

# Shiseido Group's Sustainability

Our mission is to inspire a life of beauty and culture. This is the basis for our goal of achieving a sustainable society that makes people happy through beauty.

Although the target period for the information included in this back number is mainly FY2017 (from January 1 to December 31 of 2017), part of the information also includes contents prior to/after the said period.

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# Sustainability



## What is Shiseido Sustainability?

We are aiming for achieving a sustainable society that makes people happy through beauty.



### Priority Activities Theme 1

#### Efforts toward Realizing Diverse Beauty

We support women's empowerment as well as promote a wide variety of initiatives to help everyone live a beautiful life and stay true to themselves.

In support of  
**UN  
WOMEN**



## Priority Activities Theme 2

**Efforts toward Building an Ethical Supply Chain**

Working as a team, our supply chain aims to increase positive imput and reduce negative impact.



## Priority Activities Theme 3

**Efforts toward Recycling of Resources**

We promote initiatives for sustainable resource use, including reuse and recycling.

**Initiatives by Stakeholders**

With Consumers	With Business Partners	With Employees
With Society	With the Earth	

**Compliance • Governance • Human Rights**

Compliance	Governance	Efforts toward Human Rights

<b>Activity Results Date</b>	<b>GRI Content Index</b>	<b>Outside Evaluations /Awards</b>
<b>CSR/Environmental Reports (Back Issues)</b>		

## Top Commitment

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### Be a Global Winner with Our Heritage

Since 2015, Shiseido Group has been working on its medium-to-long term strategy called VISION 2020, under its mission to inspire a life of beauty and culture. We aim to continuously earn the support of our stakeholders, now and 100 years in the future and to be a Global winner with our heritage.

#### Shiseido will accelerate its growth to achieve VISION 2020

We positioned the first half of VISION 2020 (2015-17) as a time for rebuilding our business foundation. During this period, we comprehensively resolved issues both in Japan and overseas, while aggressively investing in marketing. As a result, in 2017, we achieved net sales of over ¥1 trillion, a target originally set for 2020. Operating income also grew and reached its highest level ever. In 2018, the first year of the second half of VISION 2020, we will begin implementation of a new strategy to accelerate growth. Under this plan, we will deploy our brand strategy to respond to the needs of local consumers in each region, while continuing with aggressive marketing investment. Through innovation, we will move forward with digital acceleration, new business development and new value creation. We will also prioritize and actively invest in the development of our people as they are vital to our new value creation and growth. Moreover, we will further evolve our global management structure.



#### VISION 2020 GOAL

**Be a global winner  
with our heritage**

We want to be a company...  
Filled with energy  
Overflowing with youthfulness  
Always much talked about  
That the younger generation adores  
Be a multi-cultural company

## **Beauty Can Change the World: Creating Social Value with Our Businesses**

Beauty is closely related to people's lives and feelings, able to bring happiness, health, energy, confidence, commitment, empowerment and so much more. To ensure truly sustainable growth, we act with the belief that the beauty business, as our mainstay, will itself lead to the creation of social value. Furthermore, we aspire to be the most trusted beauty company in the world by enhancing the value for our all stakeholders through a medium-to-long term management approach, as well as ESG-focused management.

In 2004, we signed the United Nations Global Compact in support of an international society committed to sustainability and development. As a member of a global society, each Shiseido Group employee maintains high ethical standards. We all share a sense of mission, working proactively to solve global social issues for the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations. We deeply appreciate your continued support for Shiseido's initiatives which create innovations that will lead us to "be a global winner with our heritage."

**Masahiko UOTANI**  
**Representative Director, President and CEO**  
**April 2018**



# What is Shiseido Sustainability?

## Vision and Values

Our mission is “BEAUTY INNOVATION FOR A BETTER WORLD”. This is the basis for our goal of achieving a sustainable society that makes people happy through beauty.

## The Shiseido Group’s Sustainability Strategy

Looking ahead to the next 100 years and beyond, the Shiseido Group intends to grow with society as a global beauty company that stakeholders worldwide need and support.

It is critical to Shiseido’s sustainable growth to take proactive initiatives that resolve social and environmental issues, particularly the Sustainable Development Goals (SDGs) adopted by the United Nations, and realize a healthy society over the long term.

The Shiseido Group’s sustainability strategy is a growth strategy both for solving social and environmental problems and for business expansion.

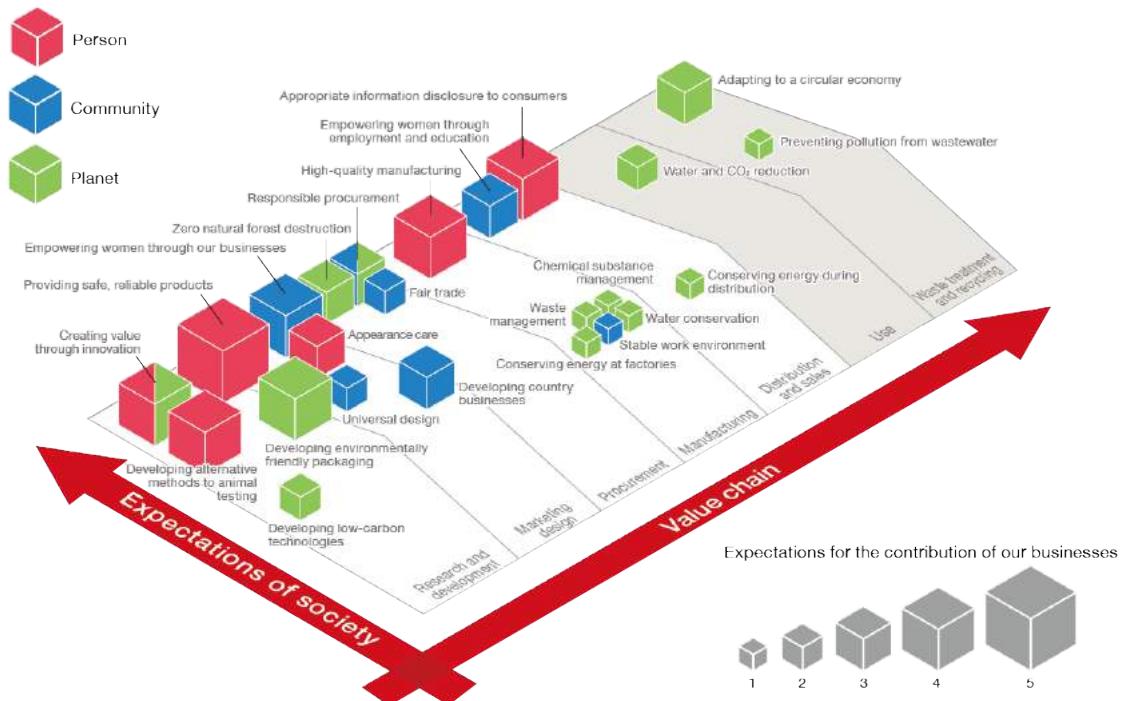


## Focus Areas and Key Activity Themes

The Shiseido Group’s goal is to achieve a sustainable society that delights people through beauty. In this society, sustainability is crucial for consumers, for the society to which they belong, and for the global environment, which supports people’s lives. Our sustainability strategy therefore focuses on three areas: Person (Consumers), Community (Society) and Planet (Environment).

We will identify key issues from the viewpoints of impact on our businesses and society's expectations, align our activities with them and revise them regularly in accordance with changes in our society.

## Priority Issues for Sustainability



We will develop people, respect human rights and transparently disclose information as important initiatives that support the Shiseido Group's value chain.

## Key Activity Themes

To ensure the sustainability of Person (Consumers), Community (Society) and Planet (Environment), we have selected three activity themes where Shiseido can contribute by leveraging its strengths.

### Efforts toward Realizing Diverse Beauty

We focus on empowering women, who are central to our business. By addressing social issues such as gender equality awareness and independence support for women in developing countries in cooperation with the United Nations, we aim to realize a society where all the people around the world can choose their own lifestyles and values, and individual differences including gender, age and nationality are accepted as diverse characteristics.

### Efforts toward Building an Ethical Supply Chain

We believe that not only Shiseido's employees, but all its stakeholders need to become conscious of local communities and the global environment to stay in business. We aim to ensure that our overall supply chain management (procurement, manufacturing, distribution, etc.) is being conducted ethically. In other words, we will make efforts to exercise positive influence, while reducing negative influence, socially and environmentally.

### Efforts toward Recycling of Resources

In order for us to provide consumers with values over the long term, it is critical to carefully use limited resources. To stop one-way flow of manufacturing resources being "procured, used and thrown out," we will encourage multiple use of such resources and try to improve the recycling rate.

Through these activities, we work to enhance sustainability of the focus areas and also to contribute to the achievement of Sustainable Development Goals (SDGs).

### Focus Areas and Key Activity Themes



### Promotion System

Shiseido makes the final decisions concerning sustainability in the "Executive Committee" which determines important issues in operations.

## Cooperation with International Societies

Shiseido declared its participation in the United Nations Global Compact in September 2004.

We support the Ten Principles of 4 areas (human rights, labour, environment and anti-corruption) that the Global Compact requires, and agreed and signed the climate change-related UN Global Compact initiative "Caring for Climate" for global environment conservation in November 2008.

We also signed "Women's Empowerment Principles (WEPs)" in September 2010, a joint initiative of UN Women and UNGC, and have collaborated with UN Women and various stakeholders for the implementation of the WEPs.

Going forward, we will enhance our measures in order to contribute to the achievement of Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015.



\*Sustainable Development Goals (SDGs) SDGs are the common goals adopted by the United Nations to build a better and sustainable world by 2030 by solving social and environmental issues such as poverty, inequality and climate change, etc. It aims to leave no one behind by tackling 17 goals and 169 targets with all countries.



Sustainable Development  
Goals (SDGs)



"Women's Empowerment  
Principles (WEPs)" signed

## Stakeholder Engagement

Stakeholders	Major engagement opportunities	Responses
Consumers	<ul style="list-style-type: none"> <li>• Shiseido Consumer Communication Center</li> <li>• SNS (Social Networking Services)</li> </ul>	<ul style="list-style-type: none"> <li>• FY2018: Approximately 150,000 opinions and inquiries were directed to the Communication Center, while 90,000 consumers provided feedback to Beauty Consultants at storefronts.</li> <li>• Increasing points of contact with various consumers. We make efforts to enhance consumer support focusing on younger generation using SNS such as Twitter, Yahoo! Chiebukuro, and the chat feature of LINE.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Consulting/reporting desk for suppliers</li> <li>• Briefing session on purchasing activity policy</li> <li>• Awarding business partners who have contributed to the development of business</li> </ul>	<ul style="list-style-type: none"> <li>• The Business Partner Hotline was opened in Japan to prepare the system for receiving opinions and giving advice.</li> <li>• Holding annual briefing sessions on purchasing activity policy in Japan and China with the aim of wide dissemination of the procurement policy.</li> <li>• Business partners who have contributed to the development of business were selected from the 3 aspects of quality, cost reduction and technical development and given the award. FY2017: 5 companies</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• Dialogue with owners of chain stores</li> </ul>	<p>We organized the Platinum Shop Convention in which top management directly expresses company policy and brand strategies to shop owners and employees who sell Shiseido cosmetics. FY2018: 472 shops (542 participants)</p>
Employees	<ul style="list-style-type: none"> <li>• The Shiseido Group Engagement Survey</li> <li>• Points of contact for employee inquiries/ Whistleblower system</li> <li>• Management councils/ Labor-management discussions</li> <li>• Training for all employees/Position-specific training</li> </ul>	<ul style="list-style-type: none"> <li>• The Shiseido Group Engagement Survey is conducted twice a year targeting all Group employees as a structure for listening to employee opinions.</li> <li>• We have established the in-house Shiseido Consultation Office and Shiseido External Hotline receiving inquiries and reports covering a wide range of topics regarding the workplace, the Compliance Committee Hotline specializing in reported cases, and the Report Mail to Auditors receiving reports concerning corporate officers. The above entities received and quickly resolved 220 inquiries in Japan in FY2017.</li> </ul>

