldwide.

### SHISEIDO LIFE QUALITY MAKEUP

Shiseido has worked in partnership with medical institutions to provide makeup advice for customers with skin disorders or scarring such as birthmarks, vitiligo\* and skin irregularities, while developing Perfect Cover Foundation, a product specifically designed to conceal birthmarks and other blemishes. We have been introducing solutions through makeup, especially in response to the recent heightened interest toward appearance-related care for cancer survivors, throughout Japan. Following the establishment of the SHISEIDO LIFE QUALITY BEAUTY CENTER at our Head Office building in Tokyo's Ginza district in June 2006, we have been establishing similar facilities in Shanghai, Hong Kong and Taipei and deploying the program on a global scale. Staff members who have undergone a special program of on-the-job training and practical training at medical institutions help people with various skin troubles due to bruises, dark spots, vitiligo, skin irregularities (scars), dullness, beauty-related concerns caused by side effects of cancer treatment, etc. by providing free-of-charge makeup advice on how to conceal concerns with cosmetics, etc.

Available by appointment only, services are provided in a private setting so that customers can relax and learn with peace of mind. Individuals who have visited the Center describe how they have a new sense of confidence and hope and speak of how they look forward to enjoying cosmetics now that they know how to conceal blemishes in an attractive way.



Note: Appearance changes in the photo are due to makeup and CG.  
Wig was provided by SVENSON Company Limited.

For people with appearance-related concerns caused by cancer treatment

We respond to a number of issues, changes in the skin tone such as strong dullness, missing eyebrows and eyelashes, and post-surgery scars.

Business partners and medical institutions around Japan who have been trained in the Center's techniques have been introducing their customers and patients.

(As of September 30, 2015, there were about 380 organizations participating in this program.)

\* Vitiligo is an acquired skin condition characterized by pigment loss causing white areas in the hands, feet, and other areas. Its cause is unknown.



Shiseido's Perfect Cover Foundation series is an effective way to address skin color concerns and cover skin irregularities.



Customers receive makeup advice in the clean, relaxed setting of a private room.

**TOPICS:** Introduced actual balance makeup for facial nerve palsy in the "Shiseido Open Seminar"

On January 17 (Sat), 2015, SHISEIDO LIFE QUALITY BEAUTY CENTER hosted a Shiseido Open Seminar in Shiseido Ginza Building (Tokyo), and 195 customers participated.

This seminar discussed how to conceal appearance-related concerns, such as imbalance of the lips and the height of eyebrows, etc., sometimes caused by facial nerve palsy as well as aging and habits with facial expressions. The theme was "Hint to lead a positive life—Glowing smiles with the power of makeup".

The first section introduced the current medical situation regarding appearance-related concerns caused by facial nerve palsy as well as the effectiveness of makeup from the perspective of medical industry staff; and the second section, which was titled "Actual balance makeup", introduced makeup methods to correct facial balance with demonstrations.

After the seminar, we offered an experience booth, in which participants could freely participate to experience relaxation through hand massage and fragrance, etc. Participants shared their voices, such as "I truly feel that makeup is useful not only to make us beautiful but also for mental care", "I am reminded that the power of makeup is a wonderful thing, which makes people cheerful, happy, and radiate", etc. We were happy to hear these voices.

SHISEIDO LIFE QUALITY BEAUTY CENTER will continue to promote initiatives through "makeup" in the future.



Dr. Furuta during the seminar  
(Chief of Department of Otolaryngology-  
Head & Neck Surgery, Teine-Keijinkai  
Hospital)



Wakae Aoki  
demonstrating balance  
makeup

**TOPICS :** Introduced ways to make eyebrows, which are missing, and pigmentation caused by side effects of cancer medication less visible in the "29th Annual Conference of the Japanese Society of Cancer Nursing"

Following the example of last year, SHISEIDO LIFE QUALITY BEAUTY CENTER set up a company exhibition booth in the "29th Annual Conference of the Japanese Society of Cancer Nursing" (Yokohama City) from February 28 (Sat) – March 1 (Sun), 2015.

At the venue, staff who have undergone special education of the Center introduced and demonstrated "how to draw eyebrows when they are missing" and "how to conceal dark dullness, etc." as beauty care information, targeting approximately 5,300 nurses, etc. who participated from all over the country. Nurses who visited the exhibition booth shared their voices, such as "They can regain themselves just by drawing eyebrows as they used to be. Makeup is amazing!", "Skin tone greatly changes the impression of the person, so I want patients to know that covering enables them to make it so bright", "Since patients, who are wondering if they should discontinue treatment because of side effects, can continue the treatment by learning how to conceal concerns with makeup, I would love to tell them about it", etc.

Shiseido will continue to help people with concerns due to changed appearance caused by side effects of cancer treatment, etc. with the "power of makeup" in the future.



Introducing ways to make concerns less  
visible with Perfect Cover

## SHISEIDO LIFE QUALITY BEAUTY SEMINAR

"SHISEIDO LIFE QUALITY BEAUTY SEMINAR" 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 an adult.

Ever since then, these activities have changed the contents according to the objectives and participants, such as the elderly and persons with disabilities, etc., and developed with the hopes of making all customers beautiful for over 60 years.

These seminars are also deployed on a global scale as one of the pillars of CSR activities based on Shiseido's philosophy of "contributing to the society through beauty and health," and they are held mainly for the elderly and persons with disabilities in Asia and for cancer patients, etc., in Europe and the U.S. In 2014, we held about 3,900 seminars in Japan, China, Germany, U.S. etc., all over the world, and about 65,600 people participated. Furthermore, we will also start deploying the "SHISEIDO LIFE QUALITY BUSINESS" which involves sustainable activities that will also contribute to solving issues of super-aged society, in July of 2013 by integrating various beauty seminars for the elderly, persons with disabilities, students, and adults, etc., which we have promoted over the years and the "elderly beauty services" that became a business in 2011 in Japan.

Shiseido will continue to respond to wide makeup needs of as many people as possible through such seminars that utilize the "power of makeup" in the future in order to continue helping each individual lead better and healthier lives.



Seminar at welfare institution for the elderly in Japan



Seminar at a medical facility in Germany.

**TOPICS :** "Confirmation of the effect of our makeup service on increasing healthy life expectancy (\*1)" in a commissioned project by the Ministry of Economy, Trade and Industry

We have confirmed that the "makeup service" (Cosmetic Therapy Program), which was developed by Shiseido, is effective in increasing healthy life expectancy, which is regarded as an important issue in the super aging society.

This is based on the result, which was jointly evaluated with the Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology regarding the "evaluation of the effect to reduce nursing care cost through providing cosmetic healthcare services" (conducted from June, 2014 to February, 2015) after the know-how of the "SHISEIDO LIFE QUALITY BUSINESS", which has been promoted by Shiseido since 2013, was selected for the "2014 project to promote the development of an industry to increase healthy life expectancy" (\*2), which is promoted by the Ministry of Economy, Trade and Industry with the aim of establishing the foundation of the "industry to increase healthy life expectancy".

As a result of this evaluation, we have confirmed the improvement effect toward self-rated health (\*3) and anti-depression tendency, and confirmed that the "makeup service" is effective as a new healthcare service to increase healthy life expectancy and that we can expect the effect to reduce the nursing care cost.

Shiseido will utilize this evaluation result for further improvement of quality in the "makeup service" and development of values of makeup for the elderly, etc. We will continue cooperating with medical institutions, such as nursing care offices, and local governments, etc., and proactively promoting the "makeup service" throughout the country as a healthcare service that leads to the increase of healthy life expectancy for a number of elderly people in the future.

\*1: Period in which a person can live independently. This is an index proposed by the WHO (World Health Organization) in 2000.

\*2: Implemented with the aim of developing an industry to increase healthy life expectancy by establishing the industry foundation for services not covered by public insurance to respond to the peripheral demands of public insurance services. 15 organizations were selected in fiscal 2014, and projects, such as business demonstrations and investigations, etc., are being promoted throughout the country.

\*3: Questions to ask about subjective evaluations regarding elderly people's own health. While this is a simple index, it is used as an expectation index for various health changes. In recent years, healthy life expectancy has been calculated by using self-rated health.

Scene from the "makeup service"



## Supporting Women's Activities

### 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 over 40 years of funding in dermatology. 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. 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 recognized by the Japanese Society of Aesthetic Dermatology.

### Assistance for Projects to Support Female Junior High School and HighSchool Students in Selecting Science-Related Courses

Shiseido began promoting activities to present the possibility of selecting science-related courses to female junior high school and high school students (in 9th grade and 10th grade) in 2011, utilizing our abundance of technologies and human resources, with the aim of contributing to the solution of the social issue of "development of women to become scientific human resources" in Japan.

In fiscal 2014, we held onsite classes in 5 schools, including St. Margaret's Junior High School and KOKUGAKUIN UNIVERSITY KUGAYAMA JUNIOR HIGH SCHOOL, targeting a total of approximately 240 junior high school and high school students. We sent Shiseido researchers to schools as "career education" instructors to arouse their interests in science as study and the "wide range of options and possibilities in the future that are made possible by selecting science-related courses" by introducing their experience.

Furthermore, we exhibited in the "event supporting girls who choose science as study: RIKEJO FES", which was jointly held by Ritsumeikan University and Tokyo University of Science, as a new approach in fiscal 2014. We aimed to deepen our support for students to choose science as study by transmitting the interests and joy of science along with information regarding research in universities and research and development in companies, which are waiting for them beyond their studies, to approximately 250 people, including female junior high school and high school students in the Chubu region.

We will continue supporting female junior high school and high school students to design their future "dreams" and contributing to the development of human resources in science in the future.



Class at KOKUGAKUIN UNIVERSITY KUGAYAMA JUNIOR HIGH SCHOOL/SENIOR HIGH SCHOOL



RIKEJO FES

## 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.

### Kangaroom Shiodome, a Nursery School Operated by Shiseido

Shiseido opened Kangaroom Shiodome in September 2003, as part of its initiatives to help employees raising children in the Tokyo metropolitan area 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 Shiodome has made a significant contribution to transforming employees' awareness of how they work and realize a work-life balance. The facility has been well received by people utilizing its childcare services for reasons such as enabling women 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.



## 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.

## Initiatives for Children

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### 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 own way of using 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.

- Conducting a hands-on onsite class in a school "Shiseido Kodomo Seminar: Sunscreen/correct face washing" (Japan only)
- Dissemination of daily beauty information via the "Kirei Club for Kids" website (Japanese only)
- Provision of visual educational materials (DVDs) for supporting healthcare lessons, wall newspapers posted on school billboards and leaflets for distribution to children at no cost
- Please apply for "Shiseido Kodomo Seminar" and "educational materials free of charge" via the special application form found on the "Kirei Club for Kids" website. Please email in case of inquiries. (Japanese only)



The scene of the Shiseido Kodomo Seminar

## Environment

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Shiseido will strive to achieve a society in which people and the Earth coexist beautifully, promoting "Shiseido Earth Care Project", which is an environmental project by all Shiseido Group employees worldwide. We are pursuing environmental initiatives, including product-related environmental responses and the reduction of CO<sub>2</sub> emissions at business sites.

## Environmental policy

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### | Ethos of Shiseido derived from its name

# 至哉坤元 万物資生

Our corporate name is derived from one passage in "I Ching," a Chinese classic literature. This means "Praise the virtues of the great Earth, which nurtures new life and brings forth new values." Shiseido has proposed new beauty, utilizing various blessings of the Earth. In order to keep proposing beauty to consumers, we need to coexist with the Earth while returning the favor to it.

### | Corporate message

This moment. This life. Beautifully.

This corporate message also serves as our commitment to the Earth. We cannot sincerely respond to the desire of each and every consumer to "live beautifully" without contributing to a beautiful global environment. "Shiseido Group Standards of Business Conduct and Ethics" section of Our Way, which defines how individual Shiseido employees should conduct themselves, we declare: "We will strive to achieve a sustainable society in which people and the Earth can coexist in beauty while pursuing environmental action in line with our own rigorous standards, taking the need to conserve biodiversity into account." Shiseido will dedicate our utmost efforts to promote environmental activities to care for our planet and realize a balanced, beautiful global environment, in the same manner as we care for our skin.

### | Shiseido Eco Policy

Since 1992, when the Company adopted the Shiseido Eco Policy, a set of guidelines detailing how environmental considerations should weigh on management decisions, environmental protection has been a key effort in all of Shiseido's business activities.

### ■ Shiseido Eco Policy

In order to undertake efforts to preserve the global environment in all of Shiseido's business activities:

1. Consider the environment and use natural resources and energy with great care
2. Promote the development and application of new technologies that do not place a burden on the environment
3. Aim to raise the level of employee awareness toward environmental protection
4. Endeavor to work closely with local communities and society

### ■ For "The Preservation the bounty of the Earth"

As suggested by the origin of its name, Shiseido has consistently strived to be a good steward of the bounty of the Earth since its founding. Today, this bounty is being lost at a rapid pace, casting into doubt our ability to pass them down to future generations. Shiseido has returned to its roots and reaffirmed the importance of conducting its business while acting as good stewards of the Earth's bounty. We have embraced a "new Policy on Biodiversity" that places "the preservation the bounty of the Earth" at the core of our environmental activities. This policy complements the first principle of the Shiseido Eco Policy ("Consider the environment and use natural resources and energy with great care"). Shiseido is pursuing the three principles of "conserving biodiversity (i.e., preserving the bounty of the Earth)," "reducing CO<sub>2</sub> emissions," and "reducing use of resources." We aim to achieve a sustainable society through these principles.

### ■ Biodiversity at Shiseido

Shiseido is grateful for the benefits of the Earth, the source of new values. Recognizing that the resources of the Earth are limited, we will use them wisely and fairly for the sake of future generations. Working proactively for their conservation, we will strive to realize a sustainable society.

Meanwhile, we have consolidated our thoughts regarding "fresh water resources" as following manner, in 2013.

We will aim for sustainable water use with respecting the healthy water circulation and the water-related culture practices of the local community. First, we will create an understanding of the actual situation of our water use through the value chain of our business activities. Then, based on it, we will work towards minimizing the impacts on the water circulation and the local water-related culture.

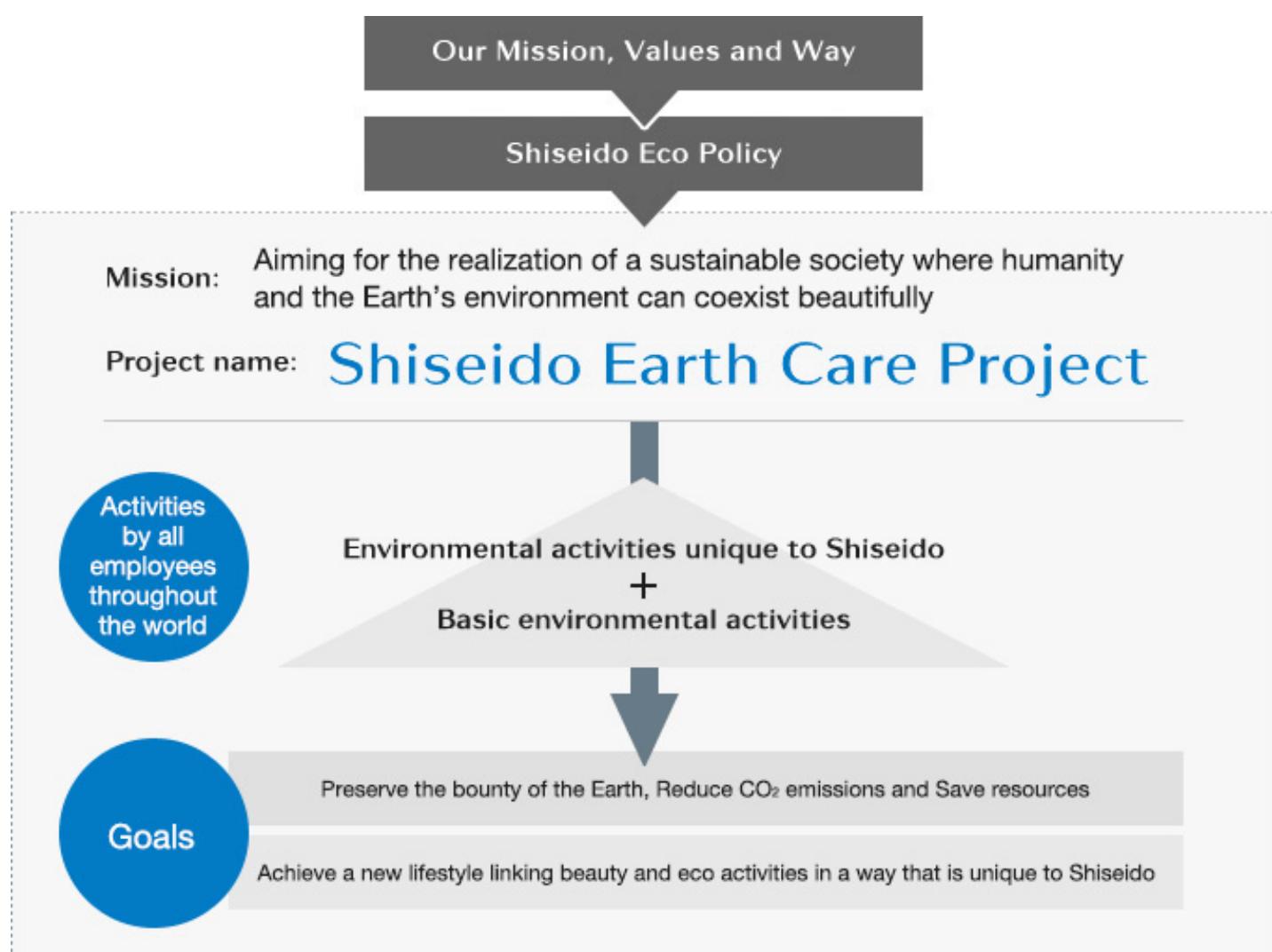
## About Shiseido Earth Care Project

Shiseido Earth Care Project is an "environmental project" promoted by all Shiseido Group employees worldwide in every aspect of its business activities.

In order to continuously promote new beauty while receiving the benefits of the various bounties of the Earth, it is necessary to coexist with and show gratitude to the Earth. As Shiseido live in harmony with the Earth, our mission is to care for our planet and realize a balanced, beautiful global environment, in the same manner as we care for our skin. The mission of the Shiseido Earth Care Project is to create "a society in which people and the Earth coexist beautifully" based on the Shiseido Eco Policy, which is designated as the Shiseido Group's Corporate Mission and management policy on the environment.

## Aim of Shiseido Earth Care Project

In addition to basic environmental activities that should be carried out as a social responsibility as a matter of course, including CO<sub>2</sub> reductions and resource conservation, the aim of this project is to realize "a new lifestyle that connects 'beauty' and 'eco-friendliness'" by strongly promoting environmental activities unique to Shiseido.



## ■ Symbol of the Shiseido Earth Care Project



This ring symbolizes the Earth, recycling, and commitment:

The Earth gives us a rich range of blessings.

Recycling represents a beautiful cycle that continues for eternity.

Commitment links Shiseido with society and with the Earth.

The mark's beautiful blue color symbolizes water. About 70% of the surface of the Earth is covered with water, which also accounts for some 60% of the human body. It is essential for every ecosystem, just as it is important in cosmetics. By combining the camellia flower, which symbolizes Shiseido, with the ring, we have expressed the coexistence of our corporate activities and nature.

## Environmental management

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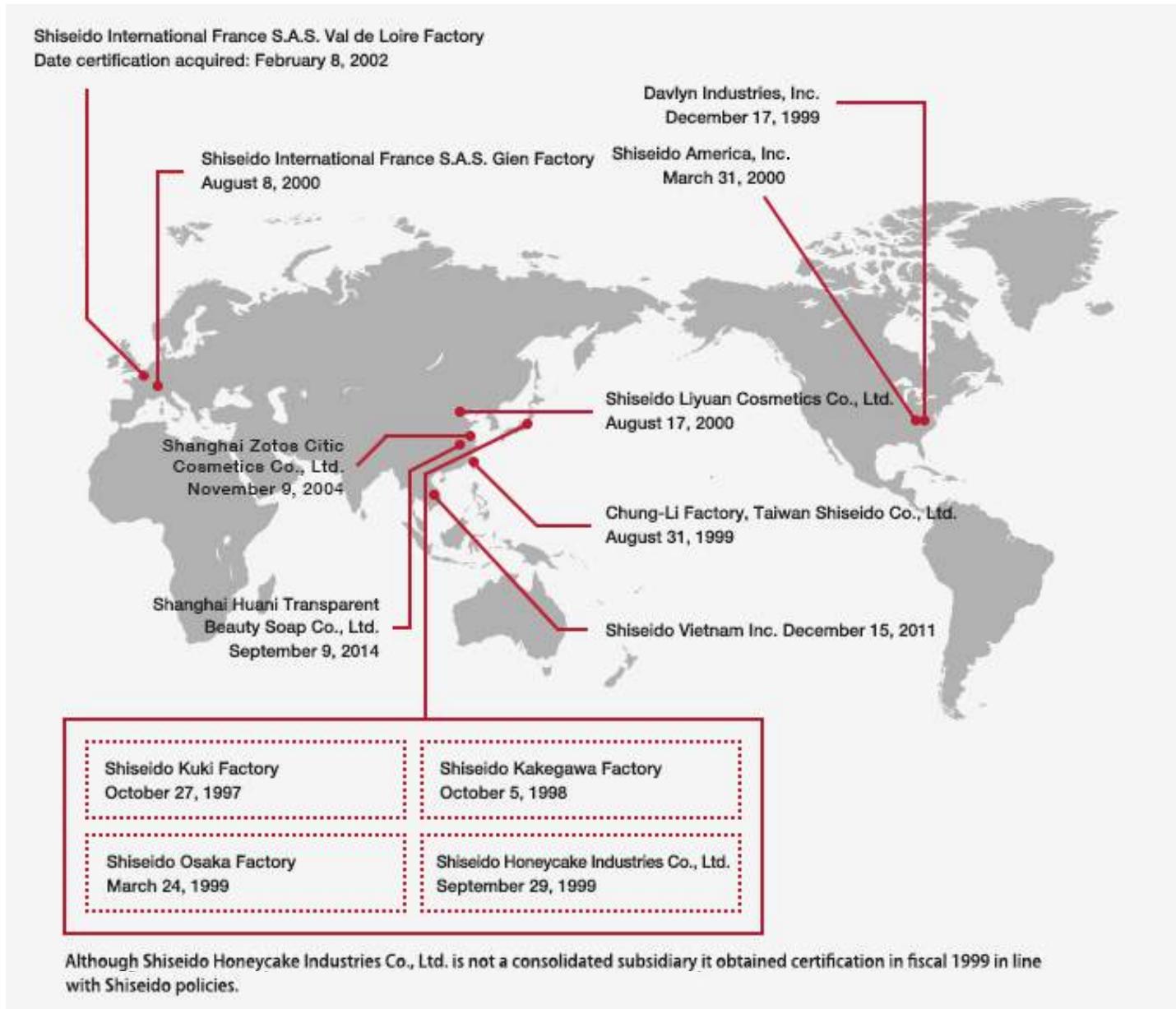
### ■ Structures

Shiseido launched the Shiseido Earth Care Project as an environmental project with a membership consisting of all employees worldwide in fiscal 2009. In the "CSR Committee" under the direct management of the Board of Directors, we share progress in the Company's internal planning of environmental activities, and consider and consult on a variety of environmental issues.

### ■ Environmental management according to ISO14001 certification

ISO14001 is an international standard governing environmental management that was established in 1996. Since initial certification, the plant has been subject to an ongoing certification process to verify that its environmental management system is maintained and improved through annual inspections and a renewal investigation every three years, both conducted by an outside organization. Production factories of Shiseido use a management system based on ISO14001, and they strive to improve management structures and reduce environmental impacts through the repeated use of the PDCA cycle ("Plan," "Do," "Check," "Act").

## Fiscal 2014 Status of ISO14001 Certification



## 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 environmental laws, analyzing their provisions, disseminating information to the relevant departments and ensuring thorough compliance. 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 2014. Going forward, Shiseido is committed to managing its operations in an appropriate manner.

## Thorough Management of Industrial Waste

While waste producers are being held accountable with regard to the illegal disposal of industrial waste, Shiseido is promoting optimal management to address this issue centering on industrial waste, which is a position created at all domestic worksites.

Additionally, initiatives are being undertaken to practice thorough compliance by carrying out evaluations including environmental laws and regulations in production departments.

In November of 2014, we held training regarding the guidelines for "field validation of intermediate treatment dealers", which is internally mandated once a year, with the cooperation of intermediate treatment dealers of industrial waste in order to enhance the response capabilities toward the Waste Management and Public Cleansing Act.



Industrial waste management training in progress

## Management of Chemical Substances

Shiseido not only satisfies the legal reporting requirements set out in the Pollutant Release and Transfer Register (PRTR) Law and Promotion of Chemical Management but also proactively conducts voluntary management of the use and disposal of chemical substances such as ingredients and reagents in factories and laboratories.

From the standpoint of workplace safety, we ensure that Safety Data Sheets (SDS) are issued to business partners, for example by systemizing the issue of SDS for semi-finished products when supplying chemical substances containing ingredients specified by laws such as the PRTR Law and the Industrial Safety and Health Act to customers.

## Correspondence to the PRTR Law

### PRTR target substance emissions and transfers

Fiscal 2014 (unit: tons)

| Legal No. | Substance name<br>(legal designation) | Amounts of Emissions |              |      | Amounts of Transfers |       |
|-----------|---------------------------------------|----------------------|--------------|------|----------------------|-------|
|           |                                       | Atmospheric          | Public water | Soil | Sewage               | Waste |
| 13        | Acetonitrile                          | 0.0                  | 0.0          | 0.0  | 0.0                  | 2.6   |
| 56        | Ethylene oxide                        | 0.0                  | 0.0          | 0.0  | 0.0                  | 0.0   |
| 71        | Ferric chloride                       | 0.0                  | 0.0          | 0.0  | 0.0                  | 0.0   |
| 207       | 2,6-di-tert-butyl-4-cresol            | 0.0                  | 0.0          | 0.0  | 0.0                  | 0.0   |
| 275       | Sodium dodecyl sulfate                | 0.0                  | 0.0          | 0.0  | 0.0                  | 4.9   |

|     |   |     |     |     |     |      |
|-----|---|-----|-----|-----|-----|------|
| 300 | Toluene   | 0.0 | 0.0 | 0.0 | 0.0 | 2.2  |
| 334 | Methyl 4-hydroxybenzoate                        | 0.0 | 0.0 | 0.0 | 0.0 | 0.1  |
| 389 | Hexadecyltrimethylammonium chloride             | 0.0 | 0.0 | 0.0 | 0.0 | 0.2  |
| 409 | Sodium poly (oxyethylene) dodecyl ether sulfate | 0.0 | 0.0 | 0.0 | 0.0 | 21.9 |

Scope of Data : Shiseido Company, Limited (Kamakura, Kakegawa, Osaka, Kuki factories and Research Center), Shiseido Irica Technology Inc. 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.)

## Eco Standards

In fiscal 2010, we adopted and began implementing the Production Eco Standards and the Sales Promotion Tools Eco Standards comprising rules for the environmental compliance of products and promotional materials from a life cycle perspective based on changes in the circumstances surrounding environmental issues. We also compiled and began implementing the Office Eco Standards outlining environmental compliance in offices.

## Environmental targets and results

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The current three-year (2015 to 2017) environmental program commits Shiseido to pursuing "environmental friendliness throughout the product life cycle" and "global initiatives to reduce CO<sub>2</sub>" as two pillars.

### Environmental targets and results

### Current three-year (2015 to 2017) environmental policies and targets

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Following the example of the previous 3 years, Shiseido commits Shiseido to pursuing environmental friendliness throughout the product life cycle and reducing CO<sub>2</sub> emissions worldwide.

**Making our Products More Environmentally Friendly  
Throughout Their Total Life Cycle**

**Global Initiatives to Reduce CO<sub>2</sub> Emissions**

## Environmental friendliness throughout the product life cycle

Pursuing environmental friendliness throughout the product life cycle consists of lowering environmental impacts throughout the life cycle in accordance with the Production Eco Standards, Shiseido's unique set of environmental standards addressing research and development, product planning, procurement, production, distribution, sale, use, disposal, and recycling.

We began using sugarcane-derived polyethylene for containers in order to save a finite petroleum resource and reduce CO<sub>2</sub> emissions during disposal and incineration from fiscal 2011. In addition, we are actively working to increase the environmental friendliness of our products, for example by increasing availability of refill products and using paper manufactured from bagasse, environmentally-considerate paper products, such as bagasse paper\*/FSC-certified paper, etc.

We are also moving to conserve water resources by reducing the amount of water required to manufacture and use our products.

\* Nonwood paper made from the residual fibers (bagasse) after refining sugar from sugarcane

### Environmental friendliness product targets

| Item  | Objective   |
|---|---|
| Utilization of plant-derived containers   | We will switch over 70% of the polyethylene used in the domestic cosmetics business from petroleum-derived polyethylene to plant-derived polyethylene by 2020.  |
| Acceleration of the shift to refills  | We will make refills available for 100% of foundation (compact type)/face powder/jumbo sized shampoo and conditioner in the domestic cosmetics business by 2020. We will make refills available for over 70% of lotion/emulsion (dispenser type). |
| Proactive utilization of environmentally-considerate paper, such as bagasse paper, etc. | We will promote the switch to environmentally-considerate paper, such as bagasse paper/FSC-certified paper, etc.  |

## Sugarcane-derived Polyethylene

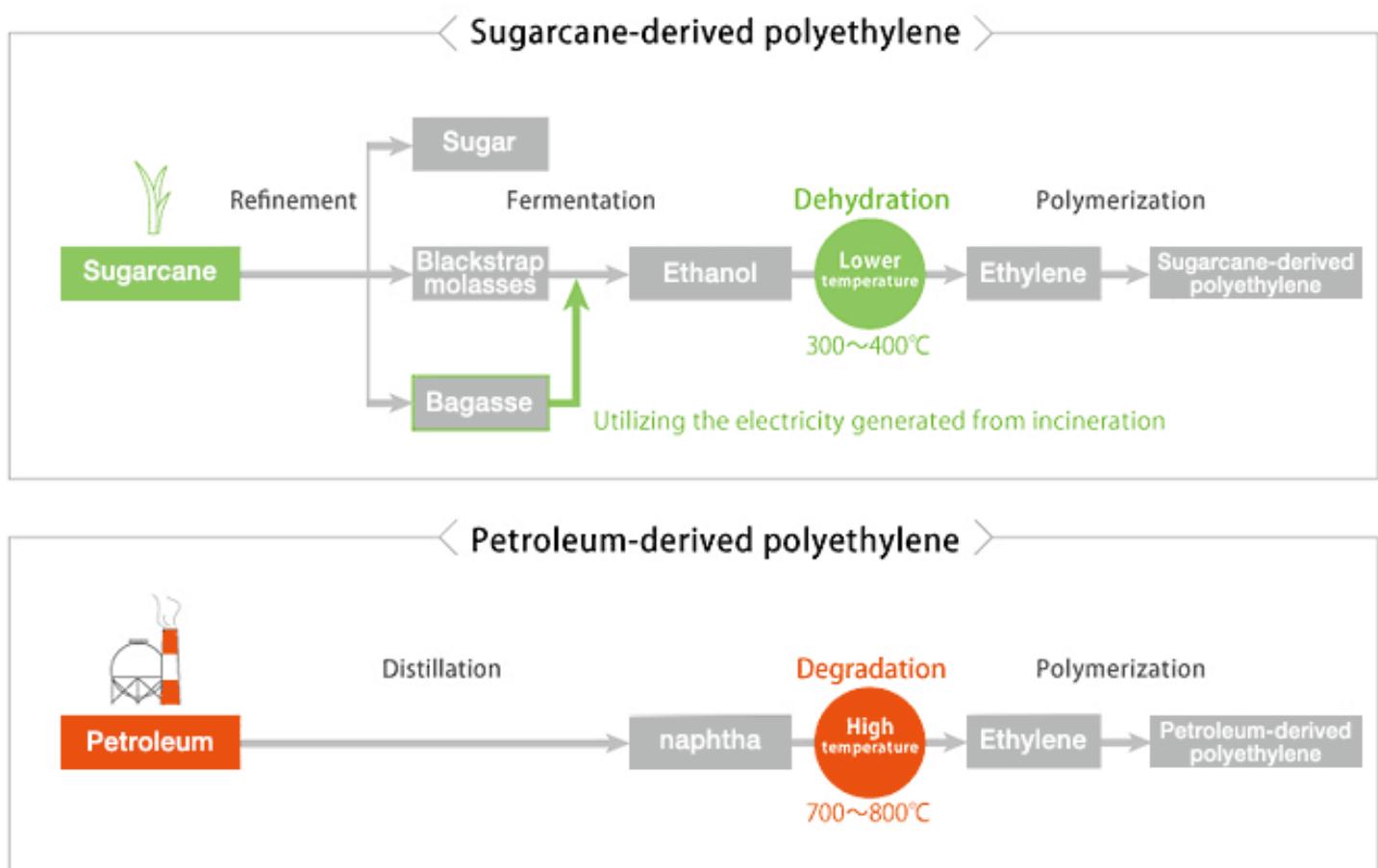
The CO<sub>2</sub> generated when petroleum-derived polyethylene, which is also the main material in cosmetics containers, is disposed of/incinerated increases the CO<sub>2</sub> level in the atmosphere and becomes one of the factors of global warming.

On the other hand, the CO<sub>2</sub> generated when sugarcane-derived polyethylene is incinerated is the CO<sub>2</sub> that had been absorbed by the sugarcane in the course of their growth. Therefore, we can say that there is zero increase/decrease in CO<sub>2</sub> when it's incinerated.

In addition, sugarcane-derived polyethylene is also effective in CO<sub>2</sub> emission reduction in the manufacturing process. In addition to the advantage that the energy consumption is less than petroleum-derived polyethylene due to the fact that the heating temperature in the manufacturing process is lower, it utilizes the electricity generated from incinerating "bagasse," which is the residual material after refining sugar from sugarcane. Due to this, we can significantly reduce the CO<sub>2</sub> emission compared to before.

(Refer to Diagram 1)

Diagram 1: Polyethylene Manufacturing Process

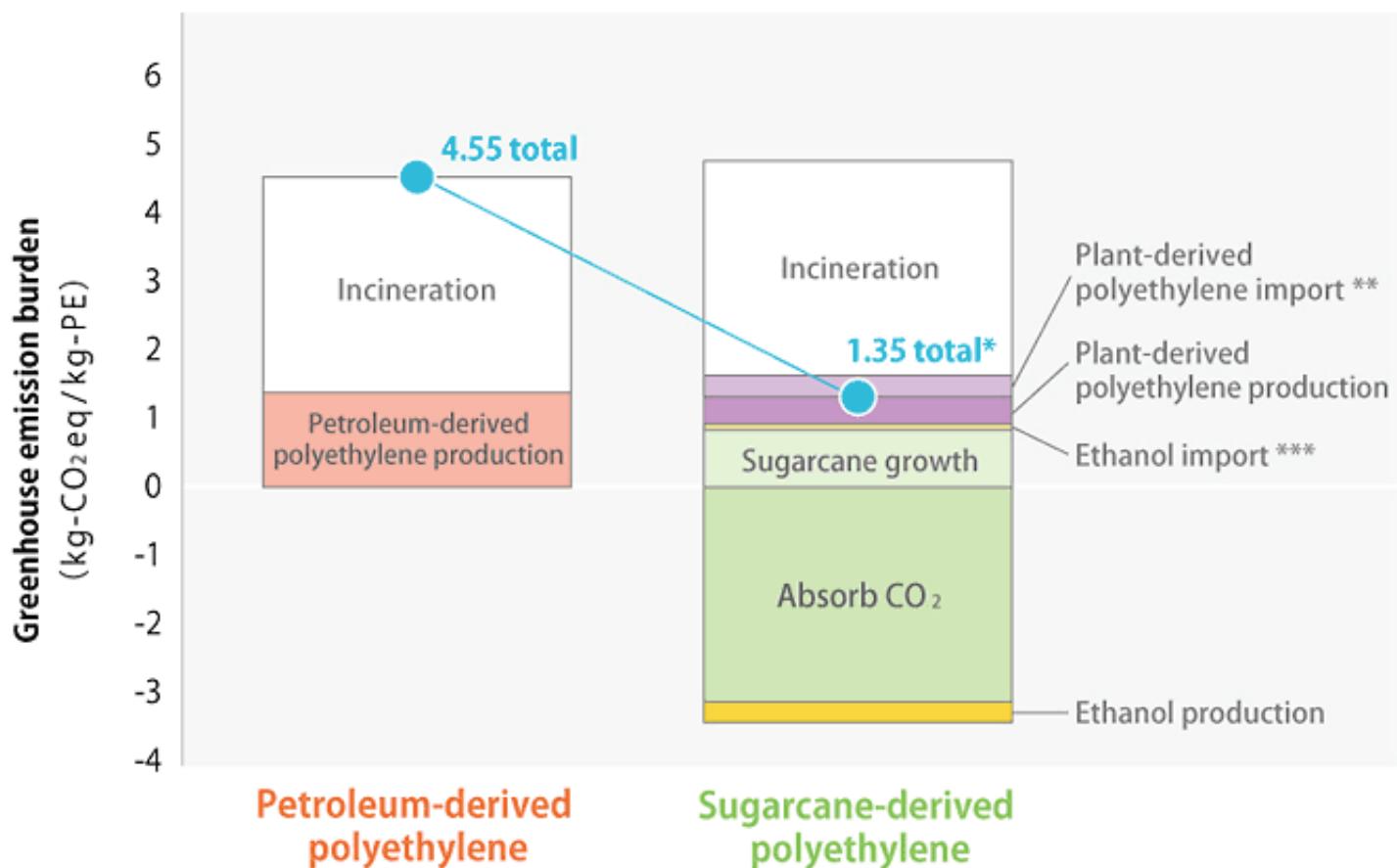


Furthermore, bioethanol, which is a raw material for sugarcane-derived polyethylene, is mainly produced by fermenting the residual liquid (Blackstrap molasses) after refining sugar from the juice of sugarcane, etc. Because of this, it's advantageous in the fact that competition is less likely to occur with food source compared to soybean or corn.

Considering these facts, we can calculate that the CO<sub>2</sub> emission in the overall sugarcane-derived polyethylene lifecycle, which we have been utilizing since September of 2011, is smaller compared to petroleum-derived polyethylene by over 70%.

(Refer to Diagram 2)

Diagram 2: CO<sub>2</sub> Emission Volume Reduction Effect



\* On the premise that no additive/comonomer is included.

\*\* Country of polyethylene production (Brazil) – Japan (port of Yokohama).

\*\*\* Ethanol plant – Polyethylene plant

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

## Global initiatives to reduce CO<sub>2</sub> emissions

To reduce CO<sub>2</sub> emissions worldwide, we endeavor to manage and reduce CO<sub>2</sub> emissions at all facilities, including those located overseas (head offices, research centers, production facilities, sales companies, and affiliates), starting in fiscal 2011.

### CO<sub>2</sub> emission reduction targets

| Scope    |                           | Base year   | Fiscal 2017 target | Fiscal 2020 target | Criteria             |
|----------|---------------------------|-------------|--------------------|--------------------|----------------------|
| Domestic | Production facilities     | Fiscal 2009 | 18% reduction      | 20% reduction      | Absolute amount      |
|          | Non-Production facilities |             | 11% reduction      | 14% reduction      |                      |
| Overseas | Production facilities     |             | 22% reduction      | 23% reduction      | Compared with BAU *1 |
|          | Non-Production facilities |             | 8% reduction       | 11% reduction      | Absolute amount *2   |

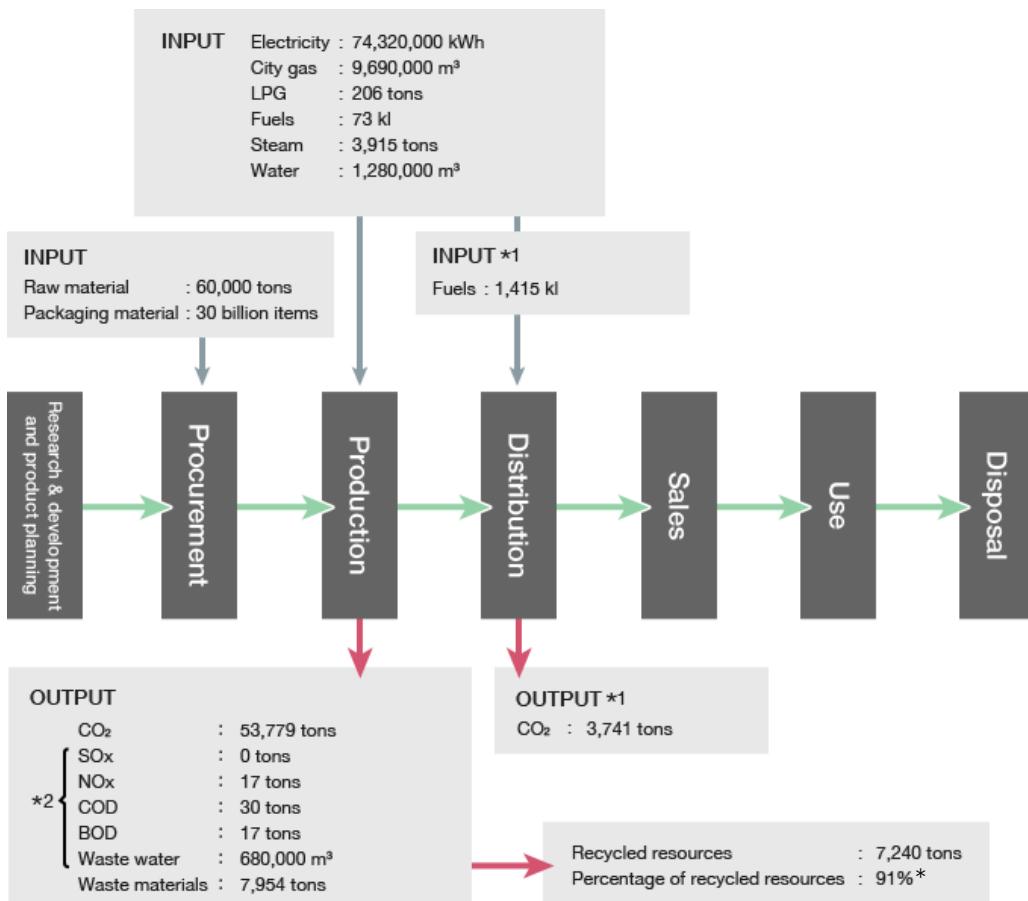
\* 1 BAU ratio: A comparison of the CO<sub>2</sub> emissions that would be expected if particular reduction measures were not implemented ("business as usual," or BAU) and the CO<sub>2</sub> emissions that would be expected if reduction measures are implemented.

\* 2 Excludes facilities from which data has not yet been acquired.

## Environmental targets and results

## FY2014 environmental impact results

The following are the environmental impact results for Shiseido's fiscal 2014 business activities.



Target range

\*1 Shiseido Company, Limited

\*2 Domestic production facilities

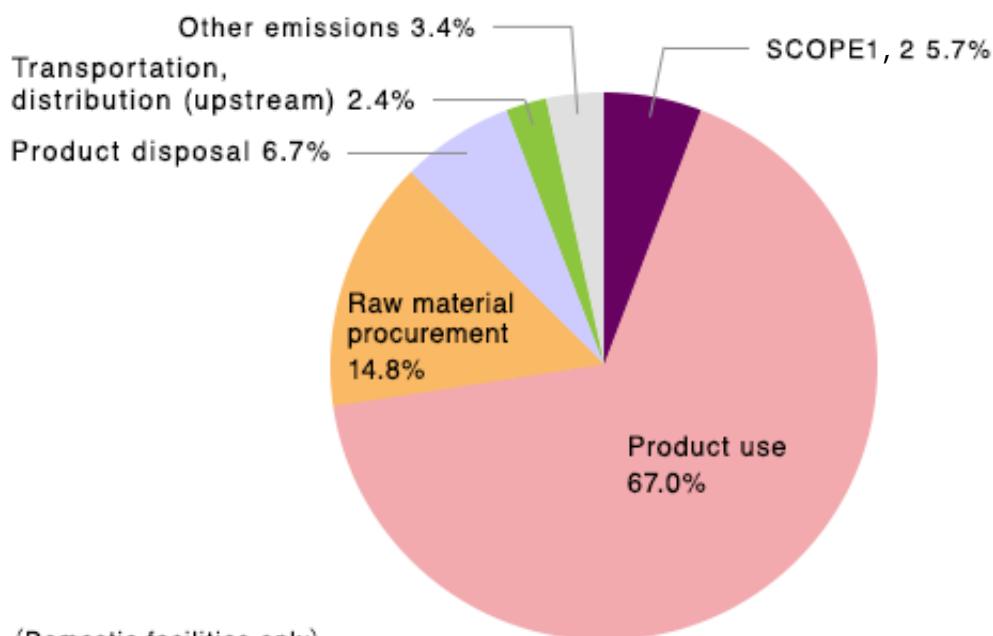
\*The following production facilities have achieved zero-emissions with a 100% waste recycling rate.

Domestic: Osaka Factory, Kakegawa Factory, Kuki Factory, Kamakura Factory

Overseas: Shiseido International France S.A.S. Val de Loire Factory, Shiseido Vietnam Inc., Shanghai Zotos Clitic Cosmetics Co.,Ltd.

## CO<sub>2</sub> reduction effect throughout the value chain in FY2014

In order to comprehend the environmental impact throughout the value chain and to effectively reduce CO<sub>2</sub>, Shiseido reduced CO<sub>2</sub> emissions throughout the value chain based on the "GHG Protocol Scope 3 Standard." In terms of the emission reduction effect through refill product lineup and utilization of sugarcane-derived polyethylene in FY2014, which are our major initiatives in making environmentally-responsive products, we were able to reduce a total of approximately 16,300 tons of CO<sub>2</sub> emissions, including approximately 8,900 tons in raw material procurement and approximately 7,400 tons in the product disposal phase.



(Domestic facilities only)

SCOPE1: Direct emissions from facilities

SCOPE2: Indirect emissions due to production (power generation, etc.) of purchased energy

SCOPE3: Indirect emissions from the value chain other than Scope 2

Including the overall economic activities, including employee commuting and business trips, etc. in addition to the entire value chain from mining of resources and cultivation of plants used for purchased raw materials to use of sold products and disposal/recycling, etc.

Environmental targets and results

## Environmental accounting

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### Basis for environmental accounting calculations

Target Period : April 1, 2014-March 31, 2015 (domestic), January 1, 2014-December 31, 2014 (overseas)  
 Scope of Target : Domestic production facilities, overseas production facilities, research centers in Japan, and Head Office  
 Unit : Millions of yen

#### 1. Environmental Conservation Costs

| Category                           |  | Main Initiatives  | Investment | Expenses |
|------------------------------------|--|---|------------|----------|
| (1) Costs breakdown by operation   |  |   | 346        | 174      |
| Breakdown                          | (1)- 1 Pollution prevention costs              | Water contamination, atmospheric pollution, etc.  | 171        | 46       |
|                                    | (1)- 2 Global environmental conservation costs | Promotion of energy conservation, measures to protect the ozone layer, etc.   | 172        | 3        |
|                                    | (1)- 3 Resources recycling costs               | Waste processing, recycling, wastewater re-use, reducing materials, etc.  | 3          | 125      |
| (2)Upstream/downstream costs       |  | Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc. | 0          | 187      |
| (3)Administrative costs            |  | Personnel expenses (excluding R&D) for environmental management   | 12         | 445      |
| (4)Research and Development costs  |  | R&D for environmentally friendly products, etc. (including personnel expenses)  | 0          | 14       |
| (5)Social contribution costs       |  | Support of environmental groups, disclosure of environmental information, environmental advertising, etc.             | 8          | 73       |
| (6)Environmental remediation costs |  | Environmental remediation costs, etc.   | 0          | 0        |
| (7)Other costs                     |  |   | 0          | 0        |
| Total                              |  |   | 366        | 893      |

## 2. Environmental Conservation Outcomes

|              | Outcomes   | Economic effect |
|--------------|--|-----------------|
| Earnings     | Revenue from the recycling of waste generated in main business activities and the recycling of used products, etc. | 37              |
| Cost savings | From energy conservation   | 174             |
|              | Waste-related  | 4               |
|              | From resource conservation   | 21              |
|              | Other  | 0               |
| Total        |  | 236             |

## Product initiatives

Shiseido adopted the Production Eco Standards, a series of environmental standards governing the product design process, in fiscal 2010. To ensure that these standards are observed in all relevant operations, we are holding workshops and other programs for product planning departments. Our goal is not simply to incorporate environmental considerations into product planning, but rather to propose a new lifestyle through our products by facilitating the coexistence of beauty and ecology through manufacturing without sacrificing products' value as cosmetics (in terms of effectiveness texture, usage experience, ease of use, beauty of design, etc.)

### ■ Mark indicated on products

Shiseido indicates the symbol for "Shiseido Earth Care Project" on products that use more than 20% (weight ratio) of plant-derived plastic, such as sugarcane-derived polyethylene, etc., in the overall container.

Starting with "SUPER MILD" in September of 2011, we have been using sugarcane-derived polyethylene containers for products, such as "ELIXIR," "TSUBAKI," "ANESSA," "UNO FOG BAR," etc.



Note: As part of the Shiseido Earth Care Project, we number our symbolic environmental activities.

No.096

## 3D pouch for *Clé de Peau Beauté concentré illuminateur* lotion and essence

We have begun adopting 3D pouch packs for the containers of the lotion and essence (1 use each) for "*Clé de Peau Beauté concentré illuminateur*", which are used as a set with facial mask, when the product underwent the renewal release in March of 2014.

Compared to the former product, which used small glass containers, the container weight is 1/10, and it has also led to the reduction of waste.

Such environmental considerations and our innovations with the multifaceted design, which embodies *Clé de Peau Beauté* concept of "skin that emanates radiance from within", as well as the easy opening of the pouch pack were evaluated, and "*Clé de Peau Beauté concentré illuminateur*" received the "Japan Package Design Association Award", which is one of the top "Japan Star Award", in the "Japan Packaging Contest 2014".



*Clé de Peau Beauté concentré illuminateur*



pouch packs for the containers of the lotion and essence

No.093

## Development of *Fullmake Washable Base*

"*Fullmake Washable Base*," which was released in advance via the Shiseido website "watashi+" online shop in December of 2012 and was released via counters in February of 2013, is the world's first (\*1) makeup base that enables users to easily remove the makeup, which is applied over the base, only with warm water. Shiseido developed its original technology "Veil Action Polymer," which doesn't blend with cold water but responds only to warm water of 40 above degrees Celsius, and incorporated it into this product for the first time.

Due to the fact that users don't require cleansing agent when using this product, Shiseido calculated the environmental impact reduction rate throughout makeup routine from makeup base to cleanser.

Specifically, we tried to calculate the water consumption amount throughout the product's life cycle by using the water footprint (\*2) method by comparing the traditional makeup routine and makeup routine (\*3) using this product. As a result, we can reduce approximately 1.6L (\*4) in water consumption amount per makeup routine. When you convert this to one bottle (35g) of this product, the calculation shows that we can reduce approximately 90L of water.

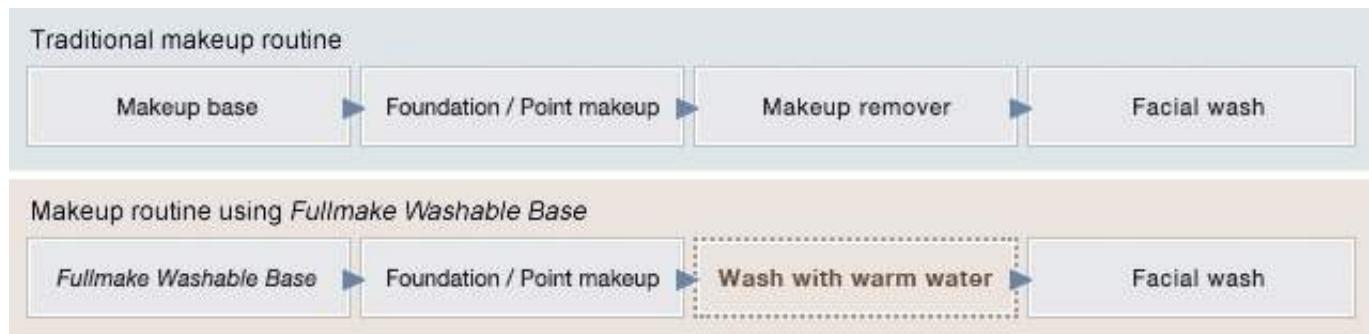


*Fullmake Washable Base*

\*1 From the database of Mintel Japan, Inc. (Researched by Shiseido)

\*2 Method that evaluates the water consumption throughout a product's life cycle from raw material procurement to production, usage, disposal, and recycling as well as the environmental/social impact due to it in a quantitative manner. This method targets all water used directly as well as indirectly, including cultivation of plants for raw materials, water used in the course of the product's production process, etc.

