

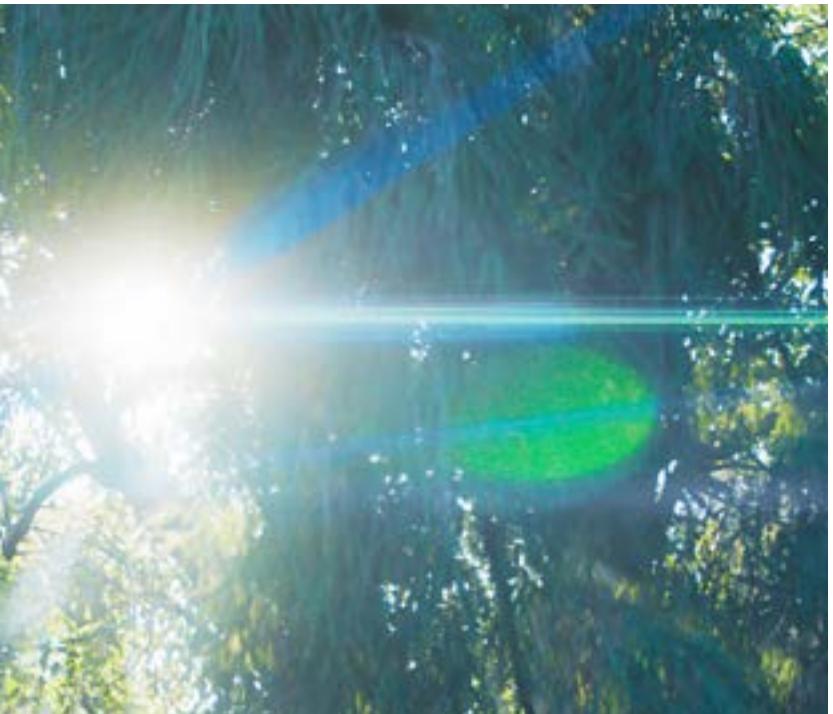


Sustainability Report 2019

SHISEIDO

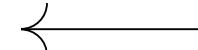
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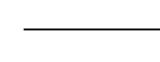


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Clean Environment



25

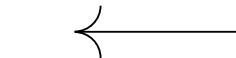


Respectful Society



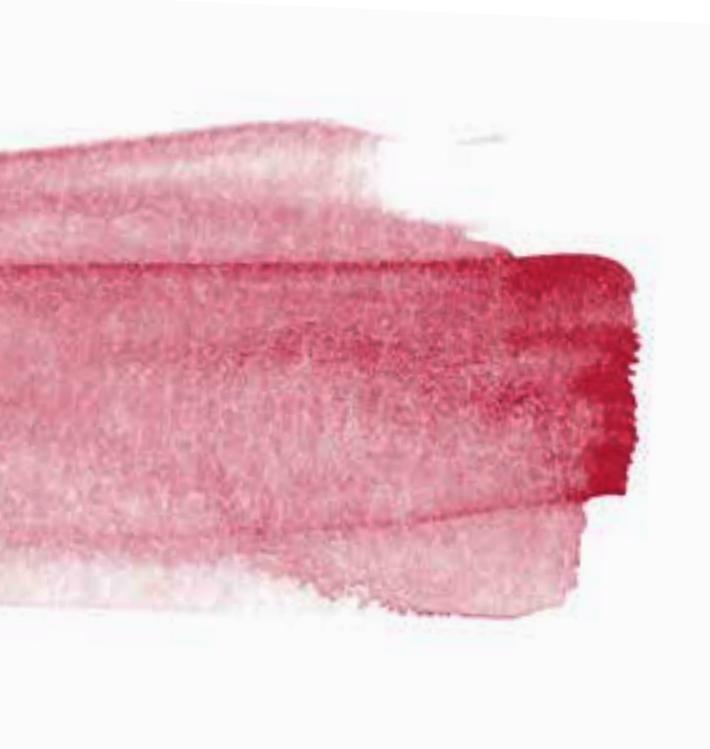
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Enriched Culture



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Our mission is BEAUTY INNOVATIONS FOR A BETTER WORLD



First of all, I would like to extend my condolences to the families of the victims of COVID-19 and express my deepest sympathy for all those who have found themselves in difficult circumstances because of this pandemic.

Shiseido's corporate mission is to create BEAUTY INNOVATIONS FOR A BETTER WORLD. Moreover, respect for the planet and its people is written into our name, which means 'praise the virtues of the Earth.'

As the world grows more volatile and complex – and has to deal with the tremendous crisis caused by COVID-19 – we are reinforcing our commitment to people and the planet. By strengthening our global initiatives within environment, society, culture, and governance (ESCG), we work to solve social issues through our business activities and, in this way, contribute to making the world a better place.

→ We work to solve
social issues through our
business activities and, in this
way, contribute to making
the world a better place

Beauty gives people confidence, courage and new energy. But we believe it also has the power to reinvigorate society and ultimately change the world.

We thank all our stakeholders for their continuous support and belief in the Shiseido Group. Working as One Shiseido, we will continue to make steadfast progress towards realizing our goal of a better world.



MASAHIKO UOTANI
Representative Director,
President and CEO

Sustainable Beauty Initiative for Realizing a Better World



In order to create a better world through our beauty innovations, we have defined the Shiseido Sustainable Beauty Initiative.

The initiative includes three key pillars: Clean Environment, Respectful Society, and Enriched Culture, which will support Shiseido's sustainability efforts for the next 100 years. We are committed to delivering on our targets within each of these three pillars to realize a better world. In addition, we have set Trustworthy Governance, which guarantees the long-term continuation of our activities to support sustainable beauty.

→ We are committed
to delivering on our targets
to realize a better world

Corporate culture, which is included in Culture and is the core of our value proposition, has been helping both leaders and employees to set a clear direction of our activities.

In January 2019, we set up our Social Value Creation Division. This team is composed of environment, society, and culture functions and has been responsible for developing eight strategic actions and commitments across the three pillars. Along with our ESCG framework (Environment, Society, Culture, and Governance), we have defined 18 material issues based on their importance to all stakeholders and Shiseido's business. Each team works to accelerate social value creation through our business by guiding the activities of our brands, regional businesses, and all corporate functions such as Research & Innovation, Supply Network, HR, etc.

In this report, we would like to share our long-term commitment, activities and progress with our ESCG framework that are corresponding to SDGs.



JUN AOKI
Executive Corporate Officer
Chief Social Value Creation Officer

Shiseido's ESCG – Sustainable Beauty Initiative

Based on our mission BEAUTY INNOVATIONS FOR A BETTER WORLD, our sustainability strategy centers on ESCG.



ESG stands for environment, social and governance – concepts valued by modern society – while C represents culture, a unique strength of Shiseido. Accordingly, we are working to promote our Sustainable Beauty Initiative, which aims to realize a better world, and we have defined the following key areas that require our attention as a beauty company:

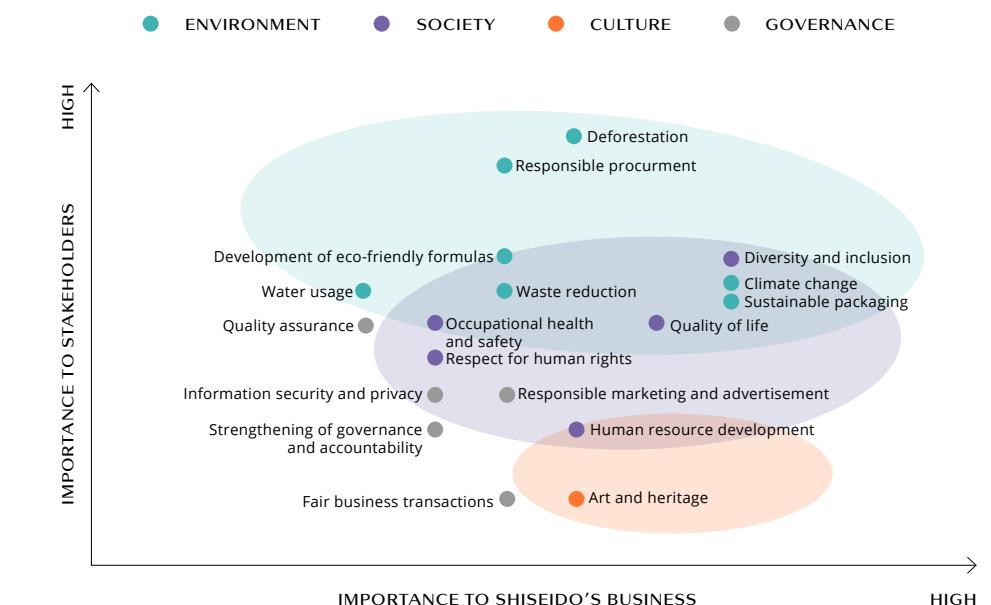
- **CLEAN ENVIRONMENT:** Striving for the ideal of a global environment that supports lives of vibrancy.
- **RESPECTFUL SOCIETY:** Advancing a society that embraces diversity through respect, and supports lives of beauty.
- **ENRICHED CULTURE:** Using our heritage to create new value and enrich culture.

To deliver on our goals in each area, Trustworthy Governance forms the basis of how we will achieve the targets that we are committed to over the medium-to-long term.

Shiseido's Material Issues

As a framework for creating social value unique to a beauty company, we defined the Shiseido Group's material issues in April 2019, based on interviews and discussions with our stakeholders.

Categorizing issues taking into consideration their impact on all our stakeholders (consumers, business partners, employees, shareholders, society and the earth) and their impact on the Company's businesses, we established an order of priority and selected 18 material issues. In addition, we revised our definition of social value from the perspectives of the environment, society, and culture. The details and positioning of each issue were reviewed, as needed, through discussion by corporate officers at Executive Committee in 2019 and Sustainability Committee in 2020.



The following process was implemented to define materiality.

Step 1: Identify social issues in consideration of all stakeholders based on their expectations and demands along with various perspectives collected from:

- Experts in environmental and social fields in Japan and overseas
- Consumer feedback (from company surveys conducted in five countries)
- External surveys, reports from major international organizations, and investor feedback
- Employees and board members feedback (in Japan and overseas)

Step 2: Shortlist the identified issues based on their relevance to business management and make an advanced analysis by following the process below:

Discussions are held with corporate officers and board members and various divisions to select issues highly relevant to business management. The selected issues are subjected to impact assessment based on two perspectives: importance to all stakeholders and Shiseido's businesses. The assessment scores are used to narrow down the list and finalize the 18 material issues. The details and strategic actions for the 18 issues are confirmed by the board members.

Step 3: Submit the finalized materiality list to the management committees for approval.



Shiseido's Key Strategic Actions With SDGs

Following are our eight key strategic actions based on our material issues. They correspond to the SDGs indicated under each action.

CLEAN ENVIRONMENT

1. Reducing our Environmental Footprint



RESPECTFUL SOCIETY

1. Advancing Gender Equality
2. Empowering People Through the Power of Beauty
3. Promoting Respect for Human Rights



ENRICHED CULTURE

1. Drawing on our Heritage and Culture to Imagine a Better Future
2. Inspiring the World with a New Sense of Japanese Beauty



Message from ESG Expert



HIROMICHI MIZUNO
PRI Association Board Member

CONGRATULATIONS ON ISSUING SHISEIDO'S FIRST GLOBAL SUSTAINABILITY REPORT.

It shows the company's commitment to external and internal stakeholders. That is, to pursue both economic and social value creation with the aim of realizing long-term corporate value creation through its unique environment, social, culture, and governance (ESCG) framework.

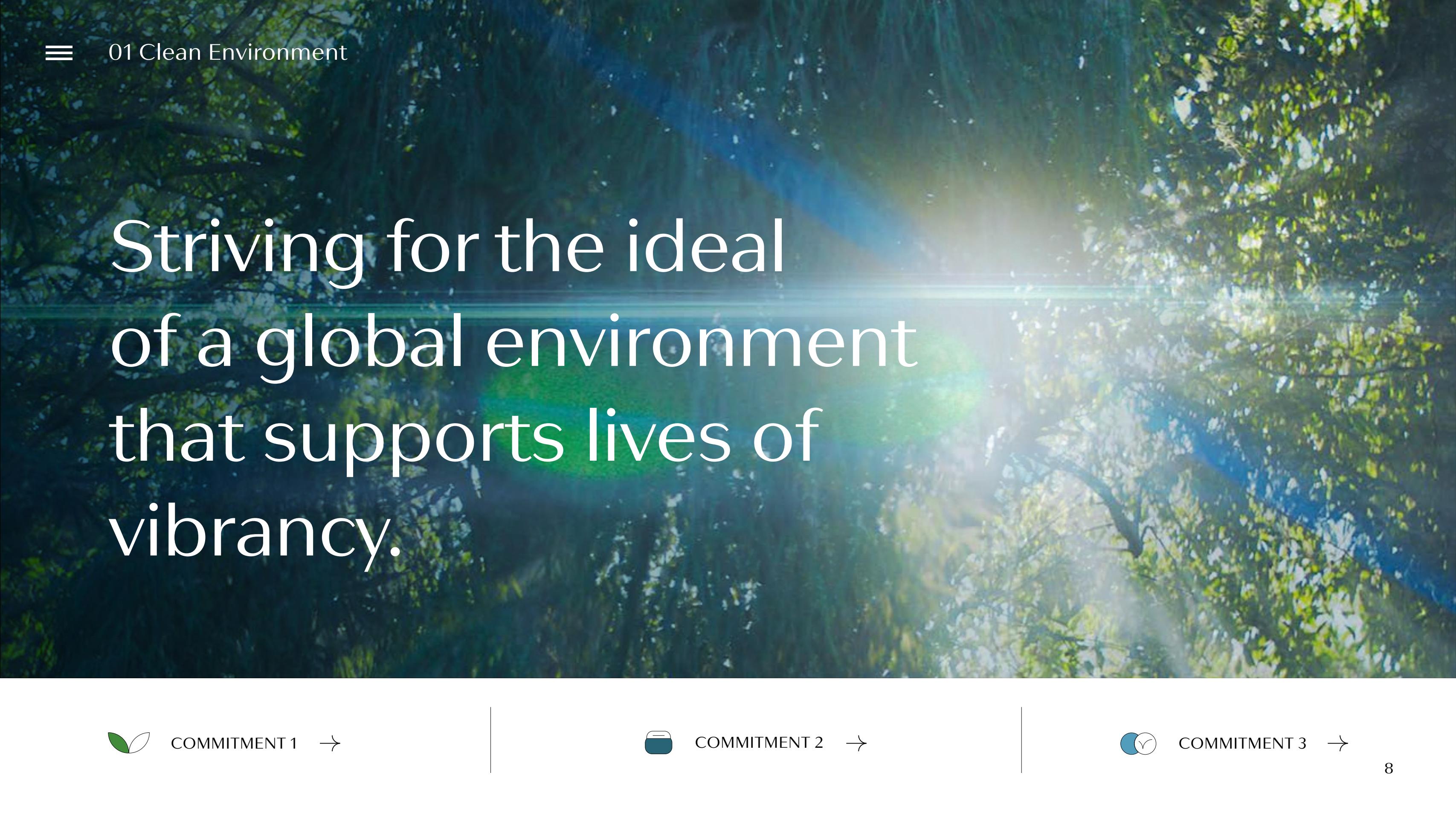
In terms of **ENVIRONMENT**, Shiseido's first report in compliance with the Task Force on Climate-related Financial Disclosures (TCFD) is a major step toward the climate actions. Shiseido's attention to the circular economy and clear commitment to it deserve recognition.