		<ul style="list-style-type: none"> <li>• Holding labor-management discussions on the themes of “working conditions and benefit package for employees”, “work style reform”, and “reduction of long working hours”.</li> <li>• Human rights enlightenment, corporate ethics training, and group training according to the respective positions and specifics of each office are conducted for all employees at all business locations of the Shiseido Group in Japan once a year.</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>• Environmental education</li> <li>• Social contribution activities by each corporation and business office</li> </ul>	<ul style="list-style-type: none"> <li>• The Kakegawa Factory offers an environmental study session every year for elementary school students in cooperation with Kakegawa City. FY2017: 12 participants</li> </ul>
NPOs/NGOs	<ul style="list-style-type: none"> <li>• Dialogue with stakeholders</li> <li>• UN Women</li> <li>• Camellia Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging in dialogue with human rights and environment experts and received advice about how to advance due diligence regarding human rights. FY2018: 4 cases</li> <li>• Promoting gender equality in cooperation with UN Women.</li> <li>• Promoting social contribution activities through donations made by Shiseido Group employees and friends of the company to support the activities of NPOs and NGOs that resolve social issues. FY2018: 10 groups</li> </ul>
Shareholders Investors	<ul style="list-style-type: none"> <li>• General meeting of shareholders</li> <li>• Financial results</li> <li>• Briefing session for individual investors</li> <li>• Annual report</li> <li>• Shareholders' meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Holding the general meeting of shareholders, distributing video and disclosing information on the website. FY2018: 1,408 participants</li> <li>• Conducting the briefing of financial results, disclosing information on the website.</li> <li>• Conducting a briefing session for individual investors, distributing video.</li> <li>• Publishing the annual report.</li> <li>• Organizing a facility tour for shareholders. The 2nd facility tour was conducted in Ginza. FY2018: 17 participants</li> </ul>

## The Ten Principles of the UN Global Compact

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

### ■ Human Rights

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

### ■ Labor

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

### ■ Environment

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

### ■ Anti-Corruption

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

Source: United Nations Global Compact website

## Efforts toward Realizing Diverse Beauty

# "Beauty" to Help All the People in the World Live and Shine as They Like

There is no standard answer when we think about "Beauty."

Because every one of us has a unique view on "Beauty."

Our aspiration is a world where all the people recognize and express "Beauty" in their own ways.

Committing to consumers' desire to stay beautiful, Shiseido has been supporting women's beauty by offering safe and secure products and services since its foundation. Our mission is to brighten up consumers' beauty and to fill the whole world with smiles.

However, there are people around the world who have difficulties in following the lifestyles they want for various reasons.

Some have appearance concerns that make them hesitate to go out into society.

Others are confined by stereotypical ideas or values that limit their immense possibilities to small frames.

Leveraging our long-nurtured knowledge, we aim to realize a society where all the people around the world can make their choices from among various lifestyles and values to color their own lives beautiful.

### Specific initiatives



#### Shiseido Life Quality Makeup

Cover makeup for people who have serious skin troubles such as birthmarks, dark spots, scars and burn marks, as well as appearance changes due to cancer treatment. This is the result of our efforts to realize "the power of makeup" to its fullest.



#### Collaboration with UN Women / Promotion of Gender Equality

Shiseido has signed an agreement with UN Women, making it the first Japanese company to commit itself to the promotion of gender equality in Japan. Through such efforts as awareness raising workshops on gender equality targeting young people, Shiseido aims to realize a society where all the people can live their own lives.



## Empowerment of Rural Bangladesh Women

We offer halal-certified skincare products helping local women to improve their social status and gain healthy skin by changing their lifestyle.



## Shiseido Life Quality Beauty Seminar

We conduct a variety of seminars throughout Japan, helping new graduates learn how to keep up an appropriate appearance as a working adult, suggesting solutions to issues of a super-aging society through the "power of makeup," and offering beauty lessons in facilities for persons with disabilities.

## Shiseido Life Quality Makeup

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

### **What is Shiseido Life Quality Makeup?**

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

### **Active Regions**

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

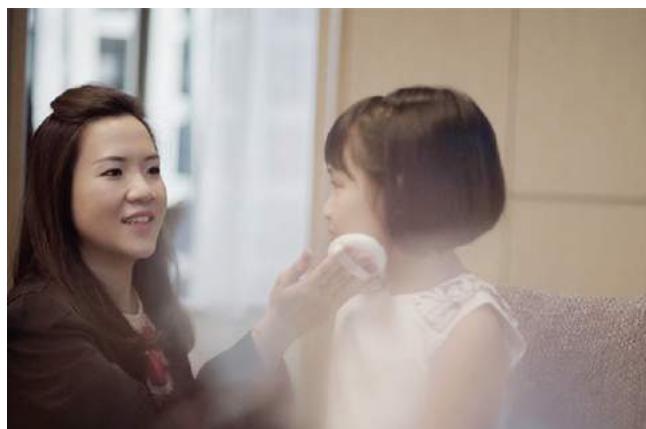
- Tokyo
- Shanghai
- Hong Kong
- Taiwan
- Singapore

### **SINGAPORE: Shiseido Life Quality Beauty Center**

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



## Address:

Shiseido Life Quality Beauty Center  
182 Cecil Street, #15-03 Frasers Tower  
Singapore 069547

Consultations are by appointment only.

To arrange for one, please call +65 6430 9969  
or email [SLQC@shiseido.com.sg](mailto:SLQC@shiseido.com.sg)

## Social Activities



### The Power of Makeup

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



### Perfect Cover Foundation

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



## Shiseido Life Quality Beauty Center

A unique facility specialized in Shiseido's cover makeup. We offer a private room so that our customers can receive counseling at ease. We provide the service free of charge, by appointment only.



## For Cancer Patients Booklet Supporting Appearance Care

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



## Information Service for Medical Professionals

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

## History of Our Activities

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

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



## For all who need it

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

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

## SHISEIDO LIFE QUALITY BEAUTY PROGRAM

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

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

SHISEIDO LIFE  
QUALITY MAKEUP

SHISEIDO LIFE  
QUALITY BEAUTY  
SEMINAR

"SHISEIDO LIFE QUALITY BEAUTY SEMINAR" began in 1949 as a "special beauty class" that taught students planning to graduate from high school how to use cosmetics properly, in order to maintain an appearance appropriate for an adult.

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

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

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



Seminar at welfare institution for the elderly in Japan



Seminar at a medical facility in Germany.

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

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

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

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

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

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

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

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

Scene from the "makeup service"



## SHISEIDO LIFE QUALITY BEAUTY SEMINAR

**Details of activities****Initiatives in Japan****SHISEIDO LIFE QUALITY BEAUTY SEMINAR at the "Eye Health Festa 2015 in Okayama"**

On January 12 (Mon), 2015, Shiseido Sales Co., Ltd. held the beauty seminar "SHISEIDO LIFE QUALITY BEAUTY SEMINAR" for visually-impaired persons in the "Eye Health Festa 2015 in Okayama,"(\*) which was held at the Okayama International Center (Okayama City, Okayama Prefecture). 14 women participated in the seminar.

In this seminar program, Beauty Consultants, who are beauty specialists, gave demonstrations as a lecturer on not only makeup but also skincare and hand massage in response to requests while using "The Braille Beauty Care Booklet (Japanese Only)."

Participating women shared their voices, such as "It was the first time to experience facial massage, and it felt real good. I did not know that a massage can make the face this much smooth," and "I could not draw my eyebrows but today I am so glad to learn how to draw eyebrows well without looking," etc.

In addition, we also heard the voices from seminar promoters, such as "Everyone was positive and cheerful. They were very motivated to try various things if they were given an opportunity. We would like to provide as many opportunities as possible to them through makeup," and "They looked very happy when we provided Braille seals for identifying products (Japanese Only). Since many of them did not know the existence of such seals, so I would like to spread this to more people.

## \* Eye Health Festa 2015 in Okayama

Event in which a number of welfare devices, universal design goods which are easy to use for everyone, etc. were exhibited, and visitors could touch and experience them. There were the lecture by Medical director of Department of Ophthalmology, Institute of Biomedical Research and Innovation Hospital, workshop by a walking training instructor, a guide dogs experience walking session, etc. As part of this event, the "BEAUTY SEMINAR for visually-impaired persons" was also held.



Signboard for the event



Scene from the seminar

## SHISEIDO LIFE QUALITY BEAUTY SEMINAR at the "2014 Work Fair for People with Disabilities" (Aichi)

On November 22 (Sat) and 23 (Sun), 2014, Shiseido Sales Co., Ltd. held the appearance seminar and demonstrated hand massage for those with disabilities in the "2014 Work Fair for People with Disabilities"(\*) which was held at the Nagoya International Exhibition Hall Portmesse Nagoya (Aichi Prefecture). In addition, we had also established a corner for trying our lipsticks which went on sale from November 21.

In the seminar, we gave demonstrations on skincare and makeup for women, and skincare and hair care & styling for men. 105 people (60 women and 45 men) participated. Furthermore, 79 people participated in the hand massage, and 170 people stopped by the lipstick trial corner. Participating people shared their voices, such as "It was the first time to experience hand massage. I was concerned about my seriously rough skin on hands but I was surprised that the skin condition got much better," "They told me today what cosmetics I should use, so I will take notes and go to buy them later," etc. In addition, we also heard the voices from seminar promoters, such as "Due to 'work fair' venue, participants were very interested in makeup for job hunting," "Not many people were applying lipsticks but I think they were interested in them because they looked very happy when they tried to put on new lipsticks," "There were a lot more male participants than I had expected," etc.

\*Shiseido has been participating in this fair since 2008. It will be the 8th time this year (Japan: 7 times; Overseas: 1 time).



Schedule information board



Scene from the seminar

## Overseas Initiatives

### <Shiseido Cosmetici (Italia) S.p.A> Hand massage activity

Shiseido Cosmetici (Italia) S.p.A has been promoting hand massage activities in a nursing home in Milan since 2012. In 2014, we promoted the activities for the fourth time on November 11. On the day of the activities, 6 staff members gave sincere hand massage to 40 people with impairment in their hands and skin disorders.

The participants look forward to these activities as a Christmas present, and they showed us exceptional smiles after the activities.

Participating employees themselves enjoy seeing people's smiles, feeling warmth inside after each activity.



Scene from the hand massage



Employees of Shiseido Cosmetici (Italia)

### <Taiwan Shiseido Co., Ltd.> Seminars for developmentally challenged individuals

Taiwan Shiseido Co., Ltd. promotes Shiseido Life Quality Beauty Seminar as a pillar of social contribution activities. In fiscal 2014, we held over 40 seminars targeting a wide scope of recipients, including the elderly, visually-impaired persons, etc.

We have been hosting seminars, targeting developmentally challenged individuals, since fiscal 2013. It was the second time for us to host the seminar in fiscal 2014.

We had participants practice not only cleansing, which is the basic step in skincare, but also applying lotion and moisturizer with the staff in charge of the seminar.

Although we had the limited time of one hour, participants naturally smiled. The activities left warmth deep within the hearts of the employees who participated in the seminar.