\*3 Traditional makeup routine and makeup routine using "Fullmake Washable Base"



\*4 This calculation result has undergone a third person evaluation by Professor Norihiro Itsubo of the Environmental Studies, Tokyo City University. This value was not derived from comparing the water usage in households of consumers.

No.055-2

## Using polyethylene produced from sugarcane for **SUPER MiLD** containers

In September 2011, Shiseido adopted containers made from sugarcane-derived polyethylene for its **SUPER MiLD** hair care brand. This is the first time this material was used for cosmetics and daily basic goods in Japan.

Incineration of sugarcane-derived polyethylene involves the release of carbon dioxide (CO<sub>2</sub>), which sugarcane absorb as they grow, so it can be said that there is no difference in the level of CO<sub>2</sub> in the atmosphere when this material is incinerated. Because of this and other reasons, it is said that incineration of sugarcane-derived polyethylene releases over 70% less CO<sub>2</sub> than petroleum-derived polyethylene in their life cycles.

Now approximately 96% of the materials used for the **SUPER MiLD** bottles (both regular and jumbo sizes) are sugarcane-derived polyethylene and approximately 34% for refill packs, and thus CO<sub>2</sub> emissions were successfully reduced by approximately 188 tons in the first year after this change was introduced (according to Shiseido's estimate).

There is another benefit of using sugarcane-derived polyethylene for containers—because this polyethylene is made mostly from residual liquid after refining sugar from the juice of sugarcane, so that it can prevent competition between food usage and plastic usage.



the mark indicated on products that use plant-derived plastic, such as sugarcane-derived polyethylene.

No.073

## Shiseido Reduces Plastic Use by Adopting Paper Exterior Packaging Boxes for the **ELIXIR** Skincare Series

Shiseido is working to improve the environmental friendliness of its core lines **ELIXIR** Skincare Series.

As the first initiative, we changed the plastic product outer box to a paper outer box for "**ELIXIR SUPERIEUR RETINO VITAL**," which was released in September of 2009 as highly functional special care, and "**ELIXIR WHITE**," which was released in February of 2010. Since then, we have also switched to a paper outer box for "**ELIXIR SUPERIEUR**" since September of 2010. Furthermore, we use bagasse paper in paper boxes for some of the products.

Through these initiatives, we were able to reduce a total of approximately 90 tons in plastic usage within 1 year of each product's release.

Since switching to paper outer boxes increased the space to print product information, we have been aiming to enhance the information, such as ingredients, method of use, etc., which consumers themselves can use for reference when choosing products.

We also released refills for softener and emulsion from "**ELIXIR SUPERIEUR**" and "**ELIXIR WHITE**" in September of 2012 as the second initiative.

Since the refill containers use sugarcane-derived plastic, it leads to more CO<sub>2</sub> emission reduction compared to petroleum-derived plastic.

In addition, when consumers use them to refill the product containers, we can reduce approximately 85% (weight ratio) of disposed plastic.

*ELIXIR SUPERIEUR**ELIXIR WHITE*

No.084

## Reducing plastic use by making **HAKU** refills available

Shiseido launched a new "replaceable refill product" in line with the renewal of its **HAKU melanofocus CR** skin brightening serum in February 2011.

The amount of plastics used to make this refill container is reduced by approximately 60% compared with the amount used for the original product container. Adopting a refill item for this product reduced a roughly 19 tons of plastics used for one year versus manufacturing the original product container only.

In addition to the environmental consideration of saving resources,



Left: **HAKU melanofocus CR**  
Right: Refill

another main objective of introducing this refill product is closely tied to Shiseido's desire to respond to consumers' feedback, including: "It's such a waste to throw out a wonderful package" or "Please make a container so that you can check how much remains in the container." Additionally, in terms of the development of the refill container, we have put a lot of ingenuity into creating a structure so that consumers can replace the container as easily as possible.

Moreover, another environmental measure was taken by replacing the exterior plastic packaging with packaging made from bagasse paper (non-wood paper made from fiber after extracting the sugar content from sugarcane), and in turn, curbing the use of petroleum, which is an exhaustible resource, and changing to a sustainable plant-based raw material.

Note: *HAKU melanofocus CR* (released in February 2013) also adopts these environmentally-friendly container and packaging.

## No.083

### Environmental initiatives associated with the redesign of *Clé de Peau Beauté* Skincare Products

In order to meet the satisfaction of consumers seeking total "authenticity," Shiseido's luxury brand, *Clé de Peau Beauté*, aims to be "luxurious" in all aspects, naturally in terms of product quality as well.

We have conducted forward-looking initiatives such as follows.

1. Formulated with some fragrances such as sandalwood procured from fair trade (\*1) sources.
2. Deployed first refill products for *la crème* (cream).
3. Adopted bagasse paper (\*2) for exterior packages and package inserts (instructions) of products.

Since then, we have been continuing our sustainable initiatives, such as incorporating a fair-trade raw material (premium argan oil) into part of the products such as "*Enriched lip luminizer (Lipsticks)*", "*Luminizing face enhancer (Highlighters)*", etc., and using FSC-certified paper (\*3) for printed inserts, etc.

*Clé de Peau Beauté* places importance on connections with nature and society and delivers products that take into account the environment as well as product quality.

\* 1 An initiative aimed at improving living standards and promoting the independence of producers and workers in developing countries by continuously purchasing raw materials or goods at optimal prices. It also contributes to environmental preservation by preventing such aspects as the overexploitation of resources in order to realize sustainable use.

\* 2 Non-wood paper made from the residual fibers (bagasse) after refining sugar from sugarcane

\* 3 Paper that has been certified as a "product that has been produced from a well-managed forest"



Clé de Peau Beauté  
la crème <cream>



la crème <refill>



Left: Enriched lip luminizer <lip stick>

Right: A refill must be set in the proper holder before use.



Luminizing face enhancer <Highlighters>

## No.088

Reducing the glass bottle weight and employing labels that are easy to peel off for **Pure White W** and **The Collagen** beauty drinks

In 2012, Shiseido reduced the weight of the glass bottles for *Pure White W* and *The Collagen* products by about 10 percent because consumers had indicated that they throw out several empty bottles at a time and wanted them to be as light as possible.

We reduced CO<sub>2</sub> emissions by about 427 tons for one year (Shiseido's estimate).

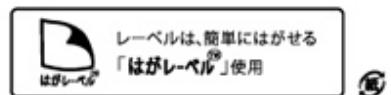
Consumers also indicated that they did not want others to know what they were drinking and that they wanted to remove the labels before disposing of the bottles, but the labels were difficult to peel off.

We responded to this feedback by switching to easily removable labels.



Pure White W and The Collagen

はがしていただき、ありがとうございます。



An easily removable label

No.075

## Shiseido adopts Cartocan eco-friendly paper containers for *Kirei no Susume*

*Kirei no Susume*, which was launched by Shiseido on July 21, 2010, is packaged in Cartocan, an environmentally friendly paper beverage container. In addition, we also changed the package of *Chou-mei-sou* from aluminum can to Cartocan in 2013. Cartocan offers the following features:

### (1) Promotion of forestland conservation by using wood from thinning operations

Thinning, a process by which weak trees are cut from crowded forests, is a critical part of developing healthy forests. Cartocan makes extensive use of thinned lumber. In addition, by using over 30% domestic materials, the material promotes the conservation and healthy development of domestic forests. Since those forests absorb CO<sub>2</sub> when they grow healthily, the material also helps reduce CO<sub>2</sub>.

### (2) Contribution to the Midori no Bokin (Green Fund)

A portion of sales is donated to the Midori no Bokin (Green Fund) and put to use in the development of forests in Japan.

### (3) 100% recyclability

Cartocan can be recycled in the same manner as milk cartons.

Although initially it was difficult to provide Shiseido's desired shelf life with Cartocan, we decided to use the container after our business partners were able to extend its shelf life.



Kirei no Susume



Chou-mei-sou

No.079

## *Awafuru Eco Soap* for Hotels that is Gentle on the Environment and Skin

In October 2010, Shiseido launched 10g and 18g sizes of *Awafuru Eco Soap*, a hotel-use soap that is gentle on the environment and skin. Shiseido Amenity Goods Co., Ltd. distributes the soap and handles hotel guestroom amenities and other facilities as well as professional-use cosmetics.

Until now, hotels have had difficulty dealing with soap. Minimal amounts of soap are used in guestrooms at hotels and other facilities during guests' stays and the soap remains are disposed of as industrial waste.

*Awafuru Eco Soap* (hereinafter, "the product") contains micro air bubbles that cause it to form lather and dissolve quickly for easier consumption. As a result, soap remains are reduced, making it possible to reduce waste significantly. From its practical usage testing,



Awafuru Eco Soap

the Shiseido Research Center learned that the volume of remains for disposal of the new type of soap compared with Shiseido conventional soap was about 90% less for the 10g soap bars and about 67% less for the 18g soap bars. According to Shiseido estimate, *the product* reduced the disposal soap by a total of 12.4 tons for one year. Also, the inclusion of air bubbles helps to reduce not only waste but also the amount of raw materials used by approximately 30% without reducing soap size.

Moreover, the product adopts the "wakuneri" manufacturing method used for premium facial soap rather than the "kikaineri" (machine mixing) manufacturing method generally used for hotel-use soaps. For this reason, while common soaps used at hotels contain no or small amounts of moisturizing ingredients, *the product* is formulated so that approximately 30% is comprised of moisturizing ingredients. With rich lather containing plenty of these ingredients, *the product* provides a luxurious feel that other hotel-use soaps cannot match for washing the face and other parts of the body. (Patent pending for respective technological processes and formula)

*The product* has both considerable eco appeal and beauty appeal for its gentleness on the environment as well as skin. As a result, Shiseido is already receiving requests from many hotels for introduction of *the product*.



Contains micro air bubbles



Differences between remaining volumes before and after use, comparing Awafuru Eco Soap and Shiseido's conventional products.

## No.065

### ZOTOS INTERNATIONAL, INC. Recycling of Plastics Used for Hair Care Product Bottles

ZOTOS INTERNATIONAL, INC. (Connecticut State, U.S.A.), which manufactures professional products for hair salons for the Shiseido Group, has reduced the amount of virgin resin usage while maintaining quality, safety and also the look of the bottle.

With the introduction of plastic bottle molding equipment, bottle production, which was previously outsourced, has been shifted in-house. After that, the development of molding technology featuring an original four-layered structure, which is innovated by sandwiching two layers that contain recycled plastic with outer and inner layers comprised of thin, virgin plastic, has enabled a maximum of 70% of recycled plastic per container to be used. This is expected to reduce the usage amount of new plastics by nearly 75 tons per year in addition to curbing CO<sub>2</sub> emissions by approximately 360 tons annually.



JOICO

## Production initiatives

The production departments aggressively practice the PDCA cycle with specific action plans in order to achieve reduction targets. We will also investigate the possibility of utilizing renewable energy at production facilities and achieving zero emissions at all production facilities over the long term.

Note: As a part of Shiseido Earth Care Project, we number our symbolic environmental activities.

No.082

### ZOTOS International, Inc. introduced the wind power electricity generation in Geneva factory

ZOTOS International, Inc. which manufactures products for hair salons, installed the 2 large-scale wind power generators in the Geneva factory (NY, USA) began operation in December of 2011.

We expect these 2 generators to generate approximately 4 million kWh per year total. According to American Wind Energy Association (AWEA), this is one the biggest power generation facilities (within own premises) among manufacturing companies within the US.

Operation of these wind power generators can cover approximately 30% of the annual electricity consumption at the Geneva factory. Furthermore, the Geneva factory has already begun promoting the "carbon offset\*" program. With the operation of these wind power generators, the Geneva factory will become a "zero CO<sub>2</sub> emission factory."

In 2012, ZOTOS international, Inc. received "2012 Green power Leadership Award from U.S. Environmental Protection Agency (EPA).



Wind power generators at the Geneva factory



|                                     |                         |
|-------------------------------------|-------------------------|
| Date operational                    | December 2011           |
| Annual capacity                     | Approx. 4 million kWh   |
| CO <sub>2</sub> emissions reduction | Approx. 2,150 tons/year |

\* Carbon offset: Collective term for the concept or activities to attempt cancelling out emitted greenhouse gas such as CO<sub>2</sub>, which is inevitable in the course of daily lives or economic activities, by making investments in activities to reduce greenhouse gas with the equivalent amount for the emitted gas.

No.078

### Introduction of Solar-Powered Lighting and LED Lamps Saves Energy in Kuki Factory

As of May 2010, the Shiseido Kuki Factory has introduced solar-powered lighting in its storage facility, making it the first building of its kind in Saitama Prefecture with a system installed that eliminates use of electricity.

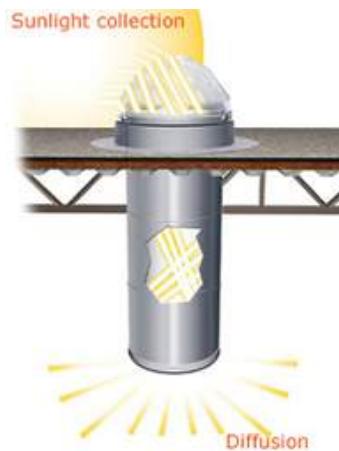
Solar-powered lighting is a new kind of illumination system that uses sunlight collected from rooftops rather than electricity to provide light in buildings.

Reflection plates with specially processed curved surfaces effectively collect sunlight even in the morning or late afternoon, or when the sun is low in the sky in winter. Meanwhile, prism reflection diffuses collected light into the building, brightening up corners of the storage space that had been dimly lit under mercury lights. The solar-powered lighting thereby enhances operational efficiency and safety. Since solar-powered lighting uses solar energy, it also contributes to reducing environmental load by totally eliminating CO<sub>2</sub> emissions and does not require maintenance after installation.

Also during this same period, all external lights on the factory premises were changed from mercury lamps to LEDs that consume half as much energy. These two initiatives are expected to help reduce CO<sub>2</sub> emissions by about 45 tons annually.



Solar-powered lighting (rooftop)



Solar-powered lighting (image)



Solar-powered lighting  
(inside storage facility)

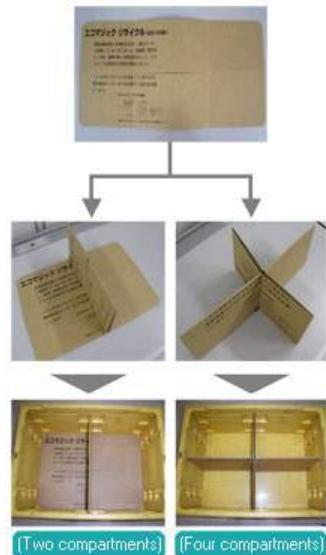
No.074

## Shiseido Develops a Protective Material for Transporting Products that Offers Flexibility and Recyclability

Shiseido's Osaka Factory and Kakegawa Factory have developed a new environmentally friendly protective material for transporting products. The facilities began using the new material in April 2010.

In the past, the factories' approach to shipping products involved the use of a variety of protective materials according to the shape and quantity of the product, and these materials were typically discarded after shipment due to the difficulty of reuse.

Working with Shiseido distribution partner Hitachi Collabonext Transport System Co., Ltd., the factories developed a standardized system of partitions that can be reconfigured to accommodate a variety of shapes.



A cardboard insert can be flexibly altered

These partitions can be folded to segment packaging into two or four compartments, allowing them to be flexibly reconfigured to suit the purpose at hand.

Best of all, they can be folded up into a compact size and shipped back to the factory, allowing their reuse.

Shiseido expects to cut its annual transportation-related CO<sub>2</sub> emissions by about 43 tons thanks to a reduction of some 53 tons in annual cardboard use and increases in shipping efficiency made possible by the ability to reuse the partitions.

## No.072 Environmentally Responsive Vietnam Factory

Shiseido's 15th factory commenced operations from April 2010 as an "environmental model factory in Asia."

At the Vietnam Factory, we have introduced a central energy monitoring system from Japan as an energy saving measure, thereby optimally controlling energy consumption by visualizing energy use within the factory. Additionally, energy saving and ecofriendly measures are also pursued in terms of lighting and cooling and airconditioning equipment through various means such as introducing these systems from Japan and neighboring countries.

Additionally, surplus soil generated from excavation during construction was reused for landscaping the premises rather than disposal, and then achieving zero emissions at the moment.

The Vietnam factory values "sustainability," which is the most important aspect when considering the environment and all the factory workers are continuously engaged in various activities to conserve the environment such as planting trees within the factory site every year. This new factory will grow as these trees planted by the employees grow.



Vietnam Factory



The trees planted within own premises

## No.051 Environmental responsiveness in Shiseido America, Inc. East Windsor Factory

East Windsor, New Jersey-headquartered Shiseido America, Inc. (hereinafter, "SAI") completed the phase 1 of a fixed-tilt solar power system in May 2007. In August 2010, the company completed the phase 2 of the project by installing a solar tracking system that changes the angle of panels in step with the position of the sun during the day.

With this installation, together with the system that was initially installed, the system is expected to generate approximately 2,300 MWh of power on an annual basis. This will cover more than 70% of electricity consumed annually at SAI using solar power generation. In addition, approximately 1,200 tons of CO<sub>2</sub> emissions can be reduced annually by utilizing the solar power generation equipment, ranking the system among the largest installations in the state.

In 2010, SAI received the New Jersey Governor's Environmental Excellence Award.

In addition, Davlyn Industries, Inc. installed the solar power system in April 2012.

|                                     |  |
|-------------------------------------|--|
| Date operational                    | May 2007 (phase 1) and August 2010 (phase 2) |
| Annual capacity                     | Approx. 2,300 MWh                            |
| CO <sub>2</sub> emissions reduction | Approx. 1,200 tons/year                      |



Phase 1 installation (fixed tilt system)



Phase 2 installation (solar tracking system)

Furthermore, East Windsor Factory has also been working on recycling Styrofoam, which is used to protect materials when materials are being delivered, since July of 2012. Although we used to dispose it of as landfill waste, we process it internally and sell it as valuable goods. Through this initiative, we can reduce the waste by approximately 7.5 tons per year and approximately 0.8 tons in CO<sub>2</sub> emissions.

### No.067

## Development of Low-Energy Manufacturing Process for Skincare Emulsions

The conventional process of manufacturing emulsions generally has entailed cooling after heating and emulsifying all ingredients. Shiseido has reviewed this process and developed a manufacturing process, whereby a concentrated emulsion is made by heating a small portion of ingredients and then letting the emulsion cool down naturally by diluting it with room temperature water. In addition to reducing energy used for heating, this development has realized a low-energy technique for manufacturing that eliminates the need for a cooling process.

With this change, it is anticipated that CO<sub>2</sub> emissions will be reduced by roughly 22 tons annually during production\* while also reducing content loss and manufacturing time.



ROSARIUM rose body milk RX

Manufacturing using a low-energy technique is currently utilized for producing *ROSARIUM rose body milk RX* products and is slated to be consecutively introduced for other products as well.

\* The figure refers to the case in which all targeted emulsion products are switched to this process.

No.064

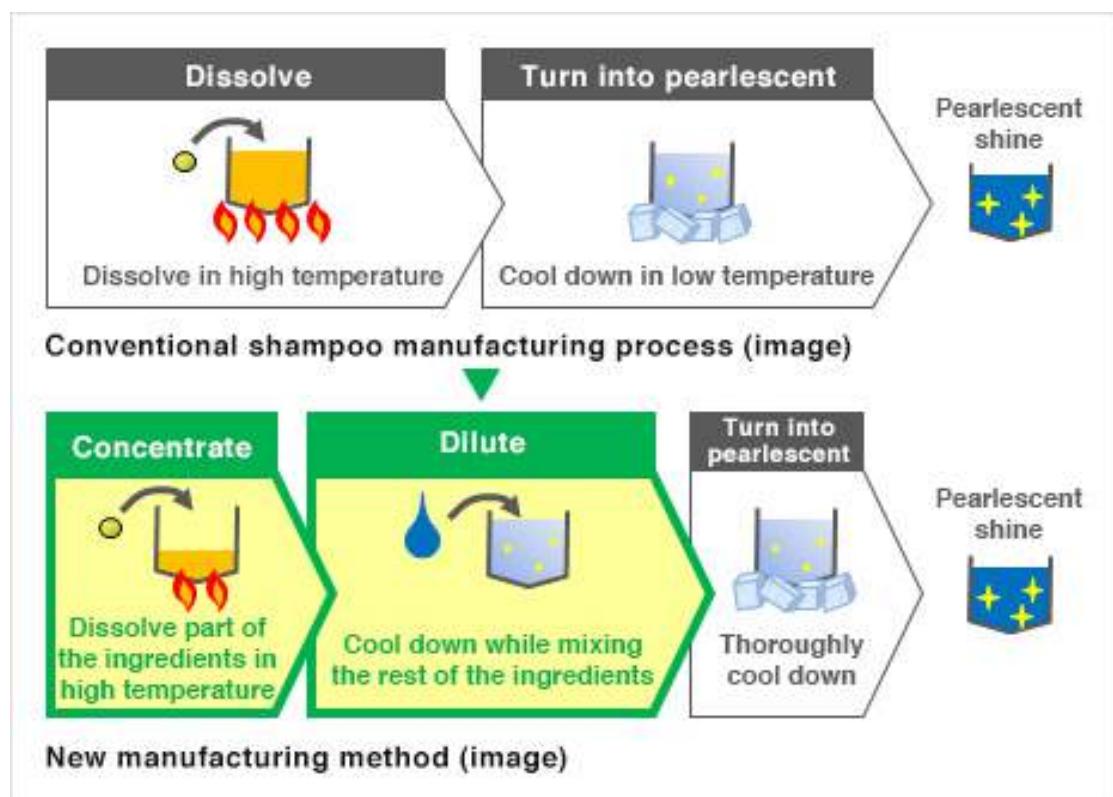
## Process for shampoo using minimal energy

The Kuki Factory has successfully developed a manufacturing process for "Super Mild" shampoo using minimal energy by reviewing the shampoo manufacturing process.

Shampoo is generally manufactured by mixing oil content with a water-based solution to give hair a shiny appearance. In the conventional manufacturing process, manufacturing tanks are heated once in order to evenly mix the oil content in the solution and then cool it down to crystallize the oil content.

In the recently developed new manufacturing method for "Super Mild" shampoo, we can significantly reduce the energy required in the high temperature dissolution/low temperature cooling by using high temperature dissolution for part of the raw ingredients beforehand and reviewing the order and timing to put the rest of the ingredients in the manufacturing tanks according to the formulation.

With this initiative, we were able to reduce approximately 29 tons of CO<sub>2</sub> emissions per year and reduce the heating/cooling processes, thus leading to the enhancement of productivity.



## Initiatives in research, procurement, distribution, and sales

In addition to developing environmental technologies to reduce CO<sub>2</sub> emissions, Shiseido strives to create new value through its research and development operations by conducting research into new technologies for implementing value for consumers in an environmentally friendly manner and pursuing software development.

In procurement, we strive to use raw materials that do not increase atmospheric concentrations of CO<sub>2</sub> at the time of disposal or incineration, for example through joint research into sugarcane-derived polyethylene, and we work closely with our business partners to develop environmentally friendly technologies. In March 2006, we began verifying suppliers' agreement with and adherence to the Shiseido Group Supplier Code of Conduct (which was revised in December 2011). Going forward, we will continue to work with suppliers to take biodiversity into account and contribute to a sustainable society.

In distribution, we are working to reduce CO<sub>2</sub> emissions through such means as reassessing the viability of high-frequency, small-volume shipments and conducting joint distribution operations with other companies in the same industry (that is, sharing distribution facilities).

Sales initiatives, we strive for transitioning to LED lighting at stores and developing environmentally friendly promotional tools for use in stores. We introduced a sales vehicle-sharing system in fiscal 2009, and in fiscal 2010 we purchased 10 electric automobiles.

Note: As part of the Shiseido Earth Care Project, we number our symbolic environmental activities.

No.092

### Environmental responsiveness in carton for "**watashi+**" online shop

Shiseido website "watashi+" online shop, which was launched in April of 2012, carries approximately 2,600 products that are sold via counters. In order to deliver products, which are sold via counters, in the form of mail order, we needed strong outer packaging and many cushioning materials. However, in order to respond to the customer feedback "There are too many cushioning materials per product" regarding mail order in general, we worked on developing shipping boxes with considerations to business partners and the environment.

We developed 5 sizes of the transport box lineup according to the size of products to be delivered. Furthermore, we newly developed a paper divider that freely expands and contracts to change the shape according to the product's size and form. One sheet of this divider can respond to all products, and we can now reduce the vibrations and friction during transportation to deliver them without damaging them. In addition to the environmental contribution effects of CO<sub>2</sub> emission reduction and resource conservation, another advantage is that we can easily open the boxes, which are sealed without using packing tape, by lifting the tab on the box lid.

This initiative won the "2013 Japan Packaging Contest Transport Packaging Award (hosted by the Japan Packaging Institute)."



Transport boxes with the fun design that is unique to cosmetics



Paper divider inspired by cake box dividers

No.058

## Starting Delivery Using 10-Sided Cardboard Boxes

Shiseido has introduced machinery for making 10-sided cardboard boxes for product shipments as well as for putting products into these boxes at the Kuki Factory. These boxes are currently adopted for *TSUBAKI*, *SUPER MILD*, *AQUAIR* and *SEA BREEZE* hair care brands, etc.

The 10-sided cardboard box developed by Shiseido is configured with the four corners removed from a conventional six-sided box (octagon-shaped when viewed from the top) and since its strength is increased due to a higher number of support columns, can be made thinner than conventional paper cardboard boxes. At the same time, the box enables many products to be packed inside without leaving extra spaces, thereby making delivery more efficient.

The reduction in the amount of cardboard materials used and greater delivery efficiency have enabled Shiseido to save resources and reduce CO<sub>2</sub> emissions by more than 800 tons annually. In this way, Shiseido promotes comprehensive environmental activities encompassing all processes from manufacturing to shipping and delivery.

No.085

## Developing a new procurement route to promote the use of bagasse paper

Shiseido has established new routes to procure bagasse paper and expand its use for product's outer packaging from fiscal 2010.

Bagasse is the residue after extracting the sugar content from sugarcane and is the raw material of bagasse pulp, a basic ingredient that is processed into bagasse paper. Since this raw material would otherwise be disposed of as waste, the use of bagasse, rather than wood-based paper promotes waste recycling, curbs deforestation and preserves ecosystems.

Until now, there has been little or no progress in promoting the use of bagasse paper due to product quality and procurement cost issues.

Working together with business partners, Shiseido has now established new routes overseas for procuring bagasse pulp made using more eco-friendly manufacturing processes.

As a result, product quality and costs issues have been resolved, opening up the possibilities for greater usage of bagasse paper for various purposes that include outer packaging.



Process of making bagasse paper(image)



Exterior product packaging made of bagasse paper

Left: *Pure&Mild* (brand developed exclusively for the China market)

Center: *Clé de Peau BEAUTÉ*

Right: *HAKU Melanofocus CR*

No.063

## Switch to Plant-Based Fermented Alcohol

At Shiseido, all synthetic alcohol used by our four domestic factories and research centers has been switched to carbon-neutral, plant-based (sugarcane-based) fermented alcohol. In order to avoid competing with food sources as much as possible, we select alcohol that uses sugarcane as a raw material and is produced by individually managed processes from procurement to shipping. With this switch, we are able to reduce several thousands tons of CO<sub>2</sub>.

No.080

## New Skincare Product Display Tray That Utilizes Recycled Plastics the First to Acquire Eco Mark in the Cosmetics Industry in Japan

From October 2010, Shiseido realized a skincare product display tray with standard specifications, which previously differed by brand, and achieved resource saving through the use of recycled plastics.

By standardizing skincare product display tray specifications, Shiseido managed to reduce the use of metal molds (steel) when molding trays. Additionally, since the tray can be used for other skincare brands by simply replacing showcards inserted into trays, it can be used for a relatively long period and contributes to waste reduction. Furthermore, about 70 tons of virgin plastics will be reduced since 68% of the overall tray is made up of recycled plastics. The skincare product display tray is also the first to acquire the Eco Mark in the cosmetics industry in Japan.



Eco Mark stamp (enlarged image)

No.061

## Eco Processing of Beauty Consultant Uniforms

In regard to the disposal of Beauty Consultants' uniforms for which the issue period for use has ended, from 2009 Shiseido shifted from thermal recycling, which reuses heat generated during incineration, to chemical recycling, which uses coke ovens to produce chemical raw materials. The new recycling method enables complete recycling of fibers into materials such as chemical raw materials with no residues (ash) after processing. Additionally, there are almost no CO<sub>2</sub> emissions, thereby enabling a significant reduction compared with conventional incineration processing.



## Initiatives to conserve biodiversity

All Shiseido products derive from the bounty of the Earth. It is critical that we conserve this bounty in the form of biodiversity so that we can continue to make use of it in the future. We must be aware that we are benefiting from the bounty of the Earth when we create products, and we must strive to conserve it in all its forms throughout the product life cycle. Shiseido places the conservation of the Earth's bounty at the core of its environmental activities, and we have put forth a statement of this policy entitled "Biodiversity at Shiseido."

Note: As a part of Shiseido Earth Care Project, we number our symbolic environmental activities.

### Initiatives for the issue of palm oil

The demand for palm oil, which is a raw material for food and cosmetics, has been drastically increasing in recent years. Tropical rainforests of elaeis guineensis, which is the raw material, have been illegally logged for major plantation developments, and endangered wildlife and effect for global warming from reduced forests have become issues. Shiseido has been participating in the "RSPO: Roundtable on Sustainable Palm Oil," which was established with the aim of conserving the environment and promoting and operating sustainable palm oil industry, since 2010. Based on the RSPO conference in March, 2012, we have declared to switch all of palm oil and palm kernel oil used by the Shiseido Group with palm oil certified by the RSPO by 2013 and completed the switch. Certification requires employing the Book & Claim system\* as determined by the RSPO. Shiseido's declaration has been posted on the RSPO website.



\*A system for trading the output of palm oil and palm kernel oil produced at RSPO-certified plantations as certified credits. The system has the same structure as green electricity, which means that the purchase of certificates is recognized as the purchase of RSPO-certified oil.



The wild orangutan that inhabit the rainforest



The employee listening to the description of the oil palm

### Environmental responsiveness of Shiseido Ginza Building

As the headquarters on the Namiki Dori Street are being reconstructed (completion in fall of 2013), Shiseido conducted biological investigation to study animals (including birds and insects) living in the greens in the areas near the Ginza district, in order to design a building in harmony with the local ecosystem by providing green space on the rooftop and to make contributions to the community of Ginza.



Shisei Garden

This investigation was conducted in cooperation with Takenaka Corporation and Regional Environmental Planning Inc.

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.

Trees within the premises of the building have been selected based on the investigation results. We have also established a zone in "Shisei Garden" on the rooftop in which plants used as cosmetics raw materials are grown, and we utilize the area for employees to truly feel and learn the importance of the bounty of the Earth.

We have also reduced approximately 30% of CO<sub>2</sub> in the overall building compared to the old company building by introducing materials and equipment that are highly environmental. The building has acquired the highest S-rank in "CASBEE," which is a system to assess and rate the environmental performance of buildings.

## No.095

### Environmental conservation activity support on Yonaguni Island, which is the production site of the raw ingredient for Chou-meい-sou

All of the chou-meい-sou used in the "Shiseido Chou-meい-sou" brand products (drink, tablet, and powder) is the raw material produced on Yonaguni Island in Okinawa prefecture. Shiseido has been supporting the environmental conservation activities on Yonaguni Island since fiscal 2013 and contributes part of the sales to the environmental conservation activities to protect nature-rich Yonaguni Island.

There are a number of valuable animals and plants on rich nature Yonaguni Island, including endangered species, endemic species, etc. However, their numbers are declining. Therefore, we have begun the activities to learn/protect/communicate the rich natural environment and valuable ecosystem of Yonaguni Island in cooperation with the Yonaguni Itonami Network\* and the Yonaguni Board of Education. We began with preparing "Yonakama Zukan", which is the first publication to contain the 137 types of animals and plants on the island, with the aim of creating a driver to learn about the valuable animals and plants. We distributed the book to each child of the island and the total of 800 households.

We are also removing the alien plant "Eichhornia crassipes", which is overgrown along Tabaru River, which is a major river on the island. It was originally introduced to purify water, but it is overgrown now so much that it covers to the water surface, presenting a risk that it would make it difficult for the native animals and plants to live. Therefore, we removed approximately 50 two-ton trucks worth of Eichhornia crassipes in May of 2014 with the aim of gaining back the original environment. Thanks to this work, light now shines through the water, and algae grow on the riverbed. The work has led to environmental improvement, as seen in the example of a number of aquatic organisms being observed.

Shiseido will continue promoting the activities to protect the rich natural environment to lead to the future along with the people of Yonaguni Island.

\* Yonaguni Itonami Network

Organization established mainly by the Yonaguni town office with the aim of capturing various activities rooted in the island, such as the nature, history, culture of Yonaguni Island and promoting activities to hand them down to the next generation.



Yonakama Zukan

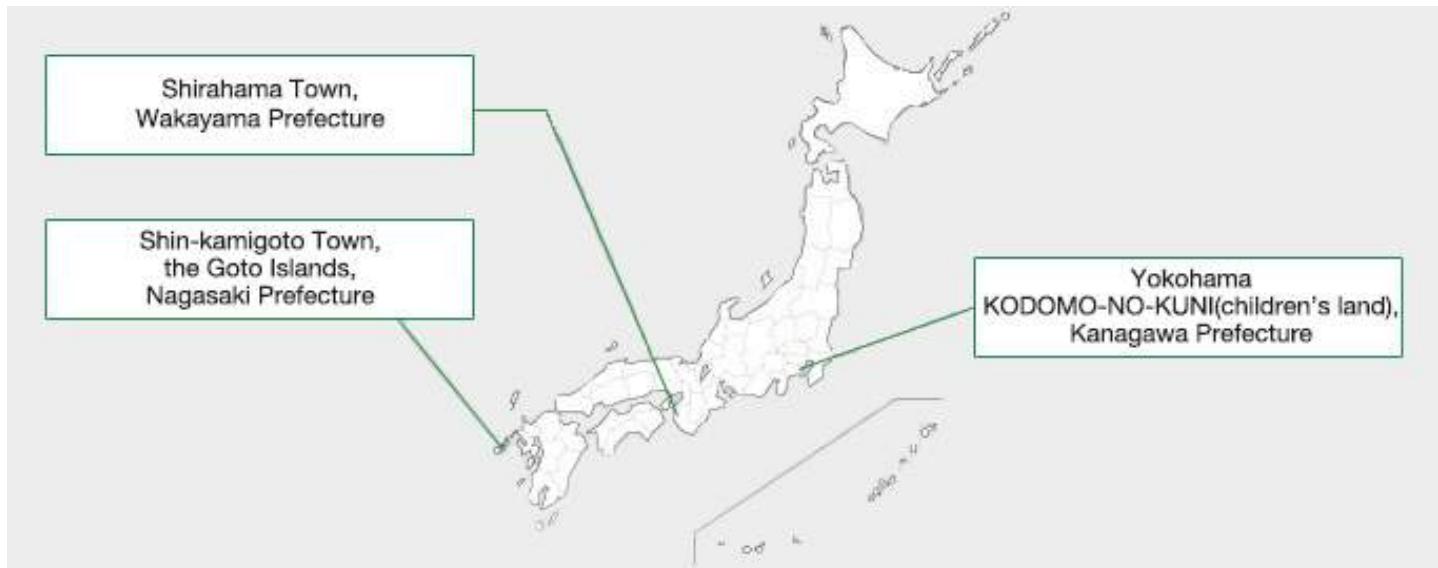


removing work of "Eichhornia crassipes" along Tabaru River

## Camellia planting and conservation volunteer activities

In order to provide an opportunity to gain a better understanding of the importance of conservation of bounty of the Earth, Shiseido has held events where its employees and their families volunteer to plant and conserve camellia trees every year in Wakayama Prefecture since 2009 and in the Goto Island in Nagasaki Prefecture and Yokohama KODOMO-NO-KUNI (children's land) in Kanagawa Prefecture since 2011.

The place of camellia planting and conservation volunteer activities



No.089

We promoted the 5th camellia planting and conservation volunteer activities in the Goto Islands in Nagasaki Prefecture, where a raw material for "TSUBAKI" is produced.

From October 24 (Sat) to 25 (Sun), 2015, we promoted the 5th camellia planting and conservation volunteer activities in the Goto Islands in Nagasaki Prefecture. The Goto Islands in Nagasaki Prefecture are where camellia oil, which is used in the hair care brand "TSUBAKI", is produced. In 2011, Shiseido started camellia planting and conservation activities at the production site of a raw material used in our products.

A total of 47 employees and their family members, participated in the activities on a sunny day that almost felt hot. With the help of people from the town office and the forest cooperatives, we planted approximately 85 Japanese camellia seedlings. In addition to planting, participants also worked up a sweat and made great efforts with cutting down vines and undergrowth around the seedlings that we had planted in the past, maintaining steps on the tree-planting premises, etc.

Although it was only for a short time, it was a day when the participants were able to experience the significance of "planting camellia with their own hands and conserving the mountain with their own hands". We will be able to harvest camellia oil from the Japanese camellia seedlings, which we have planted in the past, in approximately 10 years. The oil will be used in "TSUBAKI."

Furthermore, on the following day, a total of 200 people, including local junior high school and high school students and local residents, cleaned the Hamagurihama beach. More trash than we had anticipated was collected within a short time. The participants were glad to see the clean beach.

Shiseido will continue promoting environmental conservation activities that are integrated with our business activities for raw material production sites in cooperation with local residents.



Planting the camellia



Cleaning the beach with local volunteers



Group photo with all of the participants

No.070

## Tree-Planting and conservation activities in Shiseido Tsubaki Forest

Shiseido signed to participate in Wakayama Prefecture's "Corporate Forest" project in February of 2009 and started 10-year-long forest conservation activities in Tsubaki, Shirahama-cho, Nishimuro District, Wakayama Prefecture. We have planted a total of approximately 3,650 Japanese camellia trees between 2009, in which "Shiseido Tsubaki Forest" was born, and 2014.

In November of 2013, not only employees in the Kinki area but also employees and family members from Kyushu and Tokyo participated in the activities. A total of 124 people promoted the activities. On the day of the activities, the local forest union and prefectural government officials gave us instructions, and we implemented 3 programs, including cutting down undergrowth, camellia oil extraction experience, and a nature observation session. Employees were divided into groups and made great efforts, cutting down vines and undergrowth so that the Japanese camellia trees that we had planted will grow healthily. Afterwards, we walked through the Forest with forest instructors and received a lecture on Seven Flowers of Autumn and experienced camellia oil extraction by using a simple method, etc. The day of activities enabled us to feel the bounty of the Earth under the refreshing fall sunlight. Participating employees shared their voices, such as "It made me happy to see the camellia trees that I planted last year growing healthily!" and "It was the first time for me to extract camellia oil. It was inspirational to see camellia oil coming out of camellia seeds."

Shiseido will not only continue to return the favors to the bounty of the Earth through these activities in the future but also promote employees' environmental education in a proactive manner.



Clearing away the undergrowth



Camellia oil extraction experience



volunteer activity

## We promoted camellia conservation volunteer activities for the 4th in the "The Forest of Camellia Tree" in KODOMO-NO-KUNI, Yokohama.

On February 21, 2015, we promoted camellia conservation volunteer activities for the 4th in the "The Forest of Camellia Tree" in KODOMO-NO-KUNI, Yokohama.

"The Forest of Camellia Tree" in KODOMO-NO-KUNI was donated by Shiseido in 1972 as a 100th anniversary commemoration project after buying the camellia collection of Mr. Choka Adachi, who was the founder of the Adachi-style flower arrangement. There are currently approximately 7,000 trees of approximately 650 varieties, including sasanqua, in the massive forest covering 15,000m<sup>2</sup>. It is also well-known as a famous spot for camellia.

On this time, a total of 18 people, including employees and their family members, cleaned the observation paths in preparation for the "Camellia Festival 2015" held on March 21 and 22 of 2015 in "The Forest of Camellia Tree" and pruned branches blocking the paths. We were blessed with good weather on the day of the event, and the weather was as if spring had come early. Therefore, we also helped with the maintenance work by moving the seedlings, which are grown in greenhouses, outside to receive sunlight.

Participating employees shared their voices, such as "We were able to refresh ourselves by being exposed to nature", "It made me nervous, as it was the first time for me to prune branches. But I had fun", etc. Shiseido will continue to promote the activities in KODOMO-NO-KUNI, Yokohama, as opportunities for employees actually experience the importance of the bounty of the earth and joy of communicating with nature in the future.



pruning work



volunteer employees

### No.053

## Shiseido implemented the 8th tree-planting activity in Gansu, China

In April 2008, Shiseido launched a 10-year tree planting program in the city of Lanzhou in China's Gansu Province.

The total number of trees that we have planted for 7 years until 2014 is approximately 85,000 trees and the rate of their taking root and growing is over 90%.

In the 8th activity implemented in April of 2015, a total of 70 persons, including volunteer employees from the Shiseido Group in China and Japan, government officials and clients from Gansu, participated.

The participating employees shared their voices, such as "Seeing that the seedlings, which were planted the first time, have grown very big and strong, I thought that I would like to continue this activities every year not only for 10 years but many years beyond that to grow more trees", "This is a very rewarding activity, and all of the participants say that they want to participate in it next year again", etc.

The initiative seeks to contribute to Chinese society, including by deepening the bonds of friendship between Japan and China, protecting the environment by reducing CO<sub>2</sub>, and creating opportunities for local employment.

|                  |   |
|------------------|---|
| Location         | Lanzhou city, Gansu Province, China         |
| Planting area    | Approx. 46.7 ha                             |
| Number of trees  | Approx. 85,000 (April 2008 - December 2014) |
| Program duration | Approx. 10 years                            |



tree-planting activity



Chinese and Japanese volunteer employees

## No.033-2 Volunteers Plant Mangrove Trees in Thailand

Shiseido Thailand Co., Ltd., a sales company of the Shiseido Group, has been recruiting employee volunteers since FY2008 and promoting mangrove planting activities throughout Thailand.

In November of this year (2015), 49 employees participated and planted approximately 400 trees in a mangrove forest near the Bangkok Naval Base, which is located in Samut Prakarn Province of Bangkok.

It was a hard road to the plantation with a number of obstacles and mud that continued as long as 3km. However, participants cooperated with each other and reached the destination after encouraging each other.

In the plantation, where we finally reached, we planted each tree with care, where mud was as deep as our waist.

The participants shared their voices, such as "We are very proud to know that our company promotes environmental conservation as a member of the society," and "The road to the plantation was hard, but it was a very good experience for us to encourage each other and



Commemoration photo with all of the participants



Walking forward to the activity site

reached the destination".

This was a day on which employees not only contemplated the beautiful nature of Thailand and its future but also were able to deepen the ties between each other.

Plants in the mangroves grow as much as one meter high a year under good conditions and actively absorb CO<sub>2</sub> from the atmosphere, meaning that we can expect global warming prevention effects.

Mangrove forests are also called "Cradles of Life" due to the fact that diverse organisms gather to form rich ecosystems.

Shiseido Thailand Co., Ltd. will continue promoting environmental conservation activities in the future with the hopes of handing down the beautiful natural environment to future generations.



Planting each tree with care

## No.069 Research on KODA

Shiseido has discovered through conducting joint research\*<sup>1</sup> with Sumitomo Forestry Co., Ltd. that KODA ( $\alpha$ -Ketol-OctadecaDienoic Acid), which is a new type of natural plant fatty acid with the stimulatory effect of activating flower initiation (process of flower formation), has a stimulatory effect on rhizogenesis (root formation) of cuttage. Application of this effect has significantly increased the cutting propagation rate of Somei-yoshino cherry trees through cuttage, for which root formation was previously considered unstable.

Subsequently, together with Sumitomo Forestry, Shiseido has succeeded in the propagation of successor saplings originating from camellia trees that are over 300 years old at Reikan Temple in Kyoto as well as 350 years old Camellia Sasanqua trees at Ankokuji Temple in Kamakura city that were in danger of dying due to decay. The stimulatory effect of KODA on rhizogenesis has contributed to preventing the loss of a "diversity of species" from a biodiversity perspective.

Research on KODA started with developing cosmetic ingredients through plant tissue cultures. We are now researching in the joint project\*<sup>2</sup> on the development of flower initiation control technology of fruit trees. In addition, various research into KODA is currently underway in such areas as the agricultural products in which yields are declining due to global warming. Such technology is expected to contribute to the impact on agricultural products caused by climate change, which is induced by global warming.

The partners won the 18th Chemical and Bio Technology Prize for their discovery of KODA.



Stimulatory effect of KODA on rhizogenesis of cuttage of Somei-yoshino

\*1 Joint research project ("Enhancement of CO<sub>2</sub> sinks by improvement of afforestation technology in tropical forests") funded by the Environment Research & Technology Development Fund administered by the Ministry of the Environment

\*2 Joint research project ("Development of flower initiation control technology of fruit trees using KODA") supported by a grant-in-aid from the Research and Development Program for New Bio-industry Initiatives

## Environmental communication

### Awards

#### Shiseido received LCA Society of Japan Encouragement Award

On January 29, 2015, the awarding ceremony for the "11th LCA Society of Japan Award" was held. Shiseido Company, Shiseido Amenity Goods Co., Ltd., and Shiseido Honeycake Industries Co., Ltd. received the "LCA Society of Japan Encouragement Award". This award was given for the sales activities of "Awafuru Eco Soap", which is an amenity for hotels with considerations for the environment.

"Awafuru Eco Soap" contains micro air bubbles that cause it to form lather and dissolve quickly for easier consumption. As a result, we were able to significantly reduce the disposal amount of soaps that cannot be finished.

We also utilize LCA (Life Cycle Assessment), which is a method to assess the environmental impact of products throughout their life cycles, with the product and assess the CO<sub>2</sub> emissions and water consumption volume. The Shiseido Group will continue promoting the environmental responsiveness throughout products' life cycles in the future.



Awarding ceremony



Certificate of merit

#### Shiseido Recognized by "CDP" for "Climate Performance Leadership Index"

Shiseido was recognized by the international NPO "CDP (headquartered in London, UK)" as an exceptional company for its activities to reduce greenhouse effect gas emissions and mitigate climate change risks based on CDP's survey on climate change response conducted with 500 Japanese companies in 2014. Shiseido achieved a position in the "Climate Performance Leadership Index."



In 2013, Shiseido was recognized as an exceptional company for its information disclosure regarding climate change response and achieved a position in the "Climate Disclosure Leadership Index."

#### Awards received

| Month/Year    | Award   | Organizer                | Reason for award  |
|---------------|---|--------------------------|---|
| April<br>2000 | Minister for Environment Award of<br>the 9th Grand Prize for the Global<br>Environment Awards | The Fuji<br>Sankei Group | Continuous environment<br>improvement activities based on<br>Shiseido Global Eco Standard |

|                   |   |  |   |
|-------------------|---|--|---|
| April<br>2002     | Minister of Education, Culture,<br>Sports, Science and Technology<br>Award of the 11th Grand Prize for<br>the Global Environment Awards | The Fuji<br>Sankei Group   | Establishment of a recycling<br>system for used glass bottles for<br>cosmetic products  |
| February<br>2004  | Encouragement Award for<br>Environmental Reporting of the 8th<br>Environmental Communication<br>Awards                                  | Ministry of<br>Environment<br>and the Global<br>Environmental<br>Forum | The contents of the CSR Reports   |
| June<br>2009      | Logistics Award of the Japan<br>Packaging Contest 2009  | The Japan<br>Packaging<br>Institute                                    | Resource-saving packaging with<br>10-sided cardboard boxes  |
| May<br>2010       | The 18th Chemical/Biotechnology<br>Prize  | The<br>Chemical/Bio<br>Tsukuba<br>Foundation                           | Research on the "Discovery and<br>Development of the Physiological<br>Effects of KODA ( $\alpha$ -Ketol-<br>Octadeca Dienoic Acid)  |
| June<br>2010      | Cosmetics Packaging Award of the<br>Japan Packaging Contest 2010  | The Japan<br>Packaging<br>Institute                                    | Use of polylactic acid containers<br>for URARA hair cleansing<br>products.  |
| June<br>2010      | Cosmetics Packaging Award of the<br>Japan Packaging Contest 2010  | The Japan<br>Packaging<br>Institute                                    | Reduction of CO <sub>2</sub> emissions by<br>introducing Soka Mokka<br>compressed cotton balls to<br>improve the volumetric efficiency<br>during transportation and storage |
| December<br>2010  | "The 2010 New Jersey Governor's<br>Environmental Excellence Awards"<br>Clean Air Section  | The state of<br>New Jersey<br>(U.S.)                                   | Introduction of a photovoltaic<br>power system at Shiseido<br>America, Inc.   |
| June<br>2011      | Cosmetics Packaging Award of the<br>Japan Packaging Contest 2011  | The Japan<br>Packaging<br>Institute                                    | Reduction of plastic use by<br>adopting refill containers for<br>ELIXIR WHITE Reset Brightenist<br>Cream  |
| June<br>2011      | Appropriate Packaging Award of the<br>Japan Packaging Contest 2011  | The Japan<br>Packaging<br>Institute                                    | Reduction of plastic use by<br>adopting refill containers for HAKU<br>Melano Focus W  |
| September<br>2011 | 1st Biomass Product Popularization<br>and Promotion Achievement Award   | Japan Society<br>of Biomass<br>Industries                              | Adoption of cosmetic containers<br>made from sugarcane-derived<br>polyethylene  |
| October<br>2011   | Good Design Award 2011  | The Japan<br>Institute of<br>Design<br>Promotion                       | Environmentally friendly container<br>designs of clé de peau BEAUTÉ<br>and HAKU Melano Focus W<br>products  |
| February<br>2012  | 2nd Kanagawa Global Warming<br>Prevention Award (Greenhouse Gas<br>Reduction Technology Development<br>Category)                        | Kanagawa<br>Prefecture   | Development of low-energy<br>emulsion manufacturing process   |

|                |   |  |   |
|----------------|---|--|---|
| February 2012  | Award of Excellence (Environmental TV Commercial Category) of the 15th Environmental Communication Awards         | Ministry of the Environment and the Earth, Human and Environment Forum | Corporate commercial, "Finger Energy version"   |
| April 2012     | The Japan Federation of Printing Industries Chairman's Award of Japan Packaging Competition 2012 (JPC Exhibition) | The Japan Federation of Printing Industries                            | Adoption of containers made from sugarcane-derived polyethylene for its <i>SUPER MILD</i> products  |
| April 2012     | Japan Business Federation Chairman Award of the 21st Grand Prize for the Global Environment Awards                | The Fuji Sankei Group  | Use of camellia oil produced in the Goto Islands in its products and planting and conservation of Japanese camellia trees, whose seeds are used to make the oil |
| June 2012      | President of Japan Marketing Association Award of the Japan Packaging Contest 2012                                | The Japan Packaging Institute  | Adoption of containers made from sugarcane-derived polyethylene for its <i>SUPER MILD</i> products  |
| September 2012 | 2012 Green Power Leadership Award   | United States Environmental Protection Agency                          | Introduction of two large wind turbine generator systems at ZOTOS International, Inc.   |
| December 2012  | 2012 Environment Minister's Award for Global Warming Prevention Activity  | Ministry of the Environment  | Development of low-energy emulsion manufacturing process  |
| February 2013  | Award of excellence (Industrial Use Category) of the 2012 Cogeneration Grand Prix                                 | The Advanced Cogeneration and Energy Utilization Center Japan          | Energy-saving activity through the introduction of a highly-efficient warm water utilization system at Kuki factory   |
| August 2013    | Transport Packaging Award of the Japan Packaging Contest 2013   | Japan Packaging Institute  | Development of shipping boxes for "watashi+" online shop  |
| August 2013    | Appropriate Packaging Award of the Japan Packaging Contest 2013   | Japan Packaging Institute  | Adoption of refill containers made from sugarcane-derived polyethylene for <i>ELIXIR SUPERIEUR</i> , <i>ELIXIR WHITE</i> products                               |
| August 2013    | Toiletry Packaging Award of the Japan Packaging Contest 2013  | Japan Packaging Institute  | Adoption of refill containers made from sugarcane-derived polyethylene for <i>Shiseido Medicated Hand soap</i>  |
| November 2013  | CDP "Climate Disclosure Leadership Index"   | CDP  | Selected as an excellent company in the study regarding information disclosure on climate change conducted with 500 Japanese companies                          |

|                  |   |                           |  |
|------------------|---|---------------------------|--|
| August<br>2014   | Japan Package Design Association Award of the Japan Packaging Contest 2014    | Japan Packaging Institute | Environmentally friendly container designs of <i>clé de peau BEAUTÉ concentré illuminateur</i>   |
| October<br>2014  | CDP "Climate Performance Leadership Index"                                    | CDP                       | Selected as an excellent company for its activities to reduce GHG emissions and mitigate climate change risks based on CDP's survey on climate change response conducted with 500 Japanese companies |
| December<br>2014 | "LCA Society of Japan Encouragement Award" of 11th LCA Society of Japan Award | LCA Society of Japan      | Sales activities of "Awafuru Eco Soap", which is an amenity for hotels with considerations for the environment.  |

## Commitment to Society

In November 2008, Shiseido announced its participation in Caring for Climate, a climate change initiative also being spearheaded by the Global Compact, and declared to the world its commitment to pursuing environmental activities in business activities while also supporting and actively taking part in global initiatives related to climate change.