As for **SOCIAL**, it is noteworthy that Shiseido intends to keep its leadership position within the Japanese business community with regards to the empowerment of women, and has strong

aspirations to do the same within the global community. I have high expectations for Shiseido to tackle the diversity and inclusion issues at a global level in every market they serve.

I highly appreciate Shiseido's approach to add **CULTURE** to their ESCG framework. Especially the fact that Shiseido regards corporate culture as an effective method of internal governance, and aims to achieve corporate sustainability and value creation by leveraging it. Giving culture more meaning than just art and business collaboration is a reflection of Shiseido's 148 years of heritage.

I look forward to seeing how Shiseido delivers environmentally and socially positive impacts by implementing its unique ESCG framework, using corporate culture to engage employees and customers, and external corporate governance to create long-term value for all stakeholders.



Striving for the ideal
of a global environment
that supports lives of
vibrancy.



COMMITMENT 1 →



COMMITMENT 2 →



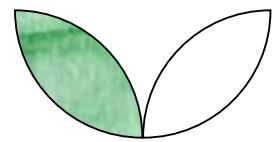
COMMITMENT 3 →

→ Respect for the planet and its people is written into our name and embedded in our culture. ‘Shiseido’ comes from a phrase in the Chinese classical text, *I Ching*: ‘Praise the virtues of the Earth, which nurtures new life and brings forth significant values.’

In everything we do – from development and procurement to production – we work to preserve the global environment that we all depend on. That is how we create sustainable value.

In this chapter, we report on the strategic actions we have taken to contribute to the health of our planet.

COMMITMENT 1



Reducing our Environmental Footprint

We are reducing the environmental footprint of our activities by taking actions in five key areas:

CO₂: We will be carbon neutral by 2026 ¹

Water: We will reduce our water consumption by 40% by 2026 ²

Waste: We will send zero waste to landfills by 2022 ³

Deforestation

Palm oil: We will achieve 100% sustainable palm oil ⁴ usage by 2026

Paper: We will achieve 100% sustainable paper ⁵ usage for product packaging by 2023

¹ — At all our sites

² — For all our sites, intensity per sales, compared with 2014

³ — For owned factories

⁴ — Physical supply chain options, identity preserved, segregated, and/or mass balance

⁵ — Such as certified paper, recycled paper

COMMITMENT 2



Developing Sustainable Products

Formula and Packaging

We use innovation to minimize the environmental impact of our products:

Formula/Ingredients

We improve our environmental and social profile by using sustainably sourced materials and ingredients that are selected for their safety and environmental properties. We also disclose our policies on product development.

Packaging

Complying with 5Rs (Respect, Reduce, Reuse, Recycle, and Replace), we will achieve 100% sustainable packaging by 2025 ¹.

¹ — For selling products with plastics packaging

COMMITMENT 3

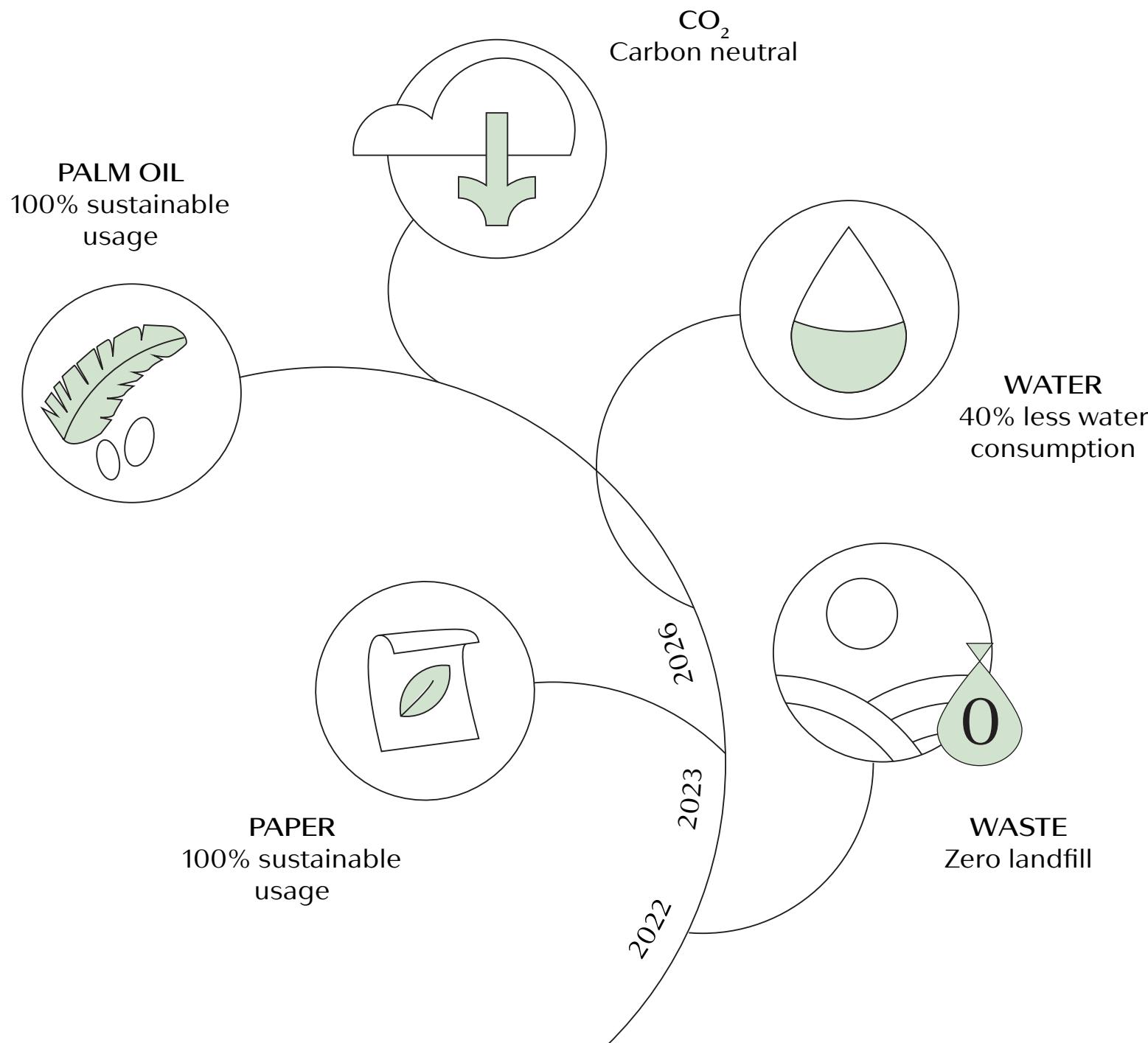
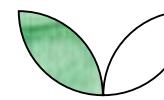


Promoting Sustainable and Responsible Procurement

We procure materials based on our codes and principles (e.g., Shiseido Group Supplier Code of Conduct and Shiseido Group Procurement Policy):

We work to ensure supplier traceability by conducting supplier assessments and audits. Our suppliers assess themselves using third-party self-assessment tools (e.g., Sedex, EcoVadis) and/or our original self-assessment questionnaire (SAQ).

We aim to improve labor conditions, address issues and take actions in human rights and environment by participating in global initiatives and having ongoing discussions with external experts, and education and training to stakeholders.



Reducing our Environmental Footprint

Across all areas of our business, we are promoting initiatives that reduce the environmental impact of our activities and ensure a sustainable use of resources.

To help combat climate change, we are stepping up efforts to reduce greenhouse gasses (GHG) emissions, particularly carbon dioxide (CO₂) emissions. To put a halt to deforestation, we are promoting the ethical procurement of palm oil and paper. And to make the best use of natural resources, we are continuing to find ways to minimize water and energy consumption, reduce and recycle waste, and develop new sustainable solutions for products and packaging.

Reducing CO₂ Emissions

To mitigate climate change, we work to reduce the emission of CO₂ and other greenhouse gasses (GHG) at all our production sites and business locations.

In February 2020, we announced our commitment to CO₂ reduction ¹: We aim to be carbon neutral by 2026.

In order to achieve this target, we are taking actions to improve energy efficiency, and use renewable energy.

54%

of the electricity used in our Osaka, Kuki, and Kakegawa factories is sourced from hydroelectric power

Improving Energy Efficiency

We have been making dedicated efforts to reduce GHG emissions related to energy consumption by introducing and installing equipment, and using electric power. We introduced a cogeneration system ² at our Kuki factory, and CO₂ emissions have been reduced by improving energy efficiency.

At all our production sites ³, we carefully select equipment in order to save and use energy efficiently, as well as improve environmental measures based on the environmental management system ISO 14001.

We will continue our efforts to further improve energy efficiency across the Shiseido Group. This includes formulating an energy efficiency improvement plan that sets the direction for investments in in-house power generation equipment as well as equipment that reduces environmental impact.

Using Renewable Energy

We have been increasing the use of renewable energy, particularly in our factories that have high power consumption. In 2019, we increased our usage of renewable energy by 52% versus the previous year. In particular, at our East Windsor factory in Shiseido America, Inc. (New Jersey, USA), 100% of electricity is now derived from renewable energy.

UTILIZING WATER POWER

About 54% of the electricity used in our Osaka, Kuki, and Kakegawa factories is sourced from hydroelectric power, which contributes to a reduction in CO₂.

UTILIZING SOLAR POWER

Our East Windsor factory in Shiseido America, Inc. has been equipped with a fixed-tilt solar power system since 2007, and a solar-tracking solar power system since 2010. With an annual power generation of approximately 2.3 million kWh, more than 70% of the factory's annual power consumption was covered by solar power. This amounts to a total reduction of 1,100 ton CO₂ annually. These efforts meant that the factory won the 2010 New Jersey Governor's Environmental Excellence Awards.



Provided by TEPCO Renewable Power, Incorporated



→
East Windsor factory in USA

¹ CO₂ emissions of scope 1 & 2

² Cogeneration system: An efficient system that simultaneously obtains different energies (electricity, heat) from a single energy source

³ Except at our Nasu factory, which began operation in Dec. 2019

Assessing Climate Risks

In April 2019, Shiseido announced its support for the Task Force on Climate-related Financial Disclosures (TCFD), recognizing that the mitigation of climate-related risks is critical to our continued sustainable growth.

Based on the TCFD recommendations, we identify and report on the climate-related risks and opportunities pertinent to our business.

Scenario Analysis

We have identified significant potential risks we may encounter by the end of this century based on the important geographic points for our business, and scientific insights such as meteorology, hydrology, and statistical data. The risks resulting from the transition towards a decarbonized society, and the physical risks brought about by changing environmental conditions, are considered in the 1.5°C scenario and in the 4°C scenario, respectively.

The 1.5°C scenario identifies transition risks such as carbon pricing and market trend changes. When carbon pricing is determined by taking into account the social cost of carbon – such as the costs of climate measures and compensation for the predicted damage caused by climate disasters – the financial impact will be significant.

In the 4°C scenario, we expect to face physical risks due to rising temperatures and associated phenomena. According to the IPCC reports, water-

related issues will occur more frequently. We anticipate that changing weather conditions will affect factory operations and disrupt logistics; we also expect that they will have an impact on crop cultivation for the production of raw materials. We have to prepare long-term measures that take into account the natural conditions of each region.

In the meantime, increasing awareness among consumers will open new opportunities for environmentally conscious products and brands. Especially the products and services that support climate adaptation, such as UV care products and cool touch products, are expected to meet consumers' needs ¹.

In order to mitigate climate-related risks, we have committed to the long-term target of carbon neutral operations by 2026. Moreover, we are taking action on our climate change risks and will actively seek out ways to realize opportunities and benefits that arise across our value chain, in line with the outputs from the scenario analysis.

Summary of the risks/opportunities

	Risks	Opportunities			
Transition (seen mainly in 1.5°C scenario)	<ul style="list-style-type: none"> Cost increase with carbon tax Fuel price increase 	<ul style="list-style-type: none"> Energy efficiency improvement More ethical products (e.g. Clean beauty) 			
Physical (seen mainly in 4°C scenario)	<table border="0"> <tr> <td style="vertical-align: top;"> Acute Chronic </td><td> <ul style="list-style-type: none"> Operation stop with natural disaster (e.g. typhoons, floods) Logistics disruption with natural disaster <ul style="list-style-type: none"> Procurement cost increase for crops-derived materials due to rain condition change Operation stop due to water shortage (in France) </td><td> <ul style="list-style-type: none"> Green products dev. (e.g., Dry SP/CD) Cooling products dev. </td></tr> </table>	Acute Chronic	<ul style="list-style-type: none"> Operation stop with natural disaster (e.g. typhoons, floods) Logistics disruption with natural disaster <ul style="list-style-type: none"> Procurement cost increase for crops-derived materials due to rain condition change Operation stop due to water shortage (in France) 	<ul style="list-style-type: none"> Green products dev. (e.g., Dry SP/CD) Cooling products dev. 	
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The scenario analysis was carried out based on the "Recommendations of the Task Force on Climate-related Financial Disclosures" in Final Report (published in 2017).

SSP ² and RCP ³ were applied for this study as the socioeconomic and the climate pathway.

¹ — JAMSTEC (Japan Agency for Marine-Earth Science and Technology) has shown that harmful UV radiation reaching the Earth's surface is projected to increase in the northern mid-latitudes, including Japan, in the latter half of the 21st century – despite the expected recovery of the stratospheric ozone layer. In fact, an increase in UV radiation has been observed by the Japan Meteorological Agency during the last 20 years. JAMSTEC suggested some reasons for this increase, one of them being climate change. <https://agupubs.onlinelibrary.wiley.com/doi/full/10.1029/2011JD015749>

² — Shared Socioeconomic Pathway

³ — Representative Concentration Pathway

Water

Across the Shiseido Group, we aim to ensure the sustainable use of water by preserving water circulation in water systems as well as the water utilization by local communities.

To that end, we identified the actual use of water resources across our value chains. Based on this assessment, we work to reduce the impact of our business activities on water circulation and water utilization. In February 2020, we announced our commitment on water: We will reduce water consumption by 40% compared with 2014 across all Shiseido Group, per unit sales, by 2026 ¹.

In order to achieve this target, we are taking two actions. One is to install equipment that can reuse and recycle water; the other is to introduce water-saving initiatives in product development and at production sites.

New Installments

Our production sites have been working to reduce water consumption since they were established. In order to make more effective use of water, we will be making capital investments, particularly in water circulation equipment.

In the manufacturing process, water for cooling and cleaning of equipment accounts for about half of the total water consumption in our factories. In the coming years, we will gradually introduce equipment that will enable us to use water more efficiently.

At our Val de Loire factory in France, the water used for cleaning equipment is recycled and new cleaning equipment has been introduced to significantly improve the water utilization.

Water-saving Initiatives

At the Osaka factory, we also looked into the rinsing process to verify the effect of reducing the temperature of the water used for cleaning equipment. By using lukewarm rather than hot water, we reduced the amount of water lost to evaporation in the process, which subsequently reduced CO₂ emissions.

Our Gien factory in France switched their water-cooled vacuum pump to an air-cooled type. In addition, the water cleaning of the fragrance manufacturing equipment was changed to alcohol cleaning, and the alcohol used for this process is recycled. These measures significantly improved water utilization at the factory by reducing water usage by 77% ².

In 2019, the Shiseido Group reduced water consumption by 30,000 m³ in absolute terms.