Scene from seminar



Scene from seminar

## Collaboration with UN Women/Promotion of Gender Equality

### Collaboration with UN Women

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

### Joint Efforts with UN Women

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

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



### What is HeForShe?

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

We collect commitments from supporters of this campaign. The beliefs and actions of individuals play an important role in achieving gender equality. If you support the campaign, please add your commitment to HeForShe.



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

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

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

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

On October 20th, 2018, we held a joint event with the UN Women Liaison Office in Japan at the United Nations University in Tokyo, where students presented solutions to gender issues. Under the theme of "Women's Empowerment in Japanese Society," 25 high schools across Japan participated in the program. On the day of the event, eight representative schools which made it through a rigorous selection process each recommended unique solutions. Participants such as commentators from government agencies, private companies, and NPO, etc. gave encouraging comments to the students, stating, "We are a lot more aware now. We hope young people also start taking action on these issues." After presentations from all the schools, the EU Ambassador-Designate to Japan gave a lecture on "Initiatives for Gender Equality Outside Japan." On this day, we thought about gender issues not only in Japan but also from a global perspective.

The students who participated in the workshop said, "I thought that there are only small things for high school students to be able to do at first, but now I believe that my action to change other students' awareness around me will lead to gender equality." Many of them said, "I would like to do what I can as a first step toward action." Shiseido will continue to work hard to achieve a true diverse and gender-equal society together with young people who will forge the future.



Presentations by high school students



Participating high school students

### Target and result

- Target: Raising gender equality awareness for 1,000 people in 2017-2018 (As of the end of October in FY2018, result: 505 people, cumulative amount: 1,005 people)
- Result in FY2018: Supporting students of 25 high schools across Japan
- As a new initiative from 2018, Shiseido independently developed educational materials for promoting gender equality (supervised by the UN Women Liaison Office in Japan) to study gender issues and distributed them to participating high schools, for use by participating students to formulate their action plans.

## Activities to Support Women's Empowerment Inspired by International Women's Day

On March 8, 2018, International Women's Day, Shiseido held an event named "Happy Women's Day" with a theme color of "Pink," wishing all the women to be proud of their gender and become happier.



### Happy Women's Day Storefront Campaign

At the department store counters in Ginza area, we suggested makeups especially with the theme color of pink to consumers to bring out their individual beauty, and gave them small gifts to commemorate the day.

Shiseido's appreciation of women was extended to many consumers on this once-a-year memorable day through our beauty consultants.



In front of the photobooth specially set up at GINZA SIX

## Speaker Event “Happy Women’s Day – To Me in the Future”

On the evening of International Women’s Day, Shiseido co-held with BuzzFeed Japan a speaker event titled “Happy Women’s Day – To Me in the Future.” Ms. Christel Takigawa, a special guest speaker, talked about women’s work and lifestyles with the theme, “Toward the year 2020 – A message to Japanese women,” and shared her experience as a TV news presenter and the values she acquired while living in France.



Ms. Christel Takigawa sharing her experience  
Photo by Kazuhiro Gohda for BuzzFeed

In addition, a lecture titled “Power of Pink” was given by Dr. Shimakura, Shiseido’s researcher, who talked about the image of the theme color of “Pink” and its influence on human minds. In front of visitors wearing “Something Pink,” she described the color pink as a reminiscence of warmth and gentleness and as a symbol of sociability, which is a perfect color for the day when people should ponder upon the feelings of themselves, friends, families and other members of society. She explained the reason why we determined “Pink” as the signature color of the event, saying that we wanted the visitors to wear something pink to remember the importance of caring about and respecting each other regardless of gender, nationality and age.

Shiseido preserves the policy of supporting working women as its DNA inherited from Arinobu Fukuhara, the founder, and has constantly been supporting women’s empowerment since its foundation in late 19th century until today. We will continue taking bold actions in society as a company that aims to brighten up the lives of women.



Lecture given by Dr. Shimakura



Commemorative photoshoot with participants

## Empowerment of Rural Bangladesh Women

Since FY2011, Shiseido has been promoting the activity for rural Bangladesh women to improve their social status and support their success. This activity is an initiative aiming to not only conduct business but also resolve the concerns and social issues of the women who live in the rural areas of Bangladesh by utilizing the know-how owned by Shiseido. In September 2015, the activity was selected as a model activity of the "Business Call to Action (BCtA)" led by United Nations Development Programme (UNDP). Shiseido is the first Asian cosmetics company to receive this recognition.



### Current Initiatives

From 2018, we have begun showing a short movie in seven areas in Bangladesh. This is our new initiative for local women, in addition to the workshops we have held in villages in the country, to make them aware of women's empowerment.

We aim to encourage Bangladeshi women to recognize their original beauty and reflect on their own lives through the movie that introduces the brand concept, "Shining Original Beauty," of Les DIVAS, a line of products specially developed for and sold in Bangladesh.

On March 8, 2018, we held the first movie screening event to commemorate International Women's Day. As many as 300 students visited the university in Tangail, our activity base, to watch the movie.

The film depicts a girl who overcomes various difficulties to become truly independent. Students who watched the movie said,

"There are many women in our country who wish to live on their own. The film made me believe we can do it," "Women tend to give up moving forward when confronted with failures or difficulties, but the movie taught me there are ways to overcome such obstacles," or "I think not only the women but all the men in Bangladesh should watch this film, from which I learned a lot of lessons to change our society."

Wishing to help many Bangladeshi women step forward, we will continuously hold screening events all over the country.



Movie screening event



A student being interviewed after watching the movie

## History of this Activity

Compared with East Asia which has achieved a certain degree of growth even outside the urban areas and in which women's social status has been also improving, in South Asia, there are more emerging countries and many different types of issues including economic disparities, gender gap, etc.

Under such a situation, although many issues are related to health and hygiene, the rural Bangladesh women are highly aware of beauty and skincare. Therefore, with focus on this area, we were able to start our activity with the strong support from the local NGO, etc.

### About Bangladesh (Excerpt from the website of Ministry of Foreign Affairs of Japan)

When Bangladesh became an independent country from Pakistan and established the national flag, it is said that Bangladesh used the Japanese national flag as a model. From that time, it has been a pro-Japanese country that has a feeling of friendship and admiration for Japan.



## Start from Living Together in the Local Community

In the first year, by living under the same roof with the families in the local rural area for a total of 4 months, the project members started from understanding their living conditions and customs as well as listening to the concerns and dreams that the rural women have.



Rural area of Bangladesh

From there, various issues caused by their lifestyles, customs, and other factors came in sight.

Life/Custom	<p><b>Men have the right to make important decisions in the household (Family plan, divorce, working, household budget, etc.)</b></p>	<ul style="list-style-type: none"> <li>• Cannot feel confident about oneself</li> <li>• Not good at speaking in front of people</li> <li>• Cannot take actions voluntarily</li> </ul>
Health/Nutrition	<ul style="list-style-type: none"> <li>• Dietary habit of taking plenty of sugar, oil and salt, and a lack of knowledge regarding the effect of this habit on health</li> <li>• Late night meal</li> </ul>	<ul style="list-style-type: none"> <li>• Unhealthy/sick due to biased nutrition</li> <li>• Skin troubles such as pimples</li> </ul>
Hygiene/Beauty	<ul style="list-style-type: none"> <li>• A lack of correct hygiene and beauty knowledge (Hand washing, effect of UV rays on skin, etc.)</li> <li>• There are no cosmetics that Muslims can use without worries.</li> </ul>	<ul style="list-style-type: none"> <li>• Unhealthy/sick due to unsanitary living practices</li> <li>• Skin aging caused due to a lack of appropriate skincare</li> </ul>



Rural area of Bangladesh

## Development of Skincare Products with Halal Certification\*

The project members, who lived with the rural women, had been thinking how to respond to the women's wishes to become beautiful, youthful and healthy, same wishes that even the Bangladesh women also have, by using Shiseido's technologies and know-how.



Les DIVAS

\* Approved by a halal certification body as an item manufactured by using the ingredients and processes recognized as legal under the Muslim law and permitted to be used by Muslims.

Although there is no sufficient and correct beauty knowledge, the local women, who wish to become healthy, beautiful and youthful, are highly aware of beauty. Especially, they don't take any correct UV-ray protection measures in spite of the environment exposed to strong UV rays since suncare products are easily removed by sweat and water; therefore, their skins receive adverse impact from the environment and many women look older than their actual age.

In addition, many Bangladesh people are Muslim and there are not many products which comply with their strict rules (products with Halal Certification). We heard that many of the women said "I wish there were Halal-compliant products because I can use them without any worries".



Les DIVAS  
• Cleansing foam: 1 type  
• Moisturizing gel: 2 types  
• Sunscreen: 1 type



Acquisition of Halal  
Certification  
Shiseido Vietnam Factory



The women who used this product said,  
"I can use it without any worries  
because it is Halal-compliant" and "My  
skin got soft"

## Development of Original Sunscreen Technology from this Activity

The local climate is not only with strong UV rays but also hot and humid. Regular suncare products are easily removed by sweat and water. This has been one of the concerns of the local women.



Women using "Les DIVAS" sunscreen

When researchers saw their situation, they felt the necessity of a sunscreen product with high UV-ray protection function which can maintain the effect even after sweating. Therefore, they turned their attention to the minerals and other components of water and sweat and succeeded in developing the original technology "WetForce" that provides enhanced protection against UV rays when in contact with sweat or water. This technology is currently utilized for sunscreen products\* which are sold all over the world.



Hearing by research members



SHISEIDO Suncare



ANESSA

## Progress on Workshops by Local Women (Awareness-Raising Activity)

With "Les DIVAS" as the approach, we have been promoting educational activities such as workshop on health/beauty, and improving daily living habitats through the flip chart show which was created in the local language (Bengali). This is also an important initiative of this project. The workshops are led by local female salespersons who have received trainings.

Many of the workshop participants and women who used this product became more proactive in getting involved with the society and commented, "I now like my skin," "The opportunities to go out on my own increased," and "I told other people that I feel happy because I could change my consciousness and behavior."



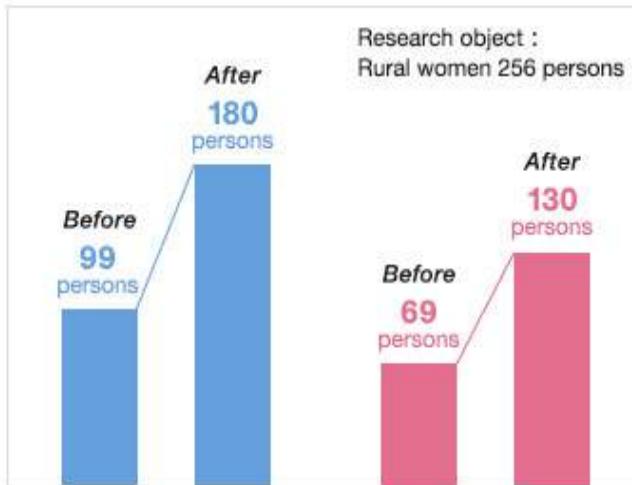
Flip chart show for awareness-raising activity (in Bengali)



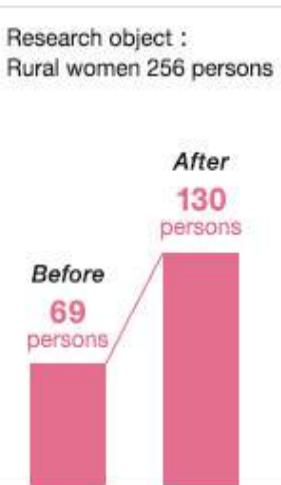
Awareness-raising activity (workshop)

### Positive impact by this project in the rural villages in Bangladesh

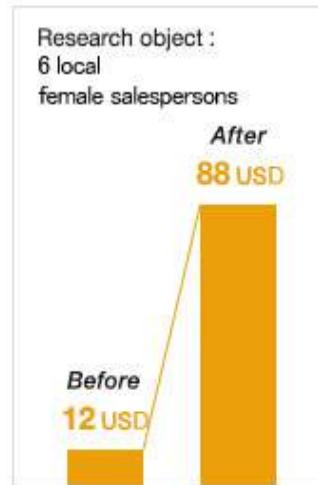
(Period : Jan.2014 to Dec.2015 )



**Increasing the Knowledge of Health, Hygiene and Nutrition**  
(Number of correct answer)



- confident of my skin
- able to go out by myself
- confident of talking in front of people



Note: Currency rate (Mar.2015)  
1 USD = 120 yen

## Shiseido Life Quality Beauty Seminar

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

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

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

Now we are mainly holding the following seminars throughout Japan.