In Japan, Shiseido became the first company in the cosmetics industry to be certified as an "Eco-First Company" in March 2009 and made a declaration of its activities to be carried out in accordance with the Eco-First Commitment. And in response to the revision of the terms issued (in September 2010) by the Ministry of the Environment, Shiseido declared the new environmental conservation effort target as the "Eco-First Commitment" in May 2012 and was re-certified. In addition to reporting on the progress of future initiatives to the Minister of the Environment, we will make relevant information available regularly on our website and by other means.

## About the Eco-First Program

The Eco-First Program was created by the Ministry of the Environment in April 2008 to "encourage leading companies in each industry to redouble their environmental protection activities by having them make a commitment to the Minister of the Environment concerning their environmental protection initiatives such as measures geared to combat global warming, reduce waste, and spur recycling." Certified companies are permitted to use the Eco-First Mark in publications and advertising.



Eco-First Mark

## Shiseido's Eco-First Commitment

In May 2012, Shiseido made a commitment for 4 new efforts with the Minister of the Environment.

1. We will proactively promote environment responsiveness of our products by also focusing on the 3 Rs (reduce, reuse, recycle) of containers and packaging.
2. We will proactively work on the conservation of the blessings of the Earth which are the sources of value making.
3. We will engage actively in providing environmental education to our employees to foster human resources that may contribute to the conservation of the blessings of the Earth.
4. We will proactively promote efforts to prevent global warming.

### Exhibitions

#### Shiseido exhibited its products at "Eco-Products Exhibition 2014"

From December 11 to December 13 of 2014, Shiseido exhibited its products at "Eco-Products Exhibition 2014," which is one of the largest environment protection exhibitions in Japan. This year in its 16th exhibition, 750 companies/organizations exhibited their products, and 161,647 consumers visited.

Approximately 10,000 consumers visited the Shiseido booth, and we introduced the environmental responsiveness of Shiseido products with the theme of "It's the Ecology for Beauty".

With the aim of "making our products more environmentally friendly", Shiseido promotes the following initiatives.

At the booth, we introduced the following 3 initiatives with the focus on "ELIXIR", which is one of the representative brands of Shiseido.

- (1) Expansion of refill products (refills/replacements)
- (2) Utilization of plant-based containers
- (3) Proactive utilization of environmentally considerate paper, such as bagasse paper\*, etc.

Consumers have especially had many requests regarding refills in recent years, and Shiseido currently has over 700 refill products. In the exhibition, we exhibited refill products for the brightening serum "HAKU", "BENEFIQUE", which is an exclusive brand for cosmetics chain stores, and "PRIOR" which is a new brand for mature women (released on January 2015), among them. We also introduced our ingenuity with the transport cardboard boxes for the "watashi+" online shop as an example of our initiatives involving transportation, reduced weight of the glass bottle for the beauty drink "The Collagen" series, and environmental activities in the production sites of raw materials for hair care brand "TSUBAKI" and beauty and health drink "Chou-meい-sou".



Shiseido booth



Item of artwork of ELIXIR

Consumers who visited the booth shared their voices, such as "I've always thought that it was wasteful to throw away the containers, which are still clean, after use. So it makes me happy to know that there are refill products", etc. Shiseido will continue appreciating the bounty of the earth and promoting initiatives to respond to the environment with our products throughout their life cycles in the future.

\*Non-wood paper made from the residual fibers (bagasse) after refining sugar from sugarcane

## Other activities

### Cooperation with Stakeholders

Shiseido joined the "Japan Business Initiative for Biodiversity (JBIB)" in 2011 and has been promoting initiatives to resolve issues involving biodiversity with other participating companies by holding lectures in symposiums held by the JBIB, etc.

We have also joined the "Keidanren Nature Conservation Fund", and we observed mangrove plantations and forests with other member companies in fiscal 2014 with the aim of understanding the reality of the natural environment in Thailand and Cambodia. We also joined the LCA Society of Japan in 2009 to conduct research on the assessment method of environmental impacts/efficiency based on domestic/overseas movements. In the "Eco Balance 2014", which was held in October of 2014, we gave a presentation on the supply chain environmental assessment to achieve sustainable procurement. We will continue cooperating with a broad range of stakeholders and promoting our initiatives toward realizing sustainable society in the future.



Observing a mangrove plantation in Thailand



Lecture in a seminar

### Environment-themed advertisements

Shiseido introduces its efforts to protect the environment through magazine advertisements.

- Magazine advertisement "Shiseido's environment protection activities version (January 2010 to January 2011)"

## Organizational Governance

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Shiseido's initiatives to create structures to fulfill its social responsibility as a company.

## Corporate Governance

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Shiseido is setting higher standards of corporate governance based on the understanding that maximizing corporate and shareholder value, fulfilling social responsibilities and achieving sustainable growth and development are key to maintaining support as a valuable company from all stakeholders (customers, business partners, shareholders, employees and society).

Corporate Governance

### Corporate Governance Policy

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The Company understands the importance of maximizing medium- and long-term corporate and shareholder value, fulfilling social responsibilities and achieving sustainable growth and development as the keys to maintaining support as a valuable company from all stakeholders (customers, business partners, employees, shareholders, society and the Earth). In order to improve "Management transparency, fairness and speed," which is necessary to realize these aims, the Company is setting higher standards of corporate governance.

Corporate Governance

### Management and Execution Structure

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#### Meetings for Board of Directors and Corporate Executive Officers are involved

Composed of six members including three external directors and presided by 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.

Through the adoption of a corporate officer system, we separate the decision-making and supervisory functions of the Board of Directors from the business execution functions of corporate officers. The Executive Committee, which acts as the final decision-making body regarding corporate officers' material issues, and the Business Planning Committee, at which corporate officers determine medium term/annual business plans, serve to transfer authority

to corporate officers, thereby clarifying their responsibilities and accelerating operational execution. 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. The term of office of directors and corporate officers is one year.

To obtain an outside point of view and further strengthen the Board of Directors' supervisory function in regard to business execution, Shiseido appointed two highly independent external directors from the fiscal year ended March 2007. With the addition of one more independent external director in fiscal year 2011, Shiseido appointed three highly independent external directors.

In addition, one out of three directors aside from the external directors has 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.

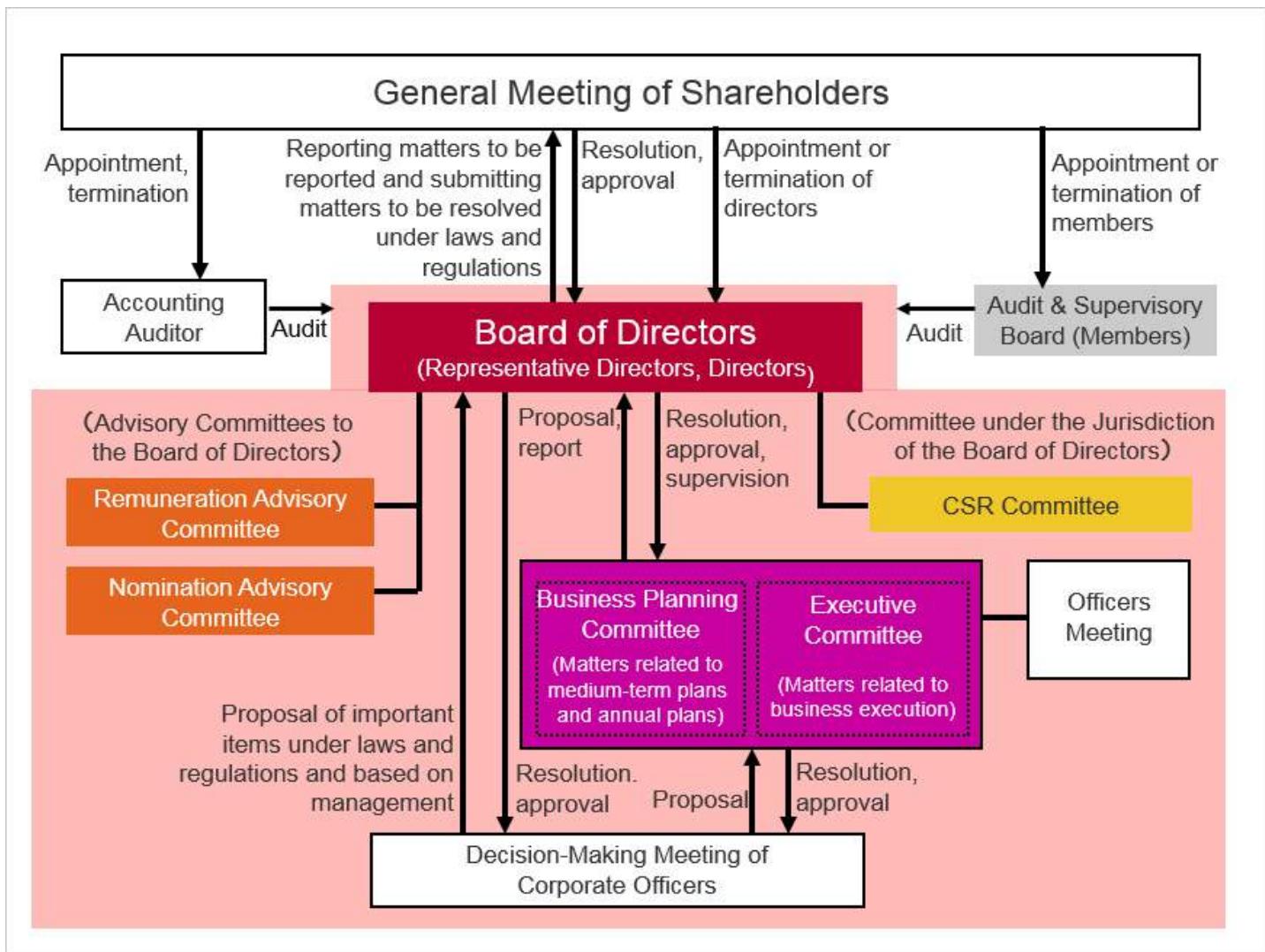
(As of June 30, 2015)

## Advisory Committees to the Board of Directors

Additionally, to promote transparency and objectivity in management, Shiseido established two committees to play an advisory role to the Board of Directors: the Remuneration Advisory Committee, charged with setting executive remuneration, and the Nomination Advisory Committee, which evaluates and nominates candidates for directors and corporate officers. Both committees are chaired by external directors to maintain objectivity.

The Remuneration Advisory Committee, discusses about annual bonuses for directors and corporate officers. Additionally, in FY2014, the Remuneration Advisory Committee reviewed the new remuneration system for the three fiscal years, ending FY2017.

The Nomination Advisory Committee, in addition to proposing candidates for directors and corporate executive officers, determines the limits on the terms of corporate officers as well as the rules for their promotions 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 term limit of corporate officers is four years per position in principle and six years maximum.



## Corporate Governance Audit Structure

### Internal Audit

The Internal Auditing Department, which reports directly to the President & 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 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:

(As of the end of June, 2015)

| Name of auditing firm | Name of certified public accountant conducting audit operations | Continuous years of service |
|-----------------------|---|-----------------------------|
| KPMG AZSA LLC         | Masahiro Mekada, Designated Limited Liability Partner           | 4 years                     |
|                       | Ryoji Fujii, Designated Limited Liability Partner               | 2 years                     |
|                       | Takashi Kawakami, Designated Limited Liability Partner          | 5 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.

## Corporate Governance

## Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members

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The directors, audit & supervisory board members and corporate officers remuneration policy of Shiseido Company Limited (hereinafter "the Company") is established by the Remuneration Advisory Committee, which is chaired by an external director, to maintain objectivity and high transparency. Remuneration to directors, audit & supervisory board members and corporate officers of the Company consists of a basic remuneration that is not linked to business performance 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, taking the Company's performance 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.

The Company launched a new Three-Year plan starting fiscal 2015. Taking this opportunity, we implemented changes to the directors, audit & supervisory board members and corporate officers remuneration policy to be more closely linked to performance and responsibility of respective directors and corporate officers. With this new policy, we intend to motivate them to steadily achieve the Three-Year Plan of fiscal 2015 through fiscal 2017, and ensure that the solid foundation will be established for Shiseido to continue to shine bright 100 years from now. We designed the new directors, audit & supervisory board members and corporate officers remuneration policy to ensure that qualities and roles required as the leaders executing transformation throughout the time of restructuring the business platform through drastic transformation, and that directors and corporate officers who bring expected results will be rewarded by remuneration commensurate with the results. We assume that it will need some time for the result of restructuring the business platform implemented from fiscal 2015 to fiscal 2017 to be reflected in the figures for performance such as consolidated business performance and performance of business of which respective directors and corporate officers are in charge. At the same time, those officers of the Company are required to solve highly important issues of the Company from the perspective of the Company's long-term growth and get results.

We therefore concluded that the previous scheme having a high level of correlation with performance figures cannot provide sufficient rewards for their efforts for the transformation and its outcome during the time from fiscal 2015 to fiscal 2017, and decided to increase the weight of evaluation for the result of strategic initiatives that are not quickly reflected in performance figures, in addition to the evaluation based on the consolidated performance and performance of business of which respective directors and corporate officers are in charge.

Because this new directors, audit & supervisory board members and corporate officers remuneration policy is designed specifically to ensure successful restructuring of the business platform, the Company will review the policy again for fiscal 2018 and beyond to change the scheme to be in line with the business environment, challenges, and management goals for fiscal 2018 and beyond.

### Basic concept of new directors and corporate officers remuneration policy

- 1 . Design to be able to provide rewards for implementation of drastic structural transformation
- 2 . Clarify roles and responsibilities of respective directors, audit & supervisory board members and corporate officers under the new organizational structure and design a scheme of remunerations to be provided in accordance with the level of their roles and responsibilities
- 3 . Ensure that the remuneration levels will support prevention of outflow of talented personnel and acquisition of such personnel from outside as needed

Although the new directors, audit & supervisory board members and corporate officers remuneration policy follows the previous remuneration scheme of the Company in the point that the greater the coverage of functions they are in charge of or the greater their responsibility or the impact to business management of the group is, the higher the rate of performance-linked remuneration would be. However at the same time the proportion of the basic remuneration is higher than the past. The conditions on performance-linked remuneration become severer by reducing an upper limit of annual bonus payment rate, and making the payment condition severer in case of the achievement rate of less than 100%, and introducing performance requirements that were not as part of the long-term incentive-type remuneration. As a result, the design of the scheme as a whole is stringent because in the new scheme, subject officers are not able to receive sufficient remuneration if high achievement rates of various goals are not attained.

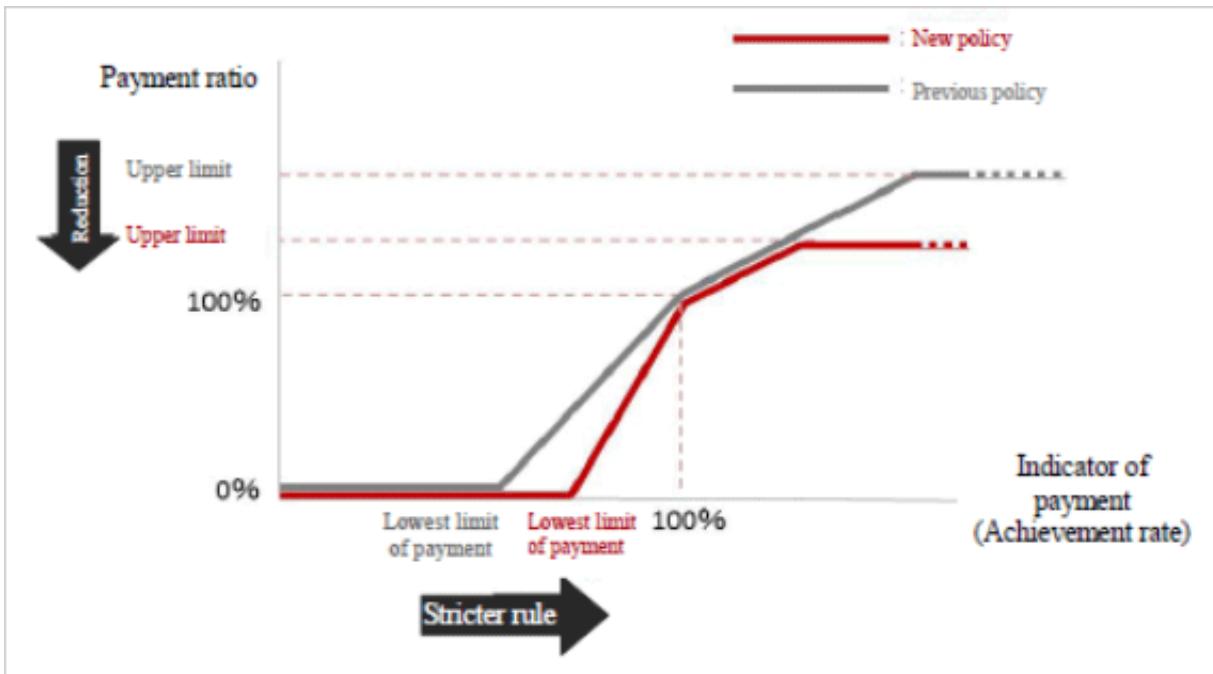
### Proportion of Each Remuneration Type by Rank (Assuming 100% Achievement Rate of All Performance Targets)

| Rank as corporate officer          | Composition of remuneration for directors and corporate officers |                                 |                                   |       |
|------------------------------------|--|---------------------------------|-----------------------------------|-------|
|                                    | Basic remuneration   | Performance-linked remuneration |                                   | Total |
|                                    |  | Annual bonus                    | Long-term incentives remuneration |       |
| President & CEO                    | 50%  | 25%                             | 25%                               | 100%  |
| Executive Vice President           | 54%~56%  | 22%~23%                         | 22%~23%                           |       |
| Corporate Senior Executive Officer | 54%~58%  | 21%~23%                         | 21%~23%                           |       |
| Corporate Executive Officer        | 54%~60%  | 20%~23%                         | 20%~23%                           |       |
| Corporate Officer                  | 56%~64%  | 18%~22%                         | 18%~22%                           |       |

Note:

1. In this model, the basic remuneration amount is the median in the applicable role grade, and the achievement rate related to performance-linked remuneration is 100%.
2. The proportion of remunerations for representative directors and directors are the same.
3. Because different remuneration tables will be applied depending on the role grade of respective directors and corporate officers, proportions of remunerations by remuneration type will vary even within a same rank.
4. Directors who serve as the chairman of the Board shall be provided with a fixed amount of remuneration separately, which is not, however, included in the table.

Reducing upper limit of annual bonus payment and imposing stricter lowest limit of payment  
(Model diagram)



Amount of remunerations, etc. to Directors and Audit & Supervisory Board Members of the fiscal year ended March 2015

|  | Basic Remuneration | Bonuses   | Long-Term Incentive (Stock Option) | Total      |
|--|--------------------|-----------|------------------------------------|------------|
| Directors (11 persons)   | 262                | 51        | 130                                | 445        |
| External Directors among Directors (3 persons)   | 39                 | —         | —                                  | 39         |
| Audit & Supervisory Board Members (6 persons)  | 96                 | —         | —                                  | 96         |
| Audit & Supervisory Board Members (External) among Audit & Supervisory Board Members (3 persons) | 36                 | —         | —                                  | 36         |
| <b>Total</b>   | <b>358</b>         | <b>51</b> | <b>130</b>                         | <b>541</b> |

(millions of yen)

Notes:

1. Basic remuneration for directors has the ceiling amount of ¥30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989.
- 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 above amount of basic remuneration includes ¥32 million as basic remuneration for fiscal 2014 that four subsidiaries of the Company paid through the Company to one director of the Company who served concurrently as the director of said subsidiaries.
3. 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.
4. In addition to the above payments, there are other remuneration, etc. as follows:
  - 1) ¥8 million was recorded for the fiscal year ended March 31, 2015 as expenses associated with stock options granted to three directors and one audit & supervisory board member of the Company, at the time they served as corporate officers not holding the offices of directors.
  - 2) ¥23 million of officers' retirement benefits was paid to a director who retired as of the conclusion of the 114th ordinary general meeting of shareholders held on June 25, 2014 as the portion of final payment following the abolishment of the officers' retirement benefit plan in 2004.
5. 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 4).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of payment for the fiscal year ended March 2015

|   | <b>Basic<br/>remuneration</b> | <b>Bonuses</b> | <b>Long-term<br/>incentive<br/>(Stock option)</b> | <b>Total</b> |
|---|-------------------------------|----------------|---|--------------|
| Masahiko Uotani,<br>Representative Director | 47                            | 6              | 9   | 63           |
| Carsten Fischer,<br>Representative Director | 82                            | 29             | 65  | 178          |

(millions of yen)

Notes:

1. These are amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds ¥100 million.
2. The above amount of basic remuneration includes ¥32 million as basic remuneration for fiscal 2014 that four subsidiaries paid through the Company to Mr. Carsten Fischer, representative director, who served concurrently as the director of said subsidiaries.
3. 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 executed by directors.
4. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 1 through 3).

## Remuneration, etc. to the Accounting Auditor

| Category   | Amount |
|--|--------|
| Remuneration paid for services rendered as the accounting auditor for the fiscal year ended March 31, 2015 | 187    |
| Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor | 224    |

(Millions of yen)

## Note:

In the audit contract between the Company and its accounting auditors, 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 accounting auditors for the fiscal year ended March 2015" above.

## Corporate Governance Report

Last Update: December, 25, 2015

Shiseido Company, Limited.

President and CEO, Representative Director: Masahiko Uotani

Contact: +81-3-6218-5530

Securities Code: 4911

<http://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

Shiseido (“the Company”) understands the importance of maximizing medium- and long-term corporate and shareholder value, fulfilling social responsibilities and achieving sustainable growth and development as the keys to maintaining support as a valuable company from all stakeholders (customers, business partners, shareholders, employees, society and the Earth). In order to improve “Management transparency, fairness and speed,” which is necessary to realize these aims, the Company is setting higher standards of corporate governance.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

<Supplementary Principle 3.2.1: Evaluation of External Accounting Auditor by the Audit & Supervisory Board> has been removed from this Clause owing to the establishment of “Guidelines for Deliberation on the Appointment, Reappointment, Dismissal, or Non-reappointment of Accounting Auditor” by the Audit & Supervisory Board at its meeting held in November 2015. Concerning the reappointment of the accounting auditor provided for in the aforesaid “Guidelines for Deliberation,” evaluation of the accounting auditor will be conducted in accordance with not only the “Policy for Determining the Dismissal or Non-reappointment of Accounting Auditor,” but also from the standpoints of the accounting auditor’s quality control, audit team, audit plan, its communication with the Audit & Supervisory Board Members, etc. and audit remuneration.

Although it has adopted certain initiatives with regard to the two items stated below out of all the Principles of Japan’s Corporate Governance Code (the “Corporate Governance Code”), the Company believes further verification/review, and subsequent actions are necessary with the objective of supporting “transparent, fair, timely and decisive decision-making” through initiatives for corporate governance including implementation of best practices specified by the Corporate Governance Code.

With regard to Principles 4.8 and 4.11.3, the Board of Directors deliberated about their direction at its meeting held in July 2015, and resolved to continue the review, tentatively targeting December 31, 2015 for its conclusion.

<Principle 4.8: Approach concerning the Ratio of External Directors at the Board of Directors and the Roadmap for the Implementation>

As of June 30, 2015, the Board of Directors of the Company is comprised of a total of six members, three executive directors and three independent directors. The ratio of independent directors at the Board of Directors is 50%.

However, the Company has not yet reached a conclusion at this point, as to whether the Company believes it

needs to appoint at least one-third of directors as independent directors, and a roadmap for the case in which it is believed this would be necessary. The Company believes that the ratio of independent directors at the Board of Directors is a matter that would be directly related to decisions as to whether the Board of Directors should be positioned as a body specifically designed for monitoring functions, or as a body responsible for a considerable part of business execution functions. Because this could lead to discussions on which form of organizational structure the Company should adopt, namely a committee-based form such as a company with nominating committee, etc. and a company with audit and supervisory committee, or the type of company with Audit & Supervisory Board, we are currently reviewing it carefully.

The Company's view and the policy will be notified upon being determined.

<Supplementary Principle 4.11.3: Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors>

While there is no analysis or evaluation on the Board of Directors conducted on a regular basis at this time, we have conducted evaluations through questionnaires (self-evaluation) as necessary for the purpose of gaining an understanding of issues at the Board of Directors.

Going forward, we will consider implementing regular analysis and evaluation on the Board of Directors to ensure management with the PDCA cycle whereby the Company identifies issues to address to improve effectiveness of the Board of Directors, takes necessary steps and verifies the results.

Once analysis and evaluation methods are determined and they are implemented, we will notify you of the methods and a summary of the results.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

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:

<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.

The Company aims to maintain a financial standing that enables it to obtain financing on favorable terms by targeting a benchmark interest-bearing debt ratio of 25%. For large-scale investments that require financing, the Company will consider factors including business trends, financial condition and market environment to make timely use of the optimum financing method.

Our total shareholder return policy emphasizes maximizing returns to shareholders through direct means in addition to generating medium- and long-term share price gains. To this end, our fundamental policy is to deploy growth-oriented strategic investments to drive increases in earnings and improvements in capital efficiency. Our medium-term profit return objective is to achieve a consolidated dividend payout ratio of 40%. To this end, we will maintain dividend payments in a stable and consistent manner. With respect to share buybacks, we will act appropriately while considering free cash flow levels and the market environment.

<Principle 1.4: Policy with Regard to Strategic Stockholdings and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings>

##### 1. The Company's Policy 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.

- In line with good corporate governance, the Company avoids being an inert stockholder in its

|  |  |
|--|--|
| <p>strategic stockholdings.</p> <ul style="list-style-type: none"> <li>• The Company takes dividends and other returns into consideration and holds stocks only if they offer business benefits such as facilitating operations.</li> <li>• The Company regularly reviews its stockholdings, primarily from the perspective of business benefits and other advantages, and mainly curtails its holdings of stocks that have become less necessary.</li> </ul> <p>2. The Company's Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings</p> <p>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 factors to determine its approval or disapproval before exercising its voting rights.</p> <p>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.</p> | <p>&lt;Principle 1.7: Framework for Confirmation of Transactions with Related Parties &gt;</p> <p>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.</p> <p>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."</p> <p>&lt;Principle 3.1: Proactive Provision of Information&gt;</p> <p>1. The Company's corporate philosophy, corporate strategies and business plans</p> <p>The Company's corporate philosophy, corporate strategies and business plans are contained and disclosed in the Company's Notice of Convocation of the 115th Ordinary General Meeting of Shareholders (pages 19 to 24).</p> <p>In addition, the Company's corporate mission, "Our Mission," "Our Values" which defines a frame of mind that must be shared by each and every employee of the Shiseido Group, and "Our Way" and the "Shiseido Ethical Conduct Standards," both of which set out the standards of conduct for each and every employee of the Shiseido Group, are also stated in 2. of "Other" of this report.</p> <p>2. Basic Stance and Basic Policy on Corporate Governance</p> <p>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.</p> <p>3. Policies and Procedures in Determining the Remuneration of the Senior Management and Directors by the Board of Directors</p> <p>The directors, audit &amp; 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 &amp; supervisory board members and corporate officers of the Company consists of a basic remuneration that is not linked to business performance 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</p> |
|--|--|

companies in the same industry or of the same scale in Japan and overseas, taking the Company's performance 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 115th Ordinary General Meeting of Shareholders of the Company (pages 54 to 60).

#### 4. Policies and Procedures in Appointing the Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors

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 a special working group established by the Chair of the Committee, starting from this selecting stage.

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.

#### 5. Explanations over Each Individual Appointment and Nomination with Respect to Appointments of Senior Management and Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors based on 4. above

With respect to all candidates for directors and audit & supervisory board members, the Company has consistently 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 directors and audit & supervisory board members proposed for election at the 115th Ordinary General Meeting of Shareholders are shown below. In addition, reasons for nomination for election of three auditors & 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 115th 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 & CEO, and in April 2014 he assumed that office. Following his election as a director of the Company at the 114th ordinary general meeting of shareholders held on June 25th 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.

During fiscal 2014, Mr. Uotani demonstrated high-level marketing capabilities and leadership, discarding organizational hierarchy to build a structure enabling the entire Company to work as one to generate value and deliver that value to customers. He also fully identified all the issues challenging the Company and faced them head-on, formulating the VISION 2020 medium- to long-term strategy to define a road map for resolving those issues.

Due to these facts the Board of Directors has continuously selected him as a candidate for director. (The 115th Ordinary General Meeting of Shareholders)

#### Toru Sakai:

Mr. Toru Sakai has actively made statements at meetings of the Board of Directors as a director of the Company and performed appropriately, determining important managerial events and matters and supervising business execution. He has ample business experience in overall supply chain operations including production, purchasing and logistics, and after assuming the office of corporate officer he planned companywide management strategies and implemented structural reforms as General Manager of the Corporate Planning Department. From fiscal 2013 he took responsibility for the domestic cosmetics business, taking charge of the planning and implementation of its business strategies. During fiscal 2014 he led the implementation of the ICHIGAN Project whereby everybody in the Company works in unison to convey the value of our brands and lines to customers. He also, as a member of the CSR Committee of the Company, has attended Committee meetings and actively expressed opinions.

Due to these facts the Board of Directors has continuously selected him as a candidate for director. (The 115th Ordinary General Meeting of Shareholders)

#### Tsunehiko Iwai:

Mr. Tsunehiko Iwai has actively made statements at meetings of the Board of Directors as a director of the Company and performed appropriately, determining important managerial events and matters and supervising business execution. Since assuming the office of corporate officer, he has served as officer responsible for quality management, pharmaceuticals affairs, CSR, environmental affairs, and frontier science business. Since fiscal 2014 he has served as officer with overall responsibility for research and development, production, and technical affairs. In the research and development field his contribution included leading the advancement of value development from the customer's perspective. He also, as a member of the CSR Committee of the Company, has actively made statements at meetings of the Committee.

Due to these facts the Board of Directors has continuously selected him as a candidate for director. (The 115th Ordinary General Meeting of Shareholders)

#### Yoko Ishikura:

Ms. Yoko Ishikura has deep professional knowledge in international politics and economics, as well as international corporate strategy, and has built up experience serving as external director in a number of companies. She has also been involved in activities to facilitate greater global competitiveness and innovation by promoting diversity and women's empowerment. We believe that Ms. Ishikura can help to enhance the Company's corporate value by drawing on this experience and knowledge, professional and otherwise, not only to supervise management as an external director, but also to actively participate in promoting diversity and more active roles for women.

Ms. Ishikura has not participated in management of companies other than as an external director. 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 select her as a new candidate for external director. (The 115th Ordinary General Meeting of Shareholders)

#### Shoichiro Iwata:

Mr. Shoichiro Iwata has reflected his view as an active operator of the different business and industry free from the conventional framework on the management of the Company and he has actively made statements at meetings of the Board of Directors. Mr. Iwata performed appropriately as external director including supervising business execution. He also, as the Chairman of the Remuneration Advisory Committee and a member of the Nomination Advisory Committee of the Company, has actively made statements at meetings of these Committees.

Due to these facts the Board of Directors has continuously selected him as a candidate for external director. (The 115th Ordinary General Meeting of Shareholders)

Tatsuo Uemura:

Mr. Tatsuo Uemura has deep experience and knowledge on capital markets and corporate governance in addition to knowledge on laws as a university professor specializing in research on laws, based on which he has actively made statements at meetings of the Board of Directors. He has achieved as external director of the Company adequate role on supervising the execution of business. He also, as a member of Remuneration Advisory Committee and as the Chairman of Nomination Advisory Committee of the Company, has actively made statements at meetings of these Committees.

He has not participated in management of companies other than as external director. 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 continuously selected him as a candidate for external director. (The 115th Ordinary General Meeting of Shareholders)

[Audit & Supervisory Board Members]

Yoshinori Nishimura:

Before assuming office as an audit & supervisory board member, Mr. Yoshinori Nishimura has actively made statements at meetings of the Board of Directors as a director of the Company and achieved adequate role such as determining important managerial events and matters and controlling business execution. He also, as a member of the Remuneration Advisory Committee and CSR Committee of the Company, has actively made statements at meetings of these Committees. In addition, he held the office of corporate officer and Chief Financial Officer and sufficiently performed his duties as the person responsible for Finance, Investor Relations, Information System Planning and Internal Control.

Furthermore, Mr. Nishimura has experience and knowledge in financing, accounting and taxation. Due to these facts the Board of Directors has selected him as a candidate for audit & supervisory board member. (The 114th Ordinary General Meeting of Shareholders)

Kyoko Okada:

In addition to her service in the Corporate Culture Department of the Company, Ms. Kyoko Okada has also experienced a variety of other departments including the CSR Department and the Institute of Beauty Science. She is familiar with the Company's intangible assets and related information, such as its information relating to beauty techniques and knowhow, the Company's history and corporate culture, and its support for external cultural endeavors. Ms. Okada therefore has ample knowledge in areas that complements the experience and knowledge of the other audit & supervisory board members. The Company is of the opinion that Ms. Okada would be able to draw on this expertise to cooperate with the other audit & supervisory board members in fulfilling the function of audit & supervisory board member. Accordingly, the Board of Directors decided to select her as a new candidate for audit & supervisory board member. (The 115th Ordinary General Meeting of Shareholders)

Akio Harada:

Mr. Akio Harada has a wide range of experience and knowledge especially in the field of legal matters as he held important posts in legal circles such as Vice-Minister of Justice and Prosecutor General. Mr. Harada achieved adequate role as external audit & supervisory board member of the Company including the supervisory function with respect to directors' execution of business. Mr. Harada 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. He has not participated in management of companies other than as external director and external audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that he would be able to adequately achieve the role of external audit & supervisory board member. Accordingly, the Board of Directors has continuously selected him as a candidate for external audit & supervisory board member. (The 113th Ordinary General Meeting of Shareholders)

Nobuo Otsuka:

Mr. Nobuo Otsuka has ample knowledge and strong intellect as a doctor, as well as long experience in managing a medical corporation offering thoroughly patient-oriented services unbound by conventional

modes of hospital operation. In these respects, he is fulfilling the function of audit & supervisory board member well, for example by actively making statements as external audit & supervisory board member of the Company.

Mr. Otsuka has not participated in management of companies other than as external audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that he would be able to adequately achieve the role of external audit & supervisory board member. Accordingly, the Board of Directors has continuously selected him as a candidate for external audit & supervisory board member. (The 115th Ordinary General Meeting of Shareholders)

Eiko Tsuiyama:

Dr. Eiko Tsuiyama currently serves as a professor of School of Commerce and a professor and Dean of the Graduate School of Commerce of Waseda University. As a Certified Public Accountant with extensive knowledge in finance, accounting and taxation, and experience in implementing various public services such as a Professional Member of the Tax Commission , Cabinet Office, Government of Japan. Dr. Tsuiyama 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.

She has not participated in management of companies other than as external director and external audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that she would be able to adequately achieve the role of external audit & supervisory board member. Accordingly, the Board of Directors has selected her as a candidate for external audit & supervisory board member. (The 112th Ordinary General Meeting of Shareholders)

<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 consists 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 on the Board of Directors have been delegated to the Executive Committee, the Business Plan Meeting, and other meeting bodies comprised of corporate officers.

The Company believes it is necessary to verify whether the current scope of authorities delegated to the corporate officers and the meeting bodies comprised of the corporate officers is proper in order to further improve the speed of the business management. We tentatively target December 31, 2015 for conducting this verification, as with the two items stated in "Reason for Non-Performance of Principles of Corporate Governance Code." We will inform you of the result and a new scope of authorities delegated to be subsequently specified as soon as the conclusion is made.

<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 has implemented measures contributing to exchange and sharing of information by providing 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, providing them with materials for meetings of the Board of Directors in advance, and holding meetings with the attendance of all directors and all audit & supervisory board members as necessary. However, no meeting with the attendance of independent directors only is being held, and a lead independent director among the independent directors or the like is not assigned.

The Company has been reviewing these initiatives shown as examples in the Corporate Governance Code to see if they are effective for the Company.

**<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 Notice of Convocation of the 115th Ordinary General Meeting of Shareholders of the Company (pages 38 to 41), and [Independent Directors] in 1. Matters Relating to Institutional Structure and Organizational Operation of "Status of Management Structure for Management Decision-Making, Operational Execution and Supervising, and Other Corporate Governance Systems" in this report.  
[http://www.shiseidogroup.com/ir/shareholder/e1506shm/img/shm\\_0000.pdf](http://www.shiseidogroup.com/ir/shareholder/e1506shm/img/shm_0000.pdf)

**<Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience and Skills 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. On the other hand, the Company expects external directors and external audit & supervisory board members to effectively perform double checks, the supervisory function by the Board of Directors and the auditing function by the audit & supervisory board members, thus external directors with voting rights at the Board of Directors are needed as well as statutory external audit & supervisory board members, where high degree of independence is a critical requirement for both capacities.

Diversity of the directors and the audit & supervisory board members must be ensured in the critical decision-making at meetings of the Board of Directors. In this respect female value and thinking is of particular importance to Shiseido, a cosmetic manufacturer, and as a result, the Company believes that electing female directors and audit & supervisory board members is vital. As of the end of June, 2015, six directors include one with a career background in management outside the Shiseido Group, two with career backgrounds in the Shiseido Group, and three members outside the Company with high degrees of independence. Meanwhile, five audit & supervisory board members include two full-timers with career backgrounds in the Shiseido Group and three part-time members outside the Company with high degrees of independence. The total of 11 directors and audit & supervisory board members comprises three females and eight males.

These diverse members engage in discussions capitalizing on respective knowledge, experience and competence for decision-making and supervision of business execution based on laws and regulations and management.

**<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 115th Ordinary General Meeting of Shareholders of the Company (page 47, pages 100 to 110).

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 115th Ordinary General Meeting of Shareholders of the Company (pages 48 to 51, pages 105 to 106).

**<Supplementary Principle 4.14.2: Training Policy for Directors and Audit & Supervisory Board Members>**

Prior to the assumption of office, the newly appointed external directors and external audit & supervisory board members take part in training programs through which they attain knowledge of the Company, such as the industry in which it operates, its history, an overview of its business, strategies and more. In addition, the Company gives candidates for new directors and new audit & supervisory board members training regarding their legal powers, obligations and the like, and also makes use of training at external institutions where necessary.

For directors who execute business and corporate officers, the Company holds an 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.

<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 Policy is published on the website of the Company.

<http://www.shiseidogroup.com/ir/disclosure/policy/>

Currently, the Company is aggressively implementing the initiatives described in 1. and 2. of “Implementation of Measures Regarding 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 currently 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% |
|----------------------------|---------------|

### [Status of Major Shareholders]

| Name / Company Name                                  | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| JP MORGAN CHASE BANK 380055                          | 29,703,128             | 7.42           |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 28,377,300             | 7.09           |
| Mizuho Bank, Ltd.                                    | 21,226,732             | 5.30           |
| Japan Trustee Services Bank, Ltd (Trust Account)     | 13,594,300             | 3.39           |
| Shiseido Employees' Stockholding                     | 9,405,332              | 2.35           |
| Sompo Japan Nipponkoa Insurance Inc.                 | 5,934,497              | 1.48           |
| Nippon Life Insurance Company                        | 5,615,653              | 1.40           |
| Mitsui Sumitomo Insurance Company, Limited           | 5,600,000              | 1.40           |
| THE BANK OF NEW YORK MELLON SA/NV 10                 | 5,286,712              | 1.32           |
| STATE STREET BANK AND TRUST COMPANY                  | 5,227,547              | 1.30           |

|   |                            |
|---|----------------------------|
| Controlling Shareholder (except for Parent Company) | <input type="checkbox"/> - |
| Parent Company                                      | None                       |

|                           |
|---------------------------|
| Supplementary Explanation |
| None.                     |

## 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 |
|-------------------|-------------------------------------|

**[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)

| Name            | Attribute                     | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|-----------------|-------------------------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                 |                               | a                              | b | c | d | e | f | g | h | i | j | k |
| Yoko Ishikura   | Other                         |                                |   |   |   |   |   |   |   |   |   |   |
| Shoichiro Iwata | Originally from other company |                                |   |   |   |   |   |   | ○ | △ |   |   |
| Tatsuo Uemura   | Scholar                       |                                |   |   |   |   |   |   |   |   |   |   |

\* 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)**

| 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"> <li>• Outside Director, Nissin Food Holdings Co., Ltd.</li> <li>• Outside Director, Lifenet Insurance Company</li> <li>• Outside Director, Sojitz Corporation</li> <li>• Professor Emeritus, Hitotsubashi University</li> </ul> <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>&lt;Reasons for appointing as an external director and roles and functions in the Company&gt;</p> <p>Ms. Ishikura has deep professional knowledge in international politics and economics, as well as international corporate strategy, and has built up experience serving as outside director in a number of companies. She has also been involved in activities to facilitate greater global competitiveness and innovation by promoting diversity and women’s empowerment. We believe that Ms. Ishikura can help to enhance the Company’s corporate value by drawing on this experience and knowledge, professional and otherwise, not only to supervise management as an external director, but also to actively participate in promoting diversity and more active roles for women.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</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</p> |

|                 |   |   |   |
|-----------------|---|---|---|
|                 |   |   | <p>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) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>   |
| Shoichiro Iwata | ○ | <p>Mr. Shoichiro Iwata concurrently assumes the office of President &amp; Chief Executive Officer of ASKUL Corporation ("ASKUL"). With regard to Mr. Iwata, the relationship classification "h" applies to him at present. The relationship classification "i" applied to him in the past.</p> <p>The Company purchases stationeries, etc. from ASKUL and the payment for such purchases represented less than 0.1% of the total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015. Transaction value is minimal for the Company. Such sales represented less than 0.1% of the net sales of ASKUL for the fiscal year ended May 31, 2014. Transaction value is minimal for ASKUL.</p> <p>The Shiseido Group purchase stationeries, etc. from ASKUL Group, and the payment to the</p> | <p>&lt;Reasons for appointing as an external director and roles and functions in the Company&gt;</p> <p>Mr. Iwata has been appointed external director in order to reflect his views to the management of the Company, which views are free from the Company's established structure as an incumbent management executive.</p> <p>Mr. Iwata has voiced necessary views from an independent perspective, in addition to serving as the head of the Remuneration Committee and compiling proposals on the remuneration system for directors and audit &amp; supervisory board members.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Mr. Iwata 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. Iwata has fulfilled the Criteria in full. Hence Mr. Iwata has been</p> |

|  |  |  |
|--|--|--|
|  | <p>ASKUL Group represented less than 0.1% of the total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015. Transaction value is minimal for Shiseido Group. Such sales represented approximately 0.1% of the consolidated net sales of ASKUL Group for the fiscal year ended May 31, 2014. Transaction value is minimal for ASKUL Group.</p> <p>The Shiseido Group sells cosmetics, etc. to the ASKUL Group and such sales to the ASKUL Group by the Shiseido Group represented less than 0.1% of the consolidated net sales of the Company for the fiscal year ended March 31, 2015. Transaction value is minimal for the Shiseido Group. Purchases of cosmetics, etc. by the ASKUL Group from the Shiseido Group represented approximately 0.1% of ASKUL's consolidated cost of sales for the fiscal year ended May 31, 2014. Transaction value is minimal for the ASKUL Group.</p> <p>ASKUL sells cosmetics, etc. and has a relationship with the Company consisting of transactions in competition. Consequently, the contents and maximum amounts of transactions between the Company and ASKUL Corporation are approved in advance at the Board of Directors along with matters pertaining to transactions with conflicts of interest, and the results are reported to the Board of Directors following the end of the business year of ASKUL Corporation. The amount of ASKUL Corporation's net sales of cosmetics, etc. in that period was approximately 0.4% of the</p> | <p>determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <ul style="list-style-type: none"> <li>(1) Corporate officer, etc. of a parent company or sister company;</li> <li>(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;</li> <li>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</li> <li>(4) A principle shareholder of the Company;</li> <li>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</li> </ul> <ul style="list-style-type: none"> <li>(a) person described in items (1) through (4);</li> <li>(b) A corporate officer of the Company or the Company's subsidiary</li> </ul> |
|--|--|--|

|               |   |   |  |
|---------------|---|---|--|
|               |   | <p>consolidated net sales of the Company, and in the fiscal year ended May 31, 2014, ASKUL Corporation's net sales of cosmetics, etc. accounted for approximately 1.1% of its total sales.</p> <p>In these conditions, the transactions in competition have no impact on interests of shareholders.</p> <p>Mr. Tadakatsu Saito who is an outside director of ASKUL assumed the office of Director of the Company during June 1997 to June 2004, but the Company has no special relationships of interest with Mr. Saito at present.</p> <p>Mr. Iwata's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• President &amp; Chief Executive Officer of ASKUL Corporation</li> </ul> <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. Iwata's "Important Position of Other Organizations Concurrently Assumed."</p> |  |
| Tatsuo Uemura | ○ | <p>With regard to Mr. Tatsuo Uemura, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Mr. Uemura's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Professor, School of Law, Waseda University</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as</p>  | <p>&lt;Reasons for appointing as an external director and roles and functions in the Company&gt;</p> <p>Mr. Uemura has been appointed external director to reflect his legal knowledge to the management of the Company, as well as his knowledge and experiences in the area of capital market and corporate governance.</p> <p>Mr. Uemura has voiced necessary views from an independent perspective, in addition to serving as the head of the Nomination Advisory Committee and compiling proposals on the selection of candidates for directors and executive officers.</p> |

|  |  |  |
|--|--|--|
|  |  | <p>“Principal Occupation” when it estimates the importance of Mr. Uemura’s “Important Position of Other Organizations Concurrently Assumed.”</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Mr. Uemura 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. Uemura has fulfilled the Criteria in full. Hence Mr. Uemura has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <ul style="list-style-type: none"> <li>(1) Corporate officer, etc. of a parent company or sister company;</li> <li>(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;</li> <li>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</li> <li>(4) A principle shareholder of the Company;</li> <li>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</li> </ul> <ul style="list-style-type: none"> <li>(a) person described in items (1) through (4);</li> <li>(b) A corporate officer of the Company or the Company’s subsidiary</li> </ul> |
|--|--|--|

|   |             |
|---|-------------|
| Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee | Established |
|---|-------------|

## 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 | 5   | 5   |
| Full-time Members     | 0   | 0   |
| Inside Directors      | 2   | 1   |
| External Directors    | 3   | 3   |
| Outside Experts       | 0   | 1   |
| Other                 | 0   | 0   |
| Chairperson           | External Director                               | External Director                                 |

## Supplementary Explanation

## &lt;Nomination Advisory Committee&gt;

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. The Nomination Advisory Committee had three meetings in fiscal 2014. In addition to proposing the formulation of a framework comprising directors, audit & supervisory board members and corporate officers, the committee carried out activities including discussing promotions, recruitments, retirements and appointments from outside.

## &lt;Remuneration Advisory Committee&gt;

The Remuneration Advisory Committee makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. Remuneration Advisory Committee had three meetings in fiscal 2014 and reviewed issues including the Company's executive bonuses for fiscal 2014 and a new remuneration system for the three year period from fiscal 2015 to fiscal 2017.

[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)

| Name           | Attribute       | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |   |   |
|----------------|-----------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
|                |                 | a                              | b | c | d | e | f | g | h | i | j | k | l | m |
| Akio Harada    | Attorney at Law |                                |   |   |   |   |   |   |   |   |   |   |   |   |
| Nobuo Otsuka   | Other           |                                |   |   |   |   |   |   |   |   |   |   |   |   |
| 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)

| Name        | Designation as Independent <i>Kansayaku</i> | Supplementary Explanation of the Relationship  | Reasons of Appointment   |
|-------------|---|--|--|
| Akio Harada | ○   | With regard to Mr. Akio Harada, none of the relationship classification stated above (classification "a" – classification "m") applies to him.<br><br>Mr. Harada's | <Reasons for appointing as an external member of audit & supervisory board and roles and functions in the Company><br>Mr. Harada has been appointed audit & supervisory board member (external) in order to ensure objectivity and neutrality of auditing by audit & supervisory board members, based on |

|  |  |  |  |
|--|--|--|--|
|  |  | <p>“Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• External Director of Seiko Holdings Corporation</li> <li>• Outside Director of Sumitomo Corporation</li> <li>• External Director of Yamazaki Baking Co., Ltd.</li> <li>• Representative director of Young Men’s Christian Association at the University of Tokyo, public interest incorporated foundation</li> <li>• Representative director of Japan Criminal Policy Society, general incorporated foundation</li> <li>• Representative director of International Civil and Commercial Law Centre Foundation, public interest incorporated foundation</li> </ul> <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. Harada’s “Important Position of Other Organizations Concurrently Assumed.”</p> | <p>his experiences and knowledge in legal field.</p> <p>Mr. Harada has expressed necessary views from an independent perspective.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</p> <p>Mr. Harada 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. Harada has fulfilled the Criteria in full. Hence Mr. Harada 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;</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) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company’s subsidiary</p> |
|--|--|--|--|

|              |   |  |   |
|--------------|---|--|---|
| Nobuo Otsuka | ○ | <p>With regard to Mr. Nobuo Otsuka, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <p>Mr. Otsuka's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Chairman of Keiseikai Hospital Group</li> </ul> <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. Otsuka's "Important Position of Other Organizations Concurrently Assumed."</p> | <p>&lt;Reasons for appointing as an external member of audit &amp; supervisory board and roles and functions in the Company&gt;</p> <p>Mr. Otsuka has been appointed audit &amp; supervisory board member (external) in order to ensure objectivity and neutrality of auditing by audit &amp; supervisory board members, based on his experiences and knowledge as management executive of a medical corporation.</p> <p>Mr. Otsuka has expressed necessary views from an independent perspective.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</p> <p>Mr. Otsuka 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. Otsuka has fulfilled the Criteria in full. Hence Mr. Otsuka 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;<br/> (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;<br/> (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;<br/> (4) A principle shareholder of the Company;<br/> (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);<br/> (b) A corporate officer of the Company or the Company's subsidiary</p> |
|--------------|---|--|---|

|                |   |   |  |
|----------------|---|---|--|
| 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"> <li>• Professor, School of Commerce and the Graduate School of Commerce, Waseda University</li> <li>• Outside Corporate Auditor of Mitsubishi Corporation</li> <li>• Outside Director of ORIX Corporation</li> <li>• Outside Corporate Auditor of LAWSON, INC.</li> <li>• Outside Corporate Auditor of NTT DOCOMO, INC.</li> </ul> <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>&lt;Reasons for appointing as an external member of audit &amp; supervisory board and roles and functions in the Company&gt;</p> <p>Dr. Tsujiyama has been appointed audit &amp; supervisory board member (external) in order to ensure objectivity and neutrality of auditing by audit &amp; supervisory board members, based on her experiences and knowledge as management executive of a medical corporation.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</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;<br/> (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;<br/> (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;<br/> (4) A principle shareholder of the Company;<br/> (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below<br/> (a) person described in items (1) through (4);<br/> (b) A corporate officer of the Company or the Company's subsidiary</p> |
|----------------|---|---|--|

**[Independent Directors/*Kansayaku*]**

|   |   |
|---|---|
| Number of Independent Directors/ <i>Kansayaku</i> | 6 |
|---|---|

**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 person<sup>i</sup> of the Company or an affiliated company<sup>ii</sup> (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 Group<sup>iii</sup>, 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<sup>iv</sup>, 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<sup>v</sup> 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<sup>v</sup> 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 person<sup>vi</sup> 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 person<sup>vi</sup>.