27%

water reduction
(intensity per
sales) compared
with 2014

IN PRODUCT DEVELOPMENT

To contribute to the protection of water resources, we develop products that can reduce water consumption when used by our consumers.

In 2016, Shiseido developed a new foamy facial wash that can be rinsed off quickly, and with less water consumption, by improving dispersibility of dirt into the water. This facial wash reduced the amount of water necessary for rinsing by about 35% compared to standard cleansers. We are expanding the technology developed for water-saving to products such as Clé de Peau Beauté SOFTENING CLEANSING FOAM and UNO Whip Speedy.



Gien factory
in France

¹ — Per unit sales: unit value is the total amount of water consumed per product manufactured
² — 77% reduction compared with 2009 in terms of water usage per production. (Water consumption (L) per content production (kg))



Waste



Across the Shiseido Group, we work to accelerate our contribution to the reduction of waste.

In February 2020, we announced our commitment on waste: We aim to divert all solid waste from landfills, achieving zero landfill by 2022 at all Shiseido Group factories.

To reach this goal we conducted a thorough classification of waste, and turned it into a resource for accelerating reuse and recycle. In addition, 47% of unnecessary materials such as plastics and metals are sold as recycled resources, contributing to resource recycling by separating and collecting waste at the factories. The activities at our sites resulted in a 94% rate of recycling ¹ in 2019. And, 10 out of 11 factories have achieved this target.

We have also taken actions to improve manufacturing and packaging processes to minimize production losses and optimize the transportation of packaging in factories and through distribution.

On top of that, we are optimizing our use of materials, and minimizing the total volume of industrial waste across the value chain by taking part in circular economy initiatives locally and globally.

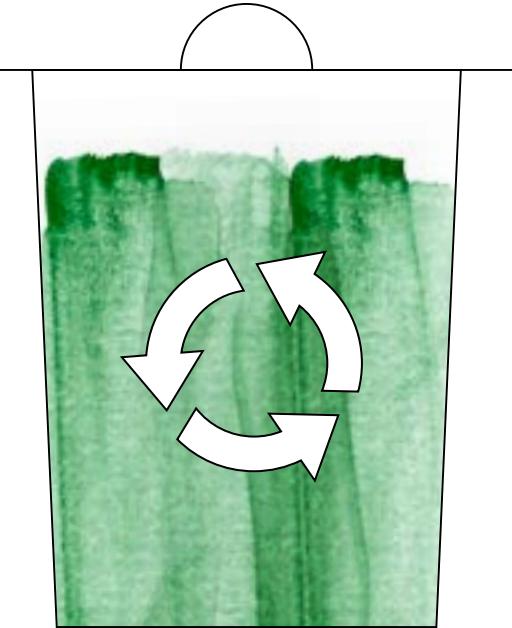
Our specific initiatives include the redesign of products (e.g. launching refillable packaging, using less wrapping for our packaging, simplifying packaging design, eliminating the need for inserting leaflets inside the packaging, designing light-weight cardboard), and the redesign of the ordering management system, using the Business Transformation Framework (BTF).

In 2019, the Shiseido Group reduced waste at factories by 394 tons in absolute terms.

Employee Training for Proper Disposal of Industrial Waste

We hold industrial waste seminars twice a year for all managers and people in charge of industrial waste in all departments and Shiseido Group companies in Japan. The aim is to share knowledge, understanding and compliance with laws and regulations.

As a result of these activities, there were no accidents or legal violations associated with waste in 2019.



10/11
factories achieved
zero landfill

¹ — Including thermal recovery



Deforestation

Palm Oil and Paper



To promote environmental protection, we have committed to sustainable procurement across all our business activities, including the procurement of raw materials, especially palm oil and paper. This is because the rainforest where palm oil and paper pulp are procured conserves valuable biodiversity and provides valuable ecosystem services.

We are strengthening our response to the protection of the environment, particularly with regard to the use of sustainable palm oil and paper, both of which can contribute to preventing deforestation.

Sustainable Use of Palm Oil

Palm oil is a raw material used in cosmetics for its moisturizing and texturizing properties. It is mainly produced from oil palms in a vast tropical rainforest in Southeast Asia. The chaotic development of tropical rainforests not only destroys these forests and the valuable ecosystems they grow, but also releases large amounts of carbon into the atmosphere, accelerating climate change.

Environmental protection in palm oil production areas, and consideration of human rights of the people working on plantations (see Commitment 3, p. 21 and Sustainable Procurement of Palm Oil and Mica, p. 23), are essential to building an ethical supply chain.

As part of our efforts in this area, we joined the Roundtable on Sustainable Palm Oil (RSPO), an international non-profit organization, in 2010.

In order to support the sustainable production of palm oil, since 2018 we have purchased certificates (credits) equivalent to 100% palm oil and palm-derived materials. In 2019, the Shiseido Group purchased credits equivalent to around 9,700 tons of palm oil and palm kernel oil derivatives.

For our next step, we aim to achieve usage of 100% RSPO-certified sustainable palm oil and palm kernel oil derivatives from physical supply chain options (identity preserved, segregated and/or mass balance) by 2026.

Sustainable Use of Paper

To protect the environment and prevent deforestation, we are promoting the procurement of sustainable paper such as (third-party) certified paper and recycled paper.



100%

sustainable palm
oil by 2026

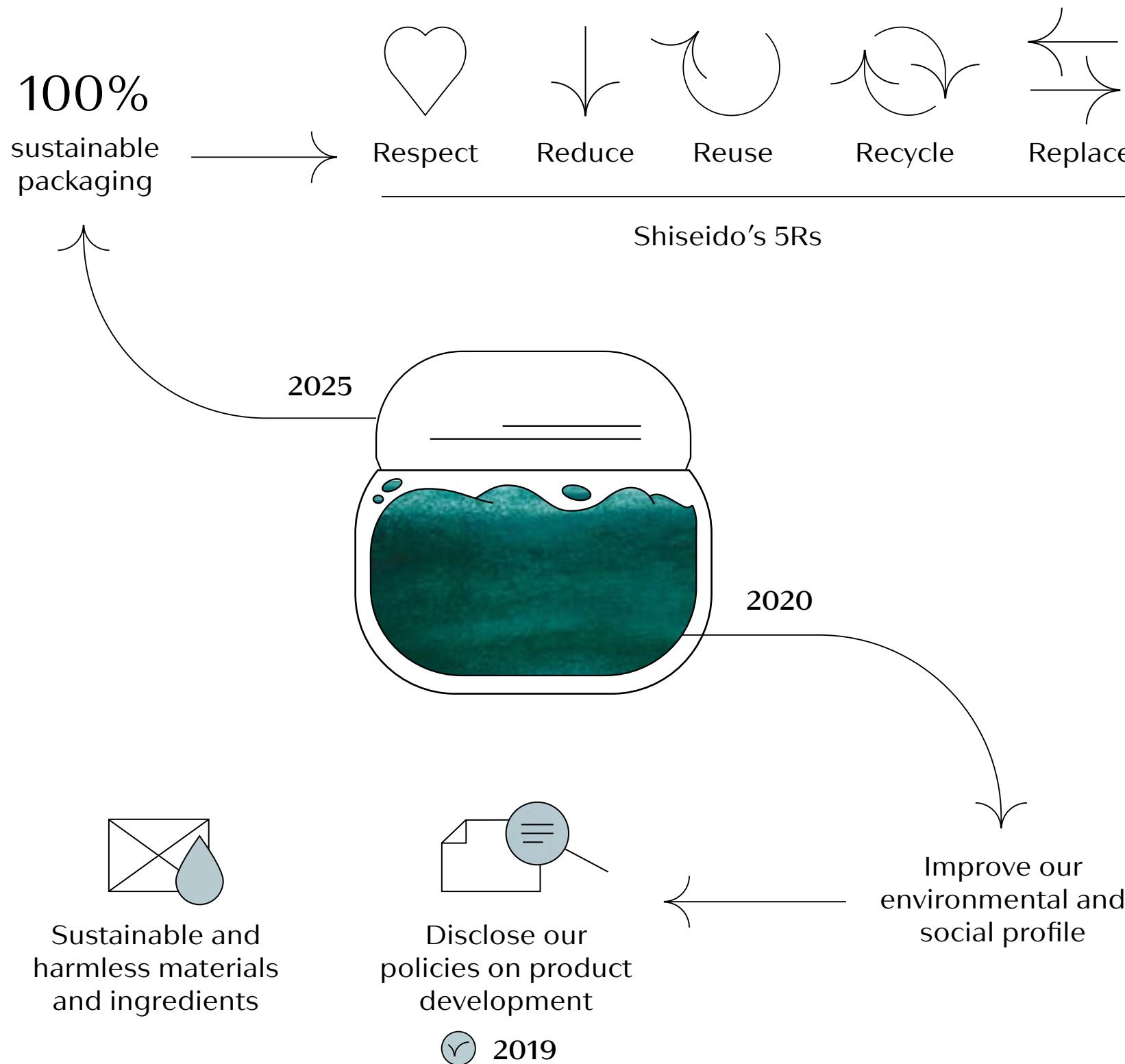
sustainable
paper by 2023

We aim to achieve 100% use of sustainable paper by 2023. We are currently in the process of switching to (third-party) certified paper (e.g., FSC, PEFC) or recycled paper for all Shiseido products.

For more details on other sustainable and responsible raw material procurements, please see the section on Responsible Procurement, p. 21.



COMMITMENT 2



Developing Sustainable Products

Formula and Packaging

Utilizing our extensive dermatological research and formulation technologies, developed over more than 100 years, we have been cultivating formulas that comply with high standards of quality and safety.

Our approach to the development of these cutting-edge technologies has always been informed by a sustainable mindset, reflecting our wish to protect and respect people, societies, and environments touched by our activities.

Complying with 5Rs (Respect, Reduce, Reuse, Recycle, and Replace), we aim to make the packaging¹ of our products 100% sustainable by 2025. Going forward, we also want all our products to be developed according to 5Rs, minimizing the environmental impact throughout the product life cycle.

¹ — For selling products with plastics packaging



Sustainable Formula

We are committed to developing and offering products and services that are safe and meet high quality standards by leveraging over 100 years of our extensive research and results on dermatological and material science.

Reflecting our wish to protect the health of the human body as well as the environment, we have published our corporate policies on product development. In terms of ingredients, we have screened and assessed key ingredients (e.g., microplastic beads, oxybenzone, parabens), and stated our actions such as not-using/stop-using/continuously using to our products¹.

UV Care

As a result of climate change², the total UV radiation that our consumers are exposed to is likely to increase during this century, and people living in certain regions will be more exposed than others³.

Based on the results of our dermatological research and development activities, we have initiated new research that explores the relationship between environment and the skin (including UV rays). We will use these results to develop innovative products and services (e.g., UV care, anti-aging care) that protect the skin.

Animal Testing

Shiseido's mission is to provide safe and effective products to consumers, and to comply with the cosmetics regulations in force, while understanding and respecting the principles behind animal protection.

For all our products, we have established a safety assurance system based on methods that do not involve animal testing. We continue to develop effective alternative methods for testing products safety, and work with administrative agencies in various countries to get these methods certified as official, according to laws and regulations of the given countries/regions⁴.

Actions Toward Consumer Needs

Shiseido responds to the increasing number of consumers that put social responsibility and environmental impact at the top of their purchasing decisions by promoting brands that focus on sustainability such as *bareMinerals*, and BAUM, a new brand that was launched in Japan in 2020.

bareMinerals, the original pioneers of natural mineral-based makeup since 1995, was acquired by the Shiseido Group in 2010. Since then,



←
bareMinerals



it has been our flagship natural brand, and today, it is positioned as a clean brand with a significant level of natural ingredients and free of controversial ingredients such as parabens, phthalates, chemical sunscreen, and microbeads. Our last addition to our clean brand portfolio is *Drunk Elephant*. Acquired in 2019, it is free of essential oils, drying alcohols, silicones, chemical sunscreens, fragrances/dyes and SLS (the Suspicious 6™), and it is committed to use only ingredients that either directly benefit the health of the skin or support the integrity of its formulations.

¹ — For more information, please visit <https://our-products-policy.shiseido.com/en/>

² — The fact that climate change influences on atmospheric circulation (Hadley circulation) and the total amount of UV ray exposure increase in the middle latitudes was indicated by the research result of JAMSTEC (Japan Agency for Marine-Earth Science and Technology)

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

⁴ — We do not test our cosmetic products or ingredients on animals except when mandated by law



Sustainable Packaging

Respecting and protecting the planet and its resources lie at the heart of our culture; it is also the premise for the circular economy, which is why we support this concept.

Within packaging, we have set our mid-term target with 5Rs. Based on it, the packaging guidelines were developed.

The guidelines on packaging based on this policy were issued globally for various kinds of environment-friendly packaging such as refills, mono material containers, recyclable PET packaging.

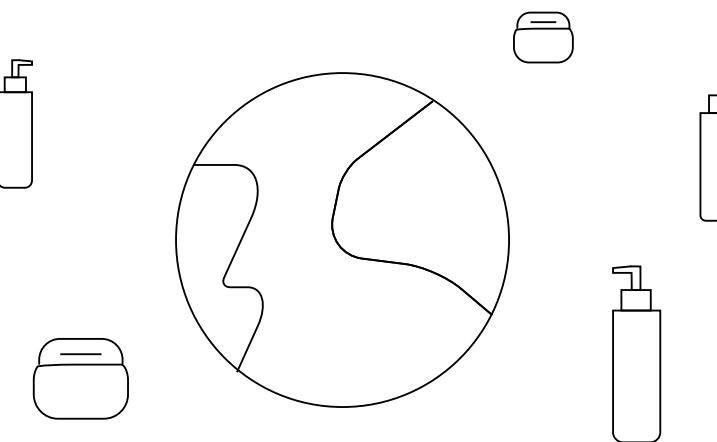
Reduce/Reuse

REFILL

Since the launch of our first refill products in 1926, Shiseido has led the refill innovation in cosmetics. Currently, we offer refill solutions for more than 1,200 SKU globally.

By providing refill products and by making containers lighter and easier to separate after use, we are reducing the resources used for containers across a wide range of categories, such as skincare, makeup, and personal care.

Reuse also helps to stop single-use plastic usage and accelerate the move towards refill containers as primary packaging.



1,000+

Shiseido's products with refill solutions offered globally

Shiseido's 5Rs

In order to reduce our environmental footprint and support the concept of a circular economy, Shiseido defined 5Rs as follows:



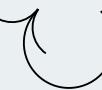
Respect

Respect people, society, and the environment. Based on this, we aim to achieve 100% sustainable packaging¹.



Reduce

Reduce the amount of plastics by optimizing packaging weight, and the usage of plastic promotion materials.



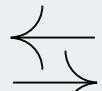
Reuse

Reuse regular packaging by launching refills. Implement recharging systems that guarantee product integrity.



Recycle

Recycle by designing easy-to-be-taken-apart packaging and by using materials suitable for each country's recycling streams. Use PE/ PP/ PET mono materials.



Replace

Replace virgin materials with bio-degradable, bio-based or post consumer recycled (PCR) materials.

¹ — For selling products with plastics packaging





By using a refill container,
we reduced the amount
of plastics used by

60%

We have been offering refill containers for HAKU Melano Focus V since 2011. By using a refill container, we reduced the amount of plastics used by 60% compared with the amount used for the original product container.

In order to make it easy to recycle the used containers, we are working to provide packaging that can be easily separated for products that combine different materials such as plastic and metal (e.g., brand SHISEIDO).