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

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

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



Beauty Lessons



Beauty Class for a Healthy Life



Social Contribution Activity Appearance Maintenance Class

## Details of Activities

### Beauty Lessons

In April and May of 2017, "Beauty Lesson (Fresher's Course)" was provided as part of the training for the new recruits of JAPAN POST Co., Ltd. About 4,400 employees who joined the company in 2017 received a practical lesson on how to maintain an appearance appropriate for a JAPAN POST employee.

Seminars for women taught the importance of first impressions, skincare, base makeup, and point makeup, and seminars for men taught how to check their appearance, skincare, body care, hairstyling, how to shape eyebrows, and good facial expressions. Both seminars included practical training.

Female participants gave feedback, such as "It was a good experience because I have learned the basics of makeup techniques and skincare for working professionals. I would like to utilize what I have learned in today's lesson for my daily life" and "I will provide service to many customers as a working professional. So I will focus on makeup as a part of good manners, not for the sake of fashion."

Male participants gave feedback, such as "I understood that skincare for men is also necessary to give customers a good impression" and "I have learned the proper use of a wide variety of products. I have to be aware that my job receives a lot of attention, and I will do my best to look appropriate."

The lecturers also gave feedback, such as "I could see that all the participants were enthusiastic and enjoyed the seminar from their facial expressions, and many of the participants said that they would take this opportunity to groom themselves every day" and "Many of the participants fully understood maintaining their appearance with customers in mind is important and they practiced while suggesting hairstyles that give a favorable impression to customers."

Through cosmetics and beauty care, Shiseido will continue to support new recruits so that they can be more active in the future.



Seminars for Women



Seminars for Men

## Initiatives for the Elderly

### Initiatives in Japan

Shiseido Japan Co., Ltd. holds "Beauty Classes for a Healthy Life" throughout the country at the request of medical institutions, care facilities, and local governments. Every year, about 35,000 elderly people take part.

On Saturday, June 3, 2017, in the "Oral Health Week" project (organized by the Yamaga City Dental Association) held at Yamaga City, Kumamoto Prefecture, we organized a beauty class for the healthy life of local elderly people, in which 15 females participated.

The participants answered a questionnaire after the class. One participant said that recently she didn't want to go outside wearing makeup, but the cosmetic therapy made her happy and she went to a shop, a little far from home, after a long interval.

In addition, to train future cosmetic therapists, we held Cosmetic Therapy Lessons for people working in the medical/-care industry and citizens. About 2,800 people received cosmetic therapy lessons last year.

In June and July of 2017, we provided a "Cosmetic therapy lesson" as part of Tokai College of Dental Technology curriculum, in which over 20 students, future dental mechanics, participated.

They were first confused because the seminar was different from regular lessons. However, as they practiced, they began to smile and talk. At the end of the lesson, they said with a smile that it was comfortable and fun.

Through cosmetics and beauty care, Shiseido will help the elderly live longer and healthier.



Beauty Class for a Healthy Life



Cosmetic Therapy Lesson

## Overseas Initiatives in Taiwan

Since 2009, Taiwan Shiseido Co., Ltd. has been actively holding "Shiseido Life Quality Beauty Seminars" as one of the pillars of its social contribution activities. In 2016, we started a "Cosmetic Therapy Program," and in 2017, we provided it 40 times all across Taiwan.

In Taiwan, in collaboration with local governments, we provided practical skincare and makeup lessons to elderly people at public facilities. We received positive feedback from many of the participants, such as "It was very fun," "It has cheered me up," and "I can move more actively now." Furthermore, one participant of the program, who suffered from dementia, started to show their natural facial expression and smile again. Taiwan Shiseido will continue to contribute to the health and beauty of Taiwanese people by improving the quality of these activities and regularly providing Cosmetic Therapy.



Shiseido Life Quality Beauty Seminar in Taiwan

## Social Contribution Activity Appearance Maintenance Class

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

In 2017, 28 "Appearance Maintenance Classes" were provided to people with visual disabilities.

Between July and November of 2017, we provided "Appearance Maintenance Classes" at five locations, Kyoto, Kobe, Kagawa, Fukuoka, and Kagoshima, at the request of the Japan Federation of the Blind.

The participants practiced and enjoyed applying skincare and makeup to themselves while listening to the facilitator's instructions. They sometimes felt the activities to be difficult. However, when they finished applying the makeup, their face lit up with pleasure as they realized the "power of makeup."

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

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



Social Contribution Activity

## Various Activities to Support Women's Empowerment

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### Supporting Female Researchers and Academic Research

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

### Childcare Support

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

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

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

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

The logo for KODOMOLOGY features the word "KODOMOLOGY" in a bold, sans-serif font. The letter "O" is stylized with two small black dots above it, resembling eyes or sunbeams.

KODOMOLOGY

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

Shiseido opened Kangaroom Shiodome in September 2003 and Kakegawa in November 2017, as part of its initiatives to help Shiseido Group employees raising children balance the demands of work and childcare. The facility also accepts a certain number of children of employees of other companies, which are supporting the concept of "improving the child-rearing environment through cooperation with other companies." Kangaroom has made a significant contribution to transforming employees' awareness of how they work and realizing a work-life balance. The facility has been well received by people utilizing its childcare services for reasons such as enabling parents to return to work with complete peace of mind after the birth of a child and feel secure in the knowledge that their children are nearby, as well as allowing them to effectively make use of their time since they don't need to allot time to travel to a separate facility to pick up their children.



### Shiseido Running Club

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

## Efforts toward Building an Ethical Supply Chain

### Shiseido's Approach to an Ethical Supply Chain

In recent years, "Business and Human Rights" has been attracting increasing attention as evidenced by the enactment of the Modern Slavery Act in the UK in 2015 as well as the fact that similar legislation is being considered in other countries. Shiseido is also committed to an environmentally and socially ethical supply chain and encourages our business partners to strive for matching performance. We had been actively working to eliminate environmental and labor issues in our business, and took one step further and formulated the "Shiseido Group Policy on Human Rights" in 2017. We are now further promoting ethical business practices, respecting local communities and the global environment.

#### ▶ Policies and Standards

Shiseido Group's Policies and Standards for building an ethical supply chain

#### ▶ Specific Initiatives

Shiseido Group's specific initiatives for building an ethical supply chain

### Policies and Standards

Shiseido has established the "Shiseido Group Procurement Policy" to build an ethical supply chain. Concerning palm oil, paper and pulp, which have been regarded as causing environmental and social issues, we also established the "Shiseido Group Sustainable Raw Materials Procurement Guidelines (2018)" and set our raw material targets for 2020.

It is essential that we cooperate with our business partners to build an ethical supply chain. To this end, Shiseido will review the "Shiseido Group Supplier Code of Conduct" in 2018 to keep its contents up to date with social changes. We are building an ethical supply chain working together with our business partners.

### Shiseido Group Procurement Policy

#### ■ Procurement Vision

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

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

#### ■ Procurement Way

##### (1) With Our Consumers

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

## (2) With Our Suppliers

### • Building a Good Partnership

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

### • Fair Purchasing Transactions

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

### • Toward Global Procurement

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

### • Performance of Contract

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

## (3) With Society

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

## **Shiseido Group Sustainable Raw Materials Procurement Guidelines**

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

### **«Shiseido Group Sustainable Raw Materials Procurement Guidelines»**

#### **[Palm oil]**

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

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

## Shiseido Group Supplier Code of Conduct

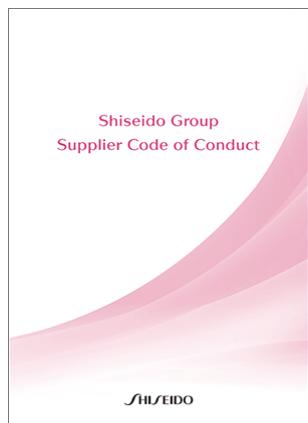
Shiseido aims to realize its Mission: "We cultivate relationships with people; we appreciate genuine, meaningful values; we inspire a life of beauty and culture" - and works on research, development, manufacturing, and sales of high quality, secure, and safe products and services. We consider every supplier a partner who will create new value with Shiseido and aim to realize sustainable development and highly ethical standards together.

Triggered by the participation in the United Nations Global Compact, we established the "Shiseido Group Supplier Code of Conduct" in 2006 that stipulates standards relevant to "Human Rights," "Legal Compliance," "Labor Practices," "Protection of Intellectual Property and Maintenance of Confidentiality," "Protection of the Environment," and "Fair Operating Practices," and we have conducted ethical business activities with our business partners since then.

Our business partners in Japan and overseas that fall within the scope of the Shiseido Group Supplier Code of Conduct are required to sign the Code. Business partners are closely monitored through questionnaires and regular audits. In the unlikely event that a violation of the Shiseido Group Supplier Code of Conduct is identified, Shiseido will strictly request remedial action and provide corrective guidance and support. In addition, we have established a "Business Partner Hotline" in Japan to receive feedback from business partners. (No report was made in fiscal 2017.)

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

We revised this Code in April 2018 by enhancing some stipulations such as respect for human rights in order to accommodate these social demands.



Shiseido Group Supplier  
Code of Conduct  
(updated in April 2018)

# Shiseido Group Supplier Code of Conduct

## Foreword

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

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

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

The "Shiseido Group Supplier Code of Conduct" specifies the non-negotiable minimum code of conduct that the Shiseido Group requests its suppliers and subcontractors to respect and follow, when they engage in transactions with the Shiseido Group.

Suppliers are requested to comply with the "Shiseido Group Supplier Code of Conduct" after having read and understood the purpose and contents of this Code.

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

### I. Applicable Scope

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

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

### II. Operation

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

### III. Inspection

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

### IV. Reporting of Violations / Corrective Measures

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

## I Legal Compliance

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

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

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

## II Anti-Corruption

### 1. Prohibition of Bribery and Corruption

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

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

### 2. Prohibition of Unfair Provision of Gifts and Entertainment

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

### 3. Prohibition of Improper Transactions

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

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

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

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

### 5. Publication of Information

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

### III Respect for Human Rights

#### 1. Prohibition of Discrimination

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

#### 2. Prohibition of Abuse and Harassment

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

#### 3. Prohibition of Forced Labor and Human Trafficking

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

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

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

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

#### 4. Prohibition of Child Labor

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

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

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

## 5. Compliance with Labor-Related Laws and Regulations

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

Suppliers shall pay wages in an amount equal to or greater than the minimum wage stipulated by local laws or regulations. In this regard, suppliers shall take into consideration the wage level to ensure that the wages paid will be at a level necessary for employees and their family members to live with human dignity. In addition, suppliers shall pay overtime allowance and other allowances, etc., in accordance with the laws and regulations of each country and territory. Suppliers shall also execute employment agreements with workers in writing, which will set forth the conditions for their employment, as well as confirm that all workers are aware of their legal rights and obligations.