- 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<sup>vii</sup>.
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<sup>viii</sup> 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<sup>viii</sup> 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<sup>ix</sup> 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.

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< Insignificance Criteria for Omission of Description about Relationships between the Company and the External 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 External 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.<br/> 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 |
|----------------------------------|--|

**Supplementary Explanation**

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, to maintain objectivity and high transparency. Remuneration to directors, audit & supervisory board members and corporate officers of the Company consists of a basic remuneration that is not linked to business performance 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, taking the Company's performance 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.

|                             |   |
|-----------------------------|---|
| Recipients of Stock Options | Inside Directors and others (Corporate Officer) |
|-----------------------------|---|

**Supplementary Explanation**

The Company grants stock options to executive directors and corporate officers 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.

**[Director Remuneration]**

|  |                    |
|--|--------------------|
| Disclosure of Individual Directors' Remuneration | Selected Directors |
|--|--------------------|

**Supplementary Explanation**

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. of representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of payment for the current fiscal year ended March 2015 are disclosed as well.

Amount of remunerations, etc. to Directors and Audit & Supervisory Board Members of the current fiscal year

|  | Basic<br>remuneration | Bonuses | Stock<br>Options | (millions of yen)<br>Total |
|--|-----------------------|---------|------------------|----------------------------|
| Directors (11 persons)                           | 262                   | 51      | 130              | 445                        |
| External directors<br>(3 persons)                | 39                    | -       | -                | 39                         |
| Audit & Supervisory Board<br>Members (6 persons) | 96                    | -       | -                | 96                         |
| External members<br>(3 persons)                  | 36                    | -       | -                | 36                         |
| Total  | 358                   | 51      | 130              | 541                        |

## Notes:

1. Basic remuneration for directors has the ceiling amount of Yen 30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of Yen 10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The above amount of basic fixed remuneration includes Yen 32 million as basic remuneration for fiscal 2014 that four subsidiaries of the Company paid through the Company to one director of the Company who served concurrently as the director of said subsidiaries.
3. The amount of long-term incentive stock options indicated above represents the expenses associated with the current fiscal year 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.
4. In addition to the above payments, there are other remuneration, etc. as follows:
  - 1) ¥8 million was recorded for the fiscal year ended March 31, 2015 as expenses associated with stock options granted to three directors and one audit & supervisory board member of the Company, at the time they served as corporate officers not holding the offices of directors.
  - 2) ¥23 million of officers' retirement benefits was paid to a director who retired as of the conclusion of the 114th ordinary general meeting of shareholders held on June 25, 2014 as the portion of final payment following the abolishment of the officers' retirement benefit plan in 2004.
5. 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 4).

Amounts of Remunerations, etc. of Representative Directors and Directors Whose Total Amount of Remunerations, etc. Exceeds 100 Million Yen, by Type of Remuneration for the Fiscal Year Ended March 31, 2015

|   | Basic<br>remuneration | Bonuses | Stock<br>Options | Total | (millions of yen) |
|---|-----------------------|---------|------------------|-------|-------------------|
| Masahiko Uotani,<br>Representative Director | 47                    | 6       | 9                | 63    |                   |
| Carsten Fischer,<br>Representative Director | 82                    | 29      | 65               | 178   |                   |

## Notes:

1. Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million for the current fiscal year ended March 2015 are disclosed
2. The above amount of basic remuneration includes ¥32 million as basic remuneration for fiscal 2014 that four subsidiaries paid through the Company to Mr. Carsten Fischer, representative director, who served concurrently as the director of said subsidiaries.
3. 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.
4. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 1 through 3)

|  |             |
|--|-------------|
| Policy on Determining Remuneration Amounts and Calculation Methods | Established |
|--|-------------|

### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

#### <Basic principle on determining remuneration amounts and calculation method>

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, to maintain objectivity and high transparency. Remuneration to directors, audit & supervisory board members and corporate officers of the Company consists of a basic remuneration that is not linked to business performance 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, taking the Company's performance 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.

The Company will introduce a new policy for directors, audit & supervisory board members and corporate officers remuneration effective from fiscal 2015, but there will be no change to this basic principle.

#### < New directors, audit & supervisory board members and corporate officers remuneration policy aligned to the Three-Year Plan of fiscal 2015 through fiscal 2017>

##### (Purpose of the changes and basic concept of the new policy)

The Company launched a new Three-Year plan starting fiscal 2015. Taking this opportunity, we implemented changes to the directors, audit & supervisory board members and corporate officers remuneration policy to be more closely linked to performance and responsibility of respective directors and corporate officers. With this new policy, we intend to motivate them to steadily achieve the Three-Year Plan of fiscal 2015 through fiscal 2017, and ensure that the solid foundation will be established for Shiseido to continue to shine bright 100 years from now.

We designed the new directors, audit & supervisory board members and corporate officers remuneration policy to ensure that qualities and roles required as the leaders executing transformation throughout the time of restructuring the business platform through drastic transformation, and that directors and corporate officers who bring expected results will be rewarded by remuneration commensurate with the results. We assume that it will need some time for the result of restructuring the business platform implemented from fiscal 2015 to fiscal 2017 to be reflected in the figures for performance such as consolidated business performance and performance of business of which respective directors and corporate officers are in charge. At the same time, those officers of the Company are required to solve highly important issues of the Company from the perspective of the Company's long-term growth and get results. We therefore concluded that the previous scheme having a high level of correlation with performance figures cannot provide sufficient rewards for their efforts for the transformation and its outcome during the time from fiscal 2015 to fiscal 2017, and decided to increase the weight of evaluation for the result of strategic initiatives that are not quickly reflected in performance figures, in addition to the evaluation based on the consolidated performance and performance of business of which respective directors and corporate officers are in charge.

Because this new directors, audit & supervisory board members and corporate officers remuneration policy is designed specifically to ensure successful restructuring of the business platform, the Company will review the policy again for fiscal 2018 and beyond to change the scheme to be in line with the business environment, challenges, and management goals for fiscal 2018 and beyond.

Basic concepts of new directors and corporate officers remuneration policy are as follows;

1. Design to be able to provide rewards for implementation of drastic structural transformation
2. Clarify roles and responsibilities of respective directors, audit & supervisory board members and corporate officers under the new organizational structure and design a scheme of remunerations to be provided in accordance with the level of their roles and responsibilities

3. Ensure that the remuneration levels will support prevention of outflow of talented personnel and acquisition of such personnel from outside as needed

(Overview of the new directors, audit & supervisory board members and corporate officers remuneration policy)

In the new directors, audit & supervisory board members and corporate officers remuneration policy, the Company will make changes to the levels and the package of both basic remuneration and performance-linked remuneration in accordance with the basic concept above.

First, we will review the level of the basic remuneration. Previously, such remuneration was determined based on the rank as corporate officer. In the new scheme, however, the “Role grades” are established based on the levels of roles and responsibilities of directors, audit & supervisory board members and corporate officers, and such remuneration corresponds to the belonging “Role grade” of each officer. We will also change the framework for performance-linked remuneration so as to effectively work as incentives for the initiatives of restructuring the business platform from fiscal 2015 through fiscal 2017.

Consequently, although the new directors, audit & supervisory board members and corporate officers remuneration policy follows the previous remuneration scheme of the Company in the point that the greater the coverage of functions they are in charge of or the greater their responsibility or the impact to business management of the group is, the higher the rate of performance-linked remuneration would be. However at the same time the proportion of the basic remuneration is higher than the past. The conditions on performance-linked remuneration become severer by reducing an upper limit of annual bonus payment rate, and making the payment condition severer in case of the achievement rate of less than 100%, and introducing performance requirements that were not as part of the long-term incentive-type remuneration. As a result, the design of the scheme as a whole is stringent because in the new scheme, subject officers are not able to receive sufficient remuneration if high achievement rates of various goals are not attained.

Detailed descriptions of new directors, audit & supervisory board members and corporate officers remuneration policy are shown in the Notice of Convocation of the 115th Ordinary General Meeting of Shareholders of the Company (pages 54 to 60).

### [Supporting System for Outside Directors and/or Kansayaku]

<External Directors>

Section in charge is formed and assists the duties of the external directors to ensure smooth operation.

<External Members of Audit & Supervisory Board Members>

Employees are positioned to assist the Audit & Supervisory Board and members of Audit & Supervisory Board.

## 2.Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

<Status of management and business execution (including the roles and functions of the external directors)>

(Meetings for Board of Directors and Corporate Executive Officers are involved)

Composed of six members including three external directors and presided by 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 executive officer system, we separate the decision-making and supervisory functions of the Board of Directors from the business execution functions of corporate executive officers. The Executive Committee, which acts as the final decision-making body regarding corporate executive officers' material issues, and the Business Planning Committee, where corporate executive officers deliberate the Company's medium-to-long-term strategies and annual business plan and decide the direction

the strategies are to take, serve to transfer authority to corporate executive officers, thereby clarifying their responsibilities and accelerating operational execution.

President and Chief Executive Officer chairs the Executive Committee and the Business Planning Committee. In addition to the above, corporate executive officers hold Decision-Making Meetings of Corporate Executive 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 office of directors and corporate executive officers is one year.

To obtain an outside point of view and further strengthen the Board of Directors' supervisory function in regard to business execution, Shiseido appointed two highly independent external directors from the fiscal year ended March 2007. With the addition of one more independent external director in fiscal year 2011, Shiseido appointed three highly independent external directors.

In addition, one of the three directors aside from the external directors has built careers outside of Shiseido, ensuring diversity among the directors. We are also handpicking a small able group of corporate executive officers in addition to recruiting younger members, thereby aiming to strengthen the executive function.

#### (Advisory Committees to the Board of Directors)

Additionally, to promote transparency and objectivity in management, Shiseido established two committees to play an advisory role to the Board of Directors: the Remuneration Advisory Committee, charged with setting executive remuneration, and the Nomination Advisory Committee, which evaluates and nominates candidates for directors and corporate executive officers. Both committees are chaired by external directors to maintain objectivity.

The Remuneration Advisory Committee makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. The Remuneration Advisory Committee reviewed issues including the Company's executive bonuses for fiscal 2014 and a new remuneration system for the three year period from fiscal 2015 to fiscal 2017.

The Nomination Advisory Committee, in addition to proposing candidates for directors and corporate executive officers, determines the limits on the terms of corporate executive officers as well as the rules for their promotions 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 term limit of corporate executive officers is four years per position in principle and six years maximum.

#### < Diversity in directors and audit & supervisory board member, etc>

The Company believes that the Board of Directors of the Company should comprise members 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. On the other hand, the Company expects external directors to effectively perform double checks, the supervisory function by the Board of Directors and the auditing function by the Audit & Supervisory Board, thus external directors with voting rights at the Board of Directors are needed, let alone statutory audit & supervisory board members, where high degree of independence is a critical requirement for both capacities. Furthermore, diversity of the members of the Board must be ensured in the critical decision-making. In this respect female value and thinking is of particular importance to Shiseido, a cosmetic manufacturer, and female representation at the Board of Directors is believed vital.

Upon business execution and decision making regarding items under laws and regulations and based on management, directors and audit & supervisory board members discuss thoroughly utilizing their knowledge, experiences and skills.

#### (Composition of the boards, committees and the others as of June 30, 2015)

- Directors (a total of six):

Five out of six are male and one is female

- Audit & supervisory board members (a total of five):

Three out of five are male and two are female

- Corporate officers who do not serve as Director (a total of seventeen):

Fourteen out of seventeen are male and three are female

- Remuneration Advisory Committee (one chairman and four members):

Four out of five are male and one is female

- Nomination Advisory Committee (one chairman and four members):

- Four out of five are male and one is female  
 · CSR Committee (one chairman and eight members):  
   Eight out of nine are male and one is female

<Status of audits>

(Composition of audit & supervisory board members)

Audit & supervisory board members (a total of five): Two full-time members and three external members who are highly independent from the Company.

(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 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 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         | Masahiro Mekada, Designated Limited Liability Partner           | 4 years                     |
| The same as the above | Ryoji Fujii, Designated Limited Liability Partner               | 2 years                     |
| The same as the above | Takashi Kawakami, Designated Limited Liability Partner          | 5 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 (CSR Committee)>

The CSR Committee was established under the jurisdiction of the Board of Directors. The committee is headed by the President and comprises members elected companywide. They make proposals for and report on plans and results of activities to the Board of Directors.

Guided by the idea that fulfilling corporate social responsibility (CSR) is crucial to the Company's sustainable development, the CSR Committee carries out comprehensive monitoring from a companywide perspective, with the aim of increasing corporate value.

And The CSR Committee also works to ensure legitimate and fair business practices in the Group, and promotes activities including the dissemination of corporate ethics, formulating risk management countermeasures and information security to enhance management quality.

### 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. Furthermore, as the Company aims to become a truly global enterprise, it holds the establishment of corporate governance that is capable of satisfying the scrutiny and trust of global-level stakeholders and the reinforcement of top management capable of surviving global competition to be of paramount importance. Consequently, the Company, to the end of improving the "Management transparency, fairness and speed," has been engaged in reforms to its corporate governance from the following four perspectives:

- Clarifying the allocation of responsibility (Introduction of the corporate executive officer system and the like)
- Enhancing management transparency and soundness (Establishment of the Nomination Advisory Committee and the Remuneration Committee)
- Reinforcing supervisory and auditing functions (Inviting external directors, appointing highly independent external directors and external members of audit & supervisory board)
- Strengthening decision-making function (Establishment of the Executive Committee and the Business Planning Committee and the like)

In order to strengthen these functions, the Company has adopted the framework of a company with the audit & supervisory board system as its base to which it has integrated the superior functions of a company with Committees.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

|   | 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 115th Ordinary General Meeting of Shareholders, the convocation of notice was distributed on May 29, 2015, 25 days prior to the Meeting.<br>The Company disclosed the notice of convocations on its website before the date of mailing in light of earliest possible information service (Japanese: on May 19, English translation: on May 26.) |
| Scheduling AGMs Avoiding the Peak Day             | The Company held the 115th Ordinary General Meeting of Shareholders on June 23, 2015. The date is 3 days prior to the most concentrated date for general meeting of shareholders of Japanese companies.  |
| 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>The ordinary general meeting of shareholders is held using environmental friendly materials and we carried out carbon offsets to counterbalance the amount of greenhouse gases emitted through the purchase of credits for reduction or absorption of greenhouse gas emissions achieved elsewhere. 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.</p> |

## 2. IR Activities

| Supplementary Explanations  |   |
|---|---|
| Preparation and Publication of Disclosure Policy                    | Established the Disclosure Policy, consisting of “Basic Policy on Information Disclosure”, “Standards for Information Disclosure”, “Method of Information Disclosure”, “Quiet Periods”, “Forward-Looking Statements” in 2006. The Policy is published on the website of the Company.  |
| Regular Investor Briefings for Individual Investors                 | Hold presentation meetings presented by CEO or other corporate officers, and these presentations are distributed via the Internet.<br>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) |
| 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>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> |
| Establishment of Department and/or Manager in Charge of IR | <p>Department in charge:<br/>Investor Relations Department</p> <p>Corporate Officer etc. in charge:<br/>Norio Tadakawa, Corporate Officer, CFO<br/>Mihoko Nagai, Vice President, Corporate Communications</p> <p>Person in charge to contact:<br/>Tetsuaki Shiraiwa, General Manager of Investor Relations Department</p>   |
| Other  | Hold joint-meeting with and individually calling on domestic and foreign investors, in series   |

### 3. Measures to Ensure Due Respect for Stakeholders

| Supplementary Explanations  |  |
|---|--|
| Stipulation of Internal Rules for Respecting the Position of Stakeholders | <p>Towards the realization of the Shiseido Group Corporate Philosophy "Our Mission, Values and Way", the Company established "Our Mission," which sets out the raison d'être, that is core to the Group. "Our Values" defines the value that must be held and share to realize "Our Mission." In addition, the Company established "Our Way" and "Shiseido Group Standards of Business Conduct and Ethics."</p> <p>"Our Way" defines what corporate actions should be taken in relation to stakeholders (customers, business partners, shareholders, employees, 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 Shiseido Group's corporate social responsibility (CSR) activities follow the basic concept of "Our Way", which denotes action standards that each and every employee should take toward stakeholders based on the Shiseido Group corporate philosophy "Our Mission, Values and Way."</p> <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 SOCIAL RESPONSIBILITY pages have been edited according to the following policies;</p> <ul style="list-style-type: none"> <li>- We introduce each activity according to the 7 core subjects of ISO26000 (Social Responsibility).</li> <li>- We have simplified the contents of reports on each page to make them easier to read.</li> <li>- We have also focused on overseas activities in order to enhance the Group's reports.</li> <li>- We disclose social responsibility/human resources result reports in lists.</li> <li>- Target period for the information included in this website is mainly for</li> </ul> |

|       |  |
|-------|--|
|       | <p>FY2014 (from April 1, 2014 to March 31, 2015). However, part of the information may be from prior to the said period or more recent than the period.</p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- The scope includes Shiseido Co. Ltd. and 92 Shiseido Group companies (subsidiaries) as of March 31, 2015. Notes have been added to data outside of the above scope.</li> </ul>   |
| Other | <p>&lt; Diversity in employees &gt;</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>(as of the end of March, 2015)</p> <ul style="list-style-type: none"> <li>- Ratios of female employees in the Shiseido Group worldwide: 84.3%</li> <li>- Ratios of female leaders* in the Shiseido Group worldwide: 50.3%</li> <li>- Ratios of female employees in the Shiseido Group in Japan: 83.7%</li> <li>- Ratios of female leaders* in the Shiseido Group in Japan: 27.5%</li> </ul> <p>* Ratio of female leaders: Ratio of females in managers with subordinates.</p> <p>The Company has declared that it is targeting a ratio of having female employees make up 30% its domestic leadership in the fiscal 2016, in advance of the government's stated goal (in 2020). As of April 1, 2015, females account for 27.2% of the Group's leadership in Japan. We believe that the important thing is not to make a goal of achieving numerical targets, but to nurture human resources equally, whether they are males or females, on the premise of promoting talented employees to positions of leadership. Therefore, we will continue seeking to foster a corporate climate that produces female leaders on a regular basis.</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> |

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

**(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 "CSR 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 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

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 CSR 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 |
| Supplementary Explanation          |             |
| None.                              |             |

### 2. Other Matters Concerning to Corporate Governance System

The internal system for ensuring the timely disclosure of our corporate information is described below.

To put into practice what we call Our Mission "We cultivate relationships with people, We appreciate genuine, meaningful values, We inspire a life of beauty and culture," it sets out our *raison d'être* that is core to the Shiseido Group, the Company defines the values that must be held and shared by each and every employee of the Shiseido Group, which we call Our Values (\*1), and also has a code of conduct in relation to stakeholders of all types (customers, business partners, shareholders, employees, and society and the Earth), which we call Our way. (\*2)

Our way contains, under the heading "Toward Shareholders," our declaration "We strive to continuously enhance the Shiseido Group's corporate value by making full use of its tangible, intangible, financial and other assets", "We comply with rules concerning corporate governance and internal controls, and follow proper accounting procedures" and "We place importance on dialogues with shareholders and investors, and strive to earn their trust" which serves as the basis of our corporate actions intended to gain trust from our valued shareholders and investors.

We also have the "Shiseido Disclosure Policy," (\*3) 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 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, 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 Management and Planning 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 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. Facts of Actual Events

In preparation for addressing abrupt events, we have developed a framework under which the "CSR 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.

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(\*1)

Our Values

In Heritage, Excellence,  
In Diversity, Strength  
In Innovation, Growth

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(\*2)

Our Way

All members of Shiseido Group pursue shared and sustainable growth with all stakeholders.

[With Consumers]

1. We consistently strive to research, develop, manufacture and sell safe and excellent products and services that deliver true satisfaction from the standpoint of consumers.
  - 1) We always place the highest priority on quality and safety to ensure the confidence of consumers. Moreover, we comply with our own stringent internal standards in addition to external regulations, and carry out safety assessments.
  - 2) We provide information that consumers need in a timely and appropriate manner. Furthermore, we clearly and accurately present and carefully explain information that consumers need when selecting products and services.
  - 3) We produce ethical, creative and appealing advertising that wins the support of consumers and helps them in selecting products and services.
2. We sincerely strive to enhance satisfaction and trust at all points of contact with consumers.
  - 1) We always treat consumers with a sense of appreciation and the spirit of OMOTENASHI.
  - 2) We handle consumer complaints sincerely and promptly.
  - 3) We take consumer feedback seriously, and use it to improve and develop products and services.
3. We continually strive to increase the value of all of the Shiseido Group's brands.
  - 1) We earn trust and increase the value of the Shiseido Group's brands by thinking together with consumers

about how we can help them achieve beauty and well-being. We also strive to increase brand value at stores and other points of consumer contact.

- 2) We manage intellectual property, which increases the value of the Shiseido Group's brands, to prevent infringement. We also respect the intellectual property rights of others.

[With Business Partners]

1. We select business partners properly, and engage in fair, transparent and free competition and appropriate business transactions.
  - 1) We choose our clients, suppliers, outsourcing vendors and other business partners on the basis of their efforts to respect human rights, comply with laws, protect the environment and address social issues, as well as considerations such as quality and price.
  - 2) We do not engage in unfair price fixing, collusion, dumping or any other actions that hinder free competition.
2. We do not provide or accept gifts or entertainment that may cause suspicion regarding our fairness.
  - 1) We do not give or accept money or gifts in the course of our work with our business partners. Exceptions are seasonal and courtesy gifts given as a matter of custom, provided that such gifts are within socially acceptable limits.
  - 2) We also keep meals and entertainment with our business partners within socially acceptable limits only.
3. We respect all of our business partners who share our aims, and work together with them toward sustained growth.
  - 1) We maintain equitable relationships with our business partners, and do not apply coercive pressure.
  - 2) We share our stance regarding fulfillment of social responsibility, including respect for human rights, compliance with laws and protection of the environment, with our business partners and encourage them to take their own voluntary initiatives.
  - 3) We cooperate with our business partners in working to enhance the value of the Shiseido Group's brands.

[With Employees]

1. We respect the character and individuality of everyone in the work place, in all their diversity, and strive to develop and grow together.
  - 1) We never engage in or tolerate discrimination on any basis including, but not limited to, race, color, gender, age, language, property, nationality or national origin, religion, ethnic or social origin, political or other opinion, disability, health status and sexual orientation, nor do we engage in or tolerate moral harassment, including sexual harassment and abuse of power.
  - 2) We work together with our co-workers to fulfill our potential in our jobs.
  - 3) We strive to maintain a dialogue with our co-workers, and are committed to their growth as well as our own.
  - 4) We strive to conduct fair evaluations.
2. We work conscientiously and maintain a clear distinction between professional and private matters.
  - 1) We properly manage confidential and personal information to prevent it from being leaked or lost, and do not use such information improperly.
  - 2) We do not engage in businesses that compete with the Shiseido Group's products or services, or in any other actions that could negatively affect the Shiseido Group's business operations.
  - 3) We do not use our authority or position to obtain personal entertainment or goods, and do not solicit cooperation in personal activities or provide favors to third parties.
3. We strive to create a safe, healthy work environment and enhance employees' comfort and sense of fulfillment.
  - 1) We seek to make work environments safe, clean and healthy.
  - 2) We strive to maintain and manage our physical and mental health, and to maintain an appropriate work/life balance.

[With Shareholders]

1. We strive to continuously enhance the Shiseido Group's corporate value by making full use of its tangible, intangible, financial and other assets.
  - 1) We manage assets properly, and use them appropriately and wisely for business purposes and contribution

- to society.
- 2) We prudently assess investments and loans, and follow proper procedures when undertaking them.
  - 3) We comprehensively assess business risks and take proactive measures to preclude them. In the event of a crisis, we respond quickly to minimize loss, and work to prevent a recurrence.
2. We comply with rules concerning corporate governance and internal controls, and follow proper accounting procedures.
    - 1) We conduct accurate financial and tax accounting to ensure credibility.
    - 2) We maintain strong internal and external audit functions to conduct sound corporate management.
    - 3) We properly handle information that could affect our share price, and never engage in unfair transactions such as insider trading.
  3. We place importance on dialogues with shareholders and investors, and strive to earn their trust.
    - 1) We deal with all shareholders and investors impartially and disclose accurate management information actively and promptly. We also build good, trusting relationships with shareholders and investors by incorporating their views in our corporate management.
    - 2) We properly conduct the general meeting of shareholders, the highest decision-making body of a company, to fulfill our accountability to shareholders.

#### [With Society and the Earth]

1. We abide by the laws of each country and region in which we operate, and maintain sound ethical behavior as well as respect human rights.
  - 1) We abide by the laws and respect the history, culture, customs and other aspects of each country and region in which we operate.
  - 2) We respect international laws including treaties. We never engage in human rights violations such as child labor or forced labor.
  - 3) 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.
  - 4) We strictly maintain fairness and a high level of transparency in our relationships with national and local government entities and officials, political parties and politicians.
2. 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.
3. 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.

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(\*3)

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.

### 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. Quiet Periods

Shiseido observes quiet periods before the announcement of business results to prevent leaks of information on business results, and to assure fairness.

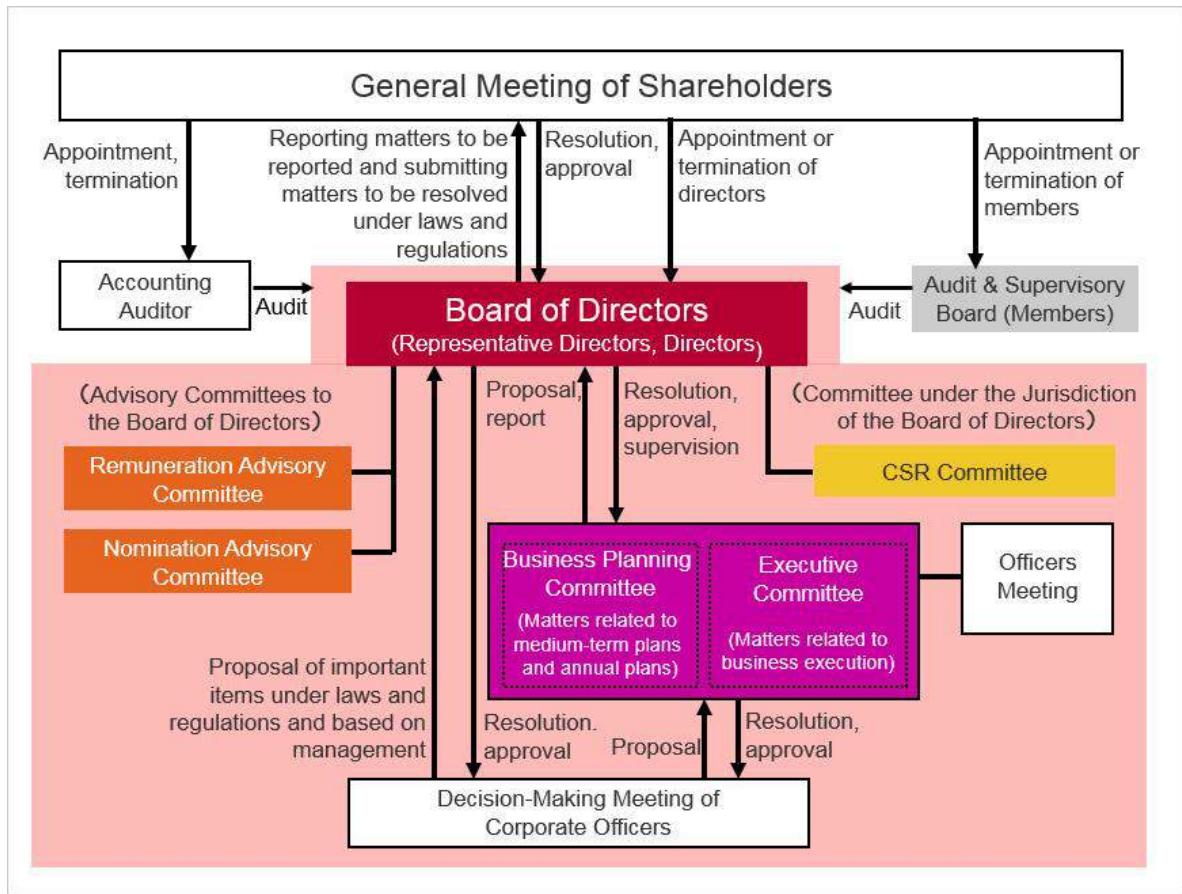
The quiet periods before the announcement of the full year results and half year results are the weeks between the day after the closing date (\*) and the results announcement date. The quiet periods for the 1st and 3rd quarter earnings are two weeks before the results announcement date. During the quiet period, we do not respond to inquiries or make any comments on business results.

\* Because the Company changed its fiscal period, FY2015 has irregular term and the Company's closing date of FY2015 is December 31, 2015. For the Company and its Japanese subsidiaries, FY2015 runs from April 1, 2015 to December 31, 2015. For overseas subsidiaries of the Company, FY2015 runs from January 1, 2015 to December 31, 2015.

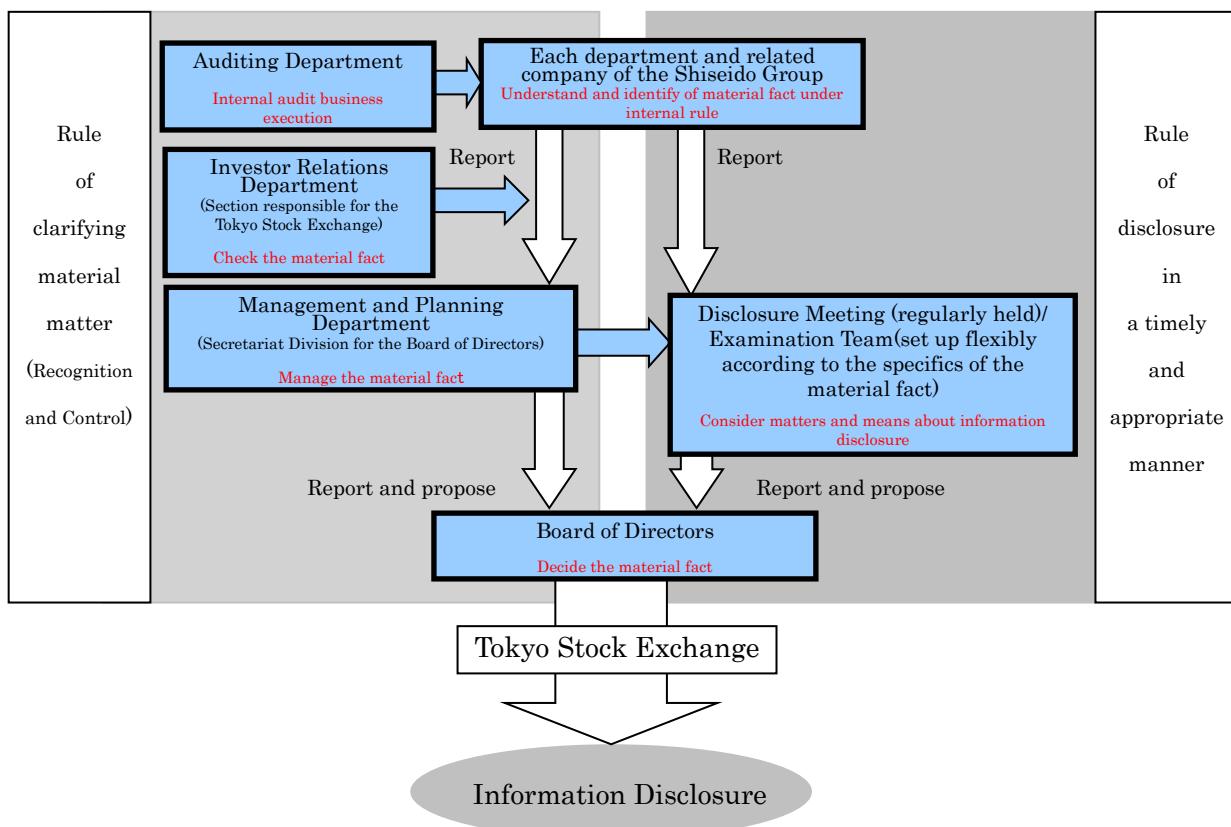
## V. Forward-Looking Statements

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.

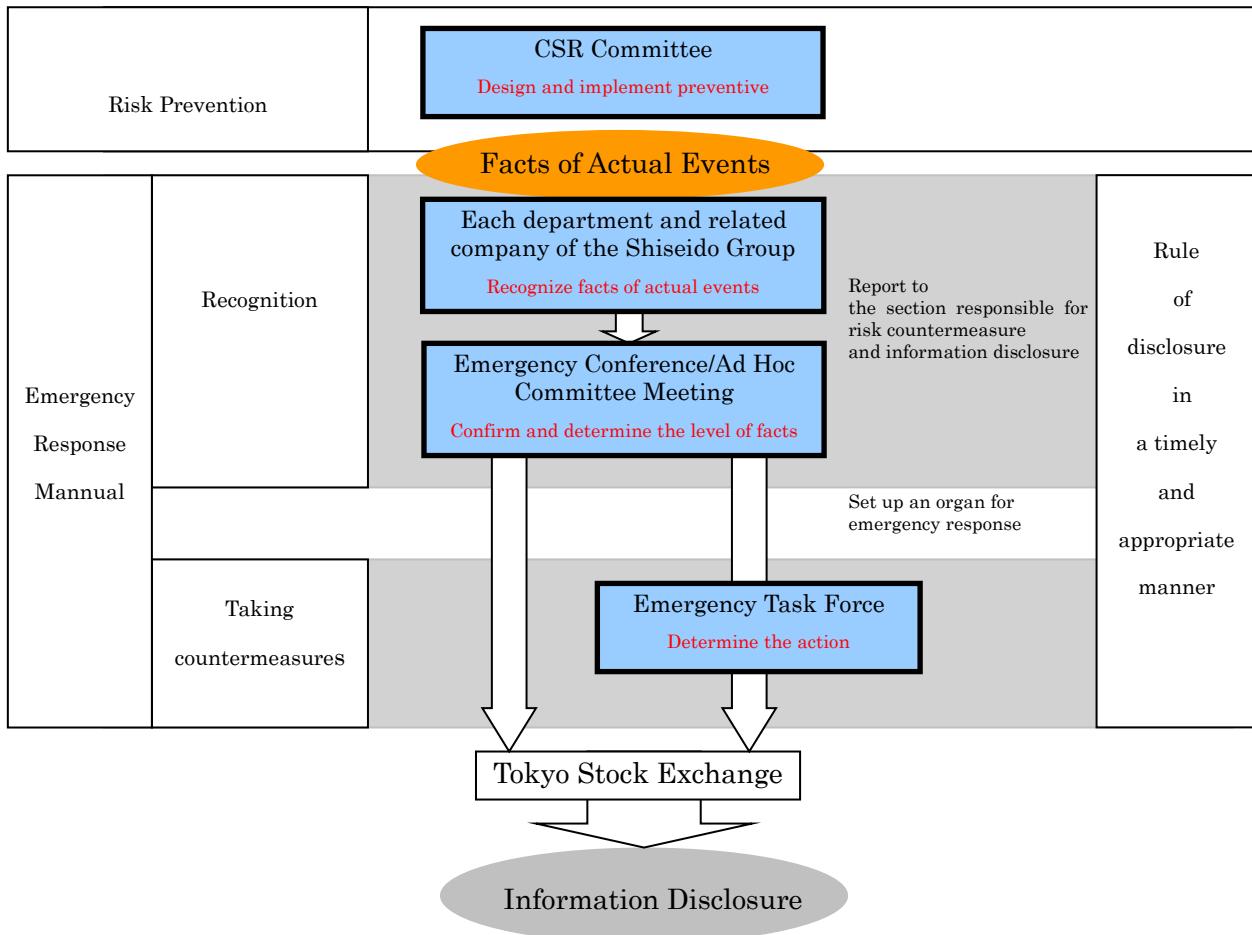
## &lt;The Company's Corporate Governance Framework&gt;



## &lt;The Company's System for Information Disclosure of Facts of Decisions Made and Financial Information&gt;



## &lt;The Company's System for Information Disclosure of Facts of Actual Events&gt;



## Corporate Governance

## Internal Control Systems of the Company

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### Internal Control Systems of the Company

Basic policy regarding Internal Control Systems of the Company 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 "CSR 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 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.

### ※Fundamental Thought toward Exclusion of Anti-Social Forces and the Status for Arrangement

In the Company's "Ethical Conduct Standards," we 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 was established in the CSR 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 of an organization that promotes the exclusion of anti-social forces.

## Corporate Governance

## Directors / Corporate Officers / Audit &amp; Supervisory Board Members

## I Directors

(As of Jan. 1, 2016)

| Name<br>(Date of birth)           | Biography   |
|-----------------------------------|---|
| Masahiko Uotani<br>(June 2, 1954) | <p>Apr. 1977                          Joined the Lion Dentifrice Co., Ltd. (currently Lion Corporation)</p> <p>Jun. 1983                          Graduated from Columbia University in the City of New York, Graduate School of Business Administration (MBA)</p> <p>Jan. 1988                          Manager, Citibank, N.A.</p> <p>Apr. 1991                          Representative Director, Vice President of Kraft Japan Limited (currently Mondelēz Japan Limited)</p> <p>May 1994                          Director, Executive Vice President and Chief Officer of Marketing of Coca-Cola (Japan) Co., Ltd.</p> <p>Oct. 2001                          Representative Director, President of Coca-Cola (Japan) Co., Ltd. (Global Officer)</p> <p>Aug. 2006                          Representative Director, Chairman of Coca-Cola (Japan) Co., Ltd.</p> <p>Jun. 2007                          Representative Director, Chief Executive Partner of BrandVision Inc.</p> <p>Aug. 2011                          Outside Director of ASKUL Corporation</p> <p>Jan. 2012                          Corporate Advisor of Coca-Cola West Co., Ltd. [incumbent]</p> <p>Oct. 2012                          Director of Citibank Japan Ltd. (part time)</p> <p>Apr. 2013                          Outside Chief Marketing Advisor of the Company</p> <p>Apr. 2014                          President &amp; CEO of the Company [incumbent]</p> <p>Jun. 2014                          Chairman of CSR Committee of the Company</p> <p>Jan. 2015                          Representative Director of the Company [incumbent]</p> <p>Feb. 2015                          Responsible for Human Resources and Corporate Culture Reforms of the Company</p> <p>Apr. 2015                          Responsible for Global Business (International Business, China Business and Professional Business) of the Company</p> <p>Jan. 2016                          Chief Officer of International Business Division of the Company</p> <p>                                        Responsible for Global Business and Corporate Communication of the Company</p> <p>                                        Responsible for Corporate Strategy, Corporate Communications, Internal Audit, Global Cosmetics and Personal Care Brands of the Company[incumbent]</p> |

|                                     |  |
|-------------------------------------|--|
| Toru Sakai<br>(October 16,<br>1956) | <p>Apr. 1982      Joined Shiseido</p> <p>Apr. 2008      General Manager of Purchasing Department of the Company</p> <p>Apr. 2010      Corporate Officer of the Company</p> <p>                Responsible for Production, Purchasing and Logistics of the Company</p> <p>Apr. 2012      General Manager of Corporate Planning Department of the Company</p> <p>Apr. 2013      Corporate Executive Officer of the Company [incumbent]</p> <p>                Responsible for Domestic Cosmetics Business, Business Strategies of the</p> <p>                Company</p> <p>Jun. 2013      Director of the Company</p> <p>Apr. 2014      Responsible for Domestic Cosmetics Business and Healthcare Business of<br/>the Company</p> <p>                Chief Officer of Domestic Cosmetics Business Division of the Company</p> <p>Apr. 2015      Representative Director of the Company [incumbent]</p> <p>                President, Japan Region of the Company</p> <p>Oct. 2015      Responsible for Japan Business, Health Care Business and Digital Business</p> <p>Jan. 2016      President, Shiseido Japan Co., Ltd. [incumbent]</p> <p>                Responsible for Japan Region of the Company [incumbent]</p>  |
| Tsunehiko Iwai<br>(May 28, 1953)    | <p>Apr. 1979      Joined the Company</p> <p>Apr. 2002      General Manager of Product Commercialization Planning Department of the<br/>Company</p> <p>Apr. 2004      Chief Officer of Fine Chemical Division of the Company</p> <p>Apr. 2006      General Manager of Technical Department of the Company</p> <p>Apr. 2008      Corporate Officer of the Company</p> <p>Apr. 2009      General Manager of Quality Management Department of the Company</p> <p>Apr. 2010      Responsible for Technical Planning, Quality Management and Frontier<br/>Science Business of the Company</p> <p>Apr. 2013      Responsible for Technical Planning, Quality Management, Pharmaceuticals<br/>Affairs, CSR, Environmental Affairs and Frontier Science Business of the<br/>Company</p> <p>Apr. 2014      Corporate Executive Officer of the Company</p> <p>                Responsible for Research &amp; Development, Production, and Technical Affairs<br/>of the Company</p> <p>Jun. 2014      Director of the Company</p> <p>Apr. 2015      Chief Technology and Innovation Officer [incumbent]</p> <p>                Responsible for Research and Development, Supply Chain, and Technical<br/>Strategy [incumbent]</p> <p>Nov. 2015      Chief Technical Strategy Officer, Chief Quality Officer of the Company<br/>[incumbent]</p> <p>                Responsible for Technology Innovation, Quality Management, Frontier<br/>Science Business of the Company [incumbent]</p> <p>Jan. 2016      Responsible for Regulatory Affairs</p> <p>                Representative Director of the Company [incumbent]</p> <p>                Executive Vice President of the Company [incumbent]</p> <p>                Responsible for Regulatory Strategy, Legal and Governance, Compliance,<br/>Sustainability Strategy of the Company [incumbent]</p> |

|   |   |   |
|---|---|---|
| Yoko Ishikura<br>(March 19, 1949)       | Jul. 1985<br>Apr. 1992<br>Mar. 1996<br>Apr. 2000<br>Feb. 2001<br>Apr. 2004<br>Oct. 2005<br>Jun. 2006<br>Jan. 2008<br>Jun. 2010<br>Apr. 2011<br>Apr. 2012<br>Jun. 2012<br>Jun. 2014<br>Jun. 2015 | Joined McKinsey & Company Inc. Japan Office<br>Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University<br>Director (part-time), Avon Products Inc.<br>Professor, Graduate School of International Corporate Strategy, Hitotsubashi University<br>Member of the Central Education Council<br>Director (part-time), Vodafone Holdings K.K.<br>Outside Director (part-time) of Japan Post<br>Vice President, the Science Council of Japan<br>Outside Director, Mitsui O.S.K. Lines, Ltd.<br>Member (part-time) of the Council for Science and Technology Policy<br>Outside Director, Nissin Food Holdings Co., Ltd. [incumbent]<br>Outside Director, Fujitsu Limited<br>Professor, Graduate School of Media Design, Keio University<br>Professor Emeritus, Hitotsubashi University [incumbent]<br>Outside Director, Lifenet Insurance Company [incumbent]<br>Outside Director, Sojitz Corporation [incumbent]<br>External Director of the Company [incumbent]               |
| Shoichiro Iwata<br>(August 14,<br>1950) | Mar. 1973<br>Mar. 1986<br>May 1992<br>Nov. 1995<br>Mar. 1997<br>May 2000<br>Jun. 2006   | Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation)<br>Joined Plus Corporation<br>Deputy General Manager of Product Development Division<br>Head of ASKUL Business Project, Sales Division of Plus Corporation<br>Manager of ASKUL Business Division, Plus Corporation<br>President of ASKUL Corporation [incumbent]<br>Chief Executive Officer of ASKUL Corporation [incumbent]<br>External Director of the Company [incumbent]<br>Chairman of Remuneration Advisory Committee of the Company [incumbent]   |
| Tatsuo Uemura<br>(April 19, 1948)       | Apr. 1977<br>Apr. 1979<br>Apr. 1981<br>Apr. 1986<br>Apr. 1990<br>Apr. 1997<br>Oct. 2003<br>Jun. 2004<br>Jun. 2006<br>Sep. 2006<br>Jul. 2008<br>Mar. 2012<br>Jul. 2013                           | Lecturer, Faculty of Law, The University of Kitakyushu<br>Associate Professor, Faculty of Law, The University of Kitakyushu<br>Associate Professor, School of Law, Senshu University<br>Professor, School of Law, Senshu University<br>Professor, College of Law and Politics, Rikkyo University<br>Professor, School of Law, Waseda University [incumbent]<br>Director, Center of Excellence - Waseda Institute for Corporation Law and Society<br>Professor, Waseda Law School<br>External Director, Jasdaq Securities Exchange, Inc.<br>External Director of the Company [incumbent]<br>Chairman of Nomination Advisory Committee of the Company [incumbent]<br>Dean of Faculty of Law and the School of Law, Waseda University<br>Director, Global Center of Excellence - Waseda Institute for Corporation Law and Society [incumbent]<br>Member of the Board of Governors of Japan Broadcasting Corporation (NHK)<br>Auditor of the Audit Committee of NHK<br>Acting Chairman of the Board of Governors of NHK |

## Notes:

1. Ms. Yoko Ishikura, Mr. Shoichiro Iwata, and Mr. Tatsuo Uemura are external directors as provided in Item 15 of Article 2 of the Companies Act of Japan.
2. Shiseido Company, Limited ("the Company") designates Ms. Yoko Ishikura, Mr. Shoichiro Iwata, and Mr. Tatsuo Uemura as independent directors provided in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
3. Mr. Shoichiro Iwata concurrently holds the office of President & Chief Executive Officer of ASKUL Corporation ("ASKUL"), with which the Company has the following transactions:

| Transaction Matter, etc.   | Vendor, Recipient of Supporting Money, etc. | Purchaser, Provider of Supporting Money, etc. | Percentage of Transaction Value | Value for Comparison  | Significance of Relations  |
|--|---|---|---------------------------------|---|--|
| Stationeries, etc.   | ASKUL Corporation                           | The Company                                   | Less than 0.1%                  | Total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015                                  | Transaction value is minimal for the Company.  |
|  |   |   | Less than 0.1%                  | Net sales of ASKUL Corporation for the fiscal year ended May 31, Consolidated net sales of  | Transaction value is minimal for ASKUL Corporation.  |
| Stationeries, etc.   | ASKUL Group                                 | Shiseido Group                                | Less than 0.1%                  | Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Shiseido Group for the fiscal year ended March 31, 2015 | Transaction value is minimal for the Shiseido Group.   |
|  |   |   | Approx. 0.1%                    | Consolidated net sales of ASKUL Corporation for the fiscal year ended May 31, 2014  | Transaction value is minimal for ASKUL Group.  |
| Cosmetics, etc.  | Shiseido Group                              | ASKUL Group                                   | Less than 0.1%                  | Consolidated net sales of the Company for the fiscal year ended March 31, 2015  | Transaction value is minimal for the Shiseido Group.   |
|  |   |   | Approx. 0.1%                    | Consolidated cost of sales of ASKUL Corporation for the fiscal year ended May 31, 2014  | Transaction value is minimal for ASKUL Group.  |
| ASKUL Corporation sells cosmetics, etc. and has a relationship with the Company consisting of transactions in competition. Consequently, the contents and maximum amounts of transactions between the Company and ASKUL Corporation are approved in advance at the Board of Directors along with matters pertaining to transactions with conflicts of interest, and the results are reported to the Board of Directors following the end of the business year of ASKUL Corporation.<br>The amount of ASKUL Corporation's net sales of cosmetics, etc. in that period was approximately 0.4% of the consolidated net sales of the Company, and in the fiscal year ended May 31, 2014, ASKUL Corporation's net sales of cosmetics, etc. accounted for approximately 1.1% of its total sales. |   |   |                                 |   | Transactions in competition with organization where position is concurrently assumed have no impact on interests of shareholders |

|   |  |
|---|--|
| Mr. Tadakatsu Saito, who is an outside director of ASKUL Corporation assumed the office of Director of the Company during June 1997 to June 2004, but the Company has no special relationships of interest with Mr. Saito at present. | No issue with mutual assumption of office by directors, audit & supervisory board members and corporate officers |
|---|--|

## Audit & Supervisory Board Members

(As of June 23, 2015)

| Name<br>(Date of birth)                | Biography |  |
|--|-----------|--|
| Yoshinori Nishimura<br>(June 28, 1955) | Apr. 1979 | Joined Shiseido  |
|  | Apr. 2005 | General Manager of Financial Department  |
|  | Oct. 2008 | General Manager of Corporate Planning Department Group Leader of Finance Strategy Group and General Manager of Financial Department of Shiseido Business Solutions Co., Ltd. |
|  | Apr. 2009 | President of Shiseido Deutschland GmbH   |
|  | Apr. 2011 | Corporate Officer, Chief Financial Officer   |
|  | Jun. 2012 | Responsible for Finance, Investor Relations and Information System Planning  |
|  | Jun. 2014 | Responsible for Internal Control<br>Director<br>Audit & Supervisory Board Member of the Company (standing) [incumbent]   |
| Kyoko Okada<br>(July 26, 1959)         | Apr. 1982 | Joined the Company   |
|  | Apr. 2003 | Professional Business Operations Division of the Company   |
|  | Sep. 2004 | Corporate Social Responsibility Department of the Company  |
|  | Apr. 2006 | Corporate Culture Department of the Company  |
|  | Oct. 2011 | General Manager of Corporate Culture Department of the Company   |
|  | Oct. 2012 | General Manager of Corporate Culture Department of the Company and Group Leader for the 150-Year History Compilation Project   |
|  | Apr. 2015 | General Manager, Executive Section, General Affairs Department of the Company<br>Audit & Supervisory Board Member of the Company (standing) [incumbent]                      |

|  |           |  |
|--|-----------|--|
| Akio Harada<br>(November 3,<br>1939)     | Apr. 1965 | Public prosecutor of the Tokyo District Public Prosecutors Office  |
|  | Jul. 1975 | First secretary of Japanese Embassy in the U.S.  |
|  | Apr. 1988 | Chief of Personnel Division of Secretariat of the Minister of Justice  |
|  | Apr. 1992 | Chief public prosecutor of the Morioka District Public Prosecutors Office  |
|  | Dec. 1993 | Director-General of the Secretariat of the Minister of Justice   |
|  | Jan. 1996 | Chief of Criminal Affairs Bureau of Ministry of Justice  |
|  | Jun. 1998 | Administrative Vice-Minister for Justice   |
|  | Dec. 1999 | Superintendent public prosecutor of the Tokyo High Prosecutors' Office   |
|  | Jul. 2001 | Public Prosecutor-General  |
|  | Oct. 2004 | Registered as a lawyer [incumbent]   |
|  | May 2005  | President of International Civil and Commercial Law Centre Foundation  |
|  | Jun. 2005 | Audit & Supervisory Board Member of the Company (external) [incumbent]   |
|  | Jul. 2005 | External director of Seiko Holdings Corporation [incumbent]  |
|  | Jun. 2006 | External corporate auditor of Sumitomo Corporation   |
|  | Oct. 2009 | President of Tokyo Woman's Christian University  |
|  | Jan. 2011 | External director, Mitsubishi UFJ Financial Group, Inc. [incumbent]  |
|  | Apr. 2012 | Outside Director of Japan Post Holdings Co., Ltd.  |
|  | Apr. 2013 | External Auditor of Enterprise Turnaround Initiative Corporation of Japan  |
|  | Jun. 2013 | External Director of Enterprise Turnaround Initiative Corporation of Japan   |
|  | Mar. 2014 | Representative director of Young Men's Christian Association at the University of Tokyo, public interest incorporated foundation [incumbent] |
|  | May 1967  | Representative director of Japan Criminal Policy Society, general incorporated foundation [incumbent]  |
|  | May 1968  | Representative director of International Civil and Commercial Law Centre Foundation, public interest incorporated foundation [incumbent]     |
| Nobuo Otsuka<br>(January 10,<br>1942)    | Feb. 1980 | External Director of Sumitomo Corporation [incumbent]  |
|  | Nov. 1988 | External Director of Yamazaki Baking Co., Ltd. [incumbent]   |
|  | Feb. 2001 |  |
|  | Jun. 2007 |  |
|  | Apr. 2010 |  |
|  |           |  |
| Eiko Tsujiyama<br>(December 11,<br>1947) | Apr. 1977 | Lecturer, The College of Humanities, Ibaraki University  |
|  | Jan. 1982 | Visiting Scholar, Columbia Business School, Columbia University, U.S.A.  |
|  | Apr. 1985 | Assistant Professor, Faculty of Economics, Musashi University  |
|  | Sep. 1993 | Visiting Scholar, University of Cambridge, U.K.  |
|  | Dec. 1993 | Ph.D in Economics, The University of Tokyo   |
|  | Apr. 1996 | Dean of Economics, Musashi University  |
|  | Jul. 2001 | International Visiting Fellow, Financial Accounting Standards Board (FASB), U.S.A.   |
|  | Apr. 2003 | Professor, School of Commerce, Waseda University [incumbent]   |
|  |           | Professor, Graduate School of Commerce, Waseda University  |
|  | Jun. 2008 | Outside Corporate Auditor of Mitsubishi Corporation [incumbent]  |
|  | Jun. 2010 | Outside Director of ORIX Corporation [incumbent]   |
|  | Sep. 2010 | Dean of the Graduate School of Commerce, Waseda University   |
|  | May 2011  | Outside Corporate Auditor of LAWSON, INC. [incumbent]  |
|  | Jun. 2011 | Outside Corporate Auditor of NTT DOCOMO, INC. [incumbent]  |
|  | Jun. 2012 | Audit & Supervisory Board Member of the Company (external) [incumbent]   |

## Notes:

1. Mr. Akio Harada, Mr. Nobuo Otsuka, and Dr. Eiko Tsujiyama are audit and supervisory board members (external) as provided in Item 16 of Article 2 of the Companies Act of Japan.
2. The Company designates Mr. Akio Harada, Mr. Nobuo Otsuka, and Dr. Eiko Tsujiyama as independent directors provided in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

## Corporate Officers

(As of Jan. 1, 2016)

|                             | Name                   | Title  |
|-----------------------------|------------------------|--|
| Corporate Executive Officer | Yoichi Shimatani       | 【Chief Research and Development Officer】   |
| Corporate Officer           | Jun Aoki               | 【Chief People Officer, Department Director, Human Resources Department】<br>Responsible for China Business Innovation Project, Executive and External Relations |
| Corporate Officer           | Jean-Philippe Charrier | 【President, Shiseido Asia Pacific Pte. Ltd. and Managing Director, Shiseido Singapore Co., (Pte.) Ltd.】<br>Responsible for Asia Pacific Region                 |
| Corporate Officer           | Kentaro Fujiwara       | 【President, Shiseido China Co., Ltd】   |
| Corporate Officer           | Takahiro Hayashi       | 【Chief Creative Officer】<br>Responsible for Advertising and Design, Corporate Culture  |
| Corporate Officer           | Katharina Höhne        | 【Senior Vice President, Global Professional Business】  |
| Corporate Officer           | Masaya Hosaka          | Assisting Chief Technology and Innovation Officer  |
| Corporate Officer           | Mitsuru Kameyama       | 【Chief Information Officer, Department Director, Global Information and Communication Technology Department】   |
| Corporate Officer           | Yasushi Kushida        | 【Chief Supply Chain Officer】   |
| Corporate Officer           | Yoshiaki Okabe         | 【Brand Director, SHISEIDO Brand Unit Global Prestige Brands】   |
| Corporate Officer           | Yoshihiro Shiojima     | 【Chief Legal and Governance Officer】<br>Responsible for Compliance, Sustainability Strategy  |
| Corporate Officer           | Mikiko Soejima         | 【Chief Beauty Officer<br>Chief Beauty Officer, Shiseido Japan Co., Ltd.】 Responsible for Beauty Creation, Consumer Information, Japan Region                   |
| Corporate Officer           | Shigekazu Sugiyama     | 【Senior Vice President, Cosmetics Brands, Shiseido Japan Co., Ltd.】  |
| Corporate Officer           | Norio Tadakawa         | 【Chief Finance Officer】<br>Responsible for Finance, Corporate Planning   |
| Corporate Officer           | Mari Tamura            | 【Senior Vice President, Global Prestige Brands】  |

# Compliance

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In April 2011, Shiseido established its new Group corporate philosophy "Our Mission, Values and Way." In order to realize Our Mission, which is designated as the Group's shared corporate mission, business domain and universal raison d'être, Shiseido has established Our Values, which defines a mindset that should be shared by each and every person in the Group, and Our Way and Shiseido Group Standards of Business Conduct and Ethics, which refers to action standards for employees to carry out their work according to higher ethical standards. Accordingly, we are promoting legitimate and fair corporate activities.