We also work on innovations that help to reduce the use of plastics. In 2019, we partnered with the Loop program to develop the new circular business model.



Packaging that can
be easily separated

Message from External Expert

WHAT ARE THE ACTIONS THAT NEED TO BE TAKEN IN ORDER TO REALIZE SUSTAINABILITY?

To realize sustainability, there are a few things producers can do. They can focus on moving to recyclable packages that actually have value to recyclers, which often means highly separated material with a strong end-market, or pay the cost to collect and process the material themselves. However, while recycling is really important, it's not the answer to garbage. Producers can move to a reuse model which solves the problem on the front end by not creating the waste in the first place. The Loop program is one example of the reuse model.

WHAT ARE THE EXPECTATIONS AND CHALLENGES FOR THE SHISEIDO GROUP?

A challenge to the Shiseido Group is to take authentic steps towards supporting a circular economy. Circular economy has three main pillars, reuse, recycling and reduction.

Shiseido is already a founding partner of the Loop program in Japan, so as a next challenge, I expect Shiseido to drive value combining core components of the circular economy. To achieve this goal, will require not only considering material recycling, but also rethinking the structure and value of packaging and supply chain.



TOM SZAKY
CEO and Founder of TerraCycle



Recycle

Since 2015, we have been using mechanically recycled PET¹ resin which has been reproduced from post-consumer packaging waste for the bottle material of SEA BREEZE Super Cool Body Shampoo.

Most of the glass we use for packaging skincare products contains recycled glass cullet. Recycled cullet contributes to decreasing the glass melting temperature. It also cuts down on the amount of silica sand needed for the process. As a result, energy consumption as well as CO₂ emissions are reduced. In addition, we have standardized the glass material to colorless and transparent soda-lime glass for its high recyclability.



Replace

Since 2009, we have been switching the material of the cartons for our skincare products (single-unit cases), such as lotion and emulsion, from plastic to paper.

With regard to paper materials, we actively promote the use of FSC-certified paper² and recycled paper.

Since 2011, sugarcane-derived polyethylene³ has been adopted as the packaging material for the domestic hair care brand, *SUPER MILD*. This has reduced CO₂ generated from the packaging by more than 70% throughout the product life cycle.

In April 2019, we started a collaboration with Kaneka Corporation, with a view to utilizing Kaneka Biodegradable Polymer® PHBH® – a proprietary material with high biodegradability in seawater – for our cosmetics containers, tools, fixtures, etc. By combining Kaneka's proprietary technology on material development with our knowledge in container development for cosmetics, which we have accumulated over many years, we will further minimize the environmental impact of our products.

Product Life Cycle Assessment (LCA)

The development of sustainable products is carried out by applying Life Cycle Assessment (LCA), which helps to confirm whether the environmental footprint will be reduced or not.

For example, 40% of the environmental footprint of skincare lotion comes from the processes and materials related to the packaging of these products. In order to reduce the environmental footprint of cosmetic packaging, Shiseido has provided more than 1,200 SKU of refillable products. In the case of Elixir lotion, LCA indicates that using refillable product can reduce over 50% of its carbon footprint.

We will further minimize the environmental impact of our products

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

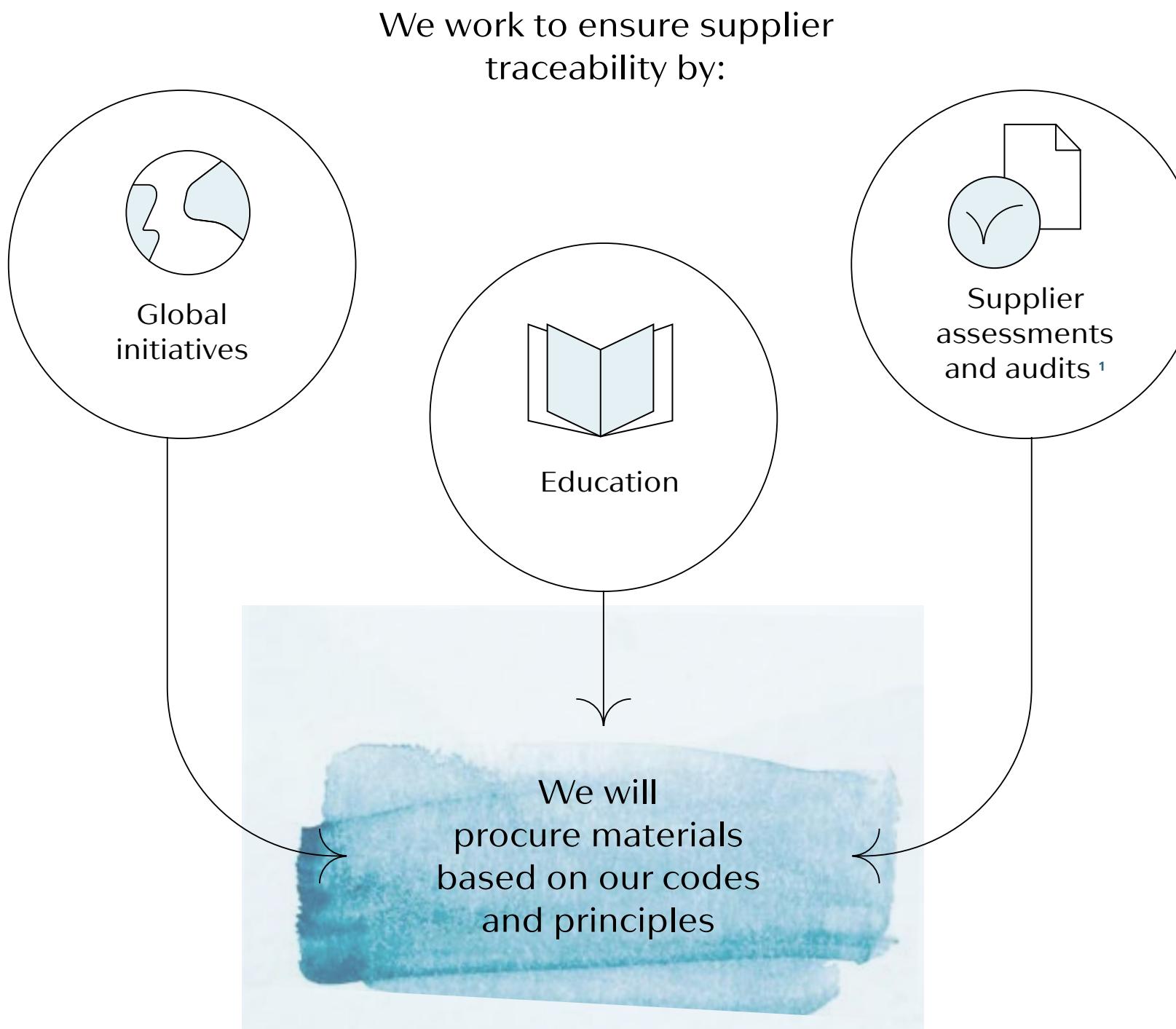
2 — FSC-certified paper: Certified to the international standard of Forest Stewardship Council® (FSC®) as materials used in this product are responsibly sourced and have low risk of environmental and social problems such as deforestation and illegal logging.

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



COMMITMENT 3

Promoting Sustainable and Responsible Procurement



At Shiseido, we strive to grow our business as well as stimulate the growth of the societies we work in. But we want this growth to be sustainable. In all our activities, we seek ways to prevent human rights problems and preserve the environment.

We have issued the Shiseido Group Supplier Code of Conduct and conduct supplier assessments and monitoring on a regular basis to ensure an ethical supply chain. In addition, the Shiseido Group Procurement Policy and the Shiseido Group Sustainable Raw Materials Procurement Guidelines have been enforced across the Group to ensure the procurement of sustainable raw materials (e.g., palm oil, paper) on a global scale.

We strive to share and resolve issues with our stakeholders and liaise with international human rights experts and people working in raw material producing regions to make sure our actions always rely on expert knowledge.

¹ — Our suppliers assess themselves using third-party assessment tools (e.g., Sedex, EcoVadis) and/or our original self-assessment questionnaire



Ethical Supply Chain Policies and Standards

Following our participation in the United Nations Global Compact, we have been working closely with our business partners to define and update principles and policies on ethical business conduct. These are reflected in the Shiseido Group Supplier Code of Conduct, which we issued in 2006. This code stipulates the standards that govern and direct our behavior on human rights, legal compliance, labor practices, intellectual property protection, confidentiality, environmental protection, and fair trade.

In addition, we have defined and issued the following policies to ensure better supplier management:

[SHISEIDO GROUP SUPPLIER CODE OF CONDUCT](#) ↴

The business partners that are subject to the Shiseido Group Supplier Code of Conduct have agreed to the standards. In this code, suppliers are required to accept periodic monitoring through surveys and audits. In the event that any supplier is identified to have violated it, they are requested to implement corrective actions by following guidance.

[SHISEIDO GROUP PROCUREMENT POLICY](#) ↴

We established this policy in 2018 based on positive collaboration with consumers, business partners, and society. Our procurement policy is based on a consumer-oriented perspective, including the following principles:

- we carry out procurement activities to create better products, through co-creation with business partners
- we comply with all relevant laws and regulations, prioritizing respect for human rights and protection of the global environment

[SHISEIDO GROUP SUSTAINABLE RAW MATERIALS PROCUREMENT GUIDELINES](#) ↴

We created guidelines for palm-derived materials and paper, which exacerbate environmental and human rights problems in the countries of origin.

Supplier Monitoring and Assessment

We procure raw materials and indirect materials (promotional materials) for our products from various suppliers in the global market. Of these, there are more than 900 primary suppliers who conduct direct transactions. In order to evaluate and confirm the status of compliance with the Shiseido Group Supplier Code of Conduct, Sedex

(Supplier Ethical Data EXchange, that is one of the world's leading ethical trade service providers), original Self-Assessment Questionnaire (SAQ) revised in 2019, and EcoVadis are used in cooperation with the supplier.

In 2019, we have carried out risk assessments for the primary suppliers at the headquarters and EMEA. At the headquarter, all 271 companies that have been in business in 2019, have had their ethical information including but not limited to corporate activities related to compliance, the environment, human rights, and occupational safety evaluated. In addition, in EMEA, 85 suppliers were evaluated by EcoVadis.

Based on the results of our assessment, we classify suppliers into four categories and request corrective action from those deemed to be high risk. In 2019, 49 suppliers fell into the high-risk category, and for those suppliers that do business with the headquarters, we provided a direct explanation of the issues and the reasons for the issues, and requested that they be corrected.

Regarding the secondary suppliers, we confirmed the results of Sedex and EcoVadis via the primary suppliers for 15 companies. It was confirmed that the risk is not high with 15 companies.

[REPORTING AND CONSULTATION CENTER FOR SUPPLIERS](#)

Since 2013, we have been hearing opinions from, and consulting with, our business partners using the Business Partner Hotline – a center that receives reporting/consultations from suppliers in writing and by email.





Sustainable Procurement of Palm oil and Mica

We will continue to promote sustainable procurement.



4-0103-10-100-00



Palm Oil

Palm oil and mica production can be subject to cases of human rights abuses. By participating in international initiatives, we are strengthening our measures to prevent this.

Environmental protection in palm oil production areas and consideration of human rights of people working on plantations are essential to building an ethical supply chain.

Shiseido joined RSPO (Roundtable on Sustainable Palm Oil) in 2010 and formulated Shiseido Group Sustainable Raw Materials Procurement Guidelines to procure palm oil and palm kernel oil that is environmentally and socially friendly.

Since 2018, we have been supporting sustainable production of palm oil by purchasing certificates (credits) equivalent to 100% of palm oil and palm-derived materials. In 2020, we acquired RSPO supply chain certification¹ at our three new factories, bringing our certification status to a total of 10 factories. We will continue to promote sustainable procurement, including the procurement of certified raw materials, using physical supply chain options, identity preserved, segregated, and/or mass balance.

In 2018, we became a member of the Consumer Goods Forum (CGF), and Japan Sustainability Local Group Palm Oil Working Group, and in 2019 we joined the Japan Sustainable Palm Oil Network (JaSPON). Through the activities of CGF and JaSPON, sustainable use of Japanese palm oil is now possible, and we will contribute to the promotion of this.

Mica

Mica is a mineral used in various industries such as electrical machinery and painting. It is also used as an ingredient mainly in cosmetic products to add shimmer, sparkle or a glow effect to the skin.



We will cooperate with NGOs to improve the working conditions of mica miners and the educational system for local children.

In recent years, there have been cases where child labor is suspected to have been involved in the mining of India-produced mica. In May 2017, we joined the Responsible Mica Initiative (RMI), an initiative to ensure sustainable mica procurement. The goal of the RMI is to work with members of various industries to turn all Indian mica into a sustainably produced raw material by 2022. Through the activities of RMI, we will also cooperate with NGOs to improve the working conditions of mica miners and the educational system for local children.

¹ — RSPO Supply Chain Certification: The certification to ensure logically reliable delivery of RSPO-certified raw materials



↑
Stakeholder Engagement
Program in 2019

Dialogues with Stakeholders

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

WORKING WITH NGOS/NPOS AND OIL PALM SMALLHOLDER FARMERS

To understand human rights issues in palm oil procurement, we participated in the Stakeholder Engagement Program in 2019. This program was held in Indonesia and hosted by Caux Round Table, Japan. Through conversations with NGOs/NPOs and oil palm smallholder farmers, we deepened our understanding of the human rights risks,

abuses, and labor issues involved in palm oil production. In order to be a company that fulfils our responsibility to human rights, we will act on these discussions by setting up an ethical supply chain.

WORKING WITH HUMAN RIGHTS EXPERTS

In October 2019, we had a series of talks with World Benchmarking Alliance/ Corporate Human Rights Benchmark, the leading research company, Verisk Maplecroft, and Rishi Sher Singh – business and human rights experts and supply chain experts in India. Their experts advised us on key areas and elements we should investigate in our company. We are currently working to implement this knowledge through our supply chain following the results of our Self-Assessment Questionnaire.

Biodiversity Conservation

We recognize that the activities of the Shiseido Group have a considerable impact on the biodiversity of our planet – from procurement of raw materials, through sales and distribution, to the disposal of our products.

To preserve biodiversity, we have defined a number of initiatives. We understand the importance of biodiversity and will work more proactively.

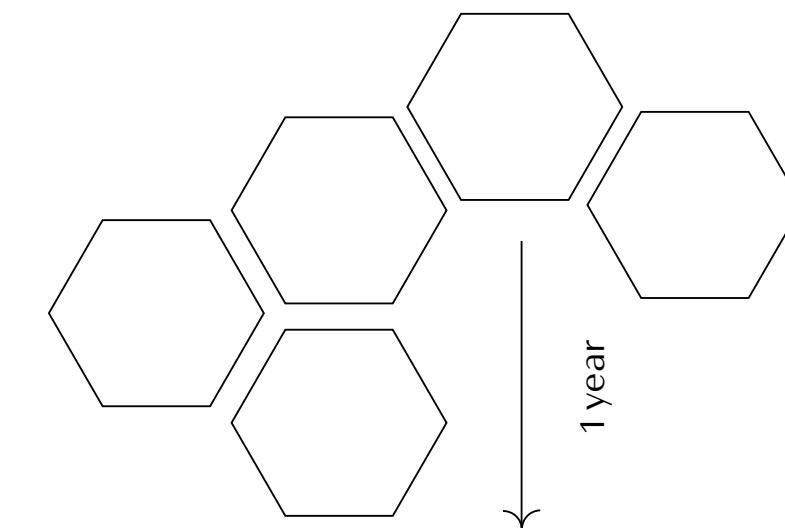
AFFORESTATION AT RAW MATERIAL PRODUCTION SITES IN NAGASAKI, JAPAN

Since 2011, we have promoted camellia planting and conservation activities at the abandoned farmlands of the Goto Islands in Nagasaki Prefecture, the production site of raw material for our hair care brand, *TSUBAKI*.