## 6 . Freedom of Association and Collective Bargaining

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

## 7. Respect for the Rights of Indigenous People

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

## 8 . Migrant Workers

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

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

## IV Safe and Healthy Working Environment

### 1. Safe and Healthy Facilities

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

Within the facilities, suppliers shall maintain hygiene and provide their employees with, at a bare minimum, safe drinking water and toilets.

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

### 2. Prevention of Workplace Injuries and Illnesses

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

### 3. Disaster Prevention Measures

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

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

## V Protection of the Environment

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

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

**VI**

## Quality Assurance and Securing Traceability

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

**VII**

## “Whistle-Blower Protection” Measures

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

**VIII**

## Subcontractors' Compliance with this Code

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

## Revisions

The Shiseido Group shall revise the contents of this Code according to changes over time and demands from society, and shall publish the revised Code on the Shiseido website and inform its suppliers of the same. The obligations of Suppliers shall continue to exist after the revision of this Code, and suppliers are therefore requested to continue to comply with the revised Code. Should you have any questions or opinions regarding the revised contents, please do not hesitate to contact your local Shiseido Group member company.

<Revision History> Established in March 2006

Revised in May 2010

Revised in December 2011

Revised in April 2018

## Specific Initiatives

In all business practices, including the procurement of raw materials, Shiseido acts with due consideration of developing together with society while promoting human rights and protection of the environment. We are working on the following to achieve sustainable procurement and fulfill our corporate social responsibility.

### Initiatives toward Sustainable Procurement of Palm Oil

Palm oil, an ingredient in cosmetic products, is mainly produced from oil palms in Southeast Asia. It is essential for us to protect the environment of palm oil production areas as well as respect the human rights of people working on the farms in order to establish an ethical supply chain. Shiseido joined the RSPO(Roundtable on Sustainable Palm Oil) and formulated the Shiseido Group Sustainable Raw Materials Procurement Guidelines to procure palm oil and palm kernel oil with due consideration of the environment and society. Also, we are promoting the acquisition of RSPO supply chain certification\*1 at factories of the Shiseido Group. Through these efforts, we are promoting the switch to sustainable procurement of palm oil.

#### Initiatives

2018	<ul style="list-style-type: none"> <li>- Regarding the sustainable procurement of palm oil and palm kernel oil, we are formulating the Shiseido Group Sustainable Raw Materials Procurement Guidelines and publishing the targets to be achieved by 2020.           <p style="margin-top: 10px;">« Shiseido Group Sustainable Raw Materials Procurement Guidelines »</p> <p>[ Palm oil ] For palm-derived raw materials for use in Shiseido products, we will promote procurement with due consideration of environmental conservation at the place of origin, as well as respect for human rights.</p> <p>Targets: By the year 2020, for all palm-derived raw materials for use in Shiseido products, we will accomplish procurement with due consideration of environmental conservation at the place of origin, as well as respect for human rights, by procurement of RSPO-certified materials. In addition, the Shiseido Group factories will acquire RSPO supply chain certification.</p> <ul style="list-style-type: none"> <li>- Holding dialogue with palm oil farmers in Indonesia</li> <li>- Acquiring RSPO supply chain certification at the Shiseido Kuki factory and Shiseido Vietnam Inc.</li> </ul> </li> </ul>
2	<ul style="list-style-type: none"> <li>- Holding dialogue with palm oil farmers in Malaysia</li> <li>- Acquiring RSPO supply chain certification at the Shiseido Kakegawa factory</li> </ul>
2	<ul style="list-style-type: none"> <li>- We have been supporting the production of RSPO-certified sustainable palm oil by purchasing Book &amp; Claim system*2 certificates representing an equivalent volume of all palm oil and palm kernel oil used by the Shiseido Group.</li> </ul>
2	<ul style="list-style-type: none"> <li>- We have been participating in the "RSPO: Roundtable on Sustainable Palm Oil," which was established with the aim of conserving the environment and promoting and operating a sustainable palm oil industry.</li> </ul>

\*1 RSPOs supply chain certification: Certifying that the mechanism of securely supplying RSPO certified raw materials is in good order.

\*2 Book & Claim system: A system for trading the output of palm oil and palm kernel oil produced at RSPO-certified plantations as certified credits. The system has the same structure as green electricity, which means that the purchase of certificates is recognized as the purchase of RSPO-certified oil.

## Initiatives toward Sustainable Procurement of Mica

Cases of suspected child labor have come to light regarding Indian mica, an ingredient in cosmetic products. In 2017, Shiseido joined the Responsible Mica Initiative (RMI) aiming toward the solution of a responsible Indian mica supply chain.

## Risk Assessment of Raw Materials

### Social Risk Assessments for Introducing New Raw Materials

Shiseido is proceeding with social risk assessment of the raw materials we use in order to understand issues relating to human rights and labor in the supply chain in the procurement of raw materials. After analyzing palm oil using the Social Hotspots Database (SHDB) of the nonprofit organization New Earth, we found that the size and type of risks vary by country of origin. We will establish a tool to select social risks by examining raw materials other than palm oil with the SHDB and use it when introducing new raw materials in the future. We will manufacture products our customers can use with the assurance of an ethical background by assessing risks by raw material and appropriately managing them.

## Sedex Membership

Shiseido joined Sedex in August 2017 with the intent of building an ethical supply chain based on trust and cooperation with our business partners. Sedex is a global platform which manages human rights, labor, environmental impact, and ethical information with regard to companies. In 2017, the Shiseido Group also registered its Kakegawa factory. The factory carried out self-evaluation regarding respect for human rights and environmental protection, and we will continue to register our factories with Sedex, and make the most of its platform to further promote initiatives for the supply chain in the future. In the third quarter of 2018, we conducted a questionnaire among about 300 companies aimed at investigating actual conditions. Based on the results, we are starting to discuss our approach according to the current situation with a view to using Sedex regarding business and human rights.

## Employee Training regarding Business and Human Rights

Human rights issues cover a wide variety of problems. The HR Department, Risk Management Department, and Sustainability Department are making efforts in cooperation with each company in the Shiseido Group to help employees deeply understand respect for human rights and reduce the risks of violation through periodic training regarding business and human rights.

## Performance

	Training	Theme	Attending parties	Participants
Mar.-May 2018	Human rights promotion	Basic education about business and human rights	Human Rights Promotion Committee members of each department in the Shiseido Group in Japan	258
Aug. 2017	Responsible procurement	Procurement of raw materials considering human rights, corporate social responsibility	Purchasing department, Sustainability department	28
Jul. 2017	Human rights promotion/ Corporate ethics	Basic education about business and human rights	All corporate officers of Shiseido Co., Ltd., and Shiseido Japan Co., Ltd.	25

Please see "Human rights promotion (Education)" for additional human rights promotion training.

## Dialogue with Stakeholders

To achieve sustainable and responsible procurement and respect for human rights in all business practices, we engage in dialogue with various stakeholders about both aspects of the environment and society and make efforts for sharing and solving issues.

In August 2018, we participated in the Stakeholder Engagement Program organized by Caux Round Table Japan in Indonesia in order to understand human rights issues in the procurement of palm oil. We deepened our understanding of the risks that result in human rights violation and labor issues through dialogue with the NGO and NPO, as well as small-scale palm oil farmers. Shiseido will reflect these discussions with various stakeholders in the ethical supply chain to become a company that fulfills its responsibility with respect for human rights.

In September 2018, we engaged in dialogue with human right experts (the Danish Institute for Human Rights, Institute for Human Rights and Business, and Verisk Maplecroft), and received advice about how to advance due diligence regarding human rights in Shiseido. We will apply these findings in future efforts.



Photo 1: Exchanging opinions with palm oil farmers in Indonesia



Photo 2: Dialogue with human right experts from the Danish Institute for Human Rights

## Initiatives in 2018

	Name (host/-co-host)	Venue	Stakeholders	Main theme
May-Jul. 2018	Stakeholder Engagement Program (Nippon CSR Consortium)	Japan	Companies, NGO, NPO	Understanding and practicing "United Nations Guiding Princi- ples on Business and Human Rights" by companies  Identifying important human rights issues for each industry
Aug. 2018	Stakeholder Engagement Program (CRT Japan)	Indonesia	Field work: Small-scale palm oil farmers in Indonesia, companies, NGO (Photo 1)	Human rights issues in the palm oil industry in Indonesia
			Workshop: Companies, NGO	
Sept. 2018	Global Stakeholder Engagement Program (CRT Japan)	Japan	Human rights experts, NGO, companies that participated in Stakeholder Engagement Program in Thailand, Malaysia, Indonesia, and Japan	Consideration and key points of business and human rights in South- east Asia
Sept. 2018	2018 International Conference regard- ing Business and Human Rights, Individual dialogue (CRT Japan)	Japan	Human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, Verisk Maplecroft) (Photo 2)	Exchanging opinions about how to advance due diligence regarding human rights in Shiseido

## Initiatives in 2017

	Name (host/-co-host)	Venue	Stakeholders	Main theme
May 2017	Stakeholder Engagement Program (CRT Japan/Global Compact Network Malaysia)	Malaysia	Small-scale palm oil farmers in Malaysia, companies, NGO	Considering the environment and society in the procurement of palm oil in Malaysia and present conditions
		Malaysia	Government-affiliated companies, NGO	Considering human rights of migrant workers in Malaysia
Jun.-Jul. 2017	Stakeholder Engagement Program (Nippon CSR Consortium)	Japan	Companies, NGO, NPO	Connection between business practices and human rights, important human rights issues, importance of business practices considering human rights, and identifying important human rights issues for each industry
Sept. 2017	Global Stakeholder Engagement Program (CRT Japan)	Japan	Human rights experts, NGO, NPO, companies that participated in dialogue with stakeholders in Thailand, Malaysia, and Myanmar	Consideration and key points of business and human rights in Southeast Asia
Sept. 2017	2017 International Conference regarding Business and Human Rights, Individual dialogue (CRT Japan)	Japan	Human rights experts (Danish Institute for Human Rights, Institute for Human Rights and Business, Sedex)	Exchanging opinions about how to advance due diligence regarding human rights in Shiseido

## Efforts toward Recycling of Resources

To continuously use the limited blessings of the Earth, we need to shift from the conventional style of economic activities based on one-way flow of things being “procured, manufactured, used and thrown out” to recycling-based activities promoting the recycle or reuse of resources.

Shiseido works on the following initiatives to create a powerful combination of various recycling circles ranging from a small circulation (Reuse) to a large circulation (Carbon cycle) expecting to effectively use resources and to create more attractive products.

### Initiatives for Reuse

In Japan, Shiseido sells over 700 items of refillable products, the containers of which can be re-used. We provide refillable items in various categories from personal care products such as shampoo and conditioner to beauty products including essence, cream, lotion, emulsion and foundation to conserve resources used to produce containers.