In addition to compliance, Shiseido's initiatives related to corporate ethics are variously aimed at gaining acceptance throughout the world that Shiseido is "a company that is helpful to society," "an essential company" and "an attractive company."

## Ensuring priority issues of Compliance

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### ■ 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.

- “Compliance Rules Regarding Protection of Personal Information”
- “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

Compliance

## Enhancement of corporate ethics

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### (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. We have assigned the Business Ethics Officer (BEO), who plays similar roles, as well as the Corporate Ethics Leaders (CEL), who assists the BEO, and host regular training programs on corporate ethics in each overseas subsidiary. The Corporate Ethics Leaders and BEOs report the status and results of corporate ethics activities at each workplace to the CSR Committee.

### (2) Training for all employees

Based on the theme of "be considerate and take action," human rights training was conducted for all employees at all business locations of the Shiseido Group, in which emphasis was placed on "becoming aware" through employee discussions.

In terms of promotion, Shiseido established a system led by Human Rights Enlightenment Promotion Committee members assigned to business locations nationwide. Accordingly, all committee members gather at an annual meeting to discuss solving issues related to the theme of human rights.

Specifically, in fiscal 2010, training was conducted for newly appointed Human Rights Enlightenment Promotion Committee members covering aspects such as acquiring basic knowledge regarding human rights and corporate ethics as well as training promotion skills. The training was implemented twice in eastern and western Japan in an effort to improve training content.

Additionally, the Shiseido Human Rights Enlightenment Promotion Committee Member Guidebook that consolidates information for addressing human rights and various issues was created and is being shared with all committee members.

### (3) Position-specific training

The following group training is conducted according to respective positions in addition to training for all employees.

Compliance

## Whistle-blowing system

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As the social environment continues to change, companies are required to make swift responses according to such changes. To ensure that any acts in violation of the law, employment regulations, or internal rules found in the Company are resolved internally before they become serious, the Company has established two entities for reporting (counseling) ethics concerns: the in-house Shiseido Consultation Office to receive inquiries and reports covering a wide range of topics regarding the workplace and the Shiseido External Consultation Office, which is located at a law firm. Furthermore, the Company has also newly established the "CSR Committee Hotline", which specializes in reported cases, and "Report Mail to Auditors", which receives reports concerning corporate officers, as internal reporting entities in June of 2014.

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.

The Shiseido Consultation Office welcomes individuals seeking advice on a wide range of topics, relating to the Company's business and operations in general. The Office has worked to quickly resolve 222 (domestic) inquiries in the year ended March 2014.

Approximately 70% of the inquiries received in the year ended March 2014 were regarding relationships and words/behavior between superiors, colleagues, and subordinates as well as regarding labor management. Necessary measures were taken, such as internal investigations, etc., to resolve all of such inquiries. Furthermore, the Company aims to thoroughly prevent recurrence of those that must be regarded as issues for the overall workplace by calling attention throughout the Company by incorporating such issues in the management training, etc.

Overseas, the Company has established the "hotline" system, which is a whistle-blowing system, as well as an entity to receive reports in each major affiliate. In addition, the Company has also established and notified employees of the "SHISEIDO Group Global Hotline" at the HQ to directly receive reports from employees of overseas affiliates.

# Risk Management

Shiseido promotes risk management through the CSR Committee, which is under the direct authority of the Board of Directors. The CSR Committee not only promotes initiatives to reduce risks but also continuously confirms the steps until the occurred risks are resolved.

## Risk assessment

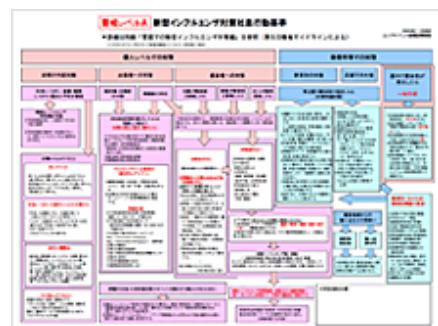
Shiseido conducts "risk assessment" on the group level. We extract important risks based on the results of the assessment questionnaires conducted on the impact/probability/response level of 40 compliance-related risk items in HQ departments and domestic/overseas business offices/affiliates as well as items pointed out by external consultants. Through this, we aim to prevent risks and minimize the damage in case of risks by clarifying the issues involving risk management and maintaining a certain level of measures in the overall group, etc. As a result of risk assessment, we especially focus on the 4 items of "personal information protection", "bribery prevention", "cartel prevention", and "business partner risk prevention" as the reinforcement themes involving compliance. We are promoting the establishment of the PDCA system (compliance program) for the entire group to thoroughly promote the initiatives.

## Responding to occurred risks

With the aim of taking swift and appropriate measures against occurred risks, Shiseido has clearly defined and categorized risks into 10 types. When a risk occurs, it is swiftly reported to the CSR Committee secretariat from the department, in which the risk occurred, based on the definition and categorization of the risk. The CSR Committee secretariat determines the level of the risk from 3 levels, judging from the management impact scale and social impact. The organization to respond according to the risk level considers the measures to minimize the damage and prevent secondary damage, continuously confirms the measure status, measure results, and recurrence prevention measures, and reports to the CSR Committee as necessary and appropriately.

## Business Continuity Plan and Employee Earthquake Manual detailing action to be taken in the event of a major earthquake or the outbreak of a virus

Shiseido has established a Business Continuity Plan (BCP) spelling out how important operations would be restored and carried on in the event of disasters including major earthquakes and new strains of influenza, in a manner that would allow the company to minimize damage and resume operations at the earliest possible opportunity. The BCP requires response to all disasters/risks that may lead to discontinuation of the operation. Shiseido has categorized risks into 2 categories according to the characteristics, including "disasters/risks that result in damage unexpectedly" and "disasters/risks that result in continuous damage in a gradual/long-term manner." We have established the "earthquake response BCP" as the representative of unexpected risks and the "infectious disease response BCP" as the



Employees action guidelines for *New Strains of Influenza Countermeasures*

representative of gradual/long-term risks. Either the "earthquake response BCP" or the "infectious disease response BCP" is applied to other risks that may affect the continuation of the business according to the characteristics of the risks.

The "earthquake response BCP" stipulates execution items by phase for the 4 phases of 1) preventive measures, 2) emergency response, 3) resuming operation, and 4) restoring/carrying on business before and after the earthquake. The system includes the "HQ emergency countermeasure headquarters," which consists of the "action group" that is led by the president and is in charge of missions in case of emergency, such as confirming people's safety and comprehending damage status, and the "product supply continuation committee" that considers the important operation of product supply, and the "local countermeasure headquarters" that manages sales departments with the largest number of personnel covering a large area. These two countermeasure headquarters collaborate with each other to respond to disasters. We responded to the Great East Japan Earthquake in March of 2011 in a swift manner based on the BCP. The "infectious disease response BCP" has established responses by level, including temporary business suspension, to address various conditions from strong toxicity to weak toxicity of new strains of influenza. The "Employee Action Guidelines for New Strains of Influenza Countermeasures," which is a guideline for employees' actions for different levels of responses, was created and posted on the intranet to arouse awareness among employees to enable them to calmly respond to emergencies.

## Human Rights

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Shiseido promotes various initiatives, including consciousness-raising activities, to respect all human rights.

### Policy Related to Respect for Human Rights and Discrimination

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Shiseido Group members extensively learn about human rights issues through enlightenment training at all business sites, including affiliated companies. Our basic policy on human rights enlightenment is aimed at "creating a corporate culture in which human rights are respected without discrimination and discrimination is prohibited." According to Our Way "With Employees" of "Our Mission, Values and Way," human rights-related aspects are defined as follows.

Also, in the area of human rights activities, Shiseido has established the Shiseido Group Supplier Code of Conduct in the context of its own corporate activities. In this code of conduct, the Company has incorporated items pertaining to labor (prohibition of child labor, prohibition of discrimination, occupational health and safety, etc.). In addition to promoting these initiatives in a sustainable manner, Shiseido also joined the CEO Statement, an initiative launched by the Global Compact on the 60th anniversary of the Universal Declaration of Human Rights in December 2008, as part of our program of support for the Global Compact. The statement declares to the world that "human rights are universal and major issues in business and that the Company will respect and support human rights in respective corporate activities."

### Promotion System

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Shiseido Group examines its direction of enlightenment activities and details in the Human Rights Enlightenment Council led by the General Manager of the Human Resources Department of Shiseido. The Human Rights Enlightenment Council is promoting internal research and external human rights enlightenment activities while collaborating with secretariats (Equal partnership Promotion Group, Human Resources Department at the Shiseido Head Office and Diversity Promotion Group, Business Administration Department of Shiseido Sales Co., Ltd.).

Also, the head office, factories, research centers, domestic affiliated companies and respective offices of Shiseido Sales Co., Ltd. have established the Human Rights Enlightenment Promotion Committee under the Human Rights Enlightenment Council for annual training.

### Human Rights Enlightenment (Education)

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Shiseido Human Rights Basic Policy is internally disclosed via the intranet of the CSR Committee. The human rights enlightenment training is implemented to verify the Shiseido Group Basic Policy on the Enlightenment of Human Rights. To steadily respond to social expectations according to the ISO26000 regarding various human rights issues, including anti-discrimination problems, women, children, persons with disabilities, gender identity disorder and harassment, we are conducting enlightenment activities directed at eliminating discrimination and bias by establishing themes and personnel in charge at overseas business sites every year.

Specifically, an upper-level management workshop for the head office directors and domestic and overseas general managers, a workshop for domestic business site managers, a workshop for business office employees (89% participation rate for fiscal 2014) and a workshop for new employees are conducted once a year. Moreover, fiscal year policy is confirmed and annual regular meetings on various subjects, such as training implementation plans, are carried out in National Human Rights Enlightenment Promotion Committee Training, which is for Human Rights Enlightenment Promotion Committee members from respective business sites nationwide.

At overseas business sites, in line with the current revision of "Our Mission, Values and Way," employees deepen their shared recognition of human rights by indicating the definition of human rights in English in the context of "With employees" in Our Way. Going forward, Shiseido will further promote activity to spread human rights on a global scale.

To address harassment, we once held e-Learning for all Group employees in fiscal 2014 with the aim of raising awareness to eliminate harassment and will continue to organize such events.

## Points of Contact for Employee Inquiries

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In response to the Whistleblower Protection Act, which took effect in April 2006, and in order to internally resolve misconduct in the unlikely event of such occurrence and before such an issue would become more serious, Shiseido is working toward more widespread recognition of two points of contact: the in-house Shiseido Consultation Office and the Shiseido External Consultation Office, which is located at a law firm. Relevant information is distributed in various ways such as through manager training and pamphlet distribution to all employees.

Also, a set of Shiseido Group Consultation Office Regulations was established to clarify paths of investigation and resolution and to prohibit prejudicial treatment of whistleblowers (as well as individuals seeking advice). Employees have been informed of these initiatives.

The Shiseido Consultation Office welcomes individuals seeking advice on a wide range of topics relating to the Company's business and operations in general, and is trying to quickly resolve employees' inquiries. In fiscal 2014, a total of 220 inquiries was received, contributing to a cumulative total of 2,413 inquiries since the establishment of facilities in April 2000.

Furthermore, the Company distributed an Ethics Card to each employee, including employees dispatched from employment agencies. The Ethics Card features various information including contacts for the aforementioned work-related consultation inside and outside the Company, as well as internal Mental Health Consultation and external Shiseido Health Support Dial 24 for advice related to mental and physical concerns.

## Labor Practices

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With Employees. Shiseido promotes the development of workplaces in which all employees can work with a sense of ease by placing importance on employee diversity.

### Basic policy regarding personnel affairs

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Shiseido Group denotes its policy under "With Employees" and "With Society and the Earth" in Our Way, which is established under "Our Mission, Values and Way," and adopts the policy in all subsidiaries and business sites in Japan and overseas.

Based on these basic policies, Shiseido and domestic Group companies individually establish personnel affairs regulations, including employment regulations, in accordance with domestic laws and regulations. They also adopt rules and regulations that respond to employment terms for all directly hired employees including fixed-term contract employees. As for the establishment and revision of personnel affairs regulations, it is fundamental for Shiseido to develop content that exceeds legal requirements and the Company is reporting relevant matters to administrative authorities upon receiving confirmation and approval from labor unions or the majority of employee representatives. In this respect, Shiseido will continue complying with the law.

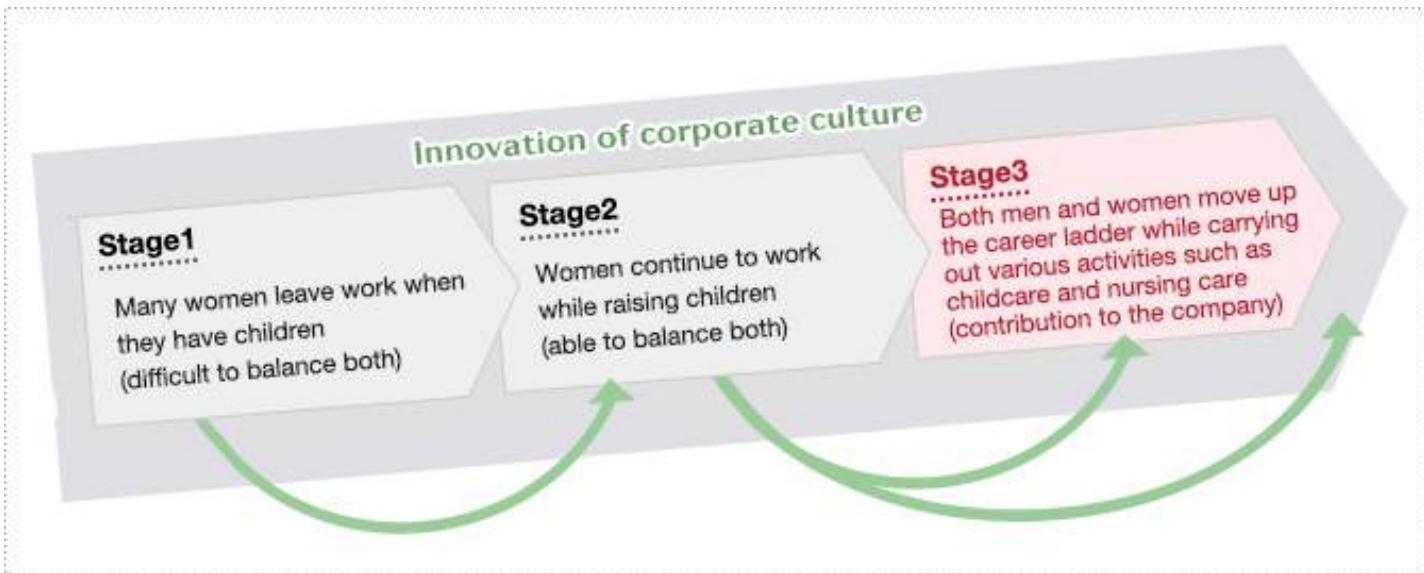
## Diversity & Inclusion

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### Support Measures for Women's Activities

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 leaders 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 were able to cultivate career awareness among female employees. The ratio of female leaders has reached 27.2% as of April of 2015, and it has significantly improved compared to before the plan formulation. With the "review of how employees work", the number of employees working long hours has reduced, and the overtime work has been reduced by half through the implementation of switching off lights in all offices, Leaving Office On Time Day, etc. We have been able to reach a certain level of results. 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.

## &lt;Three Steps for Women Taking Active Roles&gt;



We host forums as part of the initiatives to cultivate the culture in which diverse employees, including women, demonstrate their skills and take active roles.

During the Gender Equality Action Plan period, we held "Career Support Forum" with the themes of "reform into an efficient way of working" and "proactive career establishment of female employees", which received a great reaction from the participants, including female employees and leaders.

Furthermore, we focused on nursing care, which is starting to become a new obstacle in balancing work and life in the society with an aging population and declining birthrate, and held the "D&I forum" with the theme of "balancing work and nursing care" in February of 2015.

There were also many male employee participants, who shared their voices of "I was able to systematically organize my knowledge on nursing care", "This was helpful, as I am in the situation where I will need to balance the two in the future", etc.



Career Support Forum

**TOPICS :** Shiseido receives the first "Advanced Corporation Awards for the Promotion of Women" hosted by the Cabinet Office

Shiseido received the "Minister of State for Special Missions Prize" in "Advanced Corporation Awards for the Promotion of Women", which was newly established by the Gender Equality Bureau of the Cabinet Office this fiscal year.

This prize selects and awards companies which have demonstrated significant achievements in the policy to employ women in corporate officer/management positions, initiatives, achievement, and disclosure of such information in order to promote the establishment of working environments in which

women can take active roles.

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, etc. by establishing internal systems, such as child care leaves/child care time system, etc., prior to the law and establishing child care facilities within affiliates, etc. as part of the initiatives to support people to balance work and child care.

Also with female employee employment, the rate of female leaders (managerial position leaders with subordinates) within the domestic group has reached 26.8% as of April of 2014, thanks to the achievements from the "Gender Equality Action Plan", etc. We are currently promoting further initiatives to achieve the goal of 30% in domestic female leader ratio within fiscal 2016 based on human resources development with the aim of enhancing the company contribution rate of both men and women by developing their careers.

Shiseido will continue proactively promoting initiatives to support women to take active roles in the future with the aim of realizing a society in which women shine.

Note: Female leader ratio: 27.2% as of April of 2015



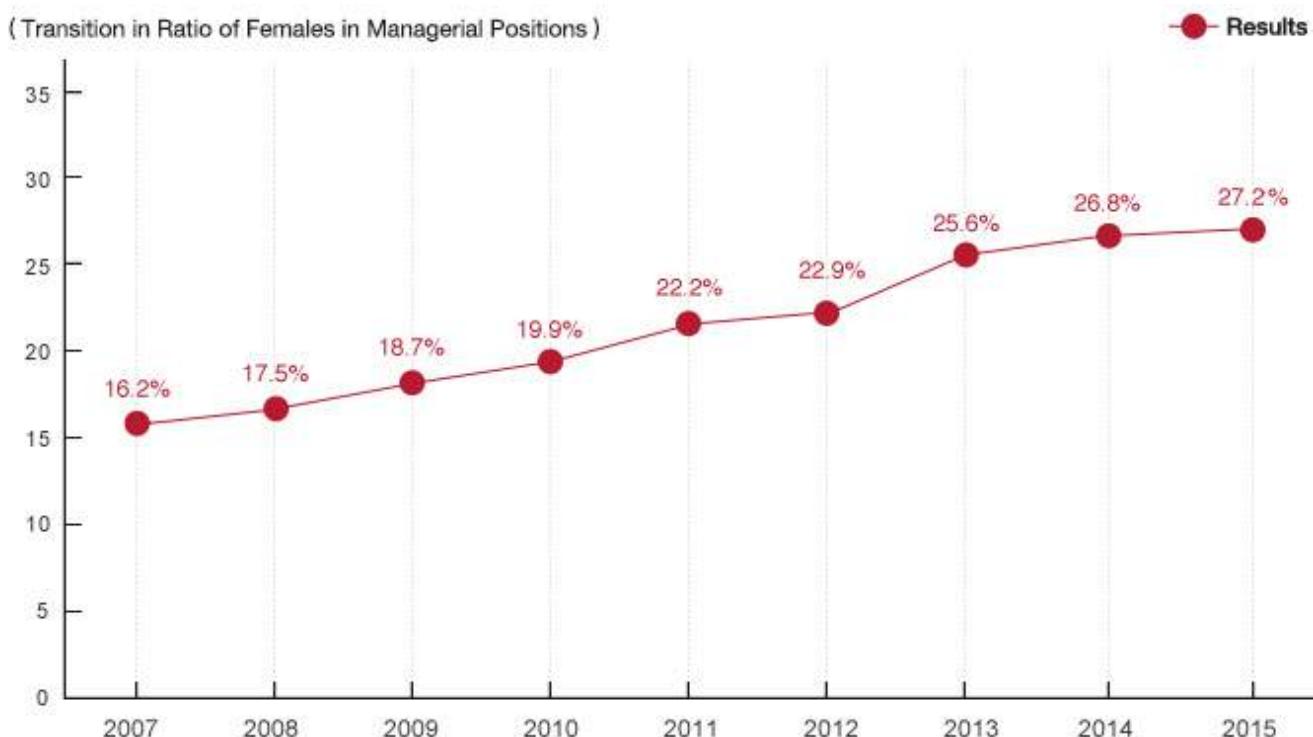
Commemorative photo at the awarding ceremony (person on the left in the front row is Corporate Executive Officer Sekine)

## Ratio of Female Managers

In terms of female manager employment, we have set a goal to achieve a 30% ratio of females in managerial positions as soon as possible. Accordingly, the Company is currently promoting "individual personnel development" to enable future female employee candidates to assume managerial positions through "steady achievement of results and learning the basics of management," dealing with higher level of work duties (how to assign work), expanding professional area of focus (transfer), and other relevant initiatives.

Reference: Ratio of females in managerial positions as of April 2015: 27.2%

Note: Results as of April 1 of each year



## Employment of Individuals With Disabilities

In January 2006, Shiseido's Hanatsubaki Factory Co., Ltd. was certified as a special subsidiary, which is staffed primarily by developmentally challenged individuals as part of an effort to create a workplace where all employees can actively work. Currently, 31 employees are taking active roles at the three locations in Tokyo and Osaka.

The rate of employment of developmentally challenged individuals among all employees in the overall domestic Shiseido Group for fiscal 2014 was 2.03%, surpassing the statutory employment rate of 2.0%.

## Employment of Foreign Personnel

In addition to overseas subsidiaries, the Shiseido head office also has been employing diverse personnel regardless of nationality. We are hiring foreign personnel at the head office while adhering to the immigration control system, including resident status considerations, and subjecting them, regardless of nationality, to the same employment regulations after they join the company as the Japanese employees.

## 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. According to the revision of the law, we have been reemploying all employees who wish to work since FY2013(\*). By utilizing the post-retirement reemployment system, Shiseido pursues initiatives for middle-aged and older employees to hand down techniques and know-how to the next generation employees, particularly in research, development, production, sales, and other relevant fields.

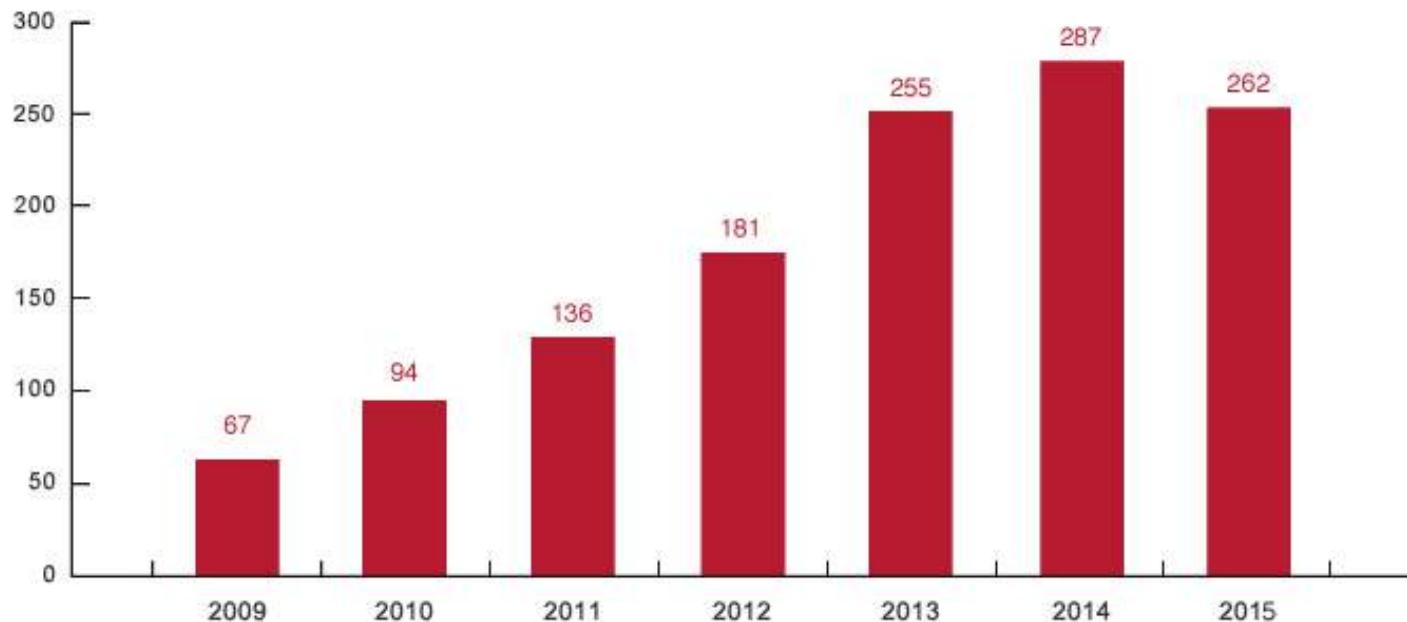
Moreover, the "Senior Expert System" and "Senior Scientist System" are being adopted for personnel that possess high expertise. This helps channel the special abilities of these respective experts into the development of suitable treatments.

\*However, we employed transitional measures according to the revision of the law in FY2013

Note: Results as of April 1 of each year

( Number of employees using the post-retirement reemployment system at Shiseido )

(person)



## 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 regulations.

Shiseido also has a system to reemploy retired employees(\*). We encourage such employees to work in Shiseido again, utilizing the experience they have gained after retirement.

\*They are employed as fixed-term employees upon employment.

## 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 verified the temporary employment contracts and details of work at all domestic business sites using a checklist to confirm the understanding of laws and regulations stipulated under the dispatch law together with personnel in charge of management.

Shiseido will continuously and appropriately respond to amendments in or reinterpretations of respective laws and regulations.

### "Being selected as one of the Diversity Management Selection 100"

Shiseido Co., Ltd. was selected as one of the "Diversity Management Selection 100" by the Ministry of Economy, Trade and Industry in FY2013. They select and recognize a total of 100 companies in Diversity Management Selection 100 project "that achieve certain results, such as the creation of innovation and improvement of productivity by utilizing various human resources to the fullest."

Shiseido Co., Ltd. was evaluated for 3 items of "women, foreign people, and people with disabilities."



## Realize a rewarding workplace

### Realize a rewarding workplace

As a means for all employees to realize work-life balance and increase productivity of each and every employee, Shiseido has been introducing various measures. We are also promoting activities to review how employees work and working to eliminate long working hours and to increase ways of working in order to realize a work place in which each and every employee can feel rewarded while working.

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 (from 45 to 80 hours of overtime work per month is limited to occurring 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 indicator [KPI] and goals related to working hours) for reviewing how employees work and is currently promoting activities to review how employees work 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 FY2013, Shiseido is making efforts to further reduce long working hours at each workplace with the aim of enhancing these activities.

- 3. Promotion of measure to switch off office lights and Leaving Office On Time Day

Since FY2009 at the head office, lights in offices have gotten switched off at 10 p.m. This measure has been extending to all domestic business sites(\*), including affiliated companies, since FY2010. Furthermore, the HQ office has been making efforts to switch off lights at 20:00 and promote the Leaving Office On Time Day once a month since FY2011.

\* Excluding factories, stores, and storefronts that are implementing 24-hour operations or shift work.

- 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, with regard to leaves and shortened work hours systems, 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 for employees to use the system for childcare for 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. As for overseas transfers, we 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 research centers.

## 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 realize both men and women move up to the career leader while carrying out various activities such as childcare and nursing care.

Shiseido has been promoting original initiatives to develop an environment in which employees can work with a sense of assurance. 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 take time off from work for childcare.

Employees' use of leave and shorter working hour systems related to childcare and nursing care is increasing every year. As of FY2014, the number of employees who used the childcare leave system/took time off for childcare is as follows: 1,421 employees (including 9 male employees) used the childcare leave (including Short-term paid parental leave), 1,882 employees (including 7 male employees) took time off to care for their children, 26 employees (including 0 male employee) took nursing care leave, and 16 employees (including 1 male employee) took time off 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 care for family members, we are also promoting reforms to the way BCs work.

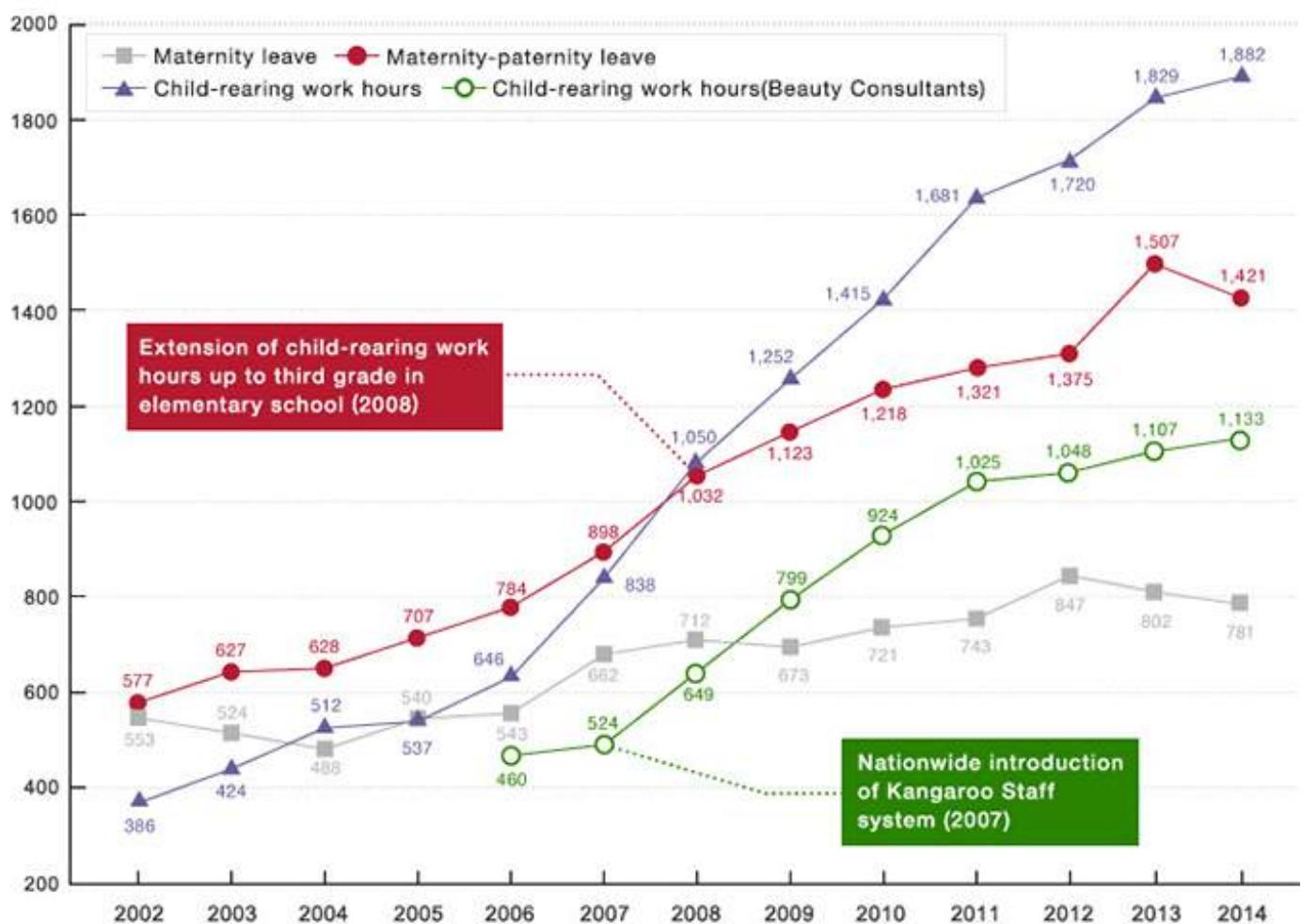
In implementing these reforms, we solicited feedback from BCs to ascertain the current situation and left in place the balance support systems introduced to date. Next, we conducted individual interviews with BCs currently raising children and their superiors, to ensure that systems could be utilized 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 BCs faces.

As a result of promoting these reforms, 98% of BCs taking childcare time 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 customer service activities so that the BCs could take time off 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% customer-oriented" philosophy. When the program was first introduced, approximately 600 Kangaroo Staff members provided support for about 500 BCs who took time off to care for their children. In recent years, the Kangaroo Staff program has expanded to more than 1,600 Kangaroo staff providing such support for more than 1,000 BCs taking time off to care for their children.



Note1: Years ended March.

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 23,870 as of April 1, 2015 (6,841 BCs).

Note4: Number of employees who used the childcare leave and took time off to care for their children 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 taking time off for childcare.  |
| 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 taking time off for childcare or nursing care.   |
| 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. |

## General Business Owner Action Plans Complying with the Next-Generation Nursing Support Measures Promotion Law

Shiseido has once again obtained the "Kurumin" next-generation accreditation mark for 2013, after first obtaining it in 2007. The Tokyo Labor Bureau awards the mark to companies that have drafted "General Business Owner Action Plans" based on the Next Generation Nursing Support Measures Promotion Law, and that have achieved the goals.

From fiscal 2013, Shiseido has formulated Phase 4 of the General Business Owner Action Plans, working on events themed on work-life balance and running measures to reduce overtime work.

Its distributors have also drafted their plans and are undertaking similar efforts, having acquired the "Kurumin" next-generation accreditation mark in 2007.



### Shiseido Company Limited's Phase 4 General Business Owner Action Plans For the period from July 26, 2013 to March 31, 2016

| No. | Goals  | Time, Actions  |
|-----|--|--|
| 1   | Host events that are themed on and promote work-life balance.  | <From June 2013> Develop content; seek participants.<br><Sept. 2013> Run event.    |
| 2   | Implement measures to reduce overtime work.  | <From FY2013> Enact a Labor Hours Guideline and manage its progress.               |
| 3   | Run events that target male employees during the child-care stage, aiming to correct work-first notions and preconceptions of gender roles.  | <From Aug. 2013> Develop content; seek participants.<br><Jan. 2014> Run event.     |
| 4   | Run annual Family Day events where children get to visit their parent's company. Aim to help children develop their own views on vocation and create active communication in the home and workplace. (Consider holding the event not only at the headquarters office, as in the past, but at other offices as well.) | <From every June> Develop content; seek participants.<br><Every August> Run event. |

## Shiseido Japan Co., Ltd.'s Phase 4 General Business Owner Action Plans For the period from December 1, 2013 to March 31, 2016

| No. | Goals  | Time, Actions  |
|-----|--|--|
| 1   | Host events that are themed on and promote work-life balance.  | <From June 2014> Develop content; seek participants.<br><Sept. 2014> Run event.  |
| 2   | Implement measures to reduce overtime work.  | <From FY2013> Enact a Labor Hours Guideline and manage its progress.             |
| 3   | Run events that target male employees during the child-care stage, aiming to correct work-first notions and preconceptions of gender roles.  | <Feb. 2014> Run event.   |
| 4   | Run annual Family Day events where children get to visit their parent's company. Aim to help children develop their own views on vocation and create active communication in the home and workplace. (Consider holding the event not only at the headquarters office, as in the past, but at other offices as well.) | <From June 2014> Develop content; seek participants.<br><August 2014> Run event. |

## Work Improvement Proposal System (Chie-Tsubaki Proposal System)

Shiseido believes it is the willingness of individual employees to meet challenges and take action that drives reform of the Company forward. We launched the Chie-Tsubaki Proposal System in June 2006 to enable all employees to participate in the reform process by submitting ideas on how operations can be improved.

The system provides a mechanism for evaluating proposals made by employees based on their creative problem-solving and improvement efforts. Especially proposals that receive a favorable evaluation are presented directly by the submitting employee to the Company's president and directors, who evaluate the proposal and recognize the employee's contribution.

We also award individuals/offices every year.

Proposals that can be implemented horizontally across the organization are applied companywide to help gain new customers and streamline operations.

## Personnel affairs and fair evaluation

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### Promotion Structure of Fair Evaluation and Work Conditions

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 a personnel affairs policy 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. Additionally, with the implementation of the 360-degree feedback program for managers, Shiseido is working to enhance the management abilities of managers by encouraging them to recognize their strengths and points to be improved in respective work behaviors through results of 360-degree observation from supervisors, colleagues and subordinates.

### Structure for Listening to Employee Opinions

The Shiseido Group Engagement Survey is conducted once 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 Shiseido External Consultation Office, which is outside the Company, in 2002, thereby addressing various matters such as inquiries and whistleblowing 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

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### 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." Such distinction of corporate culture endures today as the Company reflected in the "Shared Education" Declaration launched in 2006. The declaration seeks to cultivate people by linking workers' self-realization to the growth of the company.

In terms of human resources development, Shiseido categorizes the areas in which employees take active roles into seven segments (Beauty, Sales and marketing, Advertising production, R&D, Production, Finance and accounting, and Corporate staffing), whereby individual employees are expected to establish their core area of career. Employees work to improve themselves based on ability requirements according to area while aiming to become more professional through various opportunities.

The Beauty Field Career Development Plan Program established in 2009 is an example of a structure aimed at fostering professionals. Under this program, BCs, hair and makeup artists and salon stylists who are Shiseido employees in the beauty field, join the selective Shiseido Beauty Academy as a career path, then proceed to become advanced beauty professionals at the top of their respective fields in Shiseido Group after graduating from the academy.

### Ecole Shiseido

In accordance with its "Shared Education" Declaration, Shiseido opened a corporate university called Ecole Shiseido in 2006 to implement the Company's human resources development policy and oversee companywide training. A variety of training initiatives are being offered, including professional training in a variety of fields, new employee and management training that cuts across fields, and training to develop the skills required in upper management positions. While the president serves as the chancellor of the university, corporate officers take the lead in developing a pool of interested and talented employees by serving as the deans of the faculties

in the university that correspond to their own areas of responsibility.

The training programs conducted at Ecole Shiseido are summarized each fiscal year by the heads of respective faculties at the head meeting to discuss human resources development policy, development measures and more.

Shiseido is also developing and expanding e-learning or correspondence courses to enhance each and every employee's skills. Available courses include programs to help improve action and capabilities, programs to develop specialized knowledge and skills required for respective fields, and programs for acquiring official certifications aimed at enhancing language ability and OA skills.

## Globalization of human resources and human resources development in globalization

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In accordance with the expansion of our overseas business performance, Shiseido promotes globalization of human resources. In Japan, "global business training" and "global career development programs" are implemented targeting employees of middle standing and junior employees, thus continuously cultivating human resources with "adaptability to deal with other culture" and "understanding global businesses".

Externally outside of Japan, "the Shiseido Regional Leadership Program (SRLP)" started in 2011, promoting human resources development in respective regions. From now on, targeting mainly local subsidiaries' managers and head office employees, talent management initiatives on a global scale, we have initiated "the Shiseido Regional Leadership Program" in each region to promote the development of human resources that will lead the future business by the unit of each region.



the Shiseido Regional Leadership Program

## Support to develop employees' career track

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In April in 2011, "the Career Design Center" was established as an exclusive duty organization to support development of employees' independent career. In "the Career Design Center", professionally trained employees are helping provide services to support employees' careers from the time they join the company to the time they retire through various means including individual career counseling and seminars.

While employees receive such support, they also independently develop their careers utilizing "job challenge system (in-house job challenge system)" to which employees apply to be a candidate, and "free agent system" by which employees can challenge to get certain post if they want and other systems. Shiseido is also providing information for employees to review their careers and is introducing seminars and specific past cases corresponding to each employee at



Career Design Book

in-house portal site. As a company, Shiseido tries to face with each career in each employee and is supporting each employee to make feel rewarded in one's work so that employees could be motivated to play their roles in respective fields in respective life.

### **TOPICS :** The Career Design Seminar was held.

Starting from 2011, Shiseido takes place "The Career Design Seminar" targeting employees over 40 years old with the viewpoint of "our Time, our Life for 80 years old".

In such an initiative, the seminars are providing opportunity for employees to reflect upon how they should build up their remaining job careers in the latter half in a company, and what is one's own strength, and weakness as well as what they want to achieve in future after looking back each career track. The seminar is promoting for participants to review their life planning from the viewpoint of life long careers (their roles and way of living in their respective life including their job careers).

In 2014, Shiseido held such seminars 9 times with total 427 participants including BCs in addition to management positions and comprehensive positions since 2012.

#### The Career Design Seminars



In order to realize more substantial careers, participants can review their job careers with a diversified viewpoint.



Job career theory is changing day by day. Participants learn the basic way of thinking with an additional viewpoint of their personal life.



In World Café, they touch upon diversified ideas through sessions among participants belonging in different sections with different experiences, to be inspired in various way.

## Safety and health of employees

### Health Management Policy

Shiseido is pursuing companywide personal development as it strives to achieve its vision of filling the Company's organization with interesting and talented people. It is of paramount importance that each and every employee be able to work in a fresh and lively manner, healthy in body and spirit, and we believe that healthy living is the

foundation of personal development. That is why Shiseido has established its basic health management policy to protect the invaluable health of each and every employee and supports their physical and emotional wellness.

### <Shiseido's Basic Health Management Policy>

As a company supporting "This moment. This life. Beautifully." for customers, Shiseido promotes healthy, sound management. This helps each and every employee to live "This moment. This life. Beautifully." by being physically and emotionally well, in turn.

1. Employees will actively take various initiatives, such as improving lifestyles, to be healthy, and the Company will support employee health through the health business.
2. Shiseido will support employees through creating a safe and comfortable workplace environment so that each and every one can fulfill a professional role by fully exercising their abilities.
3. Shiseido will promote health management based on compliance with laws and regulations while thoroughly pursuing the appropriate use and management of personal information, including health information.

## ■ Promotion Structure of Safety and Health

To ensure that the basic health management policy functions effectively across the Shiseido Group, the Company holds a Local Hygiene Council seminar in each area to discuss companywide promotion of health programs and efforts suitable for results of the area. Participants include the human resource managers of domestic Shiseido Group companies, industrial physicians, occupational health nurses, regular nurses and other industrial health staff, labor union representatives, staff from the Head Office Human Resources Department and health insurance union representatives.

At the Group's domestic business offices, hygiene committees are being established to point out and improve hazardous areas by making tours of the offices in accordance with laws and regulations.

Research centers and factories are established with occupational safety and health policies and safety and health committees. Accordingly, respective entities regularly check offices, shared facilities and operation sites, pointing out hazardous areas or dangerous behaviors to make improvements to. At the same time, new facilities are being verified prior to their start of operation to ensure absence of dangers.

Measures are also being taken at the domestic factories to prevent the occurrence of major accidents by setting the goal of eliminating layoffs caused by disasters every year.

## ■ Safety and Health Education for Employees

Shiseido distributes a pamphlet entitled "Achieving Physical and Mental Health" to all employees as a means of promoting the health of each and every employee. The company provides information under various themes centering on measures to prevent lifestyle-related diseases, which requires self control. Also, in addition to health counseling, we are also implementing programs such as health-related seminars and conducting the

following health education.

We have also established an external cooperative counseling office in order to respond to employees' care in a wide scope and have established the counseling system that can offer support 24 hours a day, all year round.

#### ■ Preventing lifestyle-related diseases

With the aim of achieving the regular health check rate of 100%, we have added optional items for the health insurance union in addition to the legally required items, which are implemented on the same day. The Company allows employees to individually select certain items besides statutory health check items, thereby raising employees' interest toward their health through regular health checks.

We promote activities to prevent lifestyle-related diseases through transmission of industrial health staff providing individual health instructions, etc. to employees based on the national regional assignment. Shiseido also distributes information on the company intranet and issue periodical materials to promote health education among all employees and promotes health education with wider targets through employee e-learning, etc.

#### ■ Providing mental healthcare

An in-house mental health counseling office is established. A counseling system that realizes cooperation with workplaces and healthcare is established mainly with specialized counselors and industrial physicians. In addition, we have also established an external cooperative counseling office that can offer support 24 hours a day. Shiseido is conducting self-care training for general employees and line-care training for managers mainly at the head office.

In addition, Shiseido has clarified the steps for returning to work for those who have taken long leaves and also established uniform standards (guidelines) for Shiseido Group in Japan to enable workplace returnees to return to the workplace more smoothly.

#### ■ Discouraging tobacco use

Shiseido is implementing non-smoking in the company with the objective of improving employees' health, enhancing customer satisfaction and fulfilling social responsibility. Enlightenment activities included no-smoking days to foster understanding within the Company prior to implementation of the non-smoking rule.

#### ■ Supporting women's health

We conduct/promote female health checks with the health insurance union.

Shiseido is implementing Health Seminar for Women as necessary at its domestic business sites where the majority of employees are women. The seminar aims to increase awareness for managing individual health and explains diseases that are specific to women according to life stages.

### ■ Interview to prevent long-time work

To prevent health disorders due to long-time work, Shiseido business sites, including the head office, have established standards that exceed statutory standards and industrial physicians are conducting interviews among all relevant employees.

Industrial physicians provide appropriate advice and instructions to individuals and the Company with the aim of preventing health damage of employees.

### ■ Others and Overseas

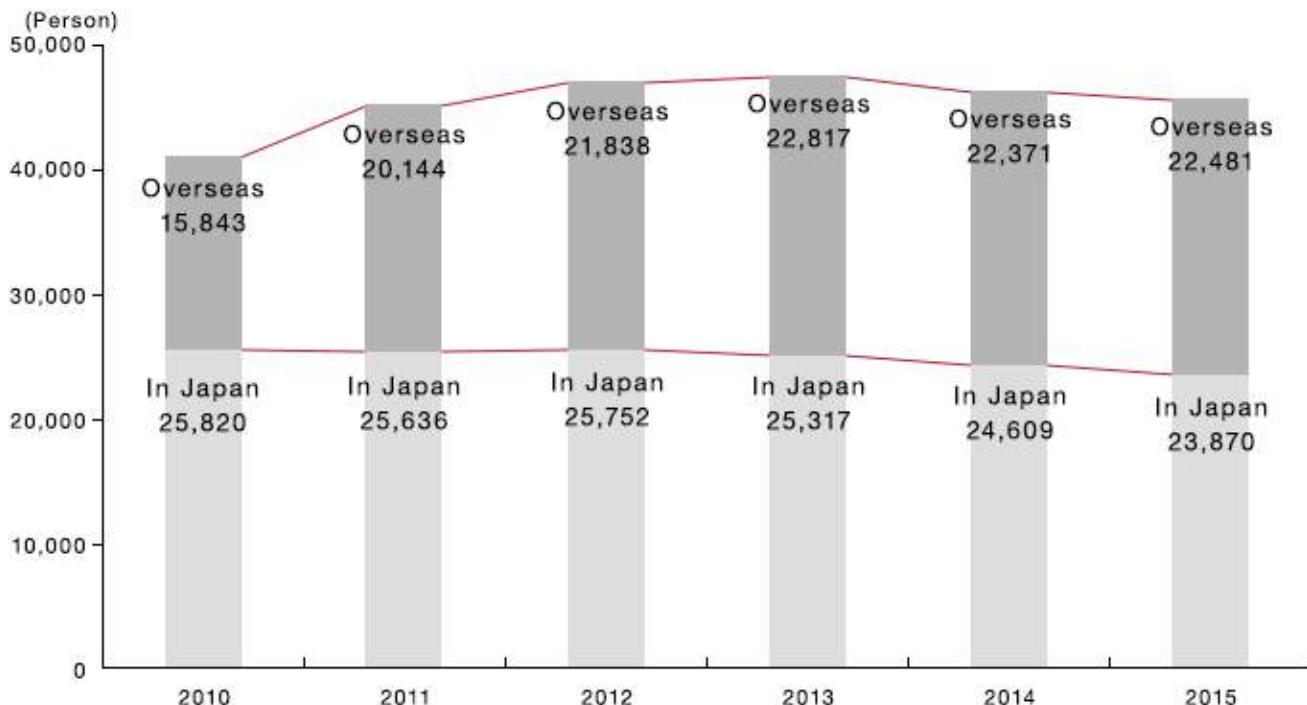
Information calling attention to infectious diseases is posted on the intranet for employees traveling overseas while a booklet on infectious disease prevention is distributed to employees prior to their transfer to work overseas.

## Employment and Labor

### I 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 April 1, 2015, the number of employees throughout our Group companies totals 46,400, which is 630 less than the previous year.

The number of employees in Shiseido Group companies



Note: each figure is based on the data as of the 1st April, the overseas data is based on the number of those who worked under the direct labor contact mutually with local branches and subsidiaries as of the end of December in 2014.