To ensure sustainable and socially responsible raw material procurement, we protect and grow camellias in collaboration with the local residents. Over nine years, 352 Shiseido employees have joined this activity and planted 738 seedlings of camellia japonica across 0.194 hectares of land in Nagasaki.

HONEYBEE PROTECTION IN PRODUCTION SITES IN FRANCE

Many crops rely on bees to be pollinated. But in Europe, there are concerns about the decline in the number of bees ¹. At our Val de Loire factory and Gien factory (Shiseido International France S.A.S.), we have included the conservation of bees and the ecosystem of the local community in our sustainability plan. Along with setting up beehives, we have banned the use of agrochemicals on the factory premises. About 150 kg of honey was produced in only a year from the beehives installed ².



150 kg

of honey produced in only a year
from installing the beehives at our
Val de Loire and Gien factories

¹ — Regarding the bee population, a beehive counts around 15,000 bees in winter and 80,000 in summer

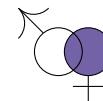
² — The beekeeper gives 600 jars of honey each year, which are distributed to employees

02

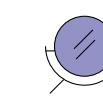
Respectful Society



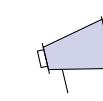
Advancing a society
that embraces diversity
through respect, and
supports lives of beauty.



COMMITMENT 1 →



COMMITMENT 2 →



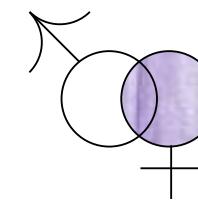
COMMITMENT 3 →



→ Our mission is BEAUTY INNOVATIONS FOR A BETTER WORLD. We aim to use this to inspire people around the world by embracing diversity in beauty, celebrating the value of beauty, and by incorporating diverse knowledge and perspectives.

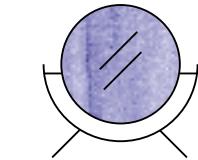
On April 8, 2018, we celebrated our 146th anniversary with the launch of LOVE THE DIFFERENCES. a message that represents our mission. And since then, it has been communicated.

It is our hope that, together, we can create a society where people accept and respect each other, regardless of background or differences in circumstances.



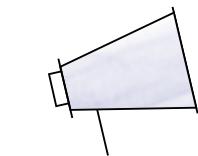
COMMITMENT 1

Advancing Gender Equality



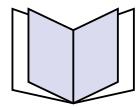
COMMITMENT 2

Empowering People Through the Power of Beauty



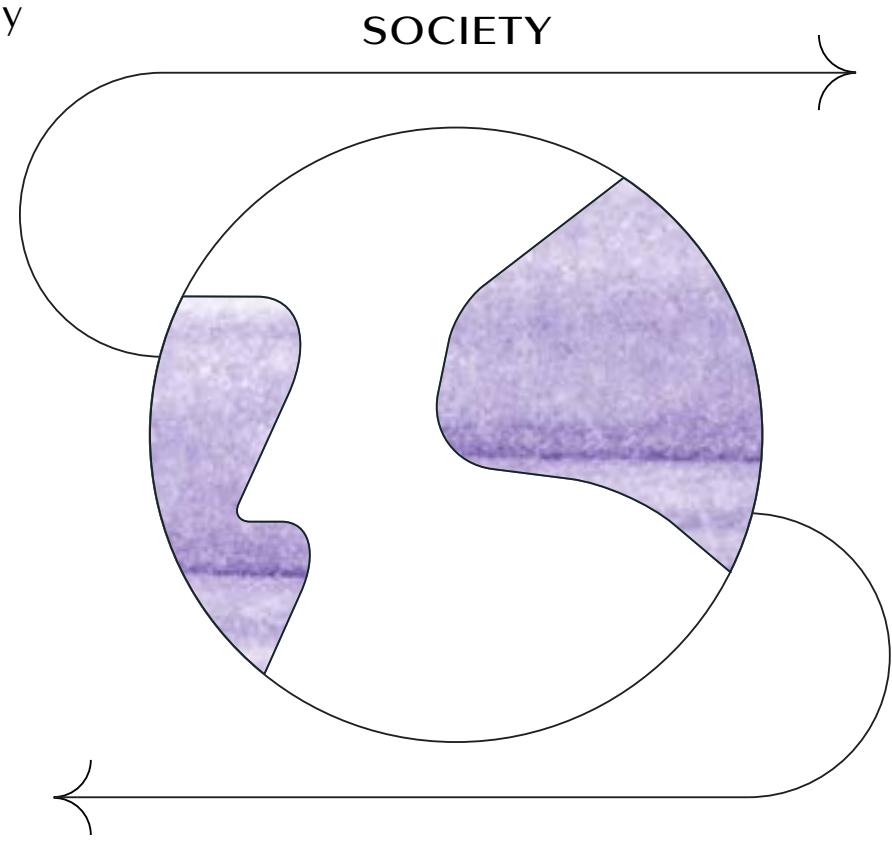
COMMITMENT 3

Promoting Respect for Human Rights

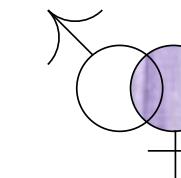


Education

for girls especially
in Asia



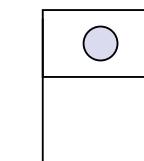
30% Club
Japan
for women's
empowerment



COMMITMENT 1

Advancing Gender Equality

For more than 100 years, we have not only supported, empowered, and inspired women around the world through our cosmetic innovations and new perceptions of beauty; we have also worked to increase their visibility and elevate their role in society.



40%
ratio of female
managers in our
Japan division

Gender equality needs to be addressed worldwide. In recent years, along with the globalization of our business, we have been strengthening efforts to promote a variety of initiatives with the aim of solving gender issues and empowering women around the world.

The above KPIs are included in the long-term incentive target (LTI) for corporate officers and CEOs (at global as well as regional headquarters).

Continue reading →

In March 2019, Masahiko Uotani, President and CEO of Shiseido, delivered a message at the 5th International Women's Congress WAW! / W20 held in Japan ¹: "Shiseido aims to realize diversity, inclusiveness, and a happy life for people, especially women, globally. Our business activities will bring the world pleasure, confidence, empowerment, and happiness." In addition, as an Asia Pacific sponsor of WomenCorporateDirectors (WCD) – a global network of female directors around the globe – Mr. Uotani made keynote speeches at different events in Japan and Korea where participants joined from each country. He presented the reform efforts our company has pushed forward, led by our employees, and spoke about the success of female leaders. Our management continues to champion the importance of gender equality in all areas of business and everyday life.

According to the latest Gender Gap Index (GGI) published by the World Economic Forum in 2019, Japan, where our head office is located, ranked 121st among 153 countries, down from 110th position the previous year ². In order to advance Japanese society and the beauty industry, Shiseido supports our female employees in developing their careers and we encourage them to take active part in internal decision-making. From 2019, as a leading company, we began participating in the 30% Club Japan, a cross-industry campaign to eliminate the gender gap in Japanese society.



Naomi Yamamoto,
Deputy Chief
Social Value
Creation Officer in
the panel
discussion of 5th
WAW!/W20

Among the issues causing such gender disparity in some Asian societies is the fact that too many girls fall into a vicious cycle, passing up educational opportunities to get a job at young age – in most cases, a low-skilled and low-paid one – which makes it almost impossible for them to become financially independent.

Focusing on the unique issues of each region, we will continue to harness our strength as a Group and work together to realize a society where everyone, regardless of gender, feels respected and encouraged to live their life to the fullest.

¹ — The 5th WAW!/W20: W20 is a group led by the private sector that advocates the economic activities of women to the G20. As the G20 chair in 2019, Government of Japan hosted the events

² — The Gender Gap Index is an indicator of gender disparities in countries around the world, published by the World Economic Forum. It ranks each country by analyzing 14 issues within the areas of politics, economics, education, and health

Our management continues to champion the importance of gender equality in all areas of business and everyday life.

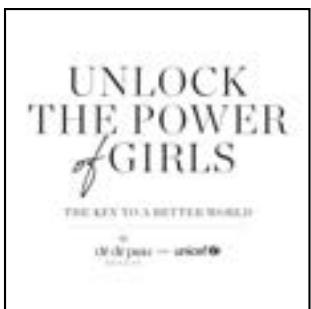


Efforts to Resolve Gender Issues in Society

Participants of the Girls Learning & Leading Program



Left: Yukari Suzuki, Chief Brand Officer of *Clé de Peau Beauté*
Right: Henrietta Fore, Executive Director, UNICEF



Global Action for Gender Equality

We promote a variety of initiatives to solve gender issues and empower women around the world.

INTERNATIONAL WOMEN'S DAY

With the aim of empowering women around the world, Shiseido Group celebrated International Women's Day across our regional headquarters. Shiseido Travel Retail sponsored a networking event for 50 female industry executives at Singapore Changi Airport. In Hong Kong, our makeup artists held a makeup photo session for 40 participants from the mentor program event of The Women's Foundation (TWF).

From 2020 onward, we will strengthen our efforts to raise awareness of gender equality both inside and outside the company, focusing on gender issues and working with five overseas regional headquarters.

SHISEIDO ASIA PACIFIC: SUPPORTING GIRLS' EDUCATION

In 2019, Shiseido Asia Pacific (Singapore) collaborated with The Asia Foundation to run the Girls Learning & Leading Program, providing educational support for female students in Cambodia. The program provided 102 students aged 16 to 19 with materials such as books and rice; leadership and communication training; and mentorship by our employees to support their academic endeavors.

CLÉ DE PEAU BEAUTÉ: SUPPORTING EDUCATION FOR GIRLS

In 2019, our luxury brand, *Clé de Peau Beauté* launched its global charity program, The Power of Radiance Awards. Advocating for girls' education as the key to women's social advancement and empowerment, this annual program honors inspirational women who have contributed to women's education and supports their activities through donations.

On International Day of the Girl Child on October 11, *Clé de Peau Beauté* announced a global partnership with United Nations Children's Fund (UNICEF¹) to support girls' education and empowerment around the world. Through the three-year partnership, *Clé de Peau Beauté* will make

the world's largest contribution of US\$8.7 million to support UNICEF's Gender Equality Program.

BAREMINERALS: SUPPORTING WOMEN'S EMPOWERMENT

In 2019, clean beauty brand *bareMinerals* launched The Power of Good Fund by *bareMinerals*, a charitable initiative supporting women's empowerment. Through this program, the brand has donated 1% of sales from US boutiques and *bareMinerals.com* to the Hopewell Fund² to benefit organizations that support women's education, mentorship, and entrepreneurship. Additionally, *bareMinerals* employees have the opportunity to volunteer 1% of their time under this program. In 2019, employees volunteered 600 hours, and the brand donated US\$750,000, which helped to empower 142,000 women and girls around the world.

Supporting the Empowerment of Women in Japanese Society

Our efforts to empower women in the workplace do not stop at our own door. We are dedicated to closing the gender gap in Japanese society, and work to promote gender equality and a healthy work-life balance for working women in Japan. Our initiatives include:

THE 30% CLUB JAPAN

In May 2019, the 30% Club, a global campaign led by Chairs and CEOs working to boost female representation on company boards³, launched in Japan. Masahiko Uotani, President and CEO of Shiseido,

¹ — UNICEF does not endorse a specific company, brand, product, or service

² — The Hopewell Fund is a public charity that specializes in helping donors, social entrepreneurs, and other changemakers launch new, innovative social change projects. Donations will be made based on sales (excluding returns or discounts), running from April 1 2019 through to December 31 2020 and include a minimum contribution of US\$1 million

³ — The 30% Club was established in the UK in 2010 to increase female representation on company boards through various approaches. It has been implemented in 14 countries and regions so far and contributed significantly to the improvement of the percentage of female executives



was appointed as the first chair of the 30% Club Japan and sent a strong message to Japanese society: "Given that Japan's gender gap index ranks 121st, Japanese companies should play a central role in promoting social change."

By participating in the 30% Club Japan, we aim to increase the female representation on company boards of TOPIX 100 to 30% by 2030.

30% Club
Japan launch
event



The Shiseido Female Researcher
Science Grant award ceremony

And we will contribute outside the beauty industry by taking the initiative to resolve the gender gap in Japanese business community.

THE GENDER EQUALITY AWARENESS PROGRAM FOR YOUNG PEOPLE

Since 2017, in collaboration with United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), Shiseido has run the Gender Equality Awareness Program ⁴. 2,405 people have participated during the three years. The program has taught young people about the significance of gender equality and provided a forum for discussing how to solve such issues.

SUPPORTING FEMALE RESEARCHERS

Every year since 2007, we have awarded grants to 10 female researchers from the Shiseido Female Researcher Science Grant. This enables them to access and afford services including childcare more easily. So far, we have supported 119 researchers, over 40% of these have advanced to higher positions. By supporting female researchers, we contribute to advancing research and innovation in cosmetics as well as science and technology.

Internal Support for Women's Empowerment

At Shiseido, we work to establish an organizational culture that unleashes the potential of our employees, helping them to develop the skills and opportunities they need to move forward in their careers.

Given the barriers women still encounter in the workplace, women's empowerment is one of our top priorities. We actively promote the appointment of female leaders and support their professional development. As of March 2020, 46.2% of our Board of Directors were women. As of January 2020, the percentage of women in leadership positions across our global organization was 52.7%. In our Japanese division, 33.1% of our leaders are female, and we aim to increase this to 40% by the end of 2020.

SUPPORTING CHILDCARE

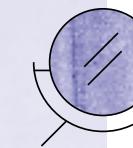
We recognize the concerns young families have, particularly during the early child-raising years. To support them during this time and ensure a better work-life balance for parents, Shiseido has established two daycare nurseries — Kangaroom Shiodome (opened in 2003) and Kangaroom Kakegawa (opened in 2017). They provide a stimulating environment for our employees' children. A limited number of places are available to families who work or live nearby.

In 2017, we set up KODOMOLOGY Co., Ltd. ('kodomo' means child in Japanese), a childcare business advising on how to set up in-house day nurseries at other companies. It also organizes workshops for employees who are raising children, and develops programs to support children's behavioral development.



Shiseido global leaders
for regions and brands

⁴ — The Gender Equality Awareness Program, co-hosted by UN Women, was concluded upon completion of a three-year contract at the end of March 2020.