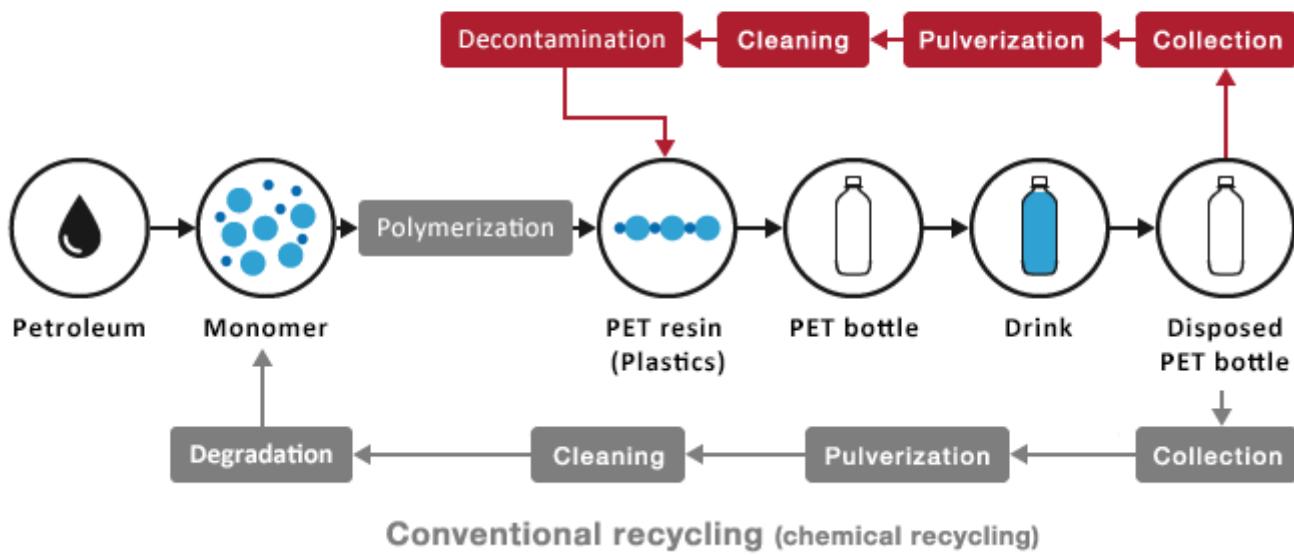
### Initiatives for Recycle

Since September 2015, Shiseido has been using PET resin, obtained through mechanical recycling of PET bottles, for the containers of Sea Breeze Body Shampoo. Mechanical recycling is the technology of efficiently producing high-quality PET resin from PET beverage bottles. This technology has been used broadly for drink bottles. Using recycled PET resin, approximately 22 tons of CO<sub>2</sub> emissions can be reduced every year compared to using petroleum-derived PET resin.

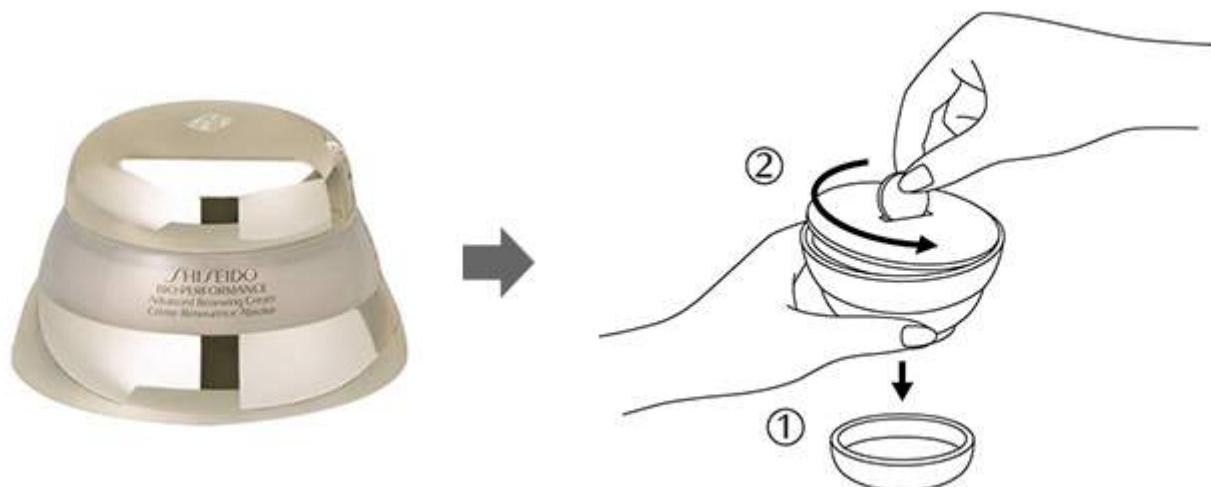


Mechanical recycling can drastically reduce the process and save the manufacturing energy

## Mechanical recycling



Shiseido's product containers made of different materials, such as a combination of plastic and metal, are designed to be easily separated after use for recycling. In addition to utilizing recycled materials, we actively work to improve used containers' suitability for recycling.



Examples of containers designed to be easily separated.

## Utilization of Biomass Resources

Shiseido was the first cosmetics/personal care products company in Japan to introduce sugarcane-derived polyethylene containers in September 2011 for its haircare brand, "SUPER MILD." Effective utilization of biomass resources, as typified by sugarcane, is a benefit from the global carbon cycle. Incineration of sugarcane-derived polyethylene releases over 70% less CO<sub>2</sub> than petroleum-derived polyethylene in their life cycles.

This initiative received the 1st Achievement Award for Promotion of Biomass Products from Japan Society of Biomass Industries in 2011.



Product containers made of plant-derived plastic bear the above-shown mark.

## With Consumers

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

### ▶ Promotion of Safe and Reliable Manufacturing



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

### ▶ Excellent Services to Enhance Consumer Satisfaction



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

### ▶ Reflecting Consumer Feedback



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

### ▶ Universal Design Initiatives



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

### ▶ Information for Consumers



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

### ▶ Initiative in Response to Animal Testing and Alternative Methods



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

## Promotion of Safe and Reliable Manufacturing

### The Establishment of the Original Product Safety Guarantee Standard

Product research and manufacturing at Shiseido are designed to create products that consumers can use with confidence and peace of mind. Based on our belief that correct knowledge of the skin is critical, the cosmetics development process starts with intensive research into skin structure conducted in collaboration with Japanese and overseas dermatologists, universities, and other research institutions utilizing state-of-the-art technology from a broad range of disciplines related to cosmetics (including the life sciences, dermatology, interface science, ergonomics, and psychology). Then ingredients are thoroughly investigated for impurities and other substances that might adversely affect the skin, and only those of unquestionable safety are selected for use. Finally, we conduct patch tests and dermatologist-supervised trials to ensure that the resulting formulations will be free of problems when used in products.



Sensory testing of cosmetics

### Safety, Backed Up by Data

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

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

## Total Reassurance and Safety Management of Chemical Substances

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

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

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

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

### Complying with the European REACH Regulation

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

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

## Establishment of Manufacturing Eco Standards and Sales Promotion Tools Eco Standards

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

## ■ System for Stable Supply of High Quality Products

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

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

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

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

## ■ Response to Product Problems

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

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

## ■ Appropriate Provision of Product Information

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

## Compliance Status of Laws and Regulations Related to Advertising Expressions

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

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

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

## Implementation of Study Sessions Related to Advertising and Labeling

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

### Nutrition and Health

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

### Ethical measures in the food business

#### 1. Organic

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

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

#### 2. Sugars and fats

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

\* Collagen drinks: Drinks in Shiseido The Collagen series

#### 3. Other

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

## Excellent Services to Enhance Consumer Satisfaction

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

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

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

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

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



## Reflecting Consumer Feedback

In order to realize medium-to-long-term strategy “VISION 2020,” Shiseido is promoting initiatives to internally report back the valuable feedback, including consultations and requests received from consumers, and utilize it for product development and service enhancement. By quickly detecting changes in consumers or society and reflecting these changes in corporate activities, Shiseido is gathering and analyzing consumer feedback information and working to share information throughout the company. In doing so, we are requesting that relevant departments respond to develop and revamp products, beauty information and service leading to the enhancement of the corporate value through the “consumer-focused perspective.”

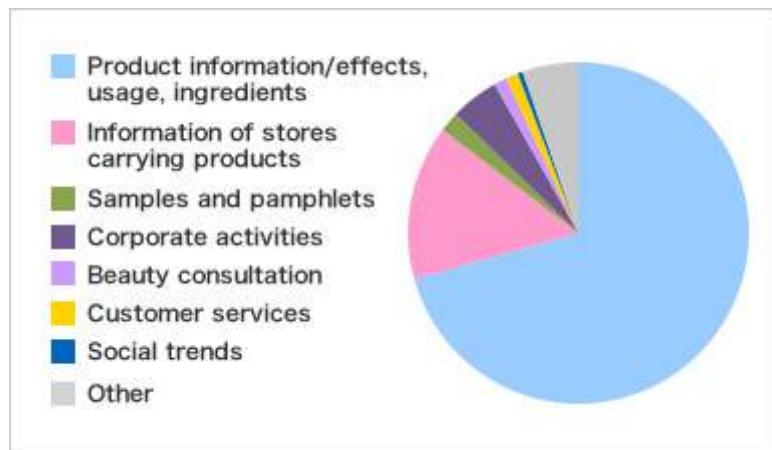
### Consumer Services: Action Policy

Shiseido Consumer Communication Center, established in 1968, celebrates its 50th anniversary in 2018. Since the beginning, it has offered sincere responses to inquiries and consultations from consumers and transmits information that can be further utilized by consumers. The center has been awarded three stars by HDI\*-Japan’s Quality Ranking Monitoring for four years in a row since 2013. In 2016, we received five stars, the top ranking, in the HDI Five Star Quality Service certification, for the first time as a cosmetic company. We continuously offer sincere, face-to-face services to consumers and strive to provide more consumer-oriented assistance to gain patronage and boosts Shiseido's reputation for reliability.

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

### Gathering and Sharing Consumer Feedback

In Japan, Shiseido gathers consumer feedback in various ways. Approximately 150,000 opinions and inquiries (about our products [68%], about shops carrying our products [18%]) are directed annually via toll-free numbers, e-mail and letters, and about 90,000 consumers provide feedback to Beauty Consultants that they came into contact with at the storefronts. Also, we receive consumers' voices via SNS (Social Networking Services) such as Twitter, and blogs. We manage this consumer feedback in a centralized system and share it internally on intranet in order to utilize it for product development and value creation, thus improving consumer satisfaction.



## ■ Specific Initiatives

The Shiseido Consumer Communication Center studies inquiry cases, provides training, and compiles and revises various manuals to provide sincere, quick, and correct responses to the opinions and inquiries from a wide variety of consumers. In 2017, it conducted workshops to promote a better understanding of how elderly consumers experience physical change and how they feel in general. The participants held a telephone simulation while wearing age simulation suits, which helped them imagine the condition of the consumer on the other end of the line. The purpose was to encourage our staff to engage in their activities while being more considerate toward consumers' feelings. This has also been reflected in the "Manual for Consumer Service Staff," which was revised in March 2018.

In addition, sharing the experiences from the workshops and feedback from elderly consumers with related departments has contributed to the development and improvement of products.

## ■ Collaborative Education Activities to Learn on Consumers' Perspective

We also promote collaborative learning activities to gain a deep understanding of consumers' feelings related to daily use of cosmetics and their backgrounds, and to further improve our products and services.

Employees in various departments and positions, be it factory workers, sales representatives or Beauty Consultants, consider things from consumers' perspective by listening to their voices and use it as an opportunity to review operations.