## Wage

The wage system of Shiseido is the well-organized system based on abilities and results, which eliminated 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 also the system for increasing the satisfaction level of employees.

The basic salary ratios of employees in the domestic Shiseido Group in FY2015 by job category and gender are as follows: Management level: Male100 : Female95; General management: Male100 : Female98; and Beauty staff: Male100 : Female110 (As of April 1, 2015).

## Employee benefits and welfare

Aiming for our employees and their families to achieve "the realization of prosperous and comfortably affluent life", we are putting the force on fulfillment of employee benefits and welfare as well as making our working conditions in good order so that they can be actively engaged in corporate and social activities.

### Our welfare facilities to support our employees to advance their business career and design their own life style

Shiseido is supporting our 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 various welfare facilities.

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 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 facility 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 contributes to support employees' life planning management.

Retirement allowances in Shiseido Group companies consist of "defined benefit pension plan", "defined contribution pension scheme" or "allowance for employee retirement benefits" and "lump sum retirement pay". Employees enjoy benefit after selecting a plan between defined contribution pension scheme and allowance for employee retirement benefits. With regards to defined contribution pension scheme, Shiseido helps support our employees to actively practice post retirement life design planning through asset management and investment information periodically provided by Shiseido.

Partially some local subsidiaries are providing defined benefit type plan, lump sum retirement pay and defined contribution type plans.

## Employment

In Shiseido Group Companies, both companies and employees are maximizing their efforts to maintain employment of workers, and our commitment to stabilize the employment is certainly comply with laws and regulations in each respective region in each respective operating country.

In employing workers, upholding the Shiseido Group corporate philosophy of "Our Mission, Values and Way", we try to respect diversity and to realize such a working environment that employees could feel rewarded.

Basically, Shiseido introduces regular employment system twice a year in spring and summer, 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 employs experienced candidates, targeting those 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 an employee could be significantly affected in their life accompanying with relocation of a new branch or transferring to another office, our labor agreement stipulates that Shiseido should set up a commission consisting of management and labor union members to sincerely settle specific problems based on a discussion between labor and management for immediate solution.

## Good Relationship with labor union

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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.

Shiseido Company, Limited and certain Group companies' (including overseas subsidiaries') employees are organized according to labor unions. In Japan, Shiseido's labor union, representing Shiseido Company, Limited, Shiseido Sales Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System (applicable to approximately 10,400 Shiseido Group employees in Japan as of April 1, 2015).

In the union agreement document, Shiseido Company, Limited and Shiseido's labor union confirmed aims 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.

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.



## Fair Business Practices

With Business Partners. Activities for promoting fair business in accordance with ethical action standards.

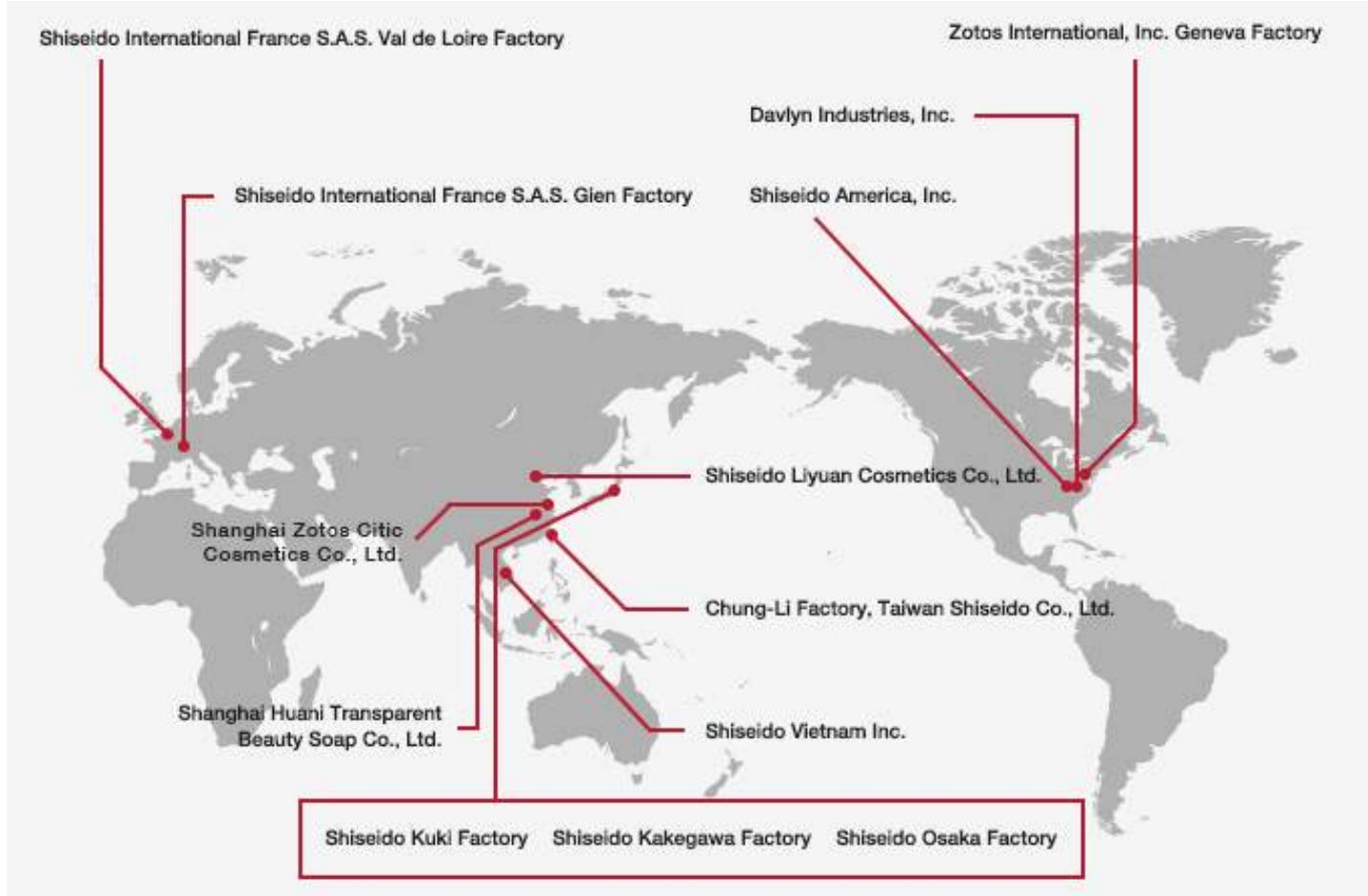
### Fair Competition and Comprehensive Transactions

#### Policy for Fair Transactions

Based on "With Business Partners" in Our Way, which is denoted in "Our Mission, Values and Way," Shiseido also aims to realize a good partnership in terms of CSR activity with all business partners, including retailers and suppliers.

Shiseido shares the information of business partners throughout the world and promotes the optimal procurement from a global perspective when purchasing ingredients and fragrances used in the manufacture of cosmetics, packaging, promotional sales materials, and other products. We have also established two "Eco Standards" in production and sales promotional materials by prioritizing the considerations toward safety and global environment, and we also proactively promote these standards in our procurement.

### Manufacturing bases of the Shiseido Group



## Aiming to Strengthen Partnerships with Our Business Partners -Briefing Session on Purchasing Activity Policy

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 widely spreading the procurement policy, the procurement departments in Japan and China are holding annual briefing sessions of the purchasing activity policy with business partners. Furthermore, the domestic procurement departments are also holding section meetings of purchasing activity policy sessions, which are held by respective fields such as raw materials, fragrances, materials, and indirect materials, to directly communicate the procurement policy, various tasks, and requests in each field as well as to utilize the sessions to respond to questions and requests from business partners.

In 2014, 141 business partners participated in these sessions held by the domestic procurement departments. 134 business partners began participating in these sessions in China, suggesting further development in the future.

## Awarding business partners who have contributed to the development of the business

Shiseido awards business partners who have contributed to the development of the business and presents them with the first prize and prize. This awarding system selects the awardees from the 3 aspects of quality, cost reduction, and technical development. 6 companies received the awards in fiscal 2014.

## Shiseido Group Supplier Code of Conduct

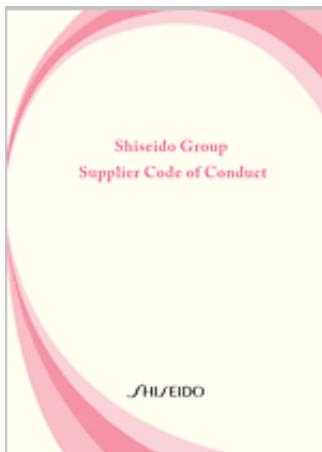
Shiseido aims to realize "We cultivate relationships with people, we appreciate genuine, meaningful values, we create beauty, we create wellness" and works on researching, developing, manufacturing, and sales of "high quality, secure, and safe" superior products and services that gain customer satisfaction. We consider every business partner a "partner who will create new value with Shiseido" with the aim of sustainable development with mutual understanding of highly ethical standards.

Triggered by the participation in the United Nations Global Compact, we have established the "Shiseido Group Supplier Code of Conduct" in 2006 that clearly stipulates the standards that are relevant to "Human Rights," "Legal Compliance," "Labor Practices," "Protection of Intellectual Property and Maintenance Confidentiality," "Protection of the Environment," and "Fair Operating Practices." We revised this Code of Conduct in December, 2011, by incorporating the New Shiseido Group Corporate Philosophy "Our Mission, Values and Way" and the concept of "ISO26000," which is the world's first international standard on social responsibilities. As of March, 2015, among the business partners, who are the targets of the Shiseido Group Supplier Code of Conduct, over 1,500 domestic and overseas companies have signed the agreement for the said Code of Conduct.

Furthermore, with the aim of comprehending the compliance situation of the Supplier Code of Conduct, we conduct periodical monitoring, such as questionnaires and audits, etc., with approximately 500 domestic and overseas business partners.

Additionally, in order to qualitatively assess compliance status, Shiseido also uses questionnaires and direct interviews related to control systems, including quality and delivery deadlines, CSR initiatives and other relevant aspects on a regular basis. In the unlikely event that a violation of the "Shiseido Group Supplier Code of Conduct" is identified, Shiseido will strictly request remedial action and implement corrective guidance and support.

In addition, we have established the "Business Partner Hotline" in Japan with the aim of establishing the system to receive opinions and consultation from business partners. (No report was made in fiscal 2014)



Shiseido Group Supplier Code of Conduct (updated in December 2011)

## ■ Transactions Subject to the Shiseido Group Supplier Code of Conduct

| Transactions  | Purchased Items or Services   |
|---|---|
| Items such as raw materials that are directly used for products | Fragrances, raw materials, etc.   |
| Outsourced products   | Cosmetics, beauty equipment, etc.   |
| Sales support products  | Small size samples, actual samples, etc.  |
| Packaging   | Containers, wrapping materials, package inserts, labels, outer cases, etc.  |
| Outsourced sets   | Outsourced set production, etc.   |
| Promotional products  | Printed matter (leaflets, catalogs, etc.), premiums, counter furnishings and accessories, sales activity tools, promotional event tools |

## Environmentally-friendly Raw Material Procurement

In addition to developing environmental technologies to reduce CO<sub>2</sub> emissions, Shiseido strives to create new value through its research and development operations by conducting research into new technologies for implementing value for consumers in an environmentally friendly manner and pursuing software development. In procurement, we strive to use raw materials that do not increase atmospheric concentrations of CO<sub>2</sub> at the time of disposal or incineration, for example through joint research into sugarcane-derived polyethylene. We work closely with our business partners to develop environmentally friendly technologies through initiatives such as procurement with considerations for biodiversity, etc. in order to contribute to the realization of a sustainable society. Some of the specific initiatives include the utilization of bagasse paper, use of plant-based fermented alcohol, sustainable utilization of palm oil, etc.

## Protection of Intellectual Properties

Shiseido Group is doing business with business partners who have necessary measures in place to protect the intellectual property rights, thereby ensuring the confidentiality of business partners, Shiseido Group and third parties. In addition to promoting the acquisition of intellectual property rights related to transactions with Shiseido, as a means of steadily promoting items that include those for preventing violation of intellectual property rights, identification and management of business confidentiality, protection of individual information and other relevant aspects, Shiseido Group expects its business partners to have policies and procedures to train and provide guidance to their employees.

Note: Intellectual properties refer to intellectual property rights (patent rights, trademark, copyrights on registered designs, etc.) and business confidentiality (know-how, etc.).

## Information Security Management

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### Policy Related to Information Security

Shiseido establishes Information Security Management Policy (Security Policy) for all people working in the Shiseido Group to protect and maintain various essential information assets owned by business sites of the Shiseido Group by establishing robust information security. Annually we have continuously promoted information security training for employees through initiatives such as conducting relevant e-Learning.

### Policy Related to the Protection of Individuals' Information

Shiseido deeply recognizes the importance of individuals' information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Accordingly, we endeavor to steadily take action by establishing the individuals' information protection policy.



## Consumer Issues

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With Consumers. Shiseido is working to manufacture safe, reliable products and disseminate information with the aim of being "100% customer-oriented."

### Promotion of Reliable and Safe Manufacturing

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#### | Establishment of Unique Product Safety Standards

Product research and production at Shiseido are designed to create products that customers 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). Then ingredients are thoroughly investigated for impurities and other substances that might adversely affect the skin, and only those of unquestionable safety are selected for use. Finally, we conduct patch tests and dermatologist-supervised trials to ensure that the resulting formulations will be free of problems when used in products.



Sensory testing of cosmetics



#### | 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.

## Total Reassurance and Safety Management of Chemical Substances

### A Basic Approach Based on Health and Environmental Considerations

Shiseido manages chemical substances used in products and containers based on the international goal of "minimizing adverse effects that the manufacturing and use of chemical substances have on human health and the environment by 2020," as adopted at the 2002 World Summit on Sustainable Development (WSSD).

Shiseido collects information about chemical substance safety and trends in the regulation of chemical substances in Europe, the Americas, Asia, Japan, and other regions. This data is evaluated based on the latest scientific knowledge and put to use in order to ensure safety by evaluating the effects of chemical substances used for products on people or the environment.

In the event that concerns about the effects of ingredients used in products on human health or the environment were to be brought to our attention, we would make a judgment as to whether to continue their use based on the latest scientific knowledge available at that point in time. Based on this judgment, if necessary, we would halt the use of respective substances immediately and switch to an alternative substance.

### Complying with the European REACH Regulation

Under Europe's new chemical substance regulatory framework, known as the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation, which was put into force in June 2007, all chemical substances contained in cosmetics and containers exported to Europe from Japan are subject to regulation.

In particular, substances imported into Europe in quantities of one ton or greater per year must be registered in accordance with procedures set forth in the REACH Regulation. Shiseido has assessed all such substances which must be registered.

The REACH Regulation also requires that manufacturers provide information to business partners and customers concerning products and containers that contain at least 0.1% of certain substances that are feared to have an effect on the human body or the environment, known for the purposes of the regulation as Substances of Very High Concern (SVHC). At the present time, Shiseido has verified that none of its products or containers falls under this category. The SVHC list is updated periodically. However, in the event that a substance used for a product or container is included on the SVHC list, Shiseido's policy is to halt use of the respective substance, for example by switching to an alternative substance.

## Policy regarding the use of cosmetics raw materials derived from genetically engineered plants

Global consensus has not necessarily been reached with regard to the safety of genetically engineered plants. Also, as with food, customers strictly expect the safety of cosmetics. Consequently, Shiseido's corporate policy is to make scientific determinations such as that a product "does not contain genetically engineered proteins or those derived from genetic engineering," thereby ensuring that cosmetics raw materials deemed to have been derived from genetically engineered plants are not used.

## 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

Shiseido is observing the quality standards of designated global guidelines worldwide and producing cosmetics under strict quality control. In order to ensure customer assurance by placing the highest priority on quality and safety, we have continuously worked to maintain and manage product quality by establishing Shiseido Good Manufacturing Practice (Shiseido GMP) as self-imposed standards related to manufacturing.

Shiseido observes all items (e.g. organizations and systems from educational training to acceptance, manufacturing management, inspections, etc.) that are stipulated under the ISO22716, which was established as an international standard related to cosmetics manufacturing in 2007, and is delivering reliable, safe, high quality products that have been produced under comprehensive quality control.

In order to protect safety and high quality in terms of healthcare products beginning with food, Shiseido is intensively carrying out quality control in respective stages of raw material selection, product commercialization, production and distribution. In doing so, we are manufacturing products enabling customers to use our products regularly with a peace of mind. In selecting raw materials, Shiseido is gathering information from around the world and using only raw materials that are confirmed as reliable by looking at local data, including that regarding soil and pesticide residues. In product commercialization, production and distribution, the Company also has a system in place to realize a stable supply of high quality products by employing respective standards, including HACCP<sup>\*1</sup>, ISO22000 and GMP<sup>\*2</sup> as well as self-imposed specifications.

\*1 HACCP : HACCP is a method of food sanitation control developed to ensure the safety of space food in the United States in the 1960s.

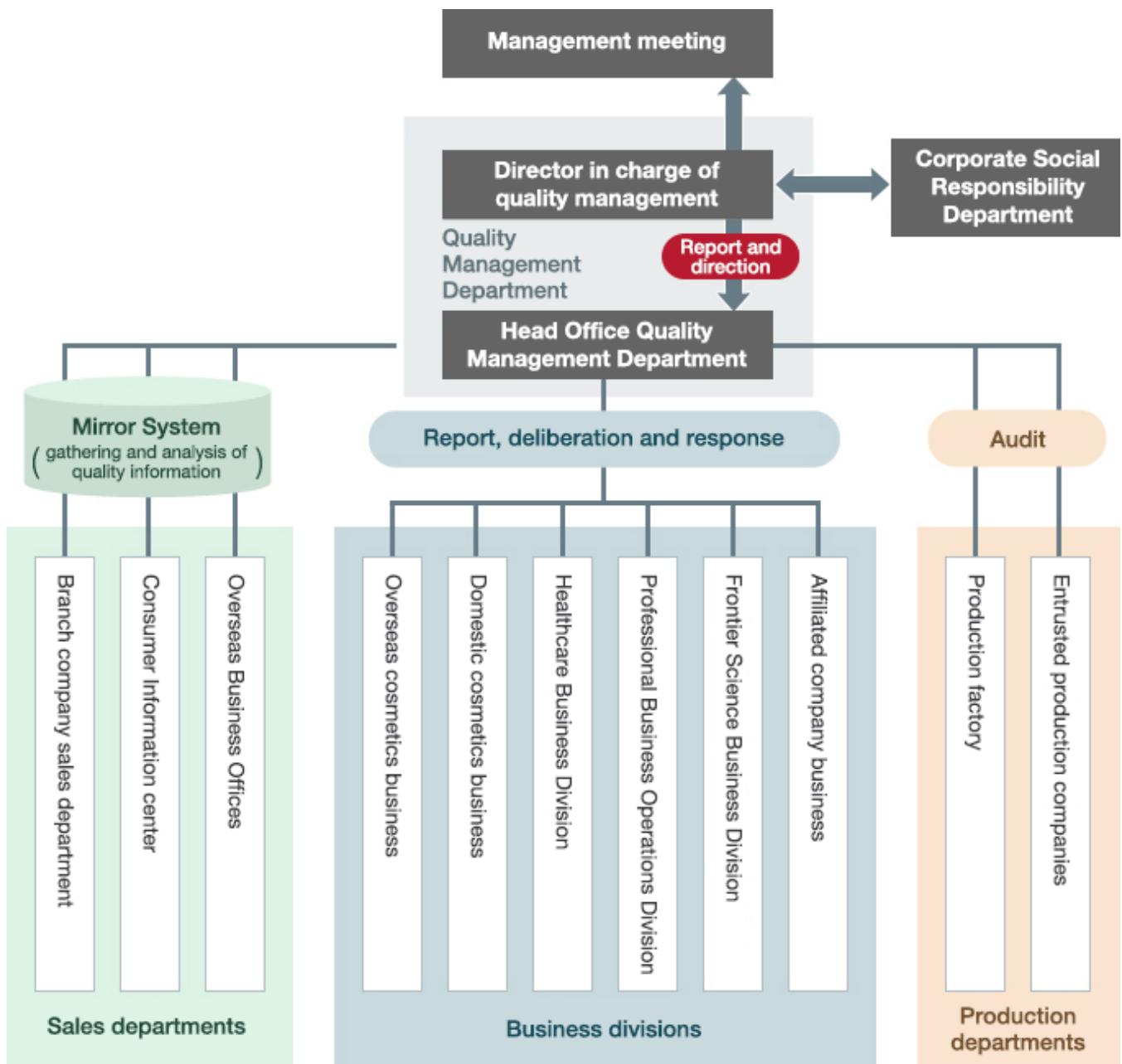
\*2 GMP : Good Manufacturing Practice (GMP) is a quality control standard applied to pharmaceuticals that was established by the Minister of Health, Labour and Welfare based on the Pharmaceutical Affairs Law.

## Response to Product Accidents

In order to promote research, development, manufacture and sales of safe products that will achieve customer satisfaction, Shiseido clarifies where the authority and responsibility lie in terms of quality assurance, including product planning, manufacturing, sales and imports, and product accident prevention. At the same time, obligations to report accidents are in statutory form, thereby strengthening and comprehensively promoting quality assurance and product accident prevention activities at Shiseido and the Group companies.

In the unlikely event of a quality accident and/or product liability accident involving the Company's products, a department that receives information is expected to immediately report the case to the Quality Management Department, Business Division and Corporate Social Responsibility Department. The Corporate Social Responsibility Department will establish the response level in accordance with the degree of severity and decide on the accident response methods. The Quality Management Department will investigate the cause and the Business Division will promote various initiatives, including responses.

## Response to Product Accidents



## Appropriate Provision of Product Information

Our Way 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 and labeling as well as observing respective countries' and regions' laws and regulations, including corporate regulations."

## Compliance Status of Laws and Regulations Related to Advertising and Labeling

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Details that should be indicated on cosmetics are stipulated under the Pharmaceutical Affairs 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, October 9, 1980). Based on these standards, the Japan Cosmetic Industry Association (JCIA) industry organization has established Appropriate Advertising Guidelines including Cosmetics as self-imposed industry standards that clarify 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 Pharmaceutical Affairs 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

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At Shiseido, we implemented the Statutory Labeling Seminar and Advertising Appeal Seminar in fiscal 2013 which were attended by a total of about 200 employees.

We also discussed the subject in the quality-related e-learning that we conducted for Shiseido Sales Co., Ltd. (Hosted by International Business Planning Department, participated by approximately 2,500 people)

## Activities to Enhance Customer Satisfaction

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Based on Our Way, which is denoted under the Group's corporate philosophy of "Our Mission, Values and Way," Shiseido aims to help customers and society. Products and services with values generating customer satisfaction will be created by uniting the hardware of cosmetics and the software of various information and beauty methods that accompany the hardware. To this end, Shiseido is also promoting various initiatives in terms of counseling and services to address customers' beauty and health needs.

### Activities to Enhance Customer Satisfaction

## A Structure that Reflects Customer Feedback

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In order to realize Medium-to-Long Term Strategy "VISION 2020", Shiseido is promoting initiatives to internally report back the valuable feedback, including consultations and requests received from customers, and utilize it for product development and service enhancement. By quickly detecting changes in customers or society and

reflecting these changes in corporate activities, Shiseido is gathering and analyzing customer feedback information and working to share information throughout the company. In doing so, we are requesting that relevant departments respond to develop and revamp products, beauty information and service with leading to the enhancement of the corporate value through the "customer-focused perspective". The Shiseido Consumer Information Center is responsible for taking the central role regarding such initiatives.

## Customer services-action policy

The Shiseido Consumer Information Center, which was established in 1968, offers sincere response to inquiries and consultations from customers and transmits information that can be further utilized for customers. We also started the "watashi+" service that connects the website and stores in 2012 and newly established the "watashi+ support center." We aim to promote proactive communication with customers.

### **Customer Service Code of Conduct**

To materialize our corporate message, "This moment. This life. Beautifully", we will actively work to support our customers' endeavor to attain eternal beauty.

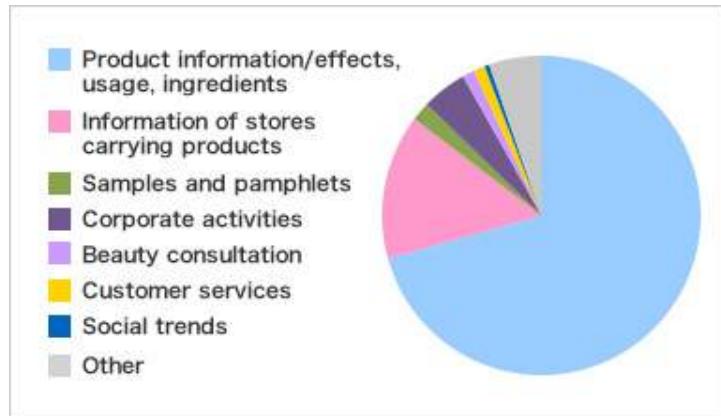
We strive to respond timely and accurately in good faith to our customers' requests.

We strive to attain customer satisfaction, and we always remind ourselves to treat our customers with gratitude and the Shiseido spirit of *Omotenashi* (hospitality).

We will work to support the lifetime relationship between our customers and Shiseido by applying our customers' feedbacks to our product creation process and attentive service.

## Gathering and Sharing Customer Feedback

In Japan, Shiseido gathers customer feedback in various ways. Approximately 100,000 opinions and inquiries (about our products [71%], about our shops of our products [15%]) are directed annually to the Consumer Information Center via toll-free numbers, e-mail and letters, and about 90,000 customers provided feedback to Beauty Consultants that they came into contact with at the storefronts, and voices from SNS (Social Networking Service) such as Twitter. Afterwards, Shiseido fosters an environment for managing such information using a system and people to conduct analysis on a case-by-case basis.



Shiseido employees share customer feedback via the intranet in order to refine products and create value that further satisfies customers.

Furthermore, we also devote ourselves to Collaborative Nurturing (Learning) activities in global with the aim of gaining a deep understanding of customers' feelings, which they feel in daily lives with cosmetics, and their backgrounds and to develop products and services that can further help customers. This enables us to consider things from customers' perspectives by being exposed to their true voices, presenting opportunities for us to review our operations.



"Customer feedback" seminar at factories in Japan and overseas



Meetings for customer support representatives in Europe, Korea, Beijing, Shanghai, Hong Kong, Taiwan, and Japan

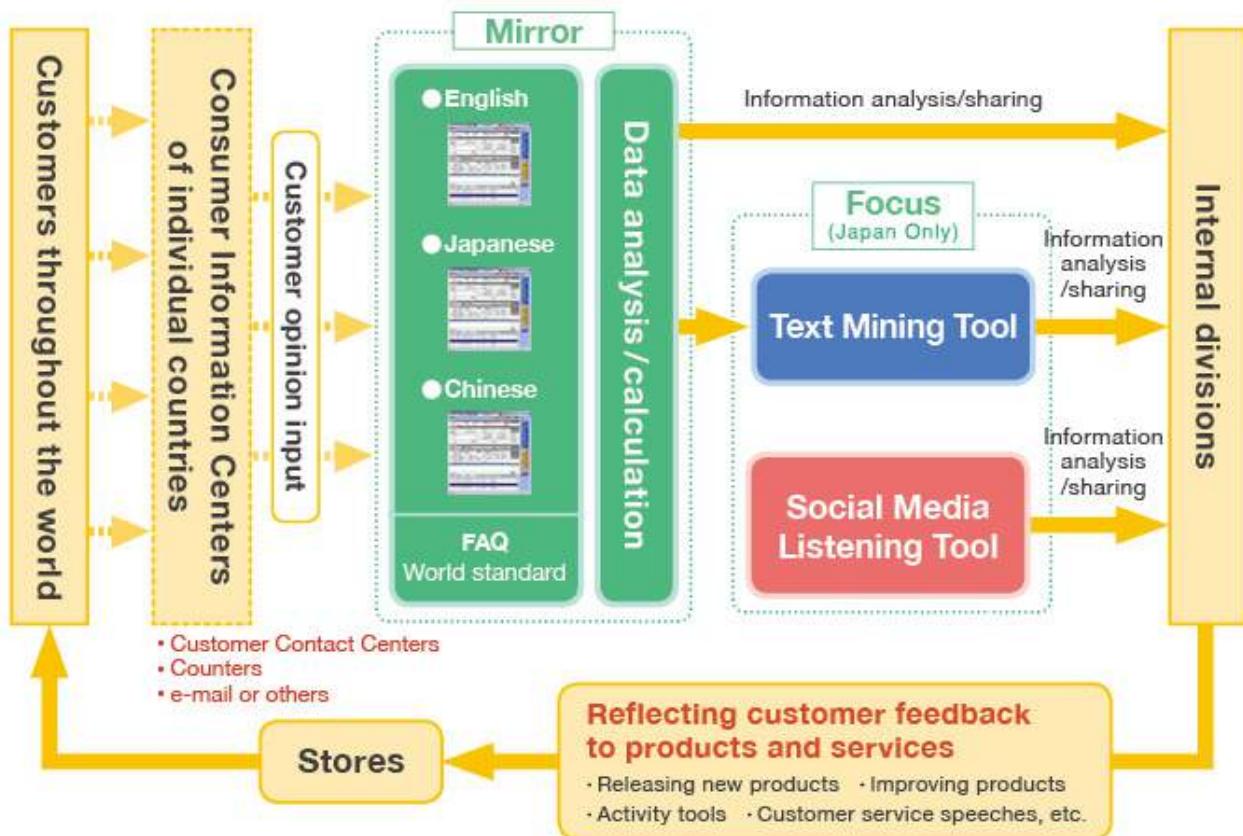
## System to support the foundation to utilize customer services and customer feedback information

Shiseido has enhanced the system, which had been utilized since 1996, into a system that can share and utilize customer feedback information from all over the world along with the globalization of the business. This system, which was named "Mirror\*," was introduced within and outside of Japan in 2011. We are taking on the challenge of creating values for the Shiseido Group by enhancing our response to consultations and requests that come to customer service centers throughout the world and gathering/analyzing customer feedback information from all over the world in an efficient manner through the introduction of "Mirror."

In Japan, we are establishing an environment in which all employees can easily analyze/utilize the customer feedback information, which has been accumulated in "Mirror," according to the objectives by linking the information with the text mining system "Focus" and visualizing customer feedback. We also utilize SNS (Social Networking Services) listening system in order to reflect customer feedback, which is not normally directly delivered to the company, to corporate activities.

\*Mirror: The name reflects our hope to review/show the reality of Shiseido's activities on the "mirror" through customer feedback.

## System to gather/utilize customer feedback information



**TOPICS:** The Shiseido Consumer Information Center was awarded three stars, the top rating, in the "Quality (Telephone) Ranking Monitoring" sponsored by HDI for two consecutive years

The Shiseido Consumer Information Center has been awarded three stars, the top rating, for the second consecutive year in the 2014 Customer Service Center assessment sponsored by HDI-Japan\*. HDI-Japan is the Japanese subsidiary of the Help Desk Institute (HDI), the largest organization in the customer support service industry.

The Shiseido Consumer Information Center representatives' specialized expertise in providing wholehearted service and extra care in putting themselves in the customer's shoes have enabled the center to attain such high acclaim.

Moreover, Shiseido established a help desk for older women, "Kirameki Ms. Beauty Consultation Room" (within the Consumer Information Center) in March 2013 as part of the evolution of "providing service from customer's point of view." The help desk is staffed by experienced beauty advisors who can provide advice on a wide range of issues, including products and beauty related information.

As the front-line in the "customer-focused perspective" of our business activities, the Shiseido Consumer Information Center will continue to give full and sincere attention to our customers and

further improve our services so that customers will trust us and use Shiseido products.

\*HDI (Help Desk Institute)

HDI is the world's biggest international organization for the support service industry, in which approximately 50,000 members belong worldwide. As many as 90% of the top 500 companies in the world, which are listed in the U.S. financial magazine "Fortune", are members of HDI. HDI possesses 100 chapters worldwide. Several hundred companies are members of HDI-Japan, which is the Japanese chapter.



Awarded three stars in the 2014 Quality (Telephone) Ranking Monitoring



Director of the Consumer Information Center Iyoda and a customer service representative receive the Award Certificate from HDI

## Product Manufacturing that Reflects Customer Feedback

### Changed the cap for "Ag+" Powder Spray Type (142g/180g)

In response to customers' voices, such as "the round cap is hard to grip" and "make the cap easier to open", etc., we have changed the conventional over-cap type into an integrated cap from the perspectives of convenience and eco-friendliness.

"Ag+" Powder Spray Type  
Brand Name: "Ag+" Powder Spray



## Improved "Shiseido Chou-mei-sou" tablet size so that it's easier to swallow

In response to the customers' voice that "tablets are big and difficult to swallow", we improved the tablet size so that it's easier to swallow.



## PRIOR Package development that reflects voices of senior women

With the new brand "PRIOR" (Japan only), which was released in January of 2015, Shiseido listened to the voices of approximately 6,700 women over 50 years old and reflected their voices in the product development. We promoted the development by committing to not only the contents and texture, etc. but also the "easy use" of containers for when customers use the products and "simplicity" of labeling.



With lotion and emulsion, we utilized pump containers that pump out the contents whether the user is pushing the bottle from the above or holding the bottle. Even if they cannot use their hands well, they can easily pump out the amount for one use.



We made it easy for users to know the use sequence by clearly labeling it on products themselves.

## Activities to Enhance Customer Satisfaction

### Customer Satisfaction

Beauty Consultants (BCs) have major roles in responding to customer needs at the storefronts and introducing products and beauty information according to each and every customer's skin and cosmetic lifestyle. Since 1988, 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 service. Also, Shiseido has incorporated the "customer satisfaction from degree of response" criteria in activity evaluation of BCs as a means of realizing "Customer First Strategy". Customer feedback is reported to BCs on a monthly basis, leading

to further improvements in response level and customer satisfaction by reviewing activities and recognizing issues.

Overseas, Shiseido has also been working on counseling innovation to expand the number of regular users by maximizing customer satisfaction. Specifically, in addition to developing and introducing Customer Satisfaction Flow with the objective of enhancing skincare consultation capability, Shiseido also distributed the *SHISEIDO Beauty Consultant Omotenashi Credo*, which is an action indicator for Beauty Consultants worldwide to realize the spirit of hospitality at the storefronts, and is utilizing it in daily activities.

### TOPICS : SHISEIDO Global Beauty Consultants Contest

Shiseido held the "3rd Global Beauty Consultants contest," in which Beauty Consultants who are active in 89 countries and regions worldwide, including Japan, compete their beauty techniques that they cultivate every day and the enhancement in their customer service skills through the "spirit of Omotenashi," at the hotel Grand Pacific Le Daiba in July, 2012. We have been holding the contest once every 4 years since 2004. The total number of participants in this contest was approximately 20,300, and 32 BCs (16 from Japan and 16 from overseas) who were selected after passing preliminary contests demonstrated their beauty techniques, proposal capabilities, and Omotenashi. In this contest, 2 male Beauty Consultants from Japan and Hong Kong participated for the first time in the history of the contest, attracting attention in the venue.

The contest was held with the following 2 objectives for Beauty Consultants who communicate with customers in stores. One is to review and refine their daily beauty techniques and customer services through the contest and to improve skills as beauty professionals. The objective of the contest is not to compete for ranking but to create opportunities for BCs to improve their daily counter activities. The other objective is to realize the Customer-First Strategy that all employees promote. The objective of the contest is to consider and take actions for what one can do to accompany customers' feelings and make them happy and what kind of customer-first that one can do.

Ms. Zhu Jing (Shiseido China Co., Ltd.), who won the Grand Prix Award in Category B (for BCs with more than 3 years of experience in Shiseido) stated her renewed resolution, saying "This award was given to me not only because of my own efforts but also because of the support of many people. I hope to communicate the many realizations that I have gained through the contest to my colleagues, mutually progress, and practice the kind of counter activities that can communicate the spirit of Shiseido's '*Omotenashi*'."



Grand Prix Award: Ms. Zhu Jing  
(Shiseido China Co., Ltd.)

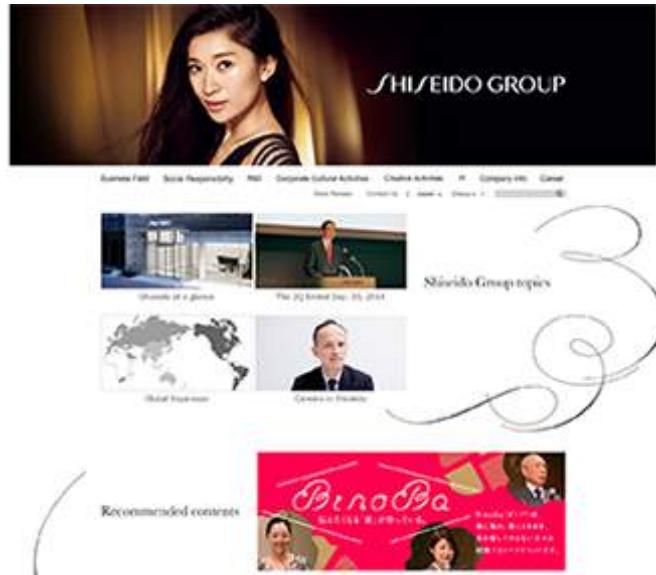


Scene from the skincare section competition

## Activities to Enhance Customer Satisfaction

**Education and Services for Customers****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 customers' desires and needs.



Shiseido group website



watashi+ (Japanese Only)

**Listener's Cafe (Japanese only)**

Provides the audio equivalents of content such as beauty information and basic cosmetics knowledge for visually challenged individuals.

**Beauty Club for Kids (Japanese only)**

Provides daily beauty information for children, including face washing and UV-protection methods in an easy-to-understand manner, thereby enabling children to become familiar with suitable ways to treat their skin and maintain beautiful skin for many years.



## Activities to Enhance Customer Satisfaction

## Universal Design Initiatives

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

Shiseido adopted the Shiseido Universal Design Guidelines in 2005 based on expert theory and legislation, and crafted to reflect the characteristics of our products. The guidelines span 6 principles and 14 provisions and describe a product development process in which all product planning and design departments share information. A key point during the formulation of the guidelines was to precisely identify what kind of customers used actual products, as well as how they used them and in what circumstances. It was also important to imagine as many such situations as possible.

For example, the principle requiring that it be obvious how to use the product includes an "intuitive design" checkbox indicating that users should intuitively understand where to hold the container and twist in order to open it. Designs that take such considerations into account are defined as easy-to-use designs. Conversely, a design that contravenes the user's intuition by having a non-functional design element that looks like a button that should be pressed to open the container would be a difficult-to-use design. In fall 2008, we launched *ELIXIR PRIOR* for customers aged 60 and over. During the development of the container, designers met many times with customers in the target age group to solicit feedback on what they found inconvenient about their daily makeup routine and to give them an opportunity to handle the actual container. The requests and concerns that emerged from those meetings were incorporated into the design as shown in the photograph on the right.

Shiseido will continue to value customers' perspectives in product development.



A space between the bottle and cap provides a finger-hold, making it easier to open the product.



We incorporated enlarged item names like "lotion", which had been displayed in English on the front of the product as design elements, into easily visible positions on the back of the product. Moreover, the product seals are also easy to peal off.

## Initiatives in Response to Animal Testing and Alternative Methods

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### 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

### Shiseido safety assurance system

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Shiseido has established a system that assures the safety of raw materials through the 3 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.)" without utilizing animal testing. We have established the "discussion on cosmetics safety assurance that does not depend on animal testing" with the aim of discussing the scientific validity and social acceptance regarding this system. We have established the consideration system involving external knowledgeable people and researchers.

## Initiatives in Response to Animal Testing and Alternative Methods

## Alternative methods

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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, Labour 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 for 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.

## Participation in Community and Development

With Society. Shiseido's social participation activities as a community member.

### Employee-led social contribution activities

Shiseido's employee-led social contribution activities are promoted through the "Mirai Tsubaki Activities" and "Social Contribution Club."

We have been continuing to promote the Mirai Tsubaki Activities since fiscal 2012 as social contribution activities promoted by each affiliate with the aim of deepening our ties with customers in local communities and expressing our gratitude. We promote activities formulated/planned by employees of the entire Shiseido Group throughout the world.

The "Social Contribution Club" creates opportunities for employees who "want to do something to help society" to participate in society by offering activity programs that they can choose according to individual environments and schedules.

#### Mirai Tsubaki Activities

130 offices throughout the world promoted 832 activities by FY2014.

Employees who have promoted the activities have expressed their voices, such as "This is the 4th year for us to promote our activities in an affected area. It makes us happy to know that people are looking forward to seeing us", "We get inspired and laugh, seeing different sides of our colleagues that we wouldn't normally see. The distance between department members has significantly reduced after a half day of promoting activities", etc. These activities are leading to the enhancement of our ties with local communities and a sense of unity among employees.

Shiseido will continue to promote Mirai Tsubaki Activities in the future to sustain ties with customers and society for a long time.

#### Japan

### Third year to promote the green conservation activities in Yokohama

The Research Administration Department has been promoting green conservation activities in the "Carlit Forest" in Yokohama City in cooperation with an NPO since fiscal 2012.

"Carlit Forest" is a natural woodland where fireflies can be observed in summer, despite the fact that it is located approximately 4km from Yokohama Station. We participate in the activities to save this forest from the danger of development and to hand it down to the next generation.



Carrying logs used as chairs for breaks

This was the third time for us to promote the activities, and 15 members participated. We worked up a sweat through the underbrush-removing and tree-thinning activities. We were able to actually experience the results of the continuous activities, as seen in the voices such as "I started having more affection toward Carlit Forest through the continuous activities," "It was nice to see that what we worked on last time was making solid contributions," "I now have the awareness to treasure nature," etc.



Members with smiles of satisfaction

## Yuzu harvest support activities –Delivering secure and safe products to customers

KINARI Inc. promotes harvest support activities for yuzu, which is used in many of the SokaMocka products.

In the Nakayama District of JA Tosaaki in Kochi Prefecture, which is famous as a yuzu production site, yuzu harvest reaches its peak in the beginning of November. With the hopes of "helping the production farmers who struggle with the aging population and lack of labor", 6 employees helped with the harvest again in November of this year and harvested 2 tons of yuzu.

Participants fully felt rewarded, as their voices show: "It was very difficult to work, as yuzu is covered with thorns. But it made us realize that this yuzu was grown with care. It makes us happy to be able to deliver it to our customers in the form of cosmetics, and we feel more affection toward the products." "Seeing the passion of the producers who are committed to organic farming, we now feel more strongly about 'wanting to deliver the blessings of yuzu to customers' skin in the form of cosmetics'."

Yuzu is important for KINARI. We plan to continue promoting the harvest support in the future.



Harvesting each and every yuzu with care



Smiles naturally show on our faces, seeing the 2 ton harvest

## Hand massage activities in a nursing home for the elderly

Corporate Planning Department collaborated with Kuki Factory and offered hand massage in a nursing home for the elderly.

A total of 9 employees participated over 3 days in January. Although we were not used to giving hand massage, they shared their joy, saying "my hands have become smooth" and "they have become beautiful" and thanked us over and over. It was a heart-warming experience for us as well.

As we listened to valuable stories from our seniors during the massage, we were given many "realizations" as people. We re-acknowledged the importance of coexistence with the society.

Note: The division names are those which were used at the time of implementation.



Friendly conversation while communicating through hands



Massage with a nervous expression

## Participation in floor scrubbing of national treasure Matsumoto Castle

21 employees from Chubu Branch Nagano Office participated in "floor scrubbing of Matsumoto Castle tower" to protect the Matsumoto Castle, which is a national treasure, and pass it on to the future.

Using a tool called "Tanco (wad)" which wraps up crushed walnuts and rice bran in cloth, everyone scrubbed the floor of the tower together.

Through this activity for protecting a local castle, we had a good opportunity to touch the cultural property. Some of them said that they want to participate in this activity next year again.



Floor of the tower is now clean



Commemorative photo with all of the participants

## China

### Tree-Planting Program

We began promoting the 10-year Tree-Planting Program in 2008 in the "plantation base of the Shiseido Group" in Lanzhou city, Gansu Province, China. We have planted approximately 85,000 young trees on a hill of a mountain of 42.7ha in 7 years up to 2014.

In the 8th tree-planting activity implemented in April of 2015, a total of 70 persons, including volunteer employees from the Shiseido Group in China and Japan, government officials and clients from Gansu Province, participated. All of the participants planted trees, such as Oriental Arborvitae, etc.

The participating employees shared voices, such as "Seeing that the seedlings, which were planted the first time, have grown very big and strong, I thought that I would like to continue the planting activities every year not only for the next 10 years but for many years beyond that to grow more trees", "This is a very rewarding activity, and all of the participants say that they want to participate in it next year again", etc.

The initiative seeks to contribute to Chinese society, by deepening the bonds of friendship between Japan and China, conserving the environment by preventing desertification and reducing CO<sub>2</sub>, and creating opportunities for local employment, etc. through the tree-planting activities in the future.



Scene from Tree-Planting

## Asia and Oceania

### This Moment. This Life. Beautifully.—Beauty Seminar for New Graduates

Taiwan Shiseido has been holding beauty seminars for many years, as a way to help high school and university students find a job and to support their job hunting. In fiscal 2014, we held a total of 172 seminars across the country.

In the activities we promoted in April of this year, we held a beauty seminar for third year students of a high school who were going to graduate soon. The students who attended the seminar left the room with a smile on their face after learning new knowledge, saying "I learned a lot about how to take care of my skin, how to apply makeup, and beautiful manners, etc." and "Self-study about sun care was interesting", etc. Their smiles left a strong impression.

The employees who participated are also feeling rewarded, saying "I hope that those students who participated will build confidence through this seminar and try many different things after graduation",



Makeup demonstration with the hope of their bright future

"I am happy that I was able to tell the students about the beauty that they will have in their lives by properly taking care of their skin and the beauty of a moment that they will have by applying makeup", etc. These seminars are well-received by the schools and students, and we are planning to hold more seminars next year.



Students taking the seminar with serious expressions

## America and Europe

### Expressing appreciation on "Mother's Day"

Shiseido Cosmetic Turkey visited a special nursing home on May 9, few days before "Mother's Day", and promoted skincare and makeup activities to express our appreciation for "mothers", who should be respected, and to wish for their happiness and health.

Seeing their own transformation after the activities, they were not only surprised but also happy and satisfied.

Employees who participated were also able to share special memories with them and spent a wonderful time. It was a day that we truly felt what "touching skin means touching hearts" meant.



Makeup while expressing our appreciation



Commemorative photo with refreshing smiles

## "Social Contribution Club" Activities

"Social Contribution Club," which was established in 2005, is a system in which domestic employees can casually participate in social contribution activities. With approaches such as "volunteer work" and "donation," we offer a number of activity programs. We have established various support systems for volunteer activities in order to establish the climate in which "each and every employee possesses a perspective for social issue solution and voluntarily consider and take actions" and to encourage Employee-led social contribution activities to develop and expand their perspectives.

## Camellia Fund

The Camellia Fund, an employee organization designed to encourage social contributions, was founded in 2005. Group employees who share its goals make monthly contributions from their salaries to sound, transparent groups selected from the four standpoints of improvement regarding social issues affecting women, next generation development support, improvement in quality of life through cosmetics and global environmental conservation. Administered by employees who either volunteer or are recommended by their peers, the organization also makes decisions on collecting donations from employees in the event of natural disasters. We have been donating a total of approximately 126 million yen (from fiscal 2005-2014) from employees to recipients since the establishment of the fund.

In May, 2015, donation presentation ceremony of the "Shiseido Camellia Fund" for the fiscal 2014 was held at Shiseido's Shiodome Office. Representatives of respective recipient organizations expressed their appreciation toward the donations.

Steering committee members, who presented the catalogs, directly listened to the details of activities as they held exchanges with personnel from each organization and gained better understanding of each activity. This was a valuable opportunity for them to recognize the issues as issues that are close to them. Participating steering committee members' comments included "I hope to communicate the Camellia Fund, which is the great part of social contribution activities, to employees and make efforts so that it will also impact and activate our business activities", "I hope to aggregate the passion of many employees in the form of 'Camellia Fund' to contribute to society", and "I hope to determine the operation of the precious donations by truly experiencing the activities of recipient parties".



Presentation ceremony of the donations collected via the Camellia Fund in fiscal 2015

Presented by setting committee member to Mr. Hashimoto (left), Mr. Takada (second from left) of World Wide Fund for Nature (WWF Japan)

### The support contents of FY2015 Camellia Fund

|  |   |
|--|---|
|   <p>New start for the female victims of domestic violence<br/>All Japan WOMEN'S SHELTER NETWORK</p>                         |   <p>Improvement of the health and nutrition of mothers and children in Myanmar<br/>Save the Children Japan</p>                  |
|   <p>Protecting pregnant women in Zambia<br/>Japanese Organization International Cooperation in Family Planning (JOICFP)</p> |   <p>Supporting children in child protection facilities who want to work with welfare<br/>SHISEIDO SOCIAL WELFARE FOUNDATION</p> |

|  |  |
|--|--|
|   <p>Treatment for children with cleft lips/palates<br/>Operation Smile</p>  |   <p>Schools for children in Cambodia<br/>JAPAN TEAM OF YOUNG HUMAN POWER (JHP)</p>   |
|   <p>Supporting the lives of children suffering from the refractory disease XP<br/>Japanese National Network of Xeroderma Pigmentosum (XP)</p> |   <p>Forest conservation on the valuable Sumatra Island<br/>World Wide Fund Nature (WWF Japan)</p>  |
|   <p>Natural restoration of the artificial forest of "Akaya Forest"<br/>The NATURE CONSERVATION SOCIETY OF JAPAN</p>                           |   <p>Support with the reconstruction after the Great East Japan Earthquake and independence of affected people<br/>JAPAN PLATFORM (JPF)</p> |

### TOPICS : FY2015 recipient organizations have been selected

On December 2 (Tue), 2014, the 2nd Camellia Fund steering committee meeting (review meeting) was held in Shiodome Office and selected the recipient organizations for FY2015.

In the review meeting, open presentations by the organizations were held and evaluated by the steering committee members and the secretariat based on the "Camellia Fund evaluation criteria."



Hearing the presentations during the review meeting

#### ■ List of FY2015 Camellia Fund recipient organizations (10 organizations) ■

- (1) All Japan WOMEN'S SHELTER NETWORK
- (2) SHISEIDO SOCIAL WELFARE FOUNDATION
- (3) Japanese National Network of Xeroderma Pigmentosum (XP)
- (4) World Wide Fund for Nature (WWF Japan)
- (5) Save the Children Japan
- (6) The NATURE CONSERVATION SOCIETY OF JAPAN
- (7) JAPAN PLATFORM
- (8) Operation Smile Japan
- (9) Japanese Organization for International Cooperation in Family Planning (JOICFP)
- (10) JAPAN TEAM OF YOUNG HUMAN POWER (JHP)

**TOPICS:** 10th year to support XP patients with Shiseido sunscreen products

In March of 2014, we provided sunscreen products, including the Shiseido brands "ANESSA" and "2e", "SUNMEDIC" sold by the group company Shiseido Pharmaceutical Co., Ltd., and "Avène" sold by PIERRE FABRE JAPON CO., LTD., to 94 xeroderma pigmentosum (XP) patients.

XP is a progressive disease which causes serious sensitivity toward sunlight and neurological problems due to the fact that it inhibits the function to repair genetic damage.

Due to the fact that this disease has a high probability of quickly developing into skin cancer after their skin is exposed to UV rays, XP patients must not only apply sunscreen to skin but also wear anti-UV ray clothes.

Shiseido began its support activities for XP patients in 2000 as part of social contribution activities and has been promoting various support activities, such as seminars for patients' families (how to use sunscreen products) and childcare activities for XP patient children through employee volunteer work, and hosting national conferences funded by the Camellia Fund, etc.

Since 2005, we have been providing products to XP patients who wish to use Shiseido sunscreen products. Ever since then, we have been continuing delivering their desired products through the "Japanese National Network of Xeroderma Pigmentosum (XP)" once a year. 2014 was the 10th year. Patients' families have shared their voices, saying "UV reduction cream is a very important and necessary item that protects the sensitive skin of children with XP from UV rays and skin cancer throughout the year. We would like to express our sincere appreciation for letting the children use your products with security. We will spend our days with our children, thanking your warm support."