COMMITMENT 2



BY 2022



14 countries/
regions

Shiseido Life Quality Makeup
Activity to be Developed

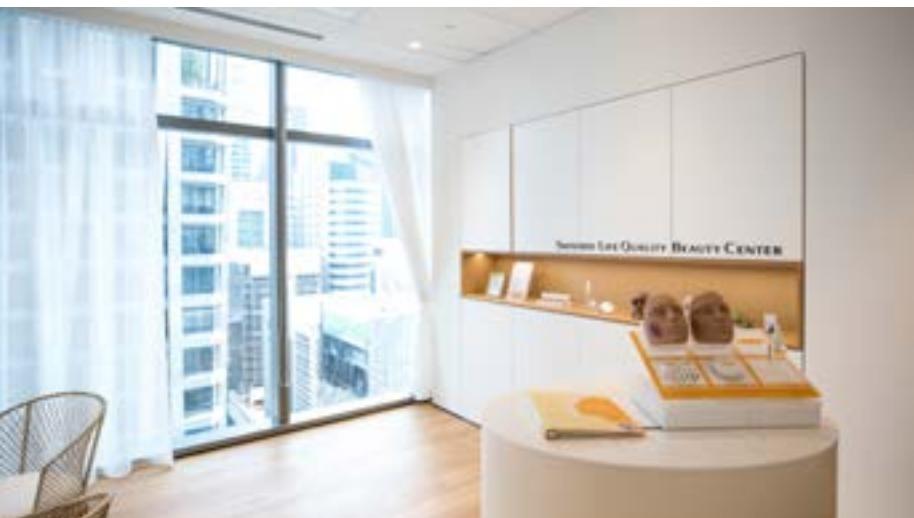
Empowering People Through the Power of Beauty

At Shiseido, we support a society where people feel empowered and able to lead fulfilling lives. For those who have an illness or injury, that might not be so easy. They may feel their social life has been reduced by the physical and emotional trauma that such conditions have caused.

For more than 60 years, we have supported those suffering from skin and appearance concerns, providing them with the knowledge and products they need to alleviate their condition and rebuild their confidence.

Here are the initiatives we have taken to empower people through beauty.

Empowering People Through the Power of Beauty

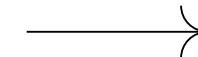


↑ Reception at Shiseido Life Quality Beauty Center in Singapore

Alongside Perfect Cover Series, we developed Shiseido Life Quality Makeup, a makeup method that responds to serious skin problems such as bruises and scars. This program currently operates in five countries/regions around the world: China, Hong Kong, Japan, Singapore, and Taiwan.

Supporting Cancer Survivors

Since 2008, we have provided consultation for appearance-related concerns, many of which were the side effects of cancer treatment. In 2019, we published the Beauty Book for Cancer Patients, which contains beauty techniques to cover skin discoloration and loss of eyebrows and eyelashes. This book has been given to 385 hub hospitals for cancer treatment in Japan and is available free of charge on the Shiseido Life Quality Makeup website (<https://corp.shiseido.com/en/sustainability/slq/>).



Perfect Cover Series



LAVENDER RING MAKEUP & PHOTOS WITH SMILES

Since 2018, we have co-sponsored the LAVENDER RING. The LAVENDER RING is a multilateral project involving volunteers from Shiseido, local governments, corporations from other industries, patient groups, and medical institutions, all of whom share the same vision of a society in which cancer fighters and survivors can live their lives feeling confident and good about themselves.

Shiseido is a principal supporter of MAKEUP & PHOTOS WITH SMILES, which uses the power of makeup and creativity to encourage the social reintegration of cancer patients and survivors. Our support promotes understanding of the illness to realize a society where people can live with a smile even if they have cancer.



Supporting the Elderly

In 2013, we developed an evidence-based cosmetic therapy program, which integrates elder care skills and many years of research findings. At present, we organize seminars for healthy elderly people as well as those who need care, with the aim of extending healthy life expectancies.

In these seminars, Shiseido beauty therapists give makeup tips and teach exercises for the mouth and arms in order to promote physical and mental health. We also have a training program with lectures on cosmetic therapy for healthcare professionals, nursing care providers, and general attendees. These seminars are held upon request from nursing facilities and various organizations in China, Japan, and Taiwan.

We developed an evidence-based cosmetic therapy program



Supporting People with Visual Disorders

In the 1980s, we began developing beauty teaching materials, including Braille textbooks and adhesive labels embossed in Braille, to support the visually impaired. We publish a CD four times a year entitled Fashionable Moment (Oshare-na Hitotoki) with beauty tips and donate it to about 80 Braille libraries throughout Japan. Our cosmetics advice website, Shiseido Listener's Café uses text-to-speech (TTS) software. In 2019, in cooperation with organizations for the visually impaired, we developed Guide Make, a makeup method for people with visual impairments. We plan to organize Guide Make seminars throughout Japan.

Supporting Patients with Xeroderma Pigmentosum (XP)¹

In order to support patients who suffer from ultraviolet hypersensitivity, and cannot be exposed to sunlight, we donate sunscreen products and conduct seminars on sunscreen usage, given by researchers and beauty consultants to help XP patients effectively protect their skin and enjoy outdoor activities.

¹ —— XP is an intractable disease that causes a severe sunburn reaction, such as redness and swelling of areas exposed to UV rays. As the fundamental treatment has not yet been established, a proper light shield (i.e., blocking UV rays) is the only viable countermeasure



We donate sunscreen products and conduct seminars on sunscreen usage to XP patients



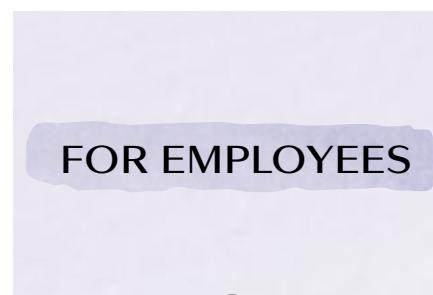
FOR SOCIETY
Shiseido Group Supplier
Code of Conduct



Shiseido Group
Procurement Policy



Shiseido Group Sustainable
Raw Materials Procurement
Guidelines



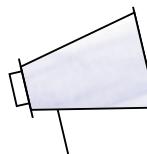
FOR EMPLOYEES
Behavior expected of every individual
working for the Shiseido Group



Safe and rewarding
place to work



Business is always conducted
according to high ethical
standards



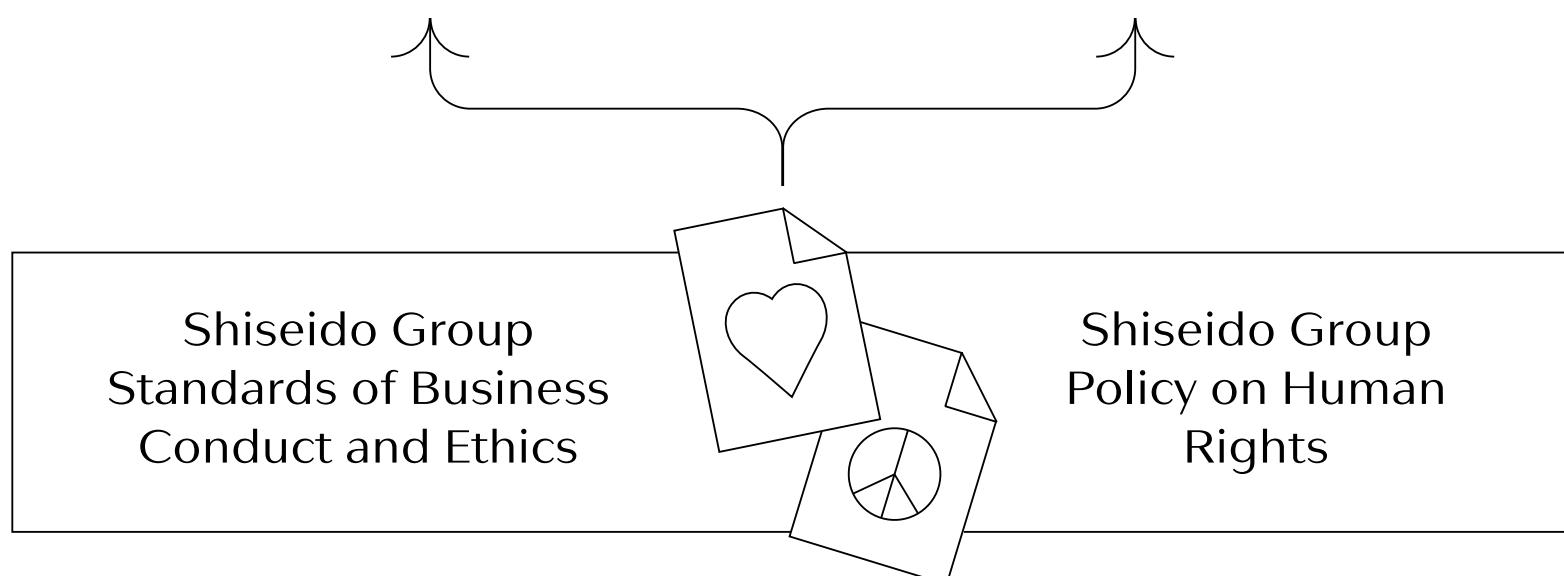
COMMITMENT 3

Promoting Respect for Human Rights

Respect for human rights is written into our DNA and is integral to our working principles. It is part of our definition of running a sustainable business and contributing to the realization of a sustainable global society.

Across the Shiseido Group, we have standards and policies to protect the human rights of our employees and partners. It is how we build trust among consumers, partners, and societies around the world; and it is how we ensure that current and future stakeholders find our company a safe and rewarding place to work.

Since 2015, we have followed the Shiseido Group Standards of Business Conduct and Ethics, which stipulate the mandatory behavior expected of every individual working for the Shiseido Group. With this code of conduct, we ensure that our business is always conducted according to high ethical standards, as well as in compliance with national, local, and internal laws and regulations.



Respecting Human Rights



Every year we conduct training on the Shiseido Group Standards of Business Conduct and Ethics and/or related policies and rules

Shiseido Group's Policies on Human Rights

Adopted in 2017 and revised in May 2020, the Shiseido Group Policy on Human Rights acts as our corporate philosophy and is based on the United Nations Guiding Principles on Business and Human Rights. It promotes our efforts to respect human rights and sets out guidelines as to how we can fulfil our responsibilities. It applies to the Shiseido Group and all our business partners.¹

These policies are approved by Shiseido's Board of Directors. Our Chief Social Value Creation Officer, Chief Supply Network Officer, and Chief People Officer are responsible for communicating all policies to our employees and implementing them throughout our value chain. This includes human rights due diligence and risk assessment.

Human Rights Due Diligence

Through dialogues with local and global human rights experts, and various NGOs and NPOs, we have deepened our understanding of human rights abuses and labor problems and identified areas where the related risks are likely to be high. For example, in the procurement of raw materials such as palm oil and mica.

Since 2017, we have participated in a stakeholder engagement program, organized by Caux Round Table Japan in Tokyo. Through discussions with experts, NGOs, and NPOs, delegates identified important issues for the industries represented, using the human rights guidance tool produced by the United Nations Environmental Program / Finance Initiative (UNEP FI). These discussions confirmed that child labor and forced labor are likely to exist in the cosmetics industry supply chain.

In 2019, we met with World Benchmarking Alliance (WBA), Corporate Human Rights Benchmark (CHRB), Verisk Maplecroft, and Rishi Sher Singh (an Indian consultancy with expertise in human rights

and supply chain) to discuss human rights. The aim was to identify issues that need to be addressed in companies as well as in society in general.

In addition, we continue to assess and manage human rights risks in our cosmetics product development, especially in our supply chain.

For more details on risk assessment and management, please see the 'Responsible Procurement' section on p. 21.

Education and Training in Ethics and Equality

Every year, we conduct training on the Shiseido Group Standards of Business Conduct and Ethics and/or related policies and rules. This takes place through various internal programs, such as position-specific training, in order to promote a better understanding of ethical behavior among all Shiseido employees. Everyone at Shiseido, from top management to all employee levels, must undertake this training.

In 2019, we held harassment training sessions for officers and department managers in Shiseido HQ and the Japan region. For all our employees in Japan, we conduct equality training. The sessions focus on realizing a work environment where all employees are treated fairly and equally.

To support our supply chain, we brought in external experts to train buyers belonging to the Global Headquarters Procurement Department. The training covered the latest trends within sustainable procurement, and topics included risks related to human rights and labor conditions; health and safety; the environment; and ethics.

¹ — For other policies relating to business partners, please see the 'Responsible Procurement' section on p. 21:

- Shiseido Group Supplier Code of Conduct
- Shiseido Group Procurement Policy
- Shiseido Group Sustainable Raw Materials Procurement Guidelines



We aim to build a culture that respects the diversity of our workforce

The participation rate for these sessions was 70%. In addition, all of our EMEA buyers attended responsible procurement training sessions to support the implementation of EcoVadis, the new social and environmental audit system.

Supporting our People

BASIC POLICY REGARDING PERSONNEL AFFAIRS

Our employees are our most important asset. As part of our PEOPLE FIRST policy, we promote personal development to increase individual competencies and help each of our employees to fulfill their potential. Boosting competencies across our organization is, in our view, the key to enhancing the corporate strength of the entire Group.



DIVERSITY AND INCLUSION

We aim to build a culture that respects the diversity of our workforce and encourages discussions to stimulate new thinking and value creation. By promoting the empowerment and employment of people from various backgrounds, we work to create an environment where each employee feels valued, included, and able to perform to the best of their ability.

To address any activity that might compromise our quest for diversity, we conduct employee awareness sessions where issues are identified and discussed. We also have reverse mentoring sessions where officers/general managers exchange ideas with junior staff, with a view to ensuring transparent and open communication.

CREATING A REWARDING WORKPLACE

Since 1990, we have helped employees advance their careers, while taking care of their families. This includes childcare facilities (see p.31); up to two weeks of paid leave to encourage male employees to take parental leave; and a support system for colleagues with young families to reduce working hours ². We are also promoting alternative work arrangements such as flextime and telecommuting.

FAIR EVALUATION OF EMPLOYEES

We set out rules and guidelines regarding evaluations, work conditions, and other standard personnel affairs issues. Based on these, we evaluate individual performance, thereby building a system with a high degree of fairness and transparency. To give employees the opportunity to share their opinion, we conduct the Shiseido Group Engagement Survey once every two years, to solve any concerns.

DEVELOPMENT OF EMPLOYEES

We motivate employees to acquire leadership skills, functional expertise, and change management capabilities; we also encourage them to be self-driven when it comes to moving forward in their career. The Shiseido Leadership Academy gives selected talents the chance

to advance to the next level. The courses offered help participants gain greater self-awareness, enhance their strategic insight and business acumen, and build global networks.

The Asia Learning Center was established in Singapore in January 2019 to provide opportunities for employees in the Asia Pacific, China, and Japan Regions to learn together.

HEALTH AND SAFETY OF EMPLOYEES

We promote initiatives that help employees and their families to live healthily. In cooperation with the Shiseido Health Insurance Society, we launched a domestic campaign in Japan in 2019 to promote 'well-Bi-ing' ('Bi' is the Chinese character depicting beauty). The campaign consists of six themes: beautiful lifestyle; women's health; mental health; anti-smoking measures; cancer prevention; work style reform; and workplace improvement.

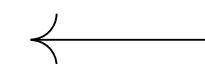
We have also established an office hygiene committee at all our Japanese facilities, and we strive to create a safe and comfortable work environment through surveys and discussions.

² — Shiseido introduced the Kangaroo Staff System throughout Japan in 2007. To support evening storefront activities, temporary workers take the place of Beauty Consultants (BC) engaged in consumer service activities, allowing them to work shorter hours so they can care for their children

Employees' Social Contribution

As part of our commitment to sustainable development, Shiseido Group contributes to society through programs that help communities overcome common challenges. We design these programs according to our principles of environment, society, and culture.

Beach clean-up with WSL PURE and Kanoa Igarashi, one of the world's leading professional surfers, in Soorts-Hossegor, France.



Shiseido employees from France helping out with renovation work at AFJ, an association helping women going through difficulties.