In 2017, we conducted "consumer feedback seminars" in which employees learned about the feedback received at the Shiseido Consumer Communication Center; we also provided e-learning training to all the employees. In addition, the Consumer Communication Center offers consumer feedback monitoring experience as needed. Every year, over 100 people take the opportunity, including corporate officers and audit & supervisory board members, employees at factories, laboratories, departments in charge of quality control, product development, marketing, sales, and affiliated companies.



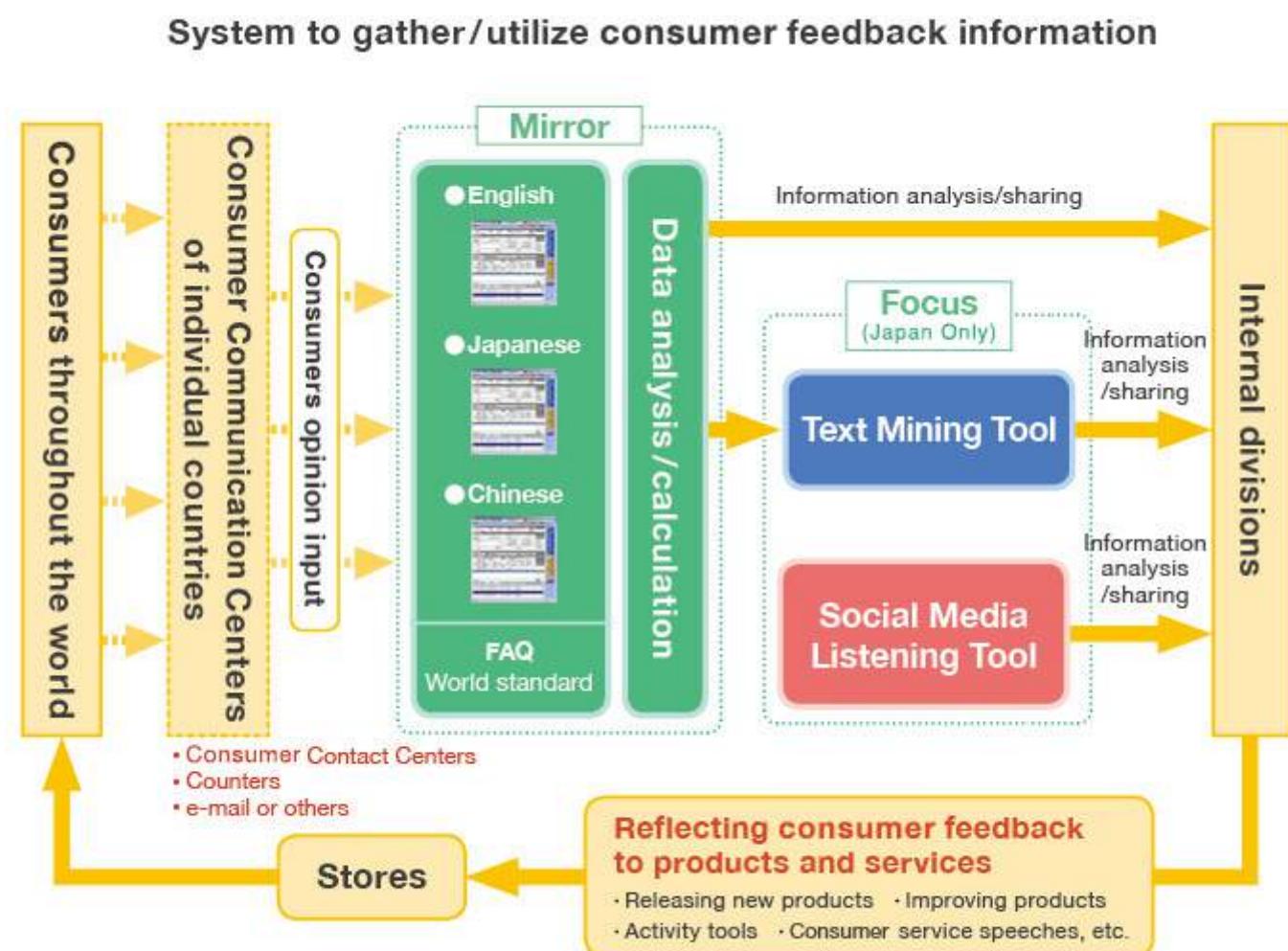
Consumer feedback seminar at factories in Japan and overseas

## System to Gather and Utilize Consumer Services and Consumer Feedback Information

Shiseido has enhanced its consumer feedback system, which had been in use since 1996, into one that can share and utilize consumer feedback information from all over the world, along with the globalization of the business. This system, named "Mirror\*," was introduced within and outside of Japan in 2011. We are taking on the challenge of creating values for the Shiseido Group by enhancing our response to consultations and requests that come to consumer service centers throughout the world and gathering/analyzing consumer feedback information from all over the world in an efficient manner through the introduction of "Mirror." "Mirror" is in operation in 20 countries and regions, including Japan.

In Japan, we are establishing an environment in which all employees can easily analyze/utilize the consumer feedback information, which has been accumulated in "Mirror," according to the objectives by linking the information with the text mining system "Focus" and visualizing consumer feedback. We also utilize an SNS listening system in order to reflect consumer feedback which is not normally directly delivered to the company to corporate activities.

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



## Increasing Points of Contact with Various Consumers

Younger consumers are increasingly using SNS to find answers to their questions and concerns. In the light of such trend, we opened an official consumer helpdesk on Twitter in 2015 and at Yahoo! Chiebukuro in 2017. Moreover, we started a beauty consultation service with the chat feature of LINE, a new communication tool, in February 2018. Those are examples of our efforts to enhance consumer support focusing on the younger generation.

In addition, the frequently asked questions (FAQ) page on our website was renewed in October 2017. We constantly improve consumers' convenience to help them find quick and satisfactory solutions.

## Product Manufacturing that Reflects Consumer Feedback

### *Kirei No Susume TsuyaTsuyaPurun Jelly* Notes on the package defined for comfortable drinking (2018)

To help users safely and easily open the cap, we enlarged the mark indicating the point to be held by the fingers when opening the cap and its explanatory note (Photo 1).

For those who prefer a softer texture, a friendly suggestion appears on the package being highlighted in enlarged, bold and underlined texts (Photo 2).

Responding to consumers' requests, the package is being renewed starting from our new Kirei No Susume products (White Grape Flavor and Calorie Zero Pineapple Flavor) to be launched on March 21, 2018.



## ***MAQuillAGE Dramatic Styling Eyes***

### **Shades indicated on the bottom of the case (2017)**

Feedback from our makeup item users includes voices such as "I want to know the color without opening the case" or "can't distinguish from other items." MAQuillAGE Dramatic Styling Eyes, a line of eyeshadow launched in August 2017, indicates its shades on the bottom of each case.



## ***TSUBAKI Premium Repair Mask User-friendly Cap (2017)***

TSUBAKI Premium Repair Mask, launched in September 2017, comes with a cap partially knurled on its side to be firmly yet easily gripped with wet hands.



## **Kirei No Susume TsuyaTsuyaPurun Jelly Completing the lineup with Apple&Cherry flavor (2017)**

Apple&Cherry flavor of the product launched as a limited edition in June 2016 was highly appraised by many consumers who found it delicious. Responding to the consumers' requests, we made it a regular flavor in the product lineup since March 2017.



## **AUSLESE**

### **Container renewal: light, easy to use, and eco-friendly (2017)**

Bottle containers for AUSLESE, a male-oriented brand launched in 1980, were renewed in February 2017. We hope many more consumers will continue using the brand in the future. Bottle material has been changed from glass to plastic, making the product lighter, easier to use, and easier to dispose of after use. As a token of gratitude to our long-time users, we have increased the bottle contents by 10% without affecting the price.



## **MAQuillAGE Perfect Multi Base BB "Natural": From limited edition to regular color (2016)**

The "Natural" color of the product launched as a limited edition in August 2014 was well received, and many consumers gave feedback that it blended well with their skin tone. Responding to the consumers' requests, we made it a regular color in the product lineup since August 2016.



## **SEA BREEZE Deo & Water Enhanced the caution label display for better understanding (2016)**

In response to consumer feedback, such as " SEA BREEZE Deo & Water spilled in my bag", we have enhanced the caution label display.



## **TSUBAKI Shampoo/conditioner (refill type)**

### **Enhanced the design for easier differentiation (2016)**

In order to make it easier to differentiate the “shampoo/conditioner (refill)”, we have changed the colors on top of the main body. With this change, users can differentiate the two at a glance.



March, 2015



March, 2016

## **MAQuillAGE Dramatic Mood Eyes**

### **Developed a new internal package with a film, which indicates the use at a glance (2015)**

We have enhanced the film included in the product to protect the mirror from eye shadow powder. In response to the concern regarding use, such as “I don’t know how to apply the eye shadow”, and consumer feedback regarding user-friendliness, such as “I drop the film on top” and “I lose the film”, we included a film with illustrations of the use and also developed a package with the film attached to it so it would not fall from the compact. We used the design in Dramatic Mood Eyes, which was released in August of 2015.



## Universal Design Initiatives

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

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

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

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

<Specific examples>

Shiseido launched PRIOR (in Japan)



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

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



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

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

## Information for Consumers

### Shiseido Website

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

Shiseido group website

watashi+ (Japanese Only)

### Providing Audio Information for the Visually Challenged

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

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



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

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

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

Skincare



- Face cleansing, UV protection methods and other day-to-day beauty information provided to protect children's healthy skin.

For Expectant  
Mothers and  
Mothers

Skincare



- Skincare to energize the sensitive skin and minds of expectant mothers and mothers.

## Initiatives in Response to Animal Testing and Alternative Methods

### Initiatives towards Abolishing Animal Testing

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

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

- |   |  |  |  |
|---|--|--|--|
| ➤ <b>Promotion of Safe and Reliable Manufacturing</b> |   | ➤ <b>Excellent Services to Enhance Consumer Satisfaction</b>               |   |
| ➤ <b>Reflecting Consumer Feedback</b>                 |   | ➤ <b>Universal Design Initiatives</b>                                      |   |
| ➤ <b>Information for Consumers</b>                    |  | ➤ <b>Initiatives in Response to Animal Testing and Alternative Methods</b> |  |

Initiatives in Response to Animal Testing and Alternative Methods

## Shiseido Safety Assurance System

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

Initiatives in Response to Animal Testing and Alternative Methods

## In cases in which we must explain the safety to society

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

Initiatives in Response to Animal Testing and Alternative Methods

## Mandated by law

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

Initiatives in Response to Animal Testing and Alternative Methods

## Alternative methods

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

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

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

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

## With Business Partners

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### Cooperation with Business Partners

Initiatives for stronger partnership with business partners

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

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In order to address changes of the times and social requirements, with regard to our concept of procurement, Shiseido considers it important to share information with business partners in a timely and accurate manner. Therefore, with the aim of widely spreading the procurement policy, the procurement departments in Japan and China are holding annual briefing sessions on the purchasing activity policy with business partners. Our procurement departments in Japan utilize each session as an opportunity to directly communicate Shiseido's procurement policy, various tasks and requests in the fields of raw materials, fragrances, materials and indirect materials, as well as to respond to questions and requests from business partners.

In 2017, 208 business partners participated in these sessions held by the procurement departments in Japan. In China, 204 suppliers took part. We respect all of our suppliers who share our vision, and work together with them toward each other's sustained growth.

#### Awarding Business Partners Who Have Contributed to the Development of the Business

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Shiseido awards business partners who have contributed to the development of the business with the First, the Second and the Special Prizes. This awarding system selects the awardees from the 3 aspects of quality, cost reduction, and technical development. 5 companies received the awards in 2017.