Thank you message cards from children suffering from XP

## Other Activities

### Efforts of "TABLE FOR TWO"

Shiseido has been participating in the "TABLE FOR TWO" (TFT hereafter) activities in 3 offices with cafeteria facilities. "TFT" refers to a new social contribution activity originating in Japan, which was initiated to resolve the "imbalance of food" between "developed countries with excess food" and "developing countries with a lack of food" and to make people in developed countries and developing countries both healthy. In this program, we set the price for healthy menus with lower calories and better nutritional balance than standard menus by adding 20 yen and donate the 20 yen through TFT to be used for school meals for children in Africa. These school meals not only contribute to children's growth but also offer joy and motivation for children to study.



Certificate of appreciation received from TFT secretariat

### Volunteer Activity by Collecting Various Items

Shiseido is implementing activities to support pregnant and parturient women and providing educational assistance for children in developing countries by collecting various items such as used stamps, miswritten postcards, coins and notes. This activity, which was formerly conducted by respective departments, was integrated from 2005 and has expanded into a company-wide initiative. In addition to volunteer activity that enables everyone to easily take part basically at any time anywhere throughout the year, we are also conducting campaigns twice a year.

Collected used stamps are used for various purposes via the Japanese Organization for International Cooperation in Family Planning, including payment of recycled bicycle shipping costs and activities (White Ribbon Campaign) to save lives of mothers and babies in developing countries. Also, miswritten postcards, coins, notes and other items are used for the Darunee Scholarship Fund via the Education for Development Foundation to support children in Thailand, Laos and Cambodia.

### 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. A total of 53 days were utilized under this system in fiscal 2014, in which 47 participants took this time to hone their skills for volunteer and social contribution activities, to donate blood and to register as donors.

## Disaster support activities

### Great East Japan Earthquake

The Great East Japan Earthquake in March damaged Shiseido's offices, clients and business partners. In accordance with our Business Continuity Plan, immediately after the earthquake, Shiseido established the Headquarters for Emergency Disaster Response at our head office to determine damage and set up an organization to maintain continuous product supply. At the same time, we initiated support activities in affected areas.

### Donation of relief money for the earthquake in Nepal

Nepal was struck by a magnitude 7.8 earthquake on April 25 (Sat.), 2015.

To help aid the reconstruction efforts, Shiseido employee volunteers donated a total of 1,141,000 yen in relief money (supporters: 2,282 people) through "NPO Japan Platform."

This relief money is being used for distributing foods, daily goods, construction of temporary classrooms and toilets, etc.



Donation at Japan Platform



Letter of appreciation from Japan Platform

## Donation of relief money for the earthquake in Yunnan Province, People's Republic of China

Yunnan Province in the People's Republic of China was struck by a magnitude 6.5 earthquake on August 3 (Sun.), 2014. To help aid the reconstruction efforts, Shiseido donated a total of 5 million yen in relief money. Corporate Officer Shibata visited the Chinese Embassy on August 8 (Fri.) to express his sympathy and hopes for the speedy recovery and reconstruction of the disaster area. There he met with Minister HAN Zhiqiang and presented him with Shiseido's donation. Minister Han told Corporate Officer Shibata about the current situation in Yunnan Province and conveyed his gratitude for Shiseido's financial contribution.



Presenting Minister Han with the donation

Furthermore, Shiseido employee volunteers donated a total of 586,000 yen in relief money (supporters: 1,172 people) through "NPO Japan Platform." This relief money is being used for distributing foods, daily goods, sanitary goods, etc. to the victims as well as temporary tents for classrooms, sets of desk and chair for students, etc. to the schools whose buildings have collapsed or damaged.



Donation at Japan Platform



Letter of appreciation from Japan Platform

## Empowerment of rural Bangladesh women

Since FY2011, Shiseido has been promoting the activity for rural Bangladesh women to improve their social status and support their success. This activity is an initiative aiming to not only conduct business but also resolve the concerns and social issues of the women who live in the rural areas of Bangladesh by utilizing the know-how owned by Shiseido. The activity was selected as a model activity of the "Business Call to Action (BCtA)" led by United Nations Development Programme (UNDP).

**BUSINESS  
CALL TO  
ACTION**

### Wish to support women and resolve social issues through the "power of makeup"

In order to achieve our mission "to inspire a life of beauty and culture", Shiseido has been promoting corporate activities for responding to social expectations and issues.

Since the "improvement in women's social status" has been pointed out as one of the recent international and social issues in addition to poverty and environmental issues, Shiseido signed "WEPs (Women's Empowerment Principles)" as one of the first Japanese companies.

Furthermore, we considered how we can contribute to the society by making use of the "power of makeup" which is based on Shiseido's research results, findings and technologies regarding makeup and beauty, that have been accumulated since the foundation of Shiseido, from both tangible and intangible aspects.

### Reason why Bangladesh was selected as this activity place

When we turned our attention to the world, as a cosmetics company in Japan which is a member of the Asian countries, we had repeatedly been considering if we can start any initiative by which we can get close to the same Asian women and grow together.

Compared with East Asia which has achieved a certain degree of growth even outside the urban areas and in which women's social status has been also improving, in South Asia, there are more emerging countries and many different types of issues including economic disparities, gender gap, etc.

Under such a situation, although many issues are related to health and hygiene, the rural Bangladesh women are highly aware of beauty and skincare. Therefore, with focus on this area, we were able to start our activity with the strong support from the local NGO, etc.



(Excerpt from the website of Ministry of Foreign Affairs of Japan)



Photo : Mika Tanimoto /JICA

#### About Bangladesh

〈Excerpt from the website of Ministry of Foreign Affairs of Japan〉

When Bangladesh became an independent country from Pakistan and established the national flag, it is said that Bangladesh used the Japanese national flag as a model. From that time, it has been a pro-Japanese country that has a feeling of friendship and admiration for Japan.

## Start of "South Asia Social Business Project"

We implemented the in-house job challenge system for project members in 2010 and launched the "South Asia Social Business Project" in collaboration with research centers, production/procurement divisions, etc.

### Start from living together in the local site

In the first year, by living under the same roof with the families in the local rural area for a total of 4 months, the project members started from understanding their living conditions and customs as well as listening to the concerns and dreams that the rural women have.



Rural area of Bangladesh

From there, various issues caused due to their life, custom, etc. came in sight.

#### Life/custom

Men have the right to make important decisions in the household  
(Family plan, divorce, working, household budget, etc.)

- Cannot feel confident about oneself
- Not good at speaking in front of people
- Cannot take actions voluntarily

#### Health/nutrition

- Dietary habit of taking plenty of sugar, oil and salt, and a lack of knowledge regarding the effect of this habit on health
- Late night meal

- Unhealthy/sick due to biased nutrition
- Skin troubles such as pimples

#### Hygiene/ beauty

- A lack of correct hygiene and beauty knowledge  
(Hand washing, effect of UV rays on skin, etc.)
- There are no cosmetics that Islamists can use without worries.

- Unhealthy/sick due to unsanitary living practice
- Skin aging caused due to a lack of appropriate skincare

## Development of skincare products with Halal Certification\*

The project members, who lived with the rural women, had been thinking how to respond to the women's wishes to become beautiful, youthful and healthy, same wishes that even the Bangladesh women also have, by using Shiseido's technologies and know-how.

\* It means that the Halal Certification body approves that the target item is manufactured by using the ingredients and manufacturing process which are recognized as legal under the Muslim law and permitted to be used by Muslim.

Although there is no sufficient and correct beauty knowledge, the local women, who wish to become healthy, beautiful and youthful, are highly aware of beauty. Especially, they don't take any correct UV-ray protection measures in spite of the environment exposed to strong UV rays since suncare products are easily removed by sweat and water; therefore, their skins receive adverse impact from the environment and many women look older than their actual age.

In addition, many Bangladesh people are Muslim and there are not many products which comply with their strict rules (products with Halal Certification). We heard that many of the women said "I wish there were Halal-compliant products because I can use them without any worries".

Therefore, we achieved the development of the skincare product with Halal Certification "Les DIVAS".



"Les DIVAS"



"Les DIVAS"

- Cleansing foam: 1 type
- Moisturizing gel: 2 types
- Sunscreen: 1 type



Acquisition of Halal Certification  
Shiseido Vietnam Factory



We are reported that the women, who used this product, said "I can use it without any worries because it is Halal-compliant" and "My skin got soft".

## Holding of workshops by local women (awareness-raising activity)

On the other hand, with "Les DIVAS" as the approach, education regarding skin-related health/beauty knowledge and awareness-raising activities aimed at improving lifestyle have been also implemented through the flip chart show which was created in the local language (Bengali). This is also an important initiative of this project.

This awareness-raising activity is led by the local female salespersons who have received trainings. When the training just started, they were too much concerned about other people to speak in front of them. However, with the increasing knowledge, their behaviors changed in the aspect of their daily life. For example, they became confident about themselves by acquiring knowledge and are now able to proactively express their thoughts to their families.

Although this workshop started from a rural village, a total of 2,337 workshops were held in 16 villages in 2014, and a total of 27,547 people attended the workshops.

Many of the workshop participants and women, who used this product, became more proactive in getting involved with the society and other external environment by saying "I now like my skin", "The opportunities to go out on my own increased", and "I told other people that I feel happy because I could change my consciousness and behavior".

The results of this activity show not only an improvement in their health/beauty knowledge but also increased level of motivation for working and social improvement that they can take actions with confident. We will continue this activity with local women in the future.



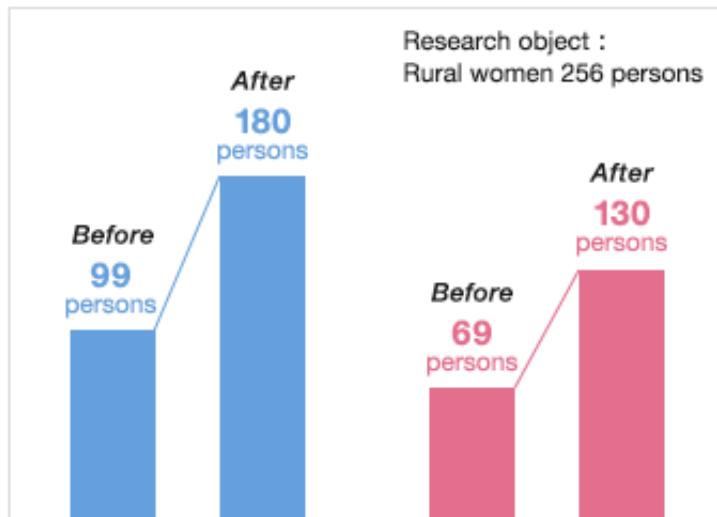
Filip chart show for awareness-raising activity (in Bengali)



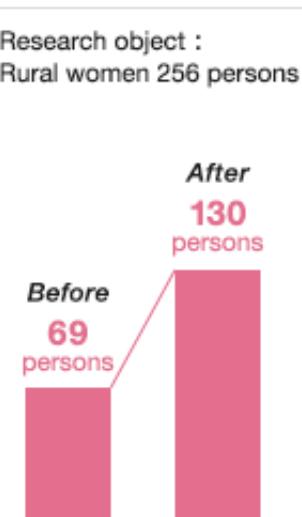
Awareness-raising activity (workshop)

## Positive impact by this project in the rural villages in Bangladesh

(Period : Jan -2014 to Jan -2015)

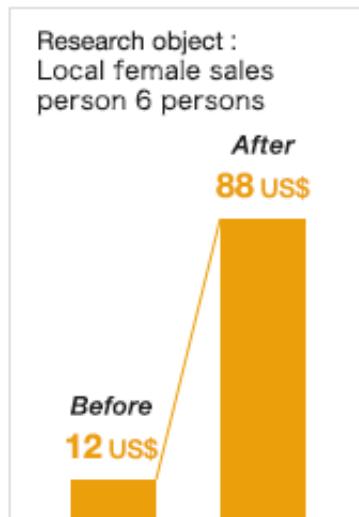


### Increasing the knowledge of Health, Hygiene and Nutrition (Number of correct answer)



### Gaining confidence of Skin and life

- To have confidence of my skin
- To enable to go out by myself
- To have confidence of talking in front of people



### Increasing Monthly income (average)

\*Currency rate (Mar -2015):  
1 USD = 120 yen

Original technology which could not have taken birth without the experiences in the local areas

The local climate is not only with strong UV rays but also hot and humid. Regular suncare products are easily removed by sweat and water. This has been one of the concerns of the local women.

When researchers saw their situation, they felt the necessity of a sunscreen product with high UV-ray protection function which can maintain the effect even after sweating. Therefore, they turned their attention to the minerals and other components of water and sweat and succeeded in developing the original technology "WetForce" that provides enhanced protection against UV rays



Women using "Les DIVAS" sunscreen



Hearing by research members

when in contact with sweat or water. This technology is currently utilized for suncare products\* which are sold all over the world.

\* Shiseido "Perfect UV Protection N"



"Perfect UV Protection N"

## Present and future activities

Since FY2015, we have been conducting awareness-raising activities for women working at the garment factories and female students in addition to the conventional activities in the rural areas. The women working at the sewing plants and female students, who newly participated in the awareness-raising activity, provided the following opinions: "I understood the importance of facial cleansing by making foam", "I want to get more information to make my skin beautiful", and "I want to buy Les DIVAS immediately".

Shiseido will continue to accept the needs of local women and contribute to the resolution of local social issues and improvement in their quality of life.



Demonstration of making foam to female students by Shiseido's employee

# Shiseido Aid Initiatives in the Wake of the Great East Japan Earthquake

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We would like to express our sympathy for the people affected by the Great East Japan Earthquake. Shiseido 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 massage, makeup, and hand massage, 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.

## Activities promoted in FY2013

It has been 2 years since 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 customers and business partners, etc., in which we can see each other's face and providing thorough response.

Since FY2013, we have been continuing to promote beauty support activities as activities to utilize the "power of makeup", which can only be offered by a cosmetics company, and promoting activities in which we build new cities 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

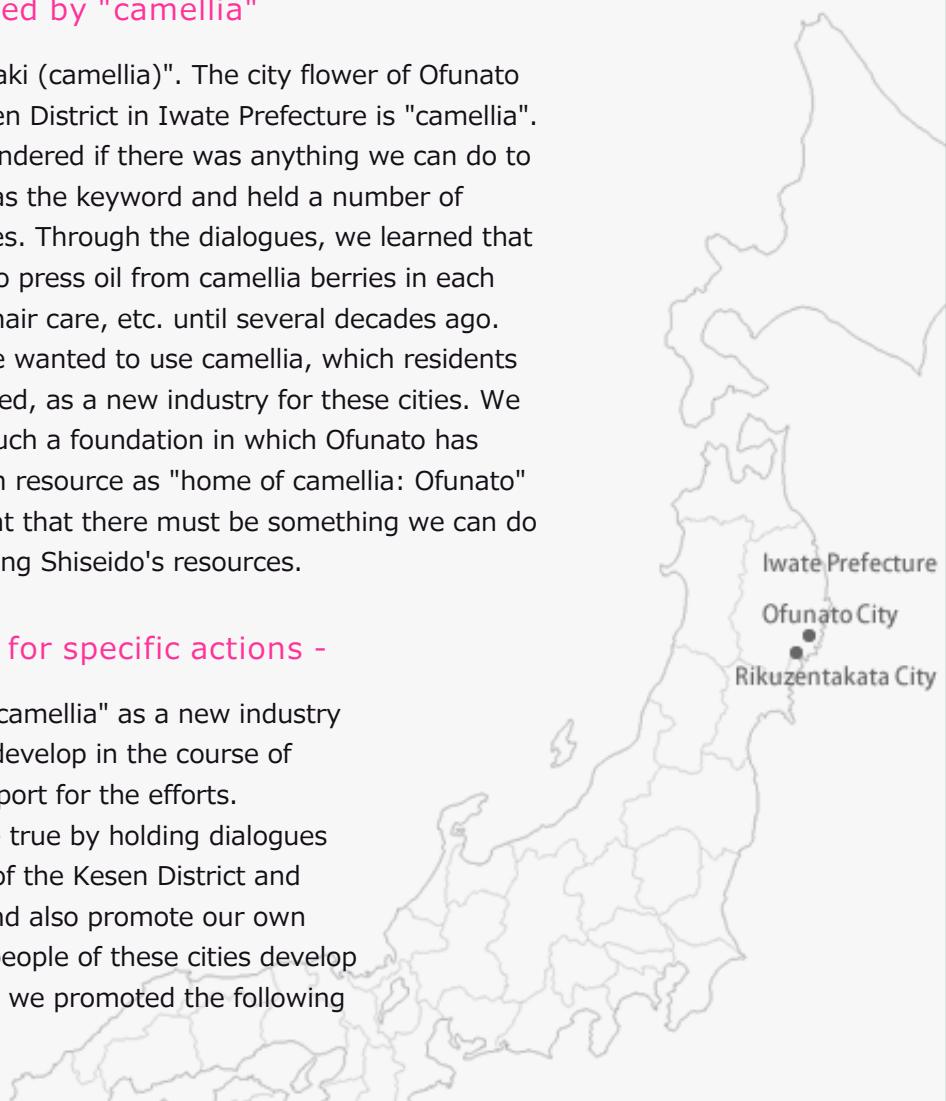
### Reconstruction support linked by "camellia"

Shiseido's trademark is "Hanatsubaki (camellia)". The city flower of Ofunato City/Rikuzentakata City in the Kesen District 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 District used to press oil from camellia berries 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 has been such a foundation in which Ofunato has been treating camellia as a tourism resource as "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 contemplating with residents of the Kesen District and Ofunato City/Rikuzentakata City and also promote our own activities so that we can help the people of these cities develop their ideal cities. In order to do so, we promoted the following actions in FY2013.



### "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 "Eating camellia" activity where people could try foods and sweets that contain camellia oil.

In "Eating camellia," 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 & Skin Care 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 & Skin Care Seminars” for male and female  
high school students

“Hair &amp; Makeup Show”



## 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. A limited number of products will be made available. These dressings contain “Kesen Tsubaki” camellia oil made from camellia seeds from Kesen District, 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 is available for purchase at the shop in Ginza Shiseido Parlour, from AEON group companies’ year-end-gift catalogs, and also, as a special limited offer starting on November 17, at LALA IWATE, a local store in Iwate Prefecture.



Kesen Tsubaki Dressing Box - ¥3,240 (w/tax) 3 pcs.  
2 bottles of Onion (200 ml.) & 1 bottle of French mustard (200 ml.)

Also available by the bottle at Ginza Shiseido Parlour and LALA IWATE.  
Onion (200 ml.) / French mustard (200 ml.)



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. This fragrance "Shiseido Relaxing Night Mist" was released on October 1 (Wed) with limited volume via the Shiseido website "watashi+". Part of the sales will be utilized in the development of "Ofunato, home of camellia".



Tree-planting of mature camellia trees with hopes of  
industrialization 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 Prefecture 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.



Tree-planting



After tree-planting



### Planting camellia seedlings in preparation for industrialization

Held on July 12, 2013

Ofunato City took the lead and held a tree-planting event in preparation for industrialization so that camellia will become a new industry for the city and be effectively utilized as a tourism resource. 13 employees participated from Shiseido and planted trees with local residents. The camellia seedlings that we planted were presented by Shinkamigoto-cho in Nagasaki Prefecture due to the activities promoted by Shiseido. We planted approximately 300 seedlings among the 1,000 seedlings that were presented on this day.



Tree-planting



Shiseido employees who participated in the tree-planting event



After tree-planting



### Hosting "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)" Hosted on November 23, 2013

We focused on the "food culture" of camellia to support the industrialization of camellia 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 experience potentials of camellia with local residents through the food experience of camellia.

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 of Shiseido Parlour "Meat Croquette", which was fried in camellia oil, as a special menu.

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  
receptionLocal performing art  
(deer dance) by  
Ofunato Nursery School  
students

In addition, we also held an event, in which we experienced harvesting camellia berries, which will be important in industrialization, in another venue (Goishi District, which is a tourist spot for camellia in Ofunato).

We harvested 54kg berries with the residents of Goishi District, which is a tourist spot in Ofunato. The harvested berries were donated to Seishokan of Taiyokai, which is a social welfare corporation and an oil factory in Rikuzentakata, that faces an issue of berry harvesting in preparation for the industrialization.

Berry harvesting  
experienceHarvested camellia  
berries

In addition, we also held a makeup seminar, which was requested by local residents.

We were able to experience "camellia", which is much more than just flowers, with the local residents on this day.



Beauty seminar

Staff who participated in  
the "TSUBAKI NO  
MEGUMI FESTIVAL  
(Blessings of Camellia  
Festival)"



## Activities in Ofunato Municipal Akasaki Junior High School

2012/2013

### Encounter with Akasaki Junior High School

Our encounter with Ofunato Municipal Akasaki Junior High School in Iwate Prefecture was on September 11, 2012.

Members of the Corporate Social Responsibility Department planted 42 camellia trees, which is the same number of 9th grade students, with all of the Akasaki Junior High School students in front of the temporary school building of Akasaki Junior High School, which was affected by the tsunami, as part of the social contribution activities "MIRAI TSUBAKI Project" to commemorate Shiseido's 140th anniversary. Plates of haiku, which was written by 9th grade students with the themes of "home of camellia: Ofunato" and "reconstruction of our home", were attached to the camellia seedlings.

In addition, 3 people including the mayor of Ofunato City, Principal of Akasaki Junior High School, and Corporate Social Responsibility Department General Manager of Shiseido planted 3 seedlings that inherit the DNA of "Sanmen Tsubaki", which is 1,400 years old and is the oldest camellia tree in Japan possessed by Ofunato City, to commemorate the occasion.



Tree-planting event participants



Planting trees with students



Planting trees with students

### Danger of planted camellia trees...

Camellia trees, which were planted in the beginning of September when the heat was still harsh, almost died due to lack of water.

They somehow survived, thanks to the care provided by the local NPO and the school janitor.

We installed snow guard with 9th grade students in November, so that the planted camellia trees could pass the winter.



Being instructed by Director Hayashida of GOISHI TSUBAKIKAN



Installing snow guard net on poles

We want to nurture camellia trees with students!

We hope the camellia trees, which will grow by approximately 1m in 10 years, would bloom, fruit, and become a source of a new industry for the city.

We want to nurture the trees with students, who will lead the reconstruction.

But how do we do it...?  
We contemplated this with the teachers.

### Establishing a system to connect to each other

- ★ We want to connect us in Tokyo and students in Ofunato via internet connections and hold WEB conferences to share the information about camellia trees' nurturing status.
- ★ We want to ask 9th grade students to write haiku with the themes of "home of camellia: Ofunato" and "reconstruction of our home" and organize them into a "haiku collection" to be presented to them. We want to ask them to continue writing haiku and keep them as records of steps to reconstruction. We organized the haiku works by the students into a "haiku collection" and held a presentation ceremony in March, 2012.



Shiseido employee  
presents the haiku  
collection to the  
students



Presentation ceremony

### Introduction of haiku works

We would like to introduce haiku works by 9th grade students of Akasaki Junior High School.

FY2012

**Yabutsubaki**  
Left behind the beach shed  
That is no more

Red and white  
Its life just began after blooming

FY2013

Camellia of the future  
It brings us hopes  
With its blossoms

Red camellia  
It blossoms dramatically  
And falls quietly

## Holding WEB conferences

We began holding WEB 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. Teacher Takashi Takahashi, who is the advisor, started sending us reports on the camellia trees. We have decided to keep them as records under the name of "Tsubaki Journal".

## Engagement with stakeholders

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### Stakeholder Dialog

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Shiseido strives to be a "company that aims to realize a sustainable society through dialogue and cooperation with stakeholders while also promoting management that contributes to the creation of people's beauty and health by developing activities that address social issues and meet expectations."

In fiscal 2014, we considered Shiseido's important themes from the CSR perspective based on the results of the stakeholder hearing, which was taken through questionnaires conducted in fiscal 2013. We also exchanged opinions with multiple experts and specialists and received valuable opinions/advice with the aim of ensuring the validity, objective perspective, and transparency. We will utilize these opinions and advice when we formulate future CSR activity plans.

### Third Party Evaluation

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Mitsuo Ogawa  
CEO, Craig Consulting

#### < How much CSR can contribute to "VISION 2020" >

As long as CSR is a part of the corporate activities, it must contribute to the enhancement of the corporate values. The investment for the CSR is made as a corporate; therefore, the results need to be ready to be explained to stakeholders including shareholders any time. In the end of last year, the Shiseido Group (hereinafter Shiseido) announced the medium-to-long strategy "VISION 2020". Needless to say, the viewpoint of "how CSR can contribute to this medium-to-long strategy" is essential.

In general, CSR is made of "competition" between the company's priorities and stakeholders' priorities. The company, which carries out the business management only based on the company's priorities, may become self-righteous. In other words, as long as the company has a social existence, symbiosis with stakeholders is required; therefore, the company always needs to learn about the stakeholders' priorities. In this case, one of the important things is not to incorporate the stakeholders' priorities unquestioningly. The most important theme for CSR should be "how the stakeholders' priorities should be incorporated into the management-related priorities".

In the Commitment by Management of this website, President Uotani states that he will aim for "Shiseido that will be thriving 100 years from now". The shape of this statement from the CSR viewpoint must be the "overall image of CSR activities", in other words, must be the pyramid structure consisting of "Fundamental CSR" and "Unique Shiseido CSR". What is the "Shiseido's uniqueness" which will become the foundation in order to

continue for 100 years? I think that this is the "visible activity" that responds to social needs as Shiseido. In other words, it is the activity that the society feels "that's unique to Shiseido" just by hearing the activity. For example, in one of the reconstruction efforts for the Great East Japan Earthquake, although many companies simply made donations and conducted volunteer activities, Shiseido developed new fragrance with relaxing effect by utilizing fragrance ingredient of flowers of "Sanmen Tsubaki", which is 1,400 years old, in collaboration with Ofunato City. This fragrance was commercialized as "TSUBAKI NO YUME (Dream of Camellia)". Another aspect of this activity is that a part of sales is offered to the affected area as donation. In a similar way, Shiseido Parlour has been selling "Kesen Tsubaki Dressing" which utilizes the camellia oil made from camellia seeds from Kesen District. Since Shiseido's technologies are used for both activities, it can be said that these are the sustainable activities aiming for symbiosis with the affected area. As can be seen, I think that the activities, which remind us of the Shiseido brand just by hearing the activity contents, are the "visible activity". In addition, these activities lead to re-recognition of the company's social values by not only stakeholders but also employees of Shiseido.

#### **< Incorporation of Shiseido's uniqueness also into engagement >**

On the other hand, I would like to point out several issues regarding Shiseido's CSR.

The first one is about stakeholder engagement. Historically, Shiseido has been proactively making efforts for stakeholder engagement. However, as pointed out in the VISION 2020, globalization of Shiseido's business activities will accelerate in the future. At the time, CSR activities will gradually need to focus on themes of each region. In other words, the stakeholder engagement will be also implemented with stakeholders of each region. In general, overseas local staff members think that, when an engagement is implemented in Japan, "something is going on only by Japanese senior management". Therefore, the local staff members often implement hollow engagements without changing anything. I would like Shiseido to develop engagements which are "led by local site and beneficial to the local site" and disclose them as the Shiseido's unique engagement.

#### **< Proactively disclosing supply chain efforts >**

Recently, it is common sense that CSR activities are conducted by the company, but how to work on them through the supply chain is the key now. This is the issue which can be considered from two aspects. One of them is risk management. Due to globalization, procurement activities also started being globalized. In other countries, themes related to human rights and labor practices are especially important. Compliance with the laws of the country is not enough. It is necessary to educate the supply chain based on the following stance: "Although the laws of your country cover only this range, you need to comply with the Shiseido standards which stipulate more detailed points". Shiseido has been promoting compliance activities for suppliers by holding the "Supplier Code of Conduct" but the results are not disclosed. If Shiseido conducts questionnaire and auditing for business partners on a regular basis, it is necessary to disclose the results as well as take measures in a proactive manner. Moreover, disclosing on the website is also deep, and I feel that, considering the fact that the importance of supply chain measures has been recently increasing, it may be a good idea to disclose the results on a place which can be also easily checked by stakeholders.

The other aspect is the matter leading to the development of supply chain. For example, it is well known that environmental measures lead to cost reduction. In the same way, I would like Shiseido to take on a challenge that promotion of CSR will lead to development of suppliers' capabilities (it is called capacity building). Through this activity, the enhancement of suppliers' capabilities will finally lead to the enhancement of Shiseido's competitiveness.

### < Expressing Shiseido's uniqueness in the Commitment by Management >

Finally, I hope that the top management will be more closely involved with CSR. In order to achieve this, firstly I would like Shiseido to proactively publish the management's thoughts regarding CSR by changing the style of the Commitment by Management to interview or dialog style, etc. The Commitment by Management is one of the important elements which can be the core of CSR activities as the name suggests. Therefore, I think that more pages should be used for posting the management's passion and attitude. It must be important that Shiseido's uniqueness is established based on the thoughts of the top management.

Furthermore, I think that it is also a good idea to post more opinions of other management layers. For example, in Unilever, the person responsible for marketing is concurrently also holding the top position of CSR. It represents that this company considers that CSR is one of the important brand strategy elements. I hope that Shiseido will also re-define CSR as an arm of business management and strengthen the involvement of top management layer.

## Evaluations/awards from the outside

### SRI Indexes selection status

Being selected as a company included in Socially Responsible Investment (SRI) indexes, which take account of companies that are highly trusted by society in terms of ethics, environment, employment and safety in their operations, signifies that the company is found to have both a high level of social trust and sound financial performance.

Shiseido received various evaluations from SRI evaluation institutions of countries worldwide and was selected for inclusion as a constituent company for SRI indexes in Japan and overseas. In this respect, Shiseido will continue to contribute to the development of a sustainable society and be consistently accountable by promoting specific CSR activities that utilize Shiseido's strengths.

#### Global



FTSE4Good

FTSE4Good Global Index



ETHIBEL EXCELLENCE



ECPI INDICES

Furthermore, The United Nations Global Compact selected Shiseido for inclusion in "the Global Compact 100 stock index".

#### Japan



Morningstar Socially Responsible Investment

Shiseido has also been selected for the "MSCI Japan Index" (Japan).

## Evaluation of other activities

Introduction of representative awards and selection from external organizations in fiscal 2014

### Global

- Golden Peacock Global Award

Shiseido received the "Golden Peacock Global Award for Excellence in Corporate Governance", being evaluated for our initiatives in corporate governance.



- 4th consecutive year to be selected as one of the "World's Most Ethical Companies"

We are honored to have been selected as one of the "World's Most Ethical Companies 2015", which were announced by Ethisphere Institute, a US-based think tank specializing in corporate ethics and CSR (Corporate Social Responsibility), etc. This is the fourth consecutive year in which Shiseido has achieved the designation.

### Japan

- Shiseido receives three stars, the top rating for a Customer Service Center, for two consecutive years

The Shiseido Customer Service Center has been awarded three stars, the top rating, in the Customer Service Center assessment sponsored by HDI-Japan for 2 consecutive years.

HDI-Japan is the Japanese branch of the Help Desk Institute (HDI).



- Shiseido receives the first "Award for an Advanced Company in which Women Shine" hosted by the Cabinet Office

Our various initiatives, such as the establishment of internal systems, etc. that we have been promoting for a long time with the aim of becoming a company in which women can continuously be active, have been evaluated.

- Shiseido tops in "100 Best Companies Where Women Play Active Part by Nikkei Woman" for two straight years!

Shiseido topped in the overall best 100 companies in the "Survey on Female Workers' Workplace Opportunities" ranking, which is conducted by Nikkei Woman and Nikkei Womenomics, for two straight years in FY2014 and FY2015.

## Activity Results Data

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Data detailing Shiseido's CSR and environmental activities is available.

### Social Activity-Related Data

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| Area             | Item                                     |  | Indicator   | Unit                        | FY2013 | FY2014 | Scope              |
|------------------|--|--|---|-----------------------------|--------|--------|--------------------|
| Women and Beauty | SHISEIDO LIFE QUALITY BEAUTY PROGRAM     | LIFE QUALITY BEAUTY CENTER               | Number of countries and regions (Number of facilities [locations]) (*4) | Country, Region (Locations) | 3 (5)  | 3 (5)  | Japan and overseas |
|                  |  |  | Number of users   | Person                      | 1,583  | 1,680  | Japan and overseas |
|                  |  | LIFE QUALITY BEAUTY SEMINAR (*1)         | Total seminars held   | Times                       | 2,812  | 3,877  | Japan and overseas |
|                  |  |  | Total participants  | Person                      | 49,859 | 65,555 | Japan and overseas |
|                  | Initiatives for children                 | Shiseido Kodomo Seminar for juniors (*2) | Number of attendees (*5)  | Person                      | 701    | 791    | Japan              |
|                  | Shiseido Running Club                    |  | Running Lesson Number of times held                                     | Times                       | 2      | 1      | Japan              |
|                  |  |  | Outside lecture Number of times held                                    | Times                       | 3      | 2      | Japan              |
|                  | Shiseido Female Researcher Science Grant |  | Number of grant recipients  | Person                      | 10     | 10     | Japan              |

|                              |                                      |                               |        |        |        |       |
|------------------------------|--------------------------------------|-------------------------------|--------|--------|--------|-------|
| Culture                      | Shiseido Gallery (Ginza)             | Number of visitors            | Person | 42,399 | 58,494 | Japan |
|                              | Shiseido Corporate Museum (Kakegawa) |                               | Person | 27,970 | 31,408 | Japan |
|                              | Shiseido Art House (Kakegawa)        |                               | Person | 29,576 | 36,169 | Japan |
| Employee Social Contribution | Shiseido Camellia Fund (*3)          | Monthly number of Pledge (*6) | Pledge | 17,162 | 17,016 | Japan |

- (Note)
- \*1 SHISEIDO LIFE QUALITY BEAUTY SEMINAR: In Japan, we integrated the "elderly beauty services", which became a business in 2011, and various beauty seminars for the elderly, persons with disabilities, students, adults, etc. that we have implemented. We have been promoting these activities as the "Shiseido Life Quality Business" since 2013.
  - \*2 Shiseido Kodomo Seminar for juniors: Seminar for children reaching early adolescence when their skin goes through changes. Information and instruction about skin and cleanliness as well as proper skincare are provided in the seminar.
  - \*3 Shiseido Camellia Fund: Employees make donation from their wages and voluntarily participate in support activities. There are currently 10 support groups.
  - \*4 Tokyo, Shanghai, Hong Kong, Taipei, Kaohsiung
  - \*5 For elementary school children in the fifth and sixth grades
  - \*6 1 pledge= ¥100: pledge totals for March

## Personnel Related Data

### Number of Shiseido Group Employees

|                        |                             | April 1, 2014 (Ratio) |                  |                   | April 1, 2015 (Ratio) |                  |                   |
|------------------------|-----------------------------|-----------------------|------------------|-------------------|-----------------------|------------------|-------------------|
|                        |                             | Total                 | Male             | Female            | Total                 | Male             | Female            |
| <b>Total</b>           |                             | 46,980<br>(100%)      | —                | —                 | 46,351<br>(100%)      | —                | —                 |
|                        | Employees                   | 33,652<br>(71.6%)     | —                | —                 | 33,686<br>(72.7%)     | —                | —                 |
|                        | Fixed-term contact employee | 13,328<br>(28.4%)     | —                | —                 | 12,665<br>(27.3%)     | —                | —                 |
| Shiseido Group (Japan) |                             | 24,609<br>(52.4%)     | 4,174<br>(16.9%) | 20,462<br>(83.1%) | 23,870<br>(51.5%)     | 3,964<br>(16.6%) | 19,906<br>(83.4%) |
|                        | Employees                   | 15,051<br>(32.0%)     | 3,404<br>(22.6%) | 11,647<br>(77.4%) | 14,576<br>(31.4%)     | 3,292<br>(22.6%) | 11,284<br>(77.4%) |
|                        | Fixed-term contact employee | 9,558<br>(20.3%)      | 743<br>(7.8%)    | 8,815<br>(92.2%)  | 9,294<br>(20.1%)      | 672<br>(7.2%)    | 8,622<br>(92.8%)  |
| Overseas               |                             | 22,371<br>(47.6%)     | —                | —                 | 22,481<br>(48.5%)     | —                | —                 |
|                        | Employees                   | 18,601<br>(39.6%)     | —                | —                 | 19,110<br>(41.2%)     | —                | —                 |
|                        | Fixed-term contact employee | 3,770<br>(8.0%)       | —                | —                 | 3,371<br>(7.3%)       | —                | —                 |

Note: Number of employees in Japan and overseas as of April 1, 2015 and December 31, 2014, respectively.

## Number of Employees by Region

|                  | April 1, 2014 (Ratio) |                  |                   | April 1, 2015 (Ratio) |                  |                   |
|------------------|-----------------------|------------------|-------------------|-----------------------|------------------|-------------------|
|                  | Total                 | Male             | Female            | Total                 | Male             | Female            |
| <b>Total</b>     | 46,980<br>(100%)      | —                | —                 | 46,351<br>(100%)      | —                | —                 |
| Japan            | 24,609<br>(52.4%)     | 4,147<br>(16.9%) | 20,462<br>(83.1%) | 23,870<br>(51.5%)     | 3,964<br>(16.6%) | 19,906<br>(83.4%) |
| Overseas         | 22,371<br>(47.6%)     |                  |                   | 22,481<br>(48.5%)     |                  |                   |
| Europe           | 3,086<br>(6.6%)       |                  |                   | 2,529<br>(5.5%)       |                  |                   |
| America          | 6,161<br>(13.1%)      | /                | /                 | 6,389<br>(13.8%)      | /                | /                 |
| Asia & Oceania   | 13,124<br>(27.9%)     |                  |                   | 13,563<br>(29.3%)     |                  |                   |
| China            | 9,538<br>(20.3%)      |                  |                   | 9,363<br>(20.2%)      |                  |                   |
| <b>Employees</b> | 33,652<br>(71.6%)     | —                | —                 | 33,686<br>(72.7%)     | —                | —                 |
| Japan            | 15,501<br>(44.7%)     | 3,404<br>(22.6%) | 11,647<br>(77.4%) | 14,576<br>(43.3%)     | 3,292<br>(22.6%) | 11,284<br>(77.4%) |
| Overseas         | 18,601<br>(55.3%)     |                  |                   | 19,110<br>(56.7%)     |                  |                   |
| Europe           | 2,535<br>(7.5%)       |                  |                   | 2,240<br>(6.6%)       |                  |                   |
| America          | 3,636<br>(10.8%)      | /                | /                 | 3,993<br>(11.9%)      | /                | /                 |
| Asia & Oceania   | 12,430<br>(36.9%)     |                  |                   | 12,877<br>(38.2%)     |                  |                   |
| China            | 9,196<br>(27.3%)      |                  |                   | 9,154<br>(27.2%)      |                  |                   |

|                             |                   |               |                  |                   |               |                  |
|-----------------------------|-------------------|---------------|------------------|-------------------|---------------|------------------|
| Fixed-term contact employee | 13,328<br>(28.4%) | —             | —                | 12,665<br>(27.3%) | —             | —                |
| Japan                       | 9,558<br>(71.7%)  | 743<br>(7.8%) | 8,815<br>(92.2%) | 9,294<br>(73.4%)  | 672<br>(7.2%) | 8,622<br>(92.8%) |
| Overseas                    | 3,770<br>(28.3%)  |               |                  | 3,371<br>(26.6%)  |               |                  |
| Europe                      | 551<br>(4.1%)     |               |                  | 289<br>(2.3%)     |               |                  |
| America                     | 2,525<br>(18.9%)  | /             | /                | 2,396<br>(18.9%)  | /             | /                |
| Asia & Oceania              | 694<br>(5.2%)     |               |                  | 686<br>(5.4%)     |               |                  |
| China                       | 342<br>(2.6%)     |               |                  | 209<br>(1.7%)     |               |                  |

Note: Number of employees in Japan and overseas as of April 1, 2015 and December 31, 2014, respectively.

## Ratio of Male and Female Leaders

|                  | April 1, 2014 |       |        | April 1, 2015 |       |        |
|------------------|---------------|-------|--------|---------------|-------|--------|
|                  | Total         | Male  | Female | Total         | Male  | Female |
| Total leaders    | 2,757         | 1,388 | 1,369  | 2,940         | 1,463 | 1,477  |
| Japan            | 1,059         | 775   | 284    | 1,030         | 750   | 280    |
| Overseas         | 1,698         | 613   | 1,085  | 1,910         | 713   | 1,197  |
| Europe           | 266           | 123   | 143    | 272           | 121   | 151    |
| America          | 828           | 225   | 603    | 939           | 253   | 686    |
| Asia             | 604           | 265   | 339    | 699           | 339   | 360    |
| China            | 349           | 160   | 189    | 330           | 159   | 171    |
| Ratio of leaders | 100%          | 50.3% | 49.7%  | 100%          | 49.8% | 50.2%  |
| Japan            | 38.4%         | 73.2% | 26.8%  | 35.0%         | 72.8% | 27.2%  |
| Overseas         | 61.6%         | 36.1% | 63.9%  | 65.0%         | 37.3% | 62.7%  |
| Europe           | 9.6%          | 46.2% | 53.8%  | 9.3%          | 44.5% | 55.5%  |
| America          | 30.0%         | 27.2% | 72.8%  | 31.9%         | 26.9% | 73.1%  |
| Asia             | 21.9%         | 43.9% | 56.1%  | 23.8%         | 48.5% | 51.5%  |
| China            | 12.7%         | 45.8% | 54.2%  | 11.2%         | 48.2% | 51.8%  |

Note1: Numbers of leaders in Japan and overseas as of April 1, 2015 and December 31, 2014, respectively.

Note2: Overseas leaders refer to personnel in managerial positions (manager or higher).

## Average service years of employees

|                        | April 1, 2014 | April 1, 2015 |
|------------------------|---------------|---------------|
| Overall domestic Group | 16.4          | 16.9          |
| Male                   | 18.2          | 18.2          |
| Female                 | 15.9          | 16.5          |

Note: All employees (excluded fixed-term contact employee)

## Working hours / Rate of taking paid holidays

|  | Target<br>(FY2014)  | FY2013  | FY2014   |
|--|---------------------|---------|----------|
| Total annual hours worked /person                | Below previous year | /       | /        |
| Shiseido Company Limited                         |                     | 1,869.2 | 1,897.4  |
| Group employee in Japan                          |                     | 1,812.8 | 1,832.6  |
| Annual designated hours worked (Japan)           | /                   | 1,844.5 | 1,852.25 |
| Average designated overtime hours worked /person | Below previous year | /       | /        |
| Shiseido Company Limited                         |                     | 186.7   | 212.6    |
| Group employee in Japan                          |                     | 95.4    | 105.6    |
| Acquisition rate of paid leave /year             | 60% or over         | /       | /        |
| Shiseido Company Limited                         |                     | 71.9%   | 62.2%    |
| Group employee in Japan                          |                     | 49.6%   | 46.3%    |

## Entrance pay

Newly employed in April in 2015: in case a worker's service area is located in Tokyo Metropolitan and 23 districts.

| Category                            | allowance                 |
|-------------------------------------|---------------------------|
| A person with doctoral course       | monthly salary 265,000yen |
| A person with master's degree       | monthly salary 226,000yen |
| A college (university) graduate     | monthly salary 215,000yen |
| A graduate from a technical college | monthly salary 195,000yen |

Note: In any case, a service area allowance, 9000yen (amount of an allowance is different by one's service area) is included.

## Number of Qualified Personnel for Ecole Shiseido

|       | FY2013 (Ratio) | FY2014 (Ratio) |
|-------|----------------|----------------|
| Japan | 12,818 (52.3%) | 12,519 (51.1%) |

Note: Scope comprised of personnel in managerial, general, BC positions (excluding directors)

## Job Turnover Rate

|   | FY2013 | FY2014 |
|---|--------|--------|
| Shiseido Group in Japan                   | 3.2%   | 4.2%   |
| Reason of marriage, maternity, child care | 0.03%  | 0.00%  |
| Shiseido Sales Co., Ltd.                  | 3.1%   | 3.7%   |
| Reason of marriage, maternity, child care | 0.80%  | 1.00%  |

Note1: Target of domestic Group personnel in Japan: Managers and general personnel

Note2: Target of Shiseido Sales Co., Ltd.: Beauty Consultants only (excluding fixed-term contact employees)

## Number of employees who used childcare leave and child-rearing work hour systems and number of Kangaroo Staff

|   | FY2013 (Ratio) | FY2014 (Ratio) |
|---|----------------|----------------|
| Childcare leave<br>(Including short-term childcare leave) | 1,507 (5.95%)  | 1,421 (5.9%)   |
| Male  | 5 (0.12%)      | 9 (0.21%)      |
| Female  | 1,502 (7.15%)  | 1,412 (6.90%)  |
| Child-rearing work hours                                  | 1,829 (7.22%)  | 1,882 (7.65%)  |
| Male  | 7 (0.16%)      | 7 (0.17%)      |
| Female  | 1,822 (8.67%)  | 1,875 (7.62%)  |
| Beauty Consultants taking time off for childcare          | 1,106          | 1,133          |
| Male  | 0              | 0              |
| Female  | 1,106          | 1,133          |
| Kangaroo Staff  | 1,635          | 1,674          |

Note1: Shiseido Group in Japan

Note2: Acquisition rate of childcare leave (work hours)=Number of persons taking childcare leave (work hours)/Number of domestic employees at the beginning of term x 100

Note3: All employees (included fixed-term contact employee)

## Number of employees who used nursing care leave and nursing care work hour systems

|                         | FY2013 (Ratio) | FY2014 (Ratio) |
|-------------------------|----------------|----------------|
| Nursing care leave      | 29 (0.10%)     | 26 (0.11%)     |
| Male                    | 0 (0.00%)      | 0 (0.00%)      |
| Female                  | 29 (0.13%)     | 26 (0.13%)     |
| Nursing care work hours | 14 (0.06%)     | 16 (0.07%)     |
| Male                    | 2 (0.05%)      | 1 (0.02%)      |
| Female                  | 12 (0.06%)     | 15 (0.07%)     |

Note1: Shiseido Group in Japan

Note2: All employees (included fixed-term contact employee)

Note3: Acquisition rate of nursing care leave (work hours)=Number of persons taking nursing care leave (work hours)/Number of domestic employees at the beginning of term x 100

## Number of employees who used short working hour system

|        | FY2013 (Ratio) | FY2014 (Ratio) |
|--------|----------------|----------------|
| Japan  | 1,843 (7.49%)  | 1,898 (7.71%)  |
| Male   | 9 (0.21%)      | 6 (0.14%)      |
| Female | 1,834 (8.96%)  | 1,892 (9.23%)  |

Note1: Personnel using short working hours refers to those who are acquiring childcare work hours and nursing care work hours.

Note2: All employees (included fixed-term contact employee)

Note3: Shortened work hours systems utilization rate = Number of employees utilizing the shortened work hours systems/number of domestic employees at the beginning of the term x 100

## The reinstatement rate and the stability rate of the work office after one's maternity leave and childcare leave

|                                       |                                   | FY2013 | FY2014 |
|---------------------------------------|-----------------------------------|--------|--------|
| The reinstatement rate                | Shiseido Group companies in Japan | 100%   | 100%   |
|                                       | Shiseido Sales Co., Ltd.          | 96.9%  | 97.4%  |
| The stability rate of the work office | Shiseido Group Companies in Japan | 98.8%  | 97.8%  |
|                                       | Shiseido Sales Co., Ltd.          | 94.4%  | 89.8%  |

Note1: Target persons in Shiseido Group Companies in Japan: managerial personnel/major career path, target persons in Shiseido Sales Co., Ltd.: beauty consultant (excluding contract workers signed under certain periods of time)

Note2: The reinstatement rate = the number of reinstated employees from their child care leave in current year / the number of employees expected to be reinstated from their child care leave in current year × 100

Note3: The stability rate of the work office=the number of employees enrolled as of the end of March in current year out of the reinstated employees from their child care leave in previous year/the number of the reinstated employees from their child care leave in previous year × 100

## Number of employees who used system of rehired after retirement

|                                  | April 1, 2014 | April 1, 2015 |
|----------------------------------|---------------|---------------|
| Shiseido Group employee in Japan | 287           | 262           |

## Ratio of Physically-challenged employees

|                          | FY2013 | FY2014 |
|--------------------------|--------|--------|
| Shiseido Company Limited | 2.85%  | 3.37%  |
| Shiseido Group in Japan  | 1.85%  | 2.03%  |

Note: Data as of June 30 of respective years.

## Ratio of Non-Japanese Directors in Overseas Affiliated Companies

|                | April 1, 2014 | April 1, 2015 |
|----------------|---------------|---------------|
| Overseas Group | 44.8%         | 44.6%         |

Note1: Non-Japanese directors at the head office who concurrently hold posts at overseas subsidiaries are counted as local directors overseas.

Note2: Directors who are hold positions as directors in multiple companies will also be included.

## Human Rights Enlightenment and Corporate Ethics Training

Target: Domestic Group employees in Japan

|                         | FY2013           | FY2014           |
|-------------------------|------------------|------------------|
| Training theme          | Power harassment | Power harassment |
| Number of times held    | 1                | 2                |
| Time (per one occasion) | 60 minutes       | 60 minutes       |
| Participants            | 21,700 persons   | 21,500 persons   |

Note: Number of participants refers to the number who participate per training (including e-Learning and learning through text materials)

## Number of Work-related Accidents

|   | FY2013 | FY2014 |
|---|--------|--------|
| Japan<br>(Company)  | 24     | 34     |
| Service is provided in in-house factories and companies<br>under business consignment | 1      | 0      |
| Overseas<br>(Company)   | 104    | 71     |

Note1: Number of work-related accidents that accompanied suspension of operations.

Note2: Number of work-related accidents at business partners consigned by domestic factories is the number of accidents reported at business partners on consignment.

## Business accident severity rate

|                                  | April 1, 2014 | April 1, 2015 |
|----------------------------------|---------------|---------------|
| Number of work-related accidents | 24            | 34            |
| Accident severity rate           | 0.009         | 0.007         |

Note1: Number of work-related accidents in Shiseido Group in Japan

Note2: Accident severity rate=Number of days lost due to work-related accidents/Total hours worked x 1,000

## Lost time incident (LTI) rate and lost time injury frequency rate (LTIFR)

|       | FY2013 | FY2014 |
|-------|--------|--------|
| LTI   | 0.124  | 0.182  |
| LTIFR | 0.62   | 0.91   |

Note1: Lost time incident rate and lost time injury frequency rate for Shiseido Group in Japan

Note2: Lost time incident (LTI) rate=Number of lost time incidents/Total hours worked × 200,000

Note3: LTIFR=Lost time injury frequency rate/Total hours worked × 1,000,000

## Number of Employees per industrial physician and/or industrial healthcare staff

|                          | April 1, 2014 | April 1, 2015 |
|--------------------------|---------------|---------------|
| Shiseido Company Limited | 210.2         | 277.4         |
| Domestic Group           | 208.6         | 194           |

Definition: One industrial physician per business location to which the physician is appointed. (In cases where a business location is under contract with several full-time industrial physicians and part-time industrial physicians, physicians will all be included in the figure.)

## Number of Labor Union Members and Composition

|                          |  | April 1, 2014 | April 1, 2015 |
|--------------------------|--|---------------|---------------|
| Shiseido Company Limited | Labor union members                        | 2,479         | 2,322         |
|                          | Composition (*1)                           | 45.4%         | 45.6%         |
|                          | Employees who will be covered by labor law | 100%          | 100%          |
| Shiseido Group in Japan  | Labor union members                        | 11,223        | 10,778        |
|                          | Composition (*1)                           | 45.6%         | 45.2%         |
|                          | Employees who will be covered by labor law | 100%          | 100%          |

Note: Data as of April 1 of respective years.