Shiseido has an intra-company donation system and a wide range of social activities for our employees to participate in. In Japan, for example, our Social Studies Day scheme enables our employees to participate in social contribution activities instead of coming to work, for up to three days in a year. Under this scheme, employees take part in activities outside the workplace.¹

Through initiatives such as these – in Japan and across our organization – employees can become involved in programs that enable them to demonstrate their responsibility to society. We believe that the collective insight, knowledge, and social consciousness gained through such social activities have a positive effect on our everyday work and our endeavor to create value.

Here are some examples of the activities we have initiated to contribute to society:

SHISEIDO Blue Project

Under the title of Respect Oceans, Protect Beauty, brand SHISEIDO introduced the SHISEIDO BLUE PROJECT in 2019. As part of our sponsorship of the World Surf League Championship Tour, we launched this global project to protect the oceans. Beach clean-ups are among its key activities. We will continue to sponsor WSL competitions and promote environmental activities alongside WSL PURE (the WSL's ocean protection nonprofit).

Camellia Day: Supporting Women's Empowerment

In May 2019, Shiseido EMEA regional headquarters and local offices in Europe co-hosted Camellia Day, which saw employees in each location engaging in different activities in support of women's empowerment. More than 500 employees in 11 countries contributed their professional skills and know-how to different projects such as renovation work at women's shelters and homes for the elderly; operational assistance to refugee support groups; and face and body care services. These activities helped to provide support for women in need and people facing difficulties.

The Shiseido Camellia Fund

The Shiseido Camellia Fund is backed by charitable contributions from current and retired Shiseido Group employees. We use it to financially support NPOs and NGOs tackling social issues. The minimum donation is 100 yen for employees, and 1,000 yen for retirees (long-term employees over the age of 60).

The list of candidate organizations that are eligible for financial support from the Camellia Fund is examined and revised based on feedback from employees, and according to our environmental, social, and cultural principles. In 2020, it became a global initiative with donations now being made by Shiseido employees all over the world.



At Shiseido Spain, employees offer face and hand massage services for elderly people at Sanitas association.

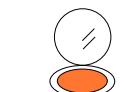


¹ — The Social Studies Day scheme is mainly implemented in Japan

Using our heritage
to create new value
and enrich culture.



COMMITMENT 1 →



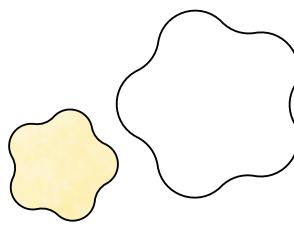
COMMITMENT 2 →

→ We believe it is important to nurture our heritage and use that experience to continuously create social value – now and in the future.

At Shiseido, we build on almost 150 years of company history – one that reflects continuous transformation and dynamic innovation. This is our anchor as well as our source of inspiration for the future.

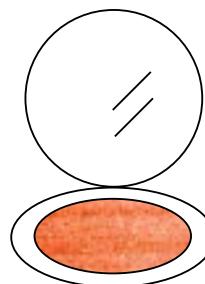
We use our heritage to enrich corporate culture, giving our leaders the long-term view they need to perpetuate the cycle of social and economic value creation driven by beauty. By sharing our heritage with the world, we hope to inspire other cultures with a vision of beauty born in Japan.

In this chapter, we show how we share our corporate values and culture with our leaders and employees, as well as our stakeholders and society.



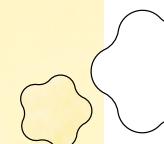
COMMITMENT 1

Drawing on our Heritage and Culture to Imagine a Better Future



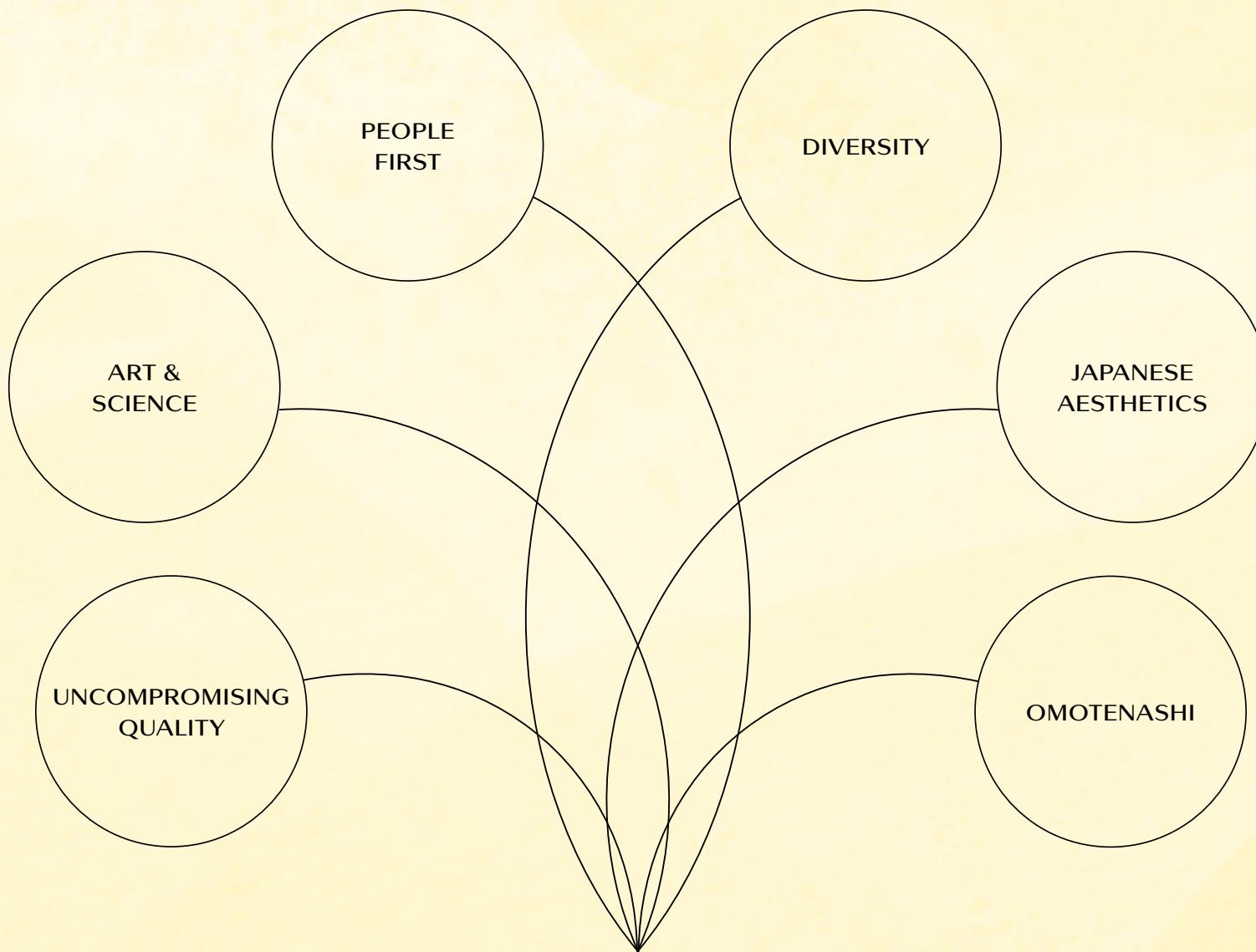
COMMITMENT 2

Inspiring the World with a New Sense of Japanese Beauty



COMMITMENT 1

Shiseido's DNA



Drawing on our Heritage and Culture to Imagine a Better Future

Our corporate culture has been passed down from one generation to the next. We will continue to do this using our unique heritage to stimulate talent development and cultural growth.

Through institutions such as the Shiseido Corporate Museum and digital platforms like our website, we share the underlying DNA of Shiseido, which we have inherited from our founders and predecessors. By making our archives accessible to Shiseido employees as well as people outside the company, we hope that our philosophy and aesthetics will be an inspiration and the source of new values and cultural initiatives.

Our cultural heritage also inspires a leadership mindset. Shiseido's core principles and culture are used to train global leaders. By passing on our high ethical standards and the aesthetics of beauty to the leaders of tomorrow, we hope to enrich society in the long run.



Promoting Our Corporate Heritage



Through the Shiseido Corporate Museum and various digital platforms, we provide learning tools and offer training opportunities to visitors and employees from all over the world, with a view to sharing our corporate philosophy and DNA.

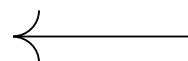
Thanks to our dedicated media and communication efforts, combined with liberal sharing of archive material and articles on cosmetics, our corporate heritage has become widely known.

Shinzo Fukuhara (1883-1948), son of Arinobu Fukuhara and inheritor of the Shiseido Corporation, was a photographer himself. He used art to elevate the value of cosmetic products and in this way achieve business growth. Shiseido Corporate Museum also preserves many materials and works related to the founders' philosophy.



Shinzo
Fukuhara

The First Shiseido Exhibition at the Takashimaya Department Store



Shiseido Exhibition at Nihombashi Takashimaya department store

In 2019, we held our first exhibition in collaboration with the Nihombashi Takashimaya department store in Tokyo. Entitled Beauty, and Beauty, and Beauty. Shiseido Styles (in Japanese: 'Bi to, Bi to, Bi. Shiseido no Sutairu'), the exhibition focused mainly on communicating our craftsmanship and unique aesthetic sensibility through product design and advertisements.

Thanks to great exposure on social media, the exhibition attracted more than 30,000 visitors, many of whom were younger people. The exhibition was also a great opportunity for Shiseido employees to revisit our cultural heritage and take pride in our company's achievements.



COMMITMENT 2



WORDS BY SHINZO FUKUHARA, WHO BECAME
THE FIRST PRESIDENT OF SHISEIDO IN 1927

Inspiring the World with a New Sense of Japanese Beauty

Art and science are deeply ingrained in Shiseido's DNA, and we continue to nurture both through our activities.

Shinzo Fukuhara, the first president of Shiseido once said, "richness in everything," meaning that art and science come together to create the sense of richness that is the source of beauty and essential to value creation. In life as well as in business.

To put this idea into practice, we tap into our network of artists and exhibition venues to develop programs that can educate and inspire our employees. By stimulating their sense of beauty and appreciation of aesthetics, we hope to inspire value creation and product innovation.



Nurturing a Sense of Beauty Through Art



2019 marked the 100th anniversary for Shiseido Gallery, the oldest art gallery in Japan. The gallery has always been renowned for its constant efforts to support young and future-oriented artists, and for the way it explores and pushes the frontiers of contemporary art.

In 2019, the Japanese artist Shuta Hasunuma was awarded the 69th Art Encouragement Prize for New Artists in the field of media arts for the exhibition Shuta Hasunuma ~ ing. The prize was given by the Ministry of Education, Culture, Sports, Science, and Technology.

Alongside our external art-promoting activities, we also give our employees the opportunity to learn more about art and artistic craftsmanship, which we hope will inspire them to transform art into value creating activities for our business.

In 2019, we put together a special program of exhibitions and workshops for our employees. It included an exclusive guided tour of the sixth Tsubaki-kai¹ member; Chiharu Shiota's large-scale solo exhibition, The Soul Trembles at the Mori Art Museum; a dialogue held by participating artists of the exhibition, Craft for All of Us II at Shiseido Art House; and a workshop by the British architect group ASSEMBLE at the Shiseido Gallery.



Granby Workshop: The Rules of Production, Art Changes the Everyday—Shinzo Fukuhara's Aesthetics Shinzo Fukuhara/
ASSEMBLE, THE EUGENE Studio II

¹ —— Tsubaki-kai is a group exhibition established when Shiseido Gallery resumed activities after temporary disruption during the Second World War, with hopes for peace, revival, and manifestation of Japanese art culture. It was named Tsubaki-kai after Hanatsubaki (camellia flower in Japanese), the corporate mark of Shiseido. Since its start in 1947, the Tsubaki-kai exhibitions have become one of the Gallery's most popular and representative activities. The membership of the group has changed with each iteration over 70 years. Upon the conclusion of the seventh Tsubaki-kai in 2017, a total of 86 artists participated



←
Shuta
Hasunuma :
~ ing





Hanatsubaki Cultivates New Insight and Brand Awareness

Shiseido began publishing a corporate magazine in the early 1920s. The first magazine was published in 1924 under the title, Shiseido Geppou (Japanese for Monthly Report). In 1933, the title was changed to Shiseido Graph and four years later to Hanatsubaki (Japanese for camellia flower), which is the name it has held ever since.

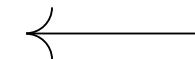
Hanatsubaki is now published in two versions, a quarterly printed magazine and an online web magazine. Even though the content of each version is different, both editions seek to inspire their readers with a broad variety of topics – from insights on cosmetics to social issues and activities, and the latest trends in lifestyle and fashion. This way, the magazine provides its readers with new knowledge on key topics while cultivating an awareness about Shiseido's brands and business.

To communicate our heritage and aesthetic sense more effectively to a wider audience, Hanatsubaki was issued in English in 2019 and in Chinese in 2020.

Hanatsubaki magazine



Opening of the S/PARK Museum



Introspection of S/PARK Museum

In April 2019, we opened the S/PARK Museum. Housed on the second floor of The Shiseido Global Innovation Center, S/PARK is an admission-free interactive beauty complex, where visitors can learn about state-of-the-art technologies unique to our research labs and explore different manifestations of beauty through various interactive installations and activities.

We hope S/PARK Museum will inspire consumers and partners from all over the world. At the same time, we hope it will be the place where Shiseido employees go to revisit the craftsmanship and the heightened aesthetic sense we inherited from our founder. Since opening, the museum has welcomed 50,000 visitors.

Trustworthy Governance

Shiseido's Policy on Corporate Governance

Shiseido regards Corporate Governance as a basis for both economic and social value creation for sustainable growth, and as one of the key elements for our ESCG management.

By implementing transparent, fair and agile management through dialogues with our stakeholders (consumers, business partners, employees, shareholders and society and the earth), we aim to maximize our corporate value. In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

Key Attributes

DIVERSIFIED BOD MEMBERS

The Company believes that its Board of Directors should be composed of directors with various viewpoints and backgrounds, on top of multilateral sophisticated expertise, for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company believes that audit and supervisory board members should have the same diversity and sophisticated expertise as the directors since they have a duty to attend meetings of the Board of Directors and state opinions as necessary.

[Read more →](#)

CORPORATE GOVERNANCE WITH AUDIT AND SUPERVISORY BOARD STRUCTURE

The Company has adopted the framework of a company with the audit and supervisory board system, which exercises the dual checking functions whereby business execution is supervised by the Board of Directors and audited for legality and appropriateness by the audit and supervisory board members. In order to maintain and improve management transparency, fairness, and speed that are provided in the basic policy for corporate governance within the framework, the Company has incorporated superior functions of a company with a nominating committee, etc., and a company with an audit and supervisory committee, reinforcing supervisory functions of the Board of Directors.

[Read more →](#)

PROMOTING SCHEME, ORGANIZATION

The Company sets up meetings of the Executive Committee, in which corporate officers study and discuss matters of important business execution from various aspects before final decisions. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating business execution. 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 Board of Directors is able to make decisions quickly.

The Board of Directors has a function of supervision over the execution of business as well as decision-making on critical matters of the Company. With a view to promoting transparency and objectivity of the Board of Directors, the Company has a policy of the ratio of external directors on the board.