\*1 Composition=Number of labor union members /Number of employees (included managers and fixed-term contact employee) × 100

## Subsidiaries with Labor Unions

|          | April 1, 2014 | April 1, 2015 |
|----------|---------------|---------------|
| Japan    | 18.2%         | 18.2%         |
| Overseas | 46.3%         | 43.9%         |

Note: Includes work council overseas

## Environmental Activity-performance Data

### Domestic

| Index  |  | Scope                     | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|--|---------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)          | Production facilities     | 3,104          | 2,988          | 2,901          |
|        |  | Non-production facilities | 3,420          | 3,316          | 3,145          |
|        | City gas<br>(10,000m <sup>3</sup> )    | Production facilities     | 523            | 559            | 599            |
|        |  | Non-production facilities | 87             | 81             | 69             |
|        | LPG (t)                                | Production facilities     | 9              | 7              | 8              |
|        |  | Non-production facilities | 0              | 0              | 0              |
|        | Fuel (kl)                              | Production facilities     | 1              | 0              | 0              |
|        |  | Non-production facilities | 2,108          | 2,029          | 1,833          |
| Output | Steam (GJ)                             | Non-production facilities | 9,794          | 9,475          | 9,992          |
|        | Water<br>(10,000m <sup>3</sup> )       | Production facilities     | 76             | 73             | 76             |
|        | CO <sub>2</sub> (t)                    | Production facilities     | 25,917         | 24,460         | 28,424         |
|        |  | Non-production facilities | 22,888         | 20,454         | 21,946         |
|        | SOx (t)                                | Production facilities     | 0              | 0              | 0              |
|        | NOx (t)                                |                           | 13             | 13             | 17             |
|        | Waste water<br>(10,000m <sup>3</sup> ) | Production facilities     | 69             | 65             | 68             |
|        | BOD (t)                                | Production facilities     | 14             | 14             | 17             |
|        | COD (t)                                |                           | 28             | 26             | 30             |
|        | Waste (t)                              | Production facilities     | 3,373          | 3,148          | 3,765          |
|        |  | Non-production facilities | 1,335          | 1,271          | 1,117          |
|        | Recycling rate<br>(%)                  | Production facilities     | 100            | 100            | 100            |

## Environmental Activity-performance Data

## Data by Domestic Production Facilities

## Shiseido Kamakura Factory

| Index  |  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|--|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)          | 589            | 532            | 245            |
|        | City gas (10,000m <sup>3</sup> )       | 53             | 50             | 15             |
|        | Water (10,000m <sup>3</sup> )          | 9              | 8              | 3              |
| Output | CO <sub>2</sub> (t)                    | 3,915          | 3,277          | 1,603          |
|        | SOx (t)                                | 0              | 0              | 0              |
|        | NOx (t)                                | 0              | 0              | 0              |
|        | Waste water<br>(10,000m <sup>3</sup> ) | 8              | 7              | 3              |
|        | BOD (t)                                | 0              | 0              | 0              |
|        | COD (t)                                | 1              | 1              | 1              |
|        | Waste (t)                              | 325            | 328            | 438            |

## Shiseido Osaka Factory

| Index  |  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|--|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)          | 667            | 669            | 690            |
|        | City gas (10,000m <sup>3</sup> )       | 62             | 63             | 68             |
|        | Fuel (kl)                              | 1              | 0              | 0              |
|        | Water (10,000m <sup>3</sup> )          | 18             | 16             | 17             |
| Output | CO <sub>2</sub> (t)                    | 4,149          | 4,594          | 5,079          |
|        | SOx (t)                                | 0              | 0              | 0              |
|        | NOx (t)                                | 0              | 0              | 1              |
|        | Waste water<br>(10,000m <sup>3</sup> ) | 18             | 16             | 17             |
|        | BOD (t)                                | 1              | 0              | 0              |
|        | COD (t)                                | 3              | 2              | 2              |
|        | Waste (t)                              | 820            | 827            | 960            |

## Shiseido Kakegawa Factory

| Index  |  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|--|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)          | 1,061          | 1,151          | 1,335          |
|        | City gas (10,000m <sup>3</sup> )       | 141            | 152            | 177            |
|        | Water (10,000m <sup>3</sup> )          | 19             | 20             | 22             |
| Output | CO <sub>2</sub> (t)                    | 8,184          | 7,752          | 10,809         |
|        | SOx (t)                                | 0              | 0              | 0              |
|        | NOx (t)                                | 1              | 1              | 1              |
|        | Waste water<br>(10,000m <sup>3</sup> ) | 17             | 16             | 19             |
|        | BOD (t)                                | 4              | 5              | 3              |
|        | COD (t)                                | 5              | 5              | 4              |
|        | Waste (t)                              | 299            | 394            | 393            |

## Shiseido Kuki Factory

| Index  |  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|--|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)          | 788            | 637            | 631            |
|        | City gas (10,000m <sup>3</sup> )       | 267            | 293            | 340            |
|        | LPG (t)                                | 9              | 7              | 8              |
|        | Water (10,000m <sup>3</sup> )          | 31             | 29             | 34             |
| Output | CO <sub>2</sub> (t)                    | 9,670          | 9,188          | 10,933         |
|        | SOx (t)                                | 0              | 0              | 0              |
|        | NOx (t)                                | 13             | 12             | 15             |
|        | Waste water<br>(10,000m <sup>3</sup> ) | 27             | 25             | 29             |
|        | BOD (t)                                | 10             | 9              | 13             |
|        | COD (t)                                | 19             | 17             | 23             |
|        | Waste (t)                              | 1,929          | 1,599          | 2,037          |

## Overseas

| Index  |                                     | Scope                     | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|-------------------------------------|---------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)       | Production facilities     | 4,103          | 4,243          | 4,531          |
|        |                                     | Non-production facilities | 720            | 714            | 533            |
|        | City gas<br>(10,000m <sup>3</sup> ) | Production facilities     | 365            | 372            | 370            |
|        |                                     | Non-production facilities | 19             | 24             | 12             |
|        | LPG (t)                             | Production facilities     | 97             | 116            | 199            |
|        |                                     | Non-production facilities | 0              | 0              | 0              |
|        | Fuel (kl)                           | Production facilities     | 77             | 61             | 73             |
|        |                                     | Non-production facilities | 1,147          | 1,103          | 1,078          |
|        | Steam (t)                           | Production facilities     | 4,248          | 4,217          | 3,915          |
|        | Water<br>(10,000m <sup>3</sup> )    | Production facilities     | 50             | 48             | 52             |
| Output | CO <sub>2</sub> (t)                 | Production facilities     | 22,175         | 22,627         | 25,355         |
|        |                                     | Non-production facilities | 5,005          | 4,907          | 3,954          |
|        | Waste (t)                           | Production facilities     | 4,510          | 3,936          | 4,189          |
|        |                                     | Non-production facilities | 799            | 980            | 394            |
|        | Recycling rate (%)                  | Production facilities     | 83             | 81             | 83             |

Note: Overseas non-production facilities are major facilities only.

CO<sub>2</sub>: Equals the CO<sub>2</sub> equivalent of the six greenhouse gases.

## Environmental Activity-performance Data

## Data by Overseas Production Facilities

Shiseido America, Inc.

East Windsor Factory

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 377            | 407            | 409            |
|        | City gas (10,000m <sup>3</sup> ) | 35             | 42             | 45             |
|        | Water (10,000m <sup>3</sup> )    | 1              | 1              | 1              |
| Output | CO <sub>2</sub> (t)              | 1,413          | 1,753          | 1,989          |
|        | Waste (t)                        | 306            | 398            | 408            |

Davlyn Industries, Inc.

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 317            | 369            | 419            |
|        | City gas (10,000m <sup>3</sup> ) | 35             | 37             | 36             |
|        | Water (10,000m <sup>3</sup> )    | 4              | 3              | 3              |
| Output | CO <sub>2</sub> (t)              | 1,841          | 2,003          | 2,326          |
|        | Waste (t)                        | 447            | 545            | 597            |

ZOTOS International, Inc.  
Geneva Factory

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 939            | 984            | 949            |
|        | City gas (10,000m <sup>3</sup> ) | 152            | 168            | 172            |
|        | LPG (t)                          | 21             | 21             | 21             |
|        | Water (10,000m <sup>3</sup> )    | 17             | 15             | 12             |
| Output | CO <sub>2</sub> (t)              | 0              | 0              | 0              |
|        | Waste (t)                        | 2,259          | 1,718          | 2,030          |

Note: Carbon neutrality was achieved through the use of Green Power since 2012 and CO<sub>2</sub> emission offset

Shiseido International France S.A.S.  
Val de Loire Factory

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 419            | 417            | 402            |
|        | City gas (10,000m <sup>3</sup> ) | 58             | 57             | 49             |
|        | Fuel (kl)                        | 0              | 1              | 0              |
|        | Water (10,000m <sup>3</sup> )    | 2              | 2              | 2              |
| Output | CO <sub>2</sub> (t)              | 1,827          | 1,807          | 1,601          |
|        | Waste (t)                        | 345            | 258            | 279            |

## Shiseido International France S.A.S.

Gien Factory

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 441            | 397            | 389            |
|        | City gas (10,000m <sup>3</sup> ) | 31             | 31             | 25             |
|        | Fuel (kl)                        | 1              | 0              | 4              |
|        | Water (10,000m <sup>3</sup> )    | 1              | 1              | 1              |
| Output | CO <sub>2</sub> (t)              | 1,170          | 1,142          | 982            |
|        | Waste (t)                        | 490            | 229            | 251            |

## Shiseido Liyuan Cosmetics Co., Ltd.

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 301            | 277            | 283            |
|        | City gas (10,000m <sup>3</sup> ) | 2              | 2              | 1              |
|        | Steam (t)                        | 4,248          | 4,217          | 3,915          |
|        | Water (10,000m <sup>3</sup> )    | 4              | 4              | 4              |
| Output | CO <sub>2</sub> (t)              | 4,458          | 4,205          | 4,152          |
|        | Waste (t)                        | 151            | 196            | 150            |

## Shanghai Zotos Citic Cosmetics Co., Ltd.

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 519            | 540            | 565            |
|        | City gas (10,000m <sup>3</sup> ) | 37             | 28             | 35             |
|        | Water (10,000m <sup>3</sup> )    | 11             | 11             | 14             |
| Output | CO <sub>2</sub> (t)              | 5,965          | 5,975          | 6,379          |
|        | Waste (t)                        | 182            | 256            | 243            |

Taiwan Shiseido Co., Ltd.  
Chung-Li Factory

| Index  |                                  | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|----------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh)    | 180            | 187            | 180            |
|        | City gas (10,000m <sup>3</sup> ) | 7              | 6              | 6              |
|        | Fuel (kl)                        | 1              | 1              | 2              |
|        | Water (10,000m <sup>3</sup> )    | 2              | 2              | 2              |
| Output | CO <sub>2</sub> (t)              | 1,296          | 1,329          | 1,277          |
|        | Waste (t)                        | 59             | 56             | 38             |

## Shiseido Vietnam Inc.

| Index  |                               | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|-------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh) | 329            | 419            | 794            |
|        | LPG (t)                       | 76             | 95             | 178            |
|        | Water (10,000m <sup>3</sup> ) | 4              | 6              | 10             |
| Output | CO <sub>2</sub> (t)           | 2,096          | 2,662          | 5,041          |
|        | Waste (t)                     | 88             | 84             | 155            |

## Shanghai Huani Transparent Beauty Soap Co., Ltd.

| Index  |                               | FY2012 Results | FY2013 Results | FY2014 Results |
|--------|-------------------------------|----------------|----------------|----------------|
| Input  | Electric power<br>(10,000kWh) | 156            | 125            | 142            |
|        | Fuel (kl)                     | 75             | 59             | 67             |
|        | Water (10,000m <sup>3</sup> ) | 4              | 3              | 3              |
| Output | CO <sub>2</sub> (t)           | 1,770          | 1,418          | 1,609          |
|        | Waste (t)                     | 22             | 22             | 37             |

## Editorial Policy/GRI Guidelines Index

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### Editorial Policy

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Shiseido's SOCIAL RESPONSIBILITY website has been edited according to the following policies.

- We introduce each activity according to the 7 core subjects of ISO26000 (Guidance on 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 activity-related data, personnel related data and environmental activity-performance data in lists.
- Target period for the information included in this website is mainly for FY2014 (from April 1, 2014 to March 31, 2015). However, part of the information may be from prior to the said period or more recent than the period.
- We have edited this website by using the United Nations Global Compact, Sustainability Reporting Guidelines G4 of GRI (Global Reporting Initiative), and ISO26000 for reference.
- The scope includes Shiseido Co., Ltd. and 92 Shiseido Group companies (subsidiaries) as of March 31, 2015. Notes have been added to data outside of the above scope.

Information on Shiseido's social responsibility in FY2014 is disclosed not only on the "Shiseido SOCIAL RESPONSIBILITY website" but also in the "Annual Report 2015."

### GRI Guideline Index

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Sustainability Reporting Guidelines G4 (Global Reporting Initiative) was used as a reference resource in the compilation of Shiseido CSR 2014 and the information of the standard disclosure information is described. When this information is included in media other than the Shiseido CSR 2014, the names of those media are included.

About "Reference" : "NA" indicates that the corresponding items are not relevant or have no cases relevant to any critical levels. Also "-" indicates no information.

\*This table shows the correspondences between GRI Guidelines Ver. 4 and The United Nations Global Compact. However, it contains our interpretation to some extent since the official correspondence table between the principles of The United Nations Global Compact and GRI Guidelines Ver. 4 is yet to be issued by the United Nations Global Compact Secretariat.

## Strategy and Analysis

| Section | Indicator  | Reference  | GC |
|---------|--|--|----|
| 1       | Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the strategy to improve the relevance of sustainability to the organization and the sustainability of the organization. | <ul style="list-style-type: none"> <li>▪ Commitment by Management</li> </ul>   |    |
| 2       | Description of key impacts, risks, and opportunities.  | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Risk Management</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |    |

## Organizational Profile

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 3       | Name of the organization.  | <ul style="list-style-type: none"> <li>▪ Corporate Information</li> </ul>   |    |
| 4       | Primary brands, products, and/or services.   | <ul style="list-style-type: none"> <li>▪ Business Overview</li> <li>▪ Business Field</li> </ul>                                   |    |
| 5       | Location of organization's headquarters.   | <ul style="list-style-type: none"> <li>▪ Corporate Information</li> </ul>   |    |
| 6       | Number of countries where the organization has important business offices or names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | <ul style="list-style-type: none"> <li>▪ Outline of Business</li> <li>▪ Corporate Information</li> <li>▪ Major Offices</li> </ul> |    |
| 7       | Nature of ownership and corporate status of the organization.  | <ul style="list-style-type: none"> <li>▪ Corporate Information</li> </ul>   |    |
| 8       | Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).   | <ul style="list-style-type: none"> <li>▪ Global Expansion</li> <li>▪ Outline of Business</li> </ul>                               |    |

|    |  |   |  |
|----|--|---|--|
| 9  | <p>Scale of the organization:</p> <ul style="list-style-type: none"> <li>▪ Total number of employees;</li> <li>▪ Total number of business offices;</li> <li>▪ Net sales (for private sector organizations) or net revenues (for public sector organizations);</li> <li>▪ Total capitalization broken down in terms of equity and debt (for private sector organizations); and</li> <li>▪ Quantity of products and services provided.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Shiseido at a Glance</li> <li>▪ Major Offices</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |  |
| 10 | <ul style="list-style-type: none"> <li>▪ Total number of employees by employment contract and gender.</li> <li>▪ Total number of full-time employees by employment type and gender.</li> <li>▪ Total workforce of employees/temporary employees by gender.</li> <li>▪ Total workforce by region and gender.</li> <li>▪ Reporting on whether those who are in charge of a considerable portion of the work of the organization are workers legally recognized to be self-employed or other than employees and contract-based workers (including employees and temporary employees of contractors).</li> <li>▪ Significant fluctuation in the number of employees (e.g. seasonal fluctuation in tourism and agriculture, etc.).</li> </ul> | <ul style="list-style-type: none"> <li>▪ Personnel Related Data</li> <li>▪ Corporate Information</li> </ul>   |  |
| 11 | Report the percentage of employees covered by collective bargaining agreements.  | <ul style="list-style-type: none"> <li>▪ Good Relationship with labor union</li> <li>▪ Personnel Related Data</li> </ul>                              |  |
| 12 | Supply chain of the organization.  | <ul style="list-style-type: none"> <li>▪ Fair Competition and Comprehensive Transactions</li> <li>▪ For Your Safety</li> </ul>                        |  |

|    |  |  |  |
|----|--|--|--|
| 13 | <p>Significant changes regarding the scale, structure, nature of ownership, or supply chain including the following items during the reporting period:</p> <ul style="list-style-type: none"> <li>▪ Changes in the location or business offices (including opening, closing, and expansion of facilities)</li> <li>▪ Changes in the share capital structure and changes caused by execution of other capital formation, maintenance, and change procedures (in the case of private organizations)</li> <li>▪ Changes in the location of suppliers, structure of supply chain, or relationships with suppliers (including selection and termination)</li> </ul> | <ul style="list-style-type: none"> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |  |
|----|--|--|--|

## ■ Commitments to External Initiatives

| Section | Indicator   | Reference  | GC |
|---------|---|--|----|
| 14      | <p>Whether and how the precautionary approach or principle is addressed by the organization.</p>  | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Risk Management</li> </ul>   |    |
| 15      | <p>List of the externally created economic, environmental, and social charters, principles, or other initiatives to which the organization signed or endorsed.</p>  | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Environmental Policy</li> <li>▪ Environmental communication</li> </ul>   |    |
| 16      | <p>List of the memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:</p> <ul style="list-style-type: none"> <li>▪ Has positions in governance organizations;</li> <li>▪ Participates in projects or committees;</li> <li>▪ Provides substantial amount of funding beyond routine membership dues; or</li> <li>▪ Views membership as strategic. Mainly memberships owned at the organization level.</li> </ul> | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Environmental Policy</li> <li>▪ Environmental communication</li> <li>▪ Initiatives to conserve biodiversity</li> <li>▪ External Collaboration</li> </ul> |    |

## Identified Material Aspects and Boundary

| Section | Indicator  | Reference  | GC |
|---------|--|--|----|
| 17      | <ul style="list-style-type: none"> <li>▪ List of all entities subject to the organization's consolidated financial statement or equivalent document.</li> <li>▪ Reporting on whether any of the entities subject to the organization's consolidated financial statement or equivalent document is omitted from the contents of reports.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Editorial Policy</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |    |
| 18      | <ul style="list-style-type: none"> <li>▪ Process to finalize the contents of reports and boundaries of aspects.</li> <li>▪ Explanation of how the organization applied the "principles on report contents".</li> </ul>   | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Editorial Policy</li> </ul>                    |    |
| 19      | List of all material aspects identified in the process to finalize report contents.  | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> </ul>  |    |
| 20      | Boundaries of the material aspects inside the organization.  | <ul style="list-style-type: none"> <li>▪ Editorial Policy</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |    |
| 21      | Boundaries of the material aspects outside the organization.   | <ul style="list-style-type: none"> <li>▪ Editorial Policy</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |    |
| 22      | Impacts of and the reasons for any corrections and re-statements of information provided in past reports.  | <ul style="list-style-type: none"> <li>▪ Editorial Policy</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |    |
| 23      | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.   | <ul style="list-style-type: none"> <li>▪ Editorial Policy</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |    |

## Stakeholder Engagement

| Section | Indicator   | Reference  | GC |
|---------|---|--|----|
| 24      | List of stakeholder groups engaged by the organization. | <ul style="list-style-type: none"> <li>▪ Participation in Community and Development</li> <li>▪ Engagement with stakeholders</li> </ul> |    |

|    |   |  |  |
|----|---|--|--|
| 25 | Basis for identification and selection of stakeholders with whom the organization was engaged.  | <ul style="list-style-type: none"> <li>▪ Our Way</li> </ul>  |  |
| 26 | Reporting on how the organization make approaches to stakeholder engagement (engagement frequency by type and stakeholder group, etc.) and description of whether engagements were carried out as a part of a report creation process.    | <ul style="list-style-type: none"> <li>▪ Participation in Community and Development</li> <li>▪ Engagement with stakeholders</li> <li>▪ Fair Competition and Comprehensive Transactions</li> <li>▪ Basic policy regarding personnel affairs</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ CSR and Environmental Activities E-Mail Newsletter Service</li> </ul> |  |
| 27 | Reporting on the major themes and concerns raised through stakeholder engagement, how the organization addressed them (including those which were addressed by reporting), and stakeholder groups which raised major themes and concerns. | <ul style="list-style-type: none"> <li>▪ Engagement with stakeholders</li> </ul>   |  |

## Report Profile

| Section | Indicator   | Reference  | GC |
|---------|---|--|----|
| 28      | Reporting period (e.g., fiscal/calendar year) for information provided. | <ul style="list-style-type: none"> <li>▪ Editorial Policy</li> </ul>             |    |
| 29      | Date of the latest issued report (if any).                              | June 2015  |    |
| 30      | Reporting cycle (annual, biennial, etc.).                               | Published annually   |    |
| 31      | Contact point for questions regarding the report or its contents.       | <ul style="list-style-type: none"> <li>▪ Inquiries about Shiseido CSR</li> </ul> |    |

## GRI content index

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 32      | <ul style="list-style-type: none"> <li>▪ Report "compliance" options selected by the organization.</li> <li>▪ Contents index of the GRI guidelines for the selected options.</li> <li>▪ Reference information of external assurance reports if the report has external assurance (Although it is recommended to use the external assurance in GRI, it is not a requirement for "compliance" with this guideline).</li> </ul> | <ul style="list-style-type: none"> <li>▪ GRI Guideline Index</li> </ul> |    |

## Assurance

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 33      | <ul style="list-style-type: none"> <li>▪ Policy and current practice with regard to seeking external assurance for the report.</li> <li>▪ Scope and basis of any external assurance provided if not included in the assurance report accompanying the sustainability report.</li> <li>▪ Relationship between the organization and the assurance provider(s).</li> <li>▪ Involvement of the supreme governance organization and officers in the assurance of the sustainability reports of the organization.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Third Party Evaluation</li> <li>▪ What is Shiseido CSR?</li> </ul> |    |

## Governance

### Structure and Composition of Governance

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 34      | <ul style="list-style-type: none"> <li>▪ Governance structure of the organization (including the committee of the supreme governance organization).</li> <li>▪ Identification of the committee responsible for decision making regarding economic, environmental, and social impacts.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Corporate Governance</li> <li>▪ What is Shiseido CSR?</li> </ul>   |    |
| 35      | Process for the supreme governance organization to transfer authority regarding economic, environmental, and social themes to officers and other employees.  | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> </ul>   |    |
| 36      | Reporting on whether the organization assigns persons in officer-level positions as persons responsible for economic, environmental, and social themes or such persons are under the direct control of the supreme governance organization.  | <ul style="list-style-type: none"> <li>▪ Directors / Corporate Officers / Audit &amp; Supervisory Board Members</li> <li>▪ What is Shiseido CSR?</li> </ul>   |    |
| 37      | Process to discuss economic, environmental, and social themes between stakeholders and the supreme governance organization. To whom discussion will be delegated if the authority is transferred and the feedback process to the supreme governance organization, if any.  | <ul style="list-style-type: none"> <li>▪ Establishment of entities for reporting concerns</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ Good Relationship with labor union</li> </ul> |    |
| 38      | <p>Supreme governance organization and composition of the committee by following item:</p> <ul style="list-style-type: none"> <li>▪ Existence of executive power</li> <li>▪ Independence</li> <li>▪ Term in the governance organization</li> <li>▪ Other important positions of members, number of commitments, and nature of commitments</li> <li>▪ Gender</li> <li>▪ Members of groups with weak influence</li> <li>▪ Capabilities regarding economic, environmental, and social impacts</li> <li>▪ Representatives of stakeholders</li> </ul> | <ul style="list-style-type: none"> <li>▪ Corporate Governance</li> </ul>  |    |

|    |   |   |  |
|----|---|---|--|
| 39 | <p>Concurrent appointment to the chairperson and executive officer of the supreme governance organization<br/>(In the case of concurrent appointment, roles in management of the organization and reasons for the personnel affairs).</p>   | <ul style="list-style-type: none"> <li>▪ Corporate Governance</li> </ul>  |  |
| 40 | <p>Report the assignment/selection process for the supreme governance organization and its committee. Also report the standards used in the assignment and selection of the members of the supreme governance organization including the following matters:</p> <ul style="list-style-type: none"> <li>▪ Whether and how diversity is considered</li> <li>▪ Whether and how independence is considered</li> <li>▪ Whether and how expertise and experience regarding economic, environmental, and social themes are considered</li> <li>▪ Whether and how stakeholders (including shareholders) are involved</li> </ul> | <ul style="list-style-type: none"> <li>▪ Corporate Governance</li> </ul>  |  |
| 41 | <p>Process for the supreme governance organization to ensure that conflicts of interest are eliminated and managed, whether information regarding conflicts of interest for stakeholders are disclosed, and, at least, disclosure of the following matters:</p> <ul style="list-style-type: none"> <li>▪ Mutual assignment of board members</li> <li>▪ Decline in share cross-holding with suppliers and other stakeholders</li> <li>▪ Existence of majority shareholders</li> <li>▪ Information of related parties</li> </ul>  | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Management and Execution Structure</li> <li>▪ Engagement with stakeholders</li> </ul> |  |

Roles of the supreme governance organization in the setting of the objectives, values, and strategies.

| Section | Indicator   | Reference   | GC |
|---------|---|---|----|
| 42      | <p>Objectives, values, mission statements, strategies, policies, and targets of the organization regarding economic, environmental, and social impacts, and roles of the supreme governance organization and officers in formulation, approval, and update.</p> | <ul style="list-style-type: none"> <li>▪ Management and Execution Structure</li> <li>▪ What is Shiseido CSR?</li> </ul> |    |

**Assessment of the capabilities and performance of the supreme governance organization.**

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 43      | Measures taken to develop and reinforce the collective knowledge of the supreme governance regarding economic, environmental, and social themes.   | <ul style="list-style-type: none"> <li>▪ Corporate Governance</li> <li>▪ What is Shiseido CSR?</li> </ul> |    |
| 44      | <ul style="list-style-type: none"> <li>▪ Process to assess the performance of the supreme governance organization regarding the governance of the economic, environmental, and social themes (maintenance of the independence of the assessment, frequency of the assessment, and whether the assessment is a self-assessment).</li> <li>▪ Actions taken in response to the assessment of the performance of the supreme governance organization regarding the governance of economic, environmental, and social themes (changes in the members and the practices of the organization).</li> </ul> | <ul style="list-style-type: none"> <li>▪ Audit Structure</li> <li>▪ What is Shiseido CSR?</li> </ul>      |    |

**Roles of the supreme governance organization in risk management.**

| Section | Indicator   | Reference   | GC |
|---------|---|---|----|
| 45      | <ul style="list-style-type: none"> <li>▪ Roles of the supreme governance organization in the identification and management of economic, environmental, and social impacts, risks, and opportunities (roles of the supreme governance organization in execution of due diligence process).</li> <li>▪ Whether discussion with stakeholders is utilized for support for the identification and management of economic, environmental, and social impacts, risks, and opportunities by the supreme governance organization.</li> </ul> | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Corporate Governance</li> <li>▪ Annual Securities Report (Japanese only)</li> </ul> |    |
| 46      | ▪ Roles of the supreme governance organization regarding the review of the effectiveness of the risk management process regarding the economic, environmental, and social themes of the organization.   | <ul style="list-style-type: none"> <li>▪ Risk Management</li> <li>▪ What is Shiseido CSR?</li> <li>▪ Corporate Governance</li> </ul>                          |    |

|    |  |  |  |
|----|--|--|--|
| 47 | Frequency of the review of economic, environmental, and social impacts, risks, and opportunities by the supreme governance organization. | <ul style="list-style-type: none"> <li>▪ Risk Management</li> <li>▪ What is Shiseido CSR?</li> <li>▪ Corporate Governance</li> </ul> |  |
|----|--|--|--|

Roles of the supreme governance organization in sustainability report.

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 48      | Supreme committee or position to formally review and approve the sustainability report of the organization and confirm whether all material aspects are described. | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> </ul> |    |

Roles of the supreme governance organization in the assessments of the economic, environmental, and social performance.

| Section | Indicator  | Reference  | GC |
|---------|--|--|----|
| 49      | Process to notify the supreme governance organization of critical concerns.  | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> <li>▪ Corporate Governance</li> <li>▪ Whistle-blowing system</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ Good Relationship with labor union</li> </ul> |    |
| 50      | Nature and total number of critical concerns notified to the supreme governance organization and measures taken to address and resolve them. | -  |    |

## Compensation and Incentive

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 51      | <p>Compensation policy for the supreme governance organization and officers</p> <ul style="list-style-type: none"> <li>▪ Fixed compensation and variable compensation           <ul style="list-style-type: none"> <li>i. Compensation linked with performance</li> <li>ii. Compensation linked with stocks</li> <li>iii. Bonus</li> <li>iv. Junior stocks and right-finalized stocks</li> </ul> </li> <li>▪ Payment of contract money and hiring incentive</li> <li>▪ Allowance for termination</li> <li>▪ Claw back</li> <li>▪ Retirement benefits (including the difference due to the salary system and contribution rate for each of the supreme governance organization, officers, and all other employees)</li> </ul> | <ul style="list-style-type: none"> <li>▪ Remuneration to Directors, Corporate Officers and Audit &amp; Supervisory Board Members</li> </ul>   |    |
| 52      | <p>Report the compensation determination process. Report whether a compensation consultant is involved in the determination of compensation and whether the compensation consultant is independent from top management. Report the other relationships between the compensation consultant and the organization, if any.</p>   | <ul style="list-style-type: none"> <li>▪ Remuneration to Directors, Corporate Officers and Audit &amp; Supervisory Board Members</li> </ul>   |    |
| 53      | <p>Reporting on how opinions of stakeholders regarding compensation are collected and considered (voting result regarding the compensation policy and proposal, etc.)</p>  | <ul style="list-style-type: none"> <li>▪ Whistle-blowing system</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ Good Relationship with labor union</li> </ul> |    |
| 54      | <p>Ratio of the annual total amount of compensation of the maximum salary payee in each of the countries where there is a significant business office of the organization to the median of the annual total amount of compensation of all employees of that country (excluding the maximum salary payee).</p>  | -   |    |

|    |  |   |  |
|----|--|---|--|
| 55 | Ratio of the increase rate of the annual total amount of compensation of the maximum salary payee in each of the countries where there is a significant business office of the organization to the increase rate of the median of the annual total amount of compensation of all employees of that country (excluding the maximum salary payee). | - |  |
|----|--|---|--|

## Ethics and Sincerity

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| 56      | Describe the values, philosophy, and behavior standards/rules (code of conduct, code of ethics, etc.).   | <ul style="list-style-type: none"> <li>▪ Shiseido Group Corporate Principle</li> </ul>  |    |
| 57      | System established inside and outside the organization to provide advices for matters regarding ethics, legal actions, and sincerity (telephone consultation desk).  | <ul style="list-style-type: none"> <li>▪ Establishment of entities for reporting concerns</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ Good Relationship with labor union</li> </ul> |    |
| 58      | System established inside and outside the organization to notify the concerns regarding unethical or illegal actions and matters regarding the sincerity of the organization (escalation system by line managers, whistle-blowing system, hot-line, etc.). | <ul style="list-style-type: none"> <li>▪ Whistle-blowing system</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ Good Relationship with labor union</li> </ul>                           |    |

## Guidance for Disclosure Items of Management Method

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| DMA     | <ul style="list-style-type: none"> <li>a. Report the reason why the aspects are material. Report the impacts which become reasons to judge that the corresponding aspect is material.</li> <li>b. Report the material aspects and the management method of the organization regarding the impacts.</li> <li>c. Report the assessment of the management method including the following matters: <ul style="list-style-type: none"> <li>▪ Mechanism to assess the effectiveness of the management method.</li> <li>▪ Assessment result of the management method.</li> <li>▪ Contents of adjustments related to the management method, if any.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▪ What is Shiseido CSR?</li> </ul> |    |

## Category: Economy

### aspect: Economic Performance

| Section | Indicator   | Reference                                  | GC          |
|---------|---|--|-------------|
| EC1     | Direct economic value generated and distributed.  | ▪ Annual Securities Report (Japanese only) |             |
| EC2     | Financial implications and other risks and opportunities for the organization's activities due to climate change. | ▪ Environmental targets and results        | Principle 7 |
| EC3     | Coverage of the organization's defined benefit plan obligations.  | ▪ Employment and Labor                     |             |
| EC4     | Significant financial assistance received from government.  | -  |             |

### aspect: Regional Presence

| Section | Indicator  | Reference                | GC          |
|---------|--|--------------------------|-------------|
| EC5     | Ratio of the standard minimum salary to the regional minimum salary in significant locations of operation (by gender). | ▪ Personnel Related Data | Principle 1 |
| EC6     | Proportion of senior management hired from the local community at locations of significant operation.                  | ▪ Personnel Related Data | Principle 6 |

### aspect: Indirect Economic Impacts

| Section | Indicator   | Reference  | GC |
|---------|---|--|----|
| EC7     | Development and impact of infrastructure investments and assistance services. | ▪ Participation in Community and Development                                   |    |
| EC8     | Significant indirect economic impacts (including the extent of impacts).      | ▪ Participation in Community and Development<br>▪ Social Activity-Related Data |    |

### aspect: Procurement Practice

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| EC9     | Proportion of spending on locally-based suppliers at significant locations of operation. | ▪ Fair Competition and Comprehensive Transactions<br><br><i>The procurement rate (based on the amount) of China-produced raw materials in factories in China in fiscal year 2014 (January-December)</i><br>Raw materials: 71%<br>Materials: 99% |    |

## Category: Environmental

### aspect: Materials

| Section | Indicator  | Reference  | GC            |
|---------|--|--|---------------|
| EN1     | Materials used by weight or volume                             | ▪ FY2014 environmental impact results<br>▪ Environmental Activity-performance Data | Principle 8   |
| EN2     | Percentage of materials used that are recycled input materials | ▪ FY2014 environmental impact results<br>▪ Environmental Activity-performance Data | Principle 8,9 |

## aspect: Energy

| Section | Indicator  | Reference  | GC            |
|---------|--|--|---------------|
| EN3     | Energy consumption within the organization                 | <ul style="list-style-type: none"> <li>▪ FY2014 environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul> | Principle 8   |
| EN4     | Energy consumption outside of the organization             | -  | Principle 8   |
| EN5     | Energy intensity   | -  | Principle 8   |
| EN6     | Reduction of energy consumption                            | <ul style="list-style-type: none"> <li>▪ FY2014 environmental impact results</li> <li>▪ Production initiatives</li> </ul>                  | Principle 8,9 |
| EN7     | Reductions in energy requirements of products and services | <ul style="list-style-type: none"> <li>▪ FY2014 environmental impact results</li> <li>▪ Product initiatives</li> </ul>                     | Principle 8,9 |

## aspect: Water

| Section | Indicator   | Reference  | GC            |
|---------|---|--|---------------|
| EN8     | Total water withdrawal by source                            | <ul style="list-style-type: none"> <li>▪ FY2014 environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul> | Principle 8   |
| EN9     | Water sources significantly affected by withdrawal of water | -  | Principle 8   |
| EN10    | Percentage and total volume of water recycled and reused    | -  | Principle 8,9 |

## aspect: Biodiversity

| Section | Indicator   | Reference                              | GC          |
|---------|---|--|-------------|
| EN11    | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.                        | NA                                     | Principle 8 |
| EN12    | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | " Initiatives to conserve biodiversity | Principle 8 |
| EN13    | Habitats protected or restored.   | NA                                     | Principle 8 |
| EN14    | Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.                  | -                                      | Principle 8 |

## aspect: Emissions

| Section | Indicator  | Reference  | GC              |
|---------|--|--|-----------------|
| EN15    | Direct greenhouse gas (GHG) emissions (Scope 1)          | " FY2014 environmental impact results<br>" Environmental Activity-performance Data   | Principle 8     |
| EN16    | Energy indirect greenhouse gas (GHG) emissions (Scope 2) | " FY2014 environmental impact results<br>" Environmental Activity-performance Data   | Principle 8     |
| EN17    | Other indirect greenhouse gas (GHG) emissions (Scope 3)  | " FY2014 environmental impact results<br>" Environmental Activity-performance Data   | Principle 8     |
| EN18    | Greenhouse gas (GHG) emissions intensity                 | " FY2014 environmental impact results<br>" Environmental Activity-performance Data   | Principle 8     |
| EN19    | Reduction of greenhouse gas (GHG) emissions              | " Current three-year (2015 to 2017) environmental policies and targets<br>" FY2014 environmental impact results<br>" Environmental Activity-performance Data | Principle 7,8,9 |
| EN20    | Emissions of ozone-depleting substances (ODS)            | NA   | Principle 8     |

|      |   |  |             |
|------|---|--|-------------|
| EN21 | NOx, SOx, and other significant air emissions | <ul style="list-style-type: none"> <li>▪ FY2014 environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul> | Principle 8 |
|------|---|--|-------------|

## aspect: Effluents and Waste

| Section | Indicator  | Reference  | GC          |
|---------|--|--|-------------|
| EN22    | Total water discharge by quality and destination   | <ul style="list-style-type: none"> <li>▪ FY2014 environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>                                     | Principle 8 |
| EN23    | Total weight of waste by type and disposal method  | <ul style="list-style-type: none"> <li>▪ FY2014 environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> <li>▪ Environmental management</li> </ul> | Principle 8 |
| EN24    | Total number and volume of significant spills  | <ul style="list-style-type: none"> <li>▪ Environmental management</li> </ul>   | Principle 8 |
| EN25    | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention <sup>2</sup> Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | NA   | Principle 8 |
| EN26    | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.   | -  | Principle 8 |

## aspect: Products and Services

| Section | Indicator   | Reference  | GC              |
|---------|---|--|-----------------|
| EN27    | Extent of impact mitigation of environmental impacts of products and services.            | <ul style="list-style-type: none"> <li>▪ Environmental management</li> <li>▪ FY2014 environmental impact results</li> <li>▪ Product initiatives</li> </ul> | Principle 7,8,9 |
| EN28    | Percentage of products sold and their packaging materials that are reclaimed by category. | <ul style="list-style-type: none"> <li>▪ Product initiatives</li> <li>▪ Initiatives in research, procurement, distribution, and sales</li> </ul>           | Principle 8,9   |

**aspect: Compliance**

| Section | Indicator  | Reference  | GC          |
|---------|--|--|-------------|
| EN29    | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | <ul style="list-style-type: none"> <li>- Environmental management</li> </ul> | Principle 8 |

**aspect: Transport**

| Section | Indicator  | Reference  | GC          |
|---------|--|--|-------------|
| EN30    | Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce. | <ul style="list-style-type: none"> <li>- FY2014 environmental impact results</li> <li>- Initiatives in research, procurement, distribution, and sales</li> </ul> | Principle 8 |

**aspect: Overall**

| Section | Indicator  | Reference  | GC              |
|---------|--|--|-----------------|
| EN31    | Total environmental protection expenditures and investments by type. | <ul style="list-style-type: none"> <li>- Environmental accounting</li> </ul> | Principle 7,8,9 |

**aspect: Supplier Environmental Assessment**

| Section | Indicator  | Reference  | GC            |
|---------|--|--|---------------|
| EN32    | Percentage of new suppliers that were screened using environmental criteria.                           | <ul style="list-style-type: none"> <li>- Initiatives in research, procurement, distribution, and sales</li> <li>- Fair Competition and Comprehensive Transactions</li> </ul> | Principle 7,8 |
| EN33    | Significant actual and potential negative environmental impacts in the supply chain and actions taken. | <ul style="list-style-type: none"> <li>- Initiatives in research, procurement, distribution, and sales</li> <li>- Fair Competition and Comprehensive Transactions</li> </ul> | Principle 7,8 |

**aspect: Environmental Grievance Mechanisms**

| Section | Indicator  | Reference | GC          |
|---------|--|-----------|-------------|
| EN34    | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms. | -         | Principle 8 |

## Category: Society

### Sub-category: Labor Practices and Decent Work

#### aspect: Employment

| Section | Indicator   | Reference   | GC           |
|---------|---|---|--------------|
| LA1     | Total number and rate of new hires and employee turnover (by age group, gender, and region).                              | " Personnel Related Data                                    | Principle 6  |
| LA2     | Benefits provided to full-time employees that are not provided to temporary or part-time employees (by major operations). | " Employment and Labor<br>" Realize a rewarding workplace   |              |
| LA3     | Return to work and retention rates after parental leave (by gender).  | " Personnel Related Data<br>" Realize a rewarding workplace | *Principle 6 |

#### aspect: Labor/Management Relations

| Section | Indicator  | Reference              | GC          |
|---------|--|------------------------|-------------|
| LA4     | Minimum notice period(s) regarding operational changes (including whether it is specified in collective agreements). | " Employment and Labor | Principle 3 |

#### aspect: Occupational Health and Safety

| Section | Indicator  | Reference  | GC          |
|---------|--|--|-------------|
| LA5     | Percentage of total workforce which is the source of those who become representatives in joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | " Safety and health of employees<br>" Personnel Related Data             | Principle 1 |
| LA6     | Injury types and rates of injury, occupational diseases, non-business days, and absenteeism, and number of work-related fatalities (by region and gender).   | " Personnel Related Data   | Principle 1 |
| LA7     | Number of employees who have high risks of operation-related accidents and illnesses.  | " Personnel Related Data   | Principle 1 |
| LA8     | Health- and safety-related topics covered in formal agreements with trade unions.  | " Safety and health of employees<br>" Good Relationship with labor union | Principle 1 |

### aspect: Training and Education

| Section | Indicator   | Reference   | GC            |
|---------|---|---|---------------|
| LA9     | Average hours of training per year per employee (by gender and employee category).  | <ul style="list-style-type: none"> <li>▪ Realize a rewarding workplace</li> <li>▪ Personnel Related Data</li> </ul> | * Principle 6 |
| LA10    | Programs for skills management and lifelong learning that assist employees in the continued employment and managing career endings. | <ul style="list-style-type: none"> <li>▪ Realize a rewarding workplace</li> </ul>                                   |               |
| LA11    | Percentage of employees receiving regular assessments of performance and career development (by gender and employee category).      | <ul style="list-style-type: none"> <li>▪ Personnel affairs and fair evaluation</li> </ul>                           | * Principle 6 |

### aspect: Diversity and Equal Opportunity

| Section | Indicator  | Reference   | GC            |
|---------|--|---|---------------|
| LA12    | Composition of the governance organization and breakdown per employee category (by gender, age group, minority group membership, and other indicators of diversity). | <ul style="list-style-type: none"> <li>▪ Directors / Corporate Officers / Audit &amp; Supervisory Board Members</li> <li>▪ Management and Execution Structure</li> <li>▪ Basic policy regarding personnel affairs</li> <li>▪ Diversity &amp; Inclusion</li> <li>▪ Personnel Related Data</li> </ul> | Principle 1,6 |

### aspect: Equal Remuneration for Women and Men

| Section | Indicator   | Reference  | GC            |
|---------|---|--|---------------|
| LA13    | Ratio of basic salary and total compensation of women to men (by employee category and significant locations of operation). | <ul style="list-style-type: none"> <li>▪ Employment and Labor</li> </ul> | Principle 1,6 |

### aspect: Labor Practice Assessment of Suppliers

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| LA14    | Percentage of new suppliers screened by the labor practice criteria.                                   | -   |    |
| LA15    | (Real and potential) significant negative impacts on labor practice in supply chain and actions taken. | <ul style="list-style-type: none"> <li>▪ Fair Competition and Comprehensive Transactions</li> </ul> |    |

**aspect: Complaint Management System for Labor Practice**

| Section | Indicator   | Reference   | GC |
|---------|---|---|----|
| LA16    | Number of complaints for labor practice filed, addressed, and resolved by the formal complaint management system. | <ul style="list-style-type: none"> <li>▪ Whistle-blowing system</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ Good Relationship with labor union</li> </ul> |    |

**Sub-category: Human Rights**

**aspect: Investment**

| Section | Indicator   | Reference  | GC                    |
|---------|---|--|-----------------------|
| HR1     | Total number and percentage of significant investment agreements that include human rights clauses or that have undergone human rights screening.                               | <ul style="list-style-type: none"> <li>▪ Policy Related to Respect for Human Rights and Discrimination</li> <li>▪ Fair Competition and Comprehensive Transactions</li> </ul> | Principle 1,2,3,4,5,6 |
| HR2     | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations (including the percentage of employees trained). | <ul style="list-style-type: none"> <li>▪ Establishment of corporate ethics</li> <li>▪ Human Rights Enlightenment (Education)</li> <li>▪ Personnel Related Data</li> </ul>    | Principle 1,2,3,4,5,6 |

**aspect: Non-Discrimination**

| Section | Indicator  | Reference | GC              |
|---------|--|-----------|-----------------|
| HR3     | Total number of incidents of discrimination and actions taken. | -         | Principle 1,2,6 |

**aspect: Freedom of Association and Collective Bargaining**

| Section | Indicator   | Reference | GC              |
|---------|---|-----------|-----------------|
| HR4     | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and measures taken to support these rights. | NA        | Principle 1,2,3 |

## aspect: Child Labor

| Section | Indicator  | Reference  | GC              |
|---------|--|--|-----------------|
| HR5     | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective elimination of child labor. | <ul style="list-style-type: none"> <li>▪ Policy Related to Respect for Human Rights and Discrimination</li> <li>▪ Shiseido Group Supplier Code of Conduct</li> </ul> | Principle 1,2,5 |

## aspect: Forced and Compulsory Labor

| Section | Indicator   | Reference  | GC              |
|---------|---|--|-----------------|
| HR6     | Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor in any forms. | <ul style="list-style-type: none"> <li>▪ Policy Related to Respect for Human Rights and Discrimination</li> <li>▪ Shiseido Group Supplier Code of Conduct</li> </ul> | Principle 1,2,4 |

## aspect: Security Practices

| Section | Indicator  | Reference | GC            |
|---------|--|-----------|---------------|
| HR7     | Percentage of security personnel trained in the policies or procedures concerning aspects of human rights that are relevant to operations. | -         | Principle 1,2 |

## aspect: Indigenous Rights

| Section | Indicator  | Reference | GC            |
|---------|--|-----------|---------------|
| HR8     | Total number of incidents of violations involving rights of indigenous people and actions taken. | NA        | Principle 1,2 |

## aspect: Human Rights Assessment

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| HR9     | Total number and percentage of operations that have been subject to human rights reviews and impact assessments. | <ul style="list-style-type: none"> <li>▪ Human Rights<br/><i>Targetting all the business offices inside and outside Japan.</i></li> </ul> |    |

**aspect: Human Rights Assessment of Suppliers**

| Section | Indicator  | Reference   | GC                    |
|---------|--|---|-----------------------|
| HR10    | Percentage of new suppliers screened by the human rights criteria.                                   | -   | Principle 1,2,3,4,5,6 |
| HR11    | (Real and potential) significant negative impacts on human rights in supply chain and actions taken. | <ul style="list-style-type: none"> <li>▪ Fair Competition and Comprehensive Transactions</li> </ul> |                       |

**aspect: Complaint Management System for Human Rights**

| Section | Indicator  | Reference  | GC            |
|---------|--|--|---------------|
| HR12    | Number of complaints for impacts on human rights filed, addressed, and resolved by the formal complaint management system. | <ul style="list-style-type: none"> <li>▪ Whistle-blowing system</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Good Relationship with labor union</li> </ul> | Principle 1,2 |

**Sub-category: Society**

**aspect: Community**

| Section | Indicator  | Reference  | GC |
|---------|--|--|----|
| SO1     | Percentage of operations in which engagement with communities, impact assessment, and community development program are carried out. | <ul style="list-style-type: none"> <li>▪ Participation in Community and Development</li> <li>▪ Social Activity-Related Data</li> </ul> |    |
| SO2     | Operations with significant (potential or actual negative) impacts on local communities.   | NA   |    |

## aspect: Corruption Prevention

| Section | Indicator  | Reference   | GC           |
|---------|--|---|--------------|
| SO3     | Total number and percentage of operations analyzed for risks related to corruption and identified significant risks. | <ul style="list-style-type: none"> <li>▪ Compliance</li> <li>▪ Reporting on Breaches</li> </ul>   | Principle 10 |
| SO4     | Communication and training regarding the policies and procedure of corruption prevention.                            | <ul style="list-style-type: none"> <li>▪ Establishment of corporate ethics</li> <li>▪ What is Shiseido CSR?</li> <li>▪ Fair Competition and Comprehensive Transactions</li> <li>▪ Corporate Governance</li> <li>▪ Personnel Related Data</li> </ul> | Principle 10 |
| SO5     | Finalized corruption cases and actions taken.  | <ul style="list-style-type: none"> <li>▪ Reporting on Breaches</li> </ul>   | Principle 10 |

## aspect: Public Policy

| Section | Indicator   | Reference | GC           |
|---------|---|-----------|--------------|
| SO6     | Total amount of political contributions (by country and recipient/beneficiary). | NA        | Principle 10 |

## aspect: Anti-Competitive Behavior

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| SO7     | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | <p>Results in fiscal year 2014<br/>           "No legal actions"<br/>           &lt;target areas to cover : Japan&gt;</p> |    |

## aspect: Compliance

| Section | Indicator   | Reference   | GC |
|---------|---|---|----|
| SO8     | Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations. | <p>Results in fiscal year 2014<br/>           "No sanctions such as penalties and any other actions besides penalties"<br/>           &lt;target areas to cover : Japan&gt;</p> |    |

**aspect: Assessment of Impacts of Suppliers on Society**

| Section | Indicator   | Reference   | GC |
|---------|---|---|----|
| SO9     | Percentage of new suppliers screened by the criteria of impacts on society.                         | -   |    |
| SO10    | (Real and potential) significant negative impacts on society in supply chain and the actions taken. | <ul style="list-style-type: none"> <li>▪ Fair Competition and Comprehensive Transactions</li> </ul> |    |

**aspect: Complaint Management System for Impacts on Society**

| Section | Indicator   | Reference  | GC |
|---------|---|--|----|
| SO11    | Number of complaints for impacts on society filed, addressed, and resolved by the formal complaint management system. | <ul style="list-style-type: none"> <li>▪ Whistle-blowing system</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Good Relationship with labor union</li> </ul> |    |

**Sub-category: Product Responsibility**

**aspect: Customer Health and Safety**

| Section | Indicator   | Reference  | GC          |
|---------|---|--|-------------|
| PR1     | Percentage of major products and services for which impact assessment of health and safety is conducted for improvement.  | <ul style="list-style-type: none"> <li>▪ Promotion of Reliable and Safe Manufacturing</li> </ul>   | Principle 1 |
| PR2     | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety of products and services during their life cycle (by type of outcomes). | <ul style="list-style-type: none"> <li>▪ Promotion of Reliable and Safe Manufacturing</li> </ul> <p><i>Results in fiscal year 2014 "No violations against rules and regulations as well as voluntary codes" (some examples of administrative guidance based on act against Pharmaceutical Affairs Law)</i><br/> <i>&lt;target areas to cover : Japan&gt;</i></p> | Principle 1 |

## aspect: Product and Service Labeling

| Section | Indicator   | Reference  | GC          |
|---------|---|--|-------------|
| PR3     | (If any procedures are defined by the organization for information and labeling of products and services)<br>Types of information regarding the product and services subject to the procedure and percentage of the major products and services subject to such information requirements. | <ul style="list-style-type: none"> <li>▪ Promotion of Reliable and Safe Manufacturing</li> <li>▪ Activities to Enhance Customer Satisfaction</li> </ul>  | Principle 8 |
| PR4     | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling (by type of outcomes).   | <ul style="list-style-type: none"> <li>▪ Promotion of Reliable and Safe Manufacturing</li> </ul> <p><i>Results in fiscal year 2014: "No violations against rules and regulations as well as voluntary codes"/"recall &amp; voluntary collection"</i><br/> <i>&lt;target areas to cover : Japan&gt;</i></p> | Principle 8 |
| PR5     | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.   | <ul style="list-style-type: none"> <li>▪ Activities to Enhance Customer Satisfaction</li> </ul>  |             |

## aspect: Marketing Communications

| Section | Indicator   | Reference  | GC |
|---------|---|--|----|
| PR6     | Sales of banned products and products in dispute.   | NA   |    |
| PR7     | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications (including advertising, promotion, and sponsorship) (by type of outcomes). | <ul style="list-style-type: none"> <li>▪ Promotion of Reliable and Safe Manufacturing</li> </ul> <p><i>Results in fiscal year 2014 "No violations against rules and regulations as well as voluntary codes" (some examples of administrative guidance based on act against Unjustifiable Premiums and Misleading Representations and Pharmaceutical Affairs Law)</i><br/> <i>&lt;target areas to cover : Japan&gt;</i></p> |    |

## aspect: Customer Privacy

| Section | Indicator  | Reference  | GC          |
|---------|--|--|-------------|
| PR8     | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | <i>Results in fiscal year 2014 "four examples" (incidents of reporting personal information disclosure to a PrivacyMark examining authority)</i><br><i>&lt;target areas to cover: Shiseido Co., Ltd.&gt;</i> | Principle 1 |

## aspect: Compliance

| Section | Indicator  | Reference   | GC |
|---------|--|---|----|
| PR9     | Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services. | <i>Results in 2014 fiscal year "No penalties against violating rules and regulations"</i><br><i>&lt;target areas to cover : Japan&gt;</i> |    |