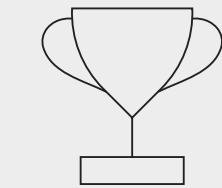
[Read more →](#)

In addition, the Global Risk Management & Compliance Committee and the Headquarters/Shiseido Japan Compliance Committee have been established to handle compliance and risk management and report directly to the President and CEO. These committees collaborate with compliance organizations at regional headquarters located in major regions around the world and provide overall direction for activities that improve corporate quality, including the promotion of legal compliance, fair business practices, and risk countermeasures across the Group. The President and Representative Director makes proposals and reports on important issues and progress of compliance activities to the Board of Directors as appropriate.

REMUNERATION

The Company regards the directors and corporate officers remuneration policy (remuneration policy for the directors who concurrently serve as corporate officers, as well as for the corporate officers) as an important matter for the corporate governance. For this reason, in accordance with the following basic philosophy, the directors, audit and supervisory board members and corporate officers remuneration policy of the Company is deliberated in the Remuneration Advisory Committee chaired by external directors by incorporating objective points of view, and the outcome is reported to the Board of Directors for resolution.

[Read more →](#)



AWARDED IN JAPAN

Selected as winner of the METI Minister's Award for the Corporate Governance of the Year 2019

Selected as one of the winners of the Corporate Value Improvement Award for FY2019



Implementation Framework

Shiseido is pursuing and realizing sustainability across the Company, including in our brand and regional businesses.

In 2019, the Social Value Creation Division was set up. The newly formed division was formed to accelerate the creation of social value by integrating three key functions: Sustainability Strategy, CSR, and Corporate Culture. Its major responsibilities are:

1. Defining areas that need particular focus,
2. Setting company-wide goals and KPIs,
3. Committing to internal and external achievements,
4. Tracking progress and support as necessary, and
5. Educating our employees and all stakeholders.

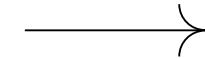
In 2020, we launched the Sustainability Committee, a dedicated unit aimed at ensuring timely management decisions and a stronger awareness of this theme. The committee is held on a regular basis to discuss Group-wide sustainability initiatives, to decide on the strategies, policies, and activity plans, and to monitor progress. It consists of the CEO and corporate officers in charge of Corporate Strategy, Finance, R&I, Supply Network, Corporate Communications, HR, and Brands, as well as corporate auditors. Other corporate officers are periodically involved depending on the matter at hand.

Particularly important matters are submitted to the Board of Directors for approval.

Actions Toward COVID-19

The COVID-19 pandemic has deeply affected our lives and will have long-lasting consequences for economies and societies worldwide. The pandemic has also caused shutdowns in the retail sector globally, putting a stop to our activities.

Despite this situation, we have strived to support those most in need. From the early stage of the pandemic, we put the safety of our employees, business partners, and consumers first, promptly responding to the situation by creating a COVID-19 Emergency Task Force in early February 2020. This team has been responsible for channeling our safety guidelines across all the regions we operate in.



Hand Sanitizer



As the virus spread, we have implemented a number of initiatives across all regions. They include the production of a hand sanitizer specially developed for sensitive rough skin, which was distributed to medical institutions around the world, as well as the launch of the Relay of Love Project in China.

Hand Sanitizer Production

Shiseido EMEA at the Val de Loire factory began the production of hand sanitizer as early as March, producing 375,000 units in total; Shiseido Americas at the East Windsor factory followed, distributing mainly to New York and New Jersey medical institutions, local senior centers, and first responders.

Factories in Japan started hand sanitizer production in April, with a total monthly quantity of 200,000 units. Supplies were mainly distributed to medical institutions and facilities in Japan. To satisfy the high demand for hand sanitizer from consumers, we initiated direct sales to the public in August, firstly distributing to stores in Tokyo, Japan. We plan to expand sales areas in response to market needs.



Other regional headquarters/affiliates have also contributed to communities. Shiseido EMEA donated to the Red Cross, and Shiseido Korea to Hope Bridge Korea Disaster Relief Association. In terms of relief supplies, Shiseido Indonesia distributed face masks to NPOs; *Drunk Elephant* provided skincare products to healthcare workers at US hospitals; and Shiseido Japan prepared hand sanitizer and skincare kits for Japan Medical Association.

Relay of Love Project

Shiseido began the Relay of Love Project in February in the hope that everyone affected may return to health and safety as soon as possible. Our support has come in the form of fund donations as well as relief supplies, amounting to CNY 75 million in total by the end of June.

Below is a list of the key organizations we supported in China.

RELAY OF LOVE PROJECT, PHASE 1 (FROM FEBRUARY):

- Wuhan Charity Federation and Shanghai Charity Foundation (a fund donation);
- China Women's Development Foundation, specifically the front-line medical teams in the Hubei province and at the hospitals in Shanghai (hand cream distribution); and
- Hospitals/medical teams (hair care services and product donations).

RELAY OF LOVE PROJECT, PHASE 2 (FROM END OF JUNE):

- China Women's Development Foundation and the China Youth Development Foundation formed the Woman Support LOVE Fund and the Youth Support LOVE Fund, respectively.



Internal Actions

Guided by our PEOPLE FIRST principle, we promptly implemented working from home (WFH) and other flexible work arrangements for our employees around the world. In Japan, flexibility in work styles was provided to up to 23,000 Shiseido Group employees. In addition, we have given our employees the option of flextime, reduced working hours, and a special paid leave scheme for up to 20 days for those who have to provide care for their children, as a result of the government-imposed school closures.

While continuing to focus on the wellbeing of our employees and serving our consumers with the utmost care and safety, we are also responding to the new market realities. Our measures include accelerating digital transformation; increasing flexible work arrangements; and deploying some of the new practices suggested in Shiseido's internal SMART WORKING STYLE guideline. Turning what was initially a challenge into an opportunity, we believe this is the chance for all of us to maximize our productivity regardless of where we work.

The pandemic has brought people, businesses, and governments together. At Shiseido, we are working to harness the momentum of this cooperation into a 'new normal' that is more sustainable, collaborative, and resilient.

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External Evaluations and Awards

SRI Indexes Selection Status

Shiseido received positive evaluations from Socially Responsible Investment (SRI) evaluation institutions of countries worldwide and was selected for inclusion as a constituent company for SRI indexes, which take account of companies that are highly trusted by society in terms of ethics, environment, employment, and safety in their operations, in Japan and overseas. The period of selection appears in brackets.

Global



FTSE4GOOD INDEX SERIES

SRI indexes that are announced by the UK's FTSE Russell and used by investors as one of the sets of ESG ratings. They are a series of indexes designed to promote investment in companies that meet global environmental/social/governance standards. (June 2019)



MSCI ESG LEADERS INDEXES¹

Index that is designed by the US's MSCI and selects companies that demonstrate strong environmental, social, and governance (ESG) practices. (July 2019)

Japan

Shiseido was selected for inclusion in all three ESG indexes that the Government Pension Investment Fund (GPIF) adopted at the start of ESG investment operations in July 2017.



FTSE BLOSSOM JAPAN INDEX

Index that is designed by the UK's FTSE Russell and selects Japanese companies that demonstrate strong environmental, social, and governance (ESG) practices. (June 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.



MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)¹

Index that is designed by the US's MSCI and selects Japanese companies that receive a high score for empowering women and promoting gender diversity. (July 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.



MSCI JAPAN ESG SELECT LEADERS INDEX¹

Index that is designed by the US's MSCI and selects Japanese companies that receive positive evaluations of environmental, social, and governance (ESG) practices. (July 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

SNAM SUSTAINABILITY INDEX

SNAM sustainability index is a proprietary active index created by Sompo Japan Nipponkoa Asset Management which combines ESG (environment, social, and governance) and equity fundamental evaluation. (June 2019)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2012.

¹ — The inclusion of Shiseido Company, Limited in any MSCI INDEX, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Shiseido Company, Limited by MSCI or any of its affiliates. The MSCI INDEXES are the exclusive property of MSCI. MSCI and the MSCI INDEX names and logos are trademarks or service marks of MSCI or its affiliates.



Environmental Data

CO₂Scope 1&2¹

	Unit	2016	2017	2018	2019
Total of CO ₂	t	89,000	91,483	83,240 ●	83,709 ●
Coverage rate ²	%	97%	97%	96%	97%
Scope 1	t	31,638	31,332	29,623 ●	31,995 ●
Coverage rate ²	%	95%	96%	94%	95%
Scope 2	t	57,363	60,151	53,617 ●	51,714 ●
Coverage rate ²	%	98%	98%	97%	98%

¹ — The performance data was calculated based on the GHG Protocol. Scope 2 was based on the market-based method² — All our sites

Scope 3

	Unit	2019
Total of Scope 3	t	2,649,895
Purchased goods and services (Category 1)	t	557,375 ●
Use of sold products (Category 11)	t	1,595,207 ●
End of life treatment of sold products (Category 12)	t	99,999 ●
Total of other categories ¹	t	397,314

Calculation method: <https://corp.shiseido.com/en/sustainability/env/policy/pdf/footprint.pdf>¹ — Total of the categories of 2, 3, 4, 5, 6, 7 and 13

Energy

	Unit	2016	2017	2018	2019
Energy consumption	MWh	290,691	288,760	267,530 ●	297,784 ●
Coverage rate ¹	%	97%	97%	96%	97%
Electric power	MWh	117,145	115,933	108,452 ●	115,228 ●
Gas ²	MWh	139,342	138,922	126,255 ●	131,330 ●
LPG	MWh	3,336	3,932	2,941 ●	2,771 ●
Fuel ³	MWh	24,988	25,136	24,112 ●	24,169 ●
Steam	MWh	5,879	4,837	5,771 ●	24,286 ●

¹ — All our sites² — Total value of city gas and natural gas consumption³ — Total value of gasoline, kerosene, diesel oil, and fuel oil consumption

Water

	Unit	2016	2017	2018	2019
Water consumption	Mil. m ³	1.2	1.2	1.2 ●	1.2 ●
Coverage rate ¹	%	100%	100%	100%	100%
Municipal water	Mil. m ³	0.9	0.9	1.1 ●	1.0 ●
Surface water	Mil. m ³	0.2	0.1	0.1 ●	0.1 ●
Ground water	Mil. m ³	0.1	0.1	0.1 ●	0.1 ●
Net fresh water consumption	Mil. m ³	0.2	0.3	0.3 ●	0.3 ●
Water discharged	Mil. m ³	1.0	0.9	1.0 ●	0.9 ●

¹ — All production sites



Waste

	Unit	2016	2017	2018	2019
Waste discharged	t	13,823	14,915	15,665	16,890 ●
Coverage rate ¹	%	89%	91%	88%	92%
Recycled ²	t	13,041	14,423	14,425	15,944
Disposed	t	783	492	1,240 ●	946 ●

¹ — All our sites

² — Including thermal recovery

Responding to Environmental Risks

In terms of environmental law, the operation of our production sites is key. Including those functions, Shiseido observes environmental laws and regulations thoroughly by conducting compliance evaluation based on ISO 14001 standards.

Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations in 2019.

Shiseido is committed to appropriate operation that complies with the environmental laws and regulations continuously.

Environmental Pollution (Air/Water)

	Unit	2016	2017	2018	2019
NOx emissions	t	6	5	4	13
Coverage rate ¹	%	85%	54%	55%	82%
SOx emissions	t	1	0	0	0
Coverage rate ¹	%	77%	54%	55%	82%
Chemical oxygen demand	t	213	98	116 ●	103 ●
Coverage rate ¹	%	85%	92%	100%	100%

¹ — All production sites

Social Data

Number of Shiseido Group Employees

Indicator	Period	2017	2018	2019	2020
Total (persons)	As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	45,094	44,900	45,493	46,763
Female Ratio (%)	All Shiseido Group	As of December 31 of the previous year	84.7	83.8	83.1

Number of Employees by Region (persons)

Indicator	Period	2017	2018	2019	2020
Japan	As of January 1 each year	23,276	23,505	24,346 ●	24,884 ●

SCOPE: Shiseido Group in Japan (22 companies)

Ratio of Female Leaders (%)

Indicator	Indicator	2017	2018	2019	2020
All Shiseido Group	Ratio of female leaders	As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	53.2	53.9	54.8 ● 52.7 ¹
Japan	Ratio of female leaders ² Target: To achieve 40.0% in 2020	As of January 1 each year	29.0	25.1	32.3 ● 33.1 ●

SCOPE: Shiseido Group in Japan (22 companies)

¹ — Ratio of female junior managers in all Shiseido Group: 54.2%

² — Leaders: Manager position holders and annual salary system employees

Diversity in Top Management

Indicator	April 2019	April 2020
Ratio of Female Directors on the Board (%)	33.3	37.5

Ratio of Employees with Disabilities ¹ (%)

Indicator	Period	2017	2018	2019
Shiseido Company, Limited		3.3	3.19	3.25
Shiseido Group in Japan ²	As of June 1 each year	2.02	2.05 ●	2.12 ●
Target		2.0	2.2	2.2

¹ — Ratio of Employees with Disabilities: Physically and intellectually disabled persons are included, and the employment rate for disabled persons is indicated by three significant figures

² — Shiseido Group in Japan: 10 special subsidiary companies of Shiseido Group

LTIFR¹ and OIFR²

Indicator		2016	2017	2018	2019	
		LTIR	LTIR	LTIR	LTIFR	OIFR
Shiseido Group in Japan ³	Directly hired employees	0.96	0.59	0.73	0.87 ●	0.00 ●
	Employee coverage (%)	100	100	92.1	100	
	Indirectly hired employees (temporary staff) 3 major companies	—	—	0.00	0.00 ●	0.00 ●
	Employee coverage (%)	—	—	38.8	39.6	

¹ — Lost Time Injury Frequency Rate (LTIFR) = Number of work-related accidents/Total hours worked x 1,000,000

² — Occupational Illness Frequency Rate (OIFR) = Number of work-related illness or disease cases/Total hours worked x 1,000,000

³ — Shiseido Group in Japan (2019): Shiseido Company, Limited and 9 consolidated subsidiaries

Percentage of Corporations with Labor Union (%)

Indicator	Period	2017	2018	2019	2020
Shiseido Group in Japan	As of January 1	25.0	26.3	29.4	29.4
Shiseido Group outside Japan ¹ (coverage 100%)	each year	45.9	68.4	68.4	68.4

¹ — Including work council

Spending on Social Contribution Activities (millions of Japanese yen)

Indicator		2018	2019
Shiseido Group in Japan ¹	Spending on donations	210 ●	563 ●
	Breakdown	Donations made in cash	210 ●
		Donations made by product offerings	1 ●
All Shiseido Group	Spending on donations	324	687
	Breakdown	Donations made in cash	311
		Donations made by product offerings	13

¹ — Shiseido Group in Japan: Shiseido Company, Limited and 19 domestic affiliated companies subject to consolidation (as of December 31, 2019)

Editorial Policy

The Sustainability Report is edited according to the following policy.

- We report the activities that lead to the solution of social issues and the role that we play in a sustainable society. We explain how we create social value that we provide as a company to various stakeholders.
- Scope: Based on Shiseido Company, Limited and the Shiseido Group (81 consolidated companies, as of December 31, 2019).
- Target period: Mainly fiscal 2019 (from January 1, 2019 to December 31, 2019). Some data include content which is prior to the target period or is more recent.
- Our sustainability initiatives are also disclosed in our Annual Report.
- Some environmental and social data are third-party certified, which is marked with ● for environmental data and ○ for social data.
- Assurance Statement
 - for Environmental Data ↴
 - for Social Data ↴



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