#### Process for a New Partnership

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Below is the process to be followed when we enter into a partnership with new suppliers.

##### First Contact with New Suppliers

1. Direct proposal from suppliers
2. Response from Shiseido (to inform them of the items we need to procure)
3. Suppliers' presentation at our proposal meeting on the development of package/container materials



## Study of Proposals and Presentations

Suppliers' proposals and presentations are reviewed and studied within the company taking into account each supplier's situation at first contact.

1. Study by Purchasing Department (or other division in charge in some cases) to determine whether to adopt the proposal
2. Discussion at company-wide meetings depending on the details proposed

## Evaluation of New Suppliers

Suppliers' situation to be evaluated before entering into a new partnership is as follows:

1. Management policy and business style
2. Credit status and business stance
3. Capabilities (cost, technology, quality, production capacity and service capabilities)
4. Preservation of confidentiality
5. Background and business areas
6. Partnership with other companies and other factors

## Detailed Study and Evaluation for Actual Product Development

In the case there are any specific product needs for the contents presented or proposed, we start conducting a detailed study for future commercialization. A detailed estimate based on the product's specification should be then presented by the suppliers.

At the same time, the following factors are reviewed and verified by our relevant divisions.

Evaluation samples should also be examined.

1. Quality
2. Cost
3. Delivery time
4. Safety
5. Factory ownership
6. Adaptability for our factories' production system

## Final Negotiation / Conclusion of Purchase Agreement

Conditions for procurement are thoroughly reviewed and adjusted before concluding the purchase agreement.

### Items to be Purchased

Items to be purchased include packages for our products (cosmetics, toiletries and pharmaceuticals), cosmetic tools, production materials such as raw materials and fragrances, collaterals and OEM products.

Please note we do not purchase items other than production materials, such as foods, materials for business other than those described above, or for other production facilities.

Package and cosmetic tools: Resin, glass, paper, metal and other materials or processed goods.

Collaterals: POP displays, premiums, etc.

### Number of Business Partners

Based on the philosophies, "good partnership with partners," "fair purchasing transactions," "global procurement" and "legal compliance" declared in our global procurement policy, we conduct business with 208 suppliers: 126 for raw materials, 58 for fragrances, and 24 for indirect materials (collaterals) (the trading result of 2017).

### Shiseido Group Supplier Code of Conduct

Since 2006, we have shared "the Shiseido Group Supplier Code of Conduct" with our partner suppliers to work together on ethical business activities. In response to the current circumstances, where companies' commitment to social and environmental issues often comes into question, we have recently revised the "Shiseido Group Supplier Code of Conduct" (April 2018) to clearly declare our responsibilities and challenges including the respect of human rights, legal compliance and the protection of the environment.

## With Employees

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

### ➤ Basic Policy Regarding Personnel Affairs

Shiseido Group's basic policy regarding personnel affairs

### ➤ Diversity and Inclusion

Specific initiatives to promote diversity

### ➤ Realizing a Rewarding Workplace

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

### ➤ Fair Evaluation of Employees

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

### ➤ Utilization and Development of Human Resources

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

### ➤ Safety and Health of Employees

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

### ➤ Employment and Labor

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

### ➤ Good Relationship with Labor Union

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

## Basic Policy Regarding Personnel Affairs

Shiseido Group denotes its policy under "With Employees" and "With Society and the Earth" in Shiseido Group Standards of Business Conduct and Ethics and adopts the policy in all subsidiaries and business sites globally.

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

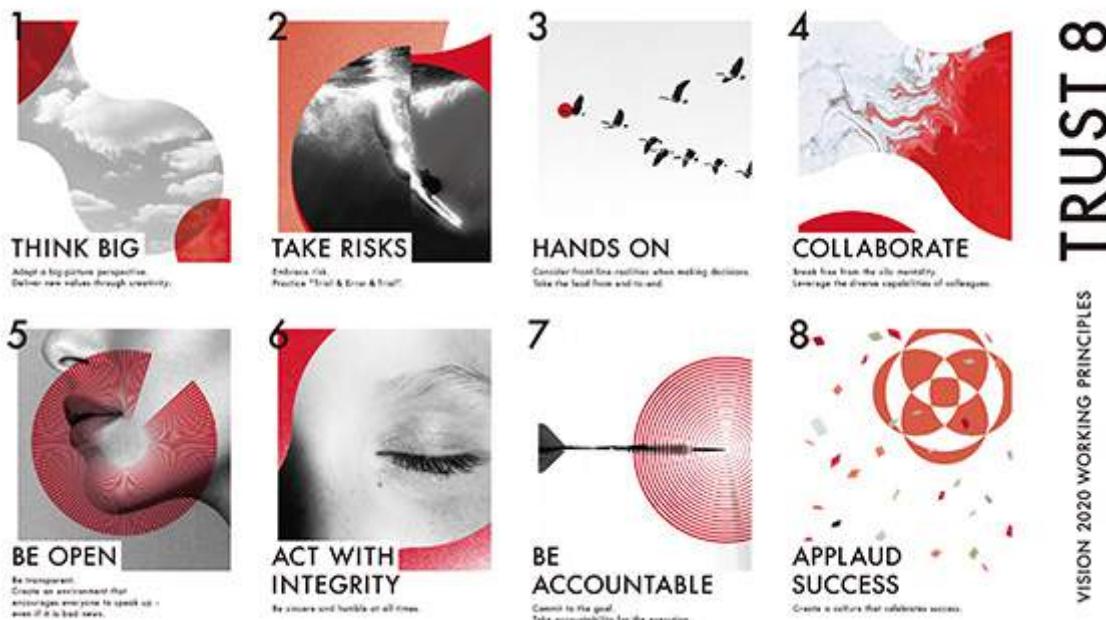
Since 2015, aiming to "strengthen the Company through human efforts and create an organization that overcomes competitors," we have established BIG WIN 5 as action guidelines for Shiseido Group employees and have engaged in actions to reform our human resource activities as well as to cultivate talent that constantly takes on challenges and creates new consumer values.

As from 2018, we are globally working on beauty innovation, in the belief that beauty has the power to change the world, in order to accelerate the growth in the latter three years toward the accomplishment of VISION 2020.

To encourage further growth, our global leadership team established new VISION 2020 working principles named TRUST 8, as the global common action guidelines for Shiseido Group employees.

Sharing TRUST 8 as our common language and based on these principles, we will aim to be the world's most trusted beauty company, where all employees do the right thing and build trustful relationships with stakeholders inside and outside the company.

### 〈WORKING PRINCIPLES "TRUST 8"〉



## Diversity and Inclusion

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Shiseido declares the following in "With Employees" in Our Way which defines the actions that must be taken and shared by each and every employee of the Shiseido Group.

1. We respect the character and individuality of everyone in the work place, in all their diversity, and strive to develop and grow together.

- (1) We never engage in or tolerate discrimination on any basis including, but not limited to, race, color, gender, age, language, property, nationality or national origin, religion, ethnic or social origin, political or other opinion, disability, health status and sexual orientation, nor do we engage in or tolerate moral harassment, including sexual harassment and abuse of power.
- (2) We work together with our co-workers to fulfill our potential in our jobs.
- (3) We strive to maintain a dialogue with our co-workers, and are committed to their growth as well as our own.
- (4) We strive to conduct fair evaluations.

We promote diversity by activities mainly focused on "women" who account for 90% of Shiseido Group's consumers and 80% of employees, as well as by creating an environment and organizational climate in which each and every employee's ability can be exerted to the full.

### Support for Women's Empowerment

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

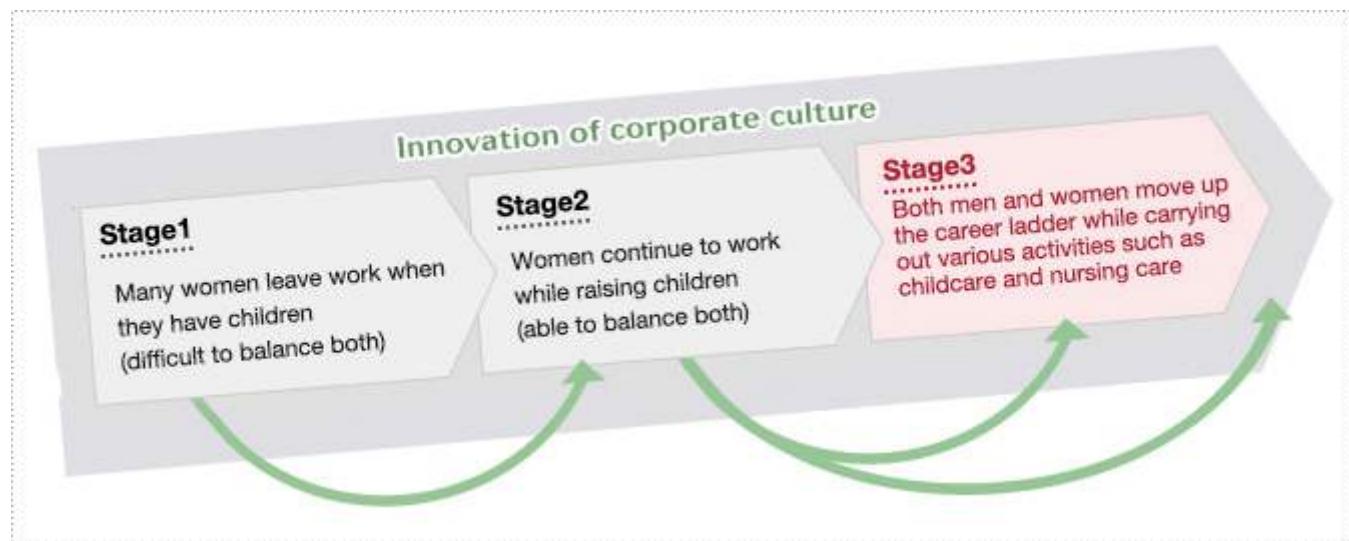
In fiscal 2005–2012, we formulated the "Gender Equality Action Plan" and promoted the "cultivation of the corporate culture", in which we pursued a reform in awareness and actions to enable women to take active roles. We also worked on "strengthening the appointment and promotion of female leaders and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

As a result, we were able to cultivate career awareness among female employees. The ratio of female leaders(Japan) has reached 26.0% as of January of 2018, and it has significantly improved compared to before the plan formulation. With the "review of how employees work", the number of employees working long hours has reduced, and the overtime work has been reduced by half through the implementation of switching off lights in all offices, Go Home On Time Day, etc. We have been able to reach certain results.

We will aim to further improve the productivity by working with people with disabilities and foreign people and realize a flexible and highly productive way of working by establishing role models in women's career development and according to diverse values.

Note: Female leader ratio in overseas offices: 70.1%

## <Three Steps for Women Taking Active Roles>



We have intensively cultivated a company culture in which diverse employees, including women, play active roles while demonstrating their skills and proactively building their career.

In November 2015, we held a seminar for managers with the themes of efficient workstyle and development of subordinates, and in December, an in-house event named "Career Navi Lunch" was held to share the experience of role model employees.

Also, expecting to see a woman president in the future, we aim to raise women's ratio in our company's senior management such as department directors and hold "NEXT LEADERSHIP SESSION for WOMEN", leadership training sessions for women employees, headed by the president. As one of our constant efforts to foster future women leaders, we held the first series of the sessions in 2017 and plan to have two more, in which participants go through a 10-month comprehensive leadership development program that offers lectures given by women leaders from outside the company, a workshop to learn from horses' demeanor, individual coaching sessions and other lessons. The goal of the program is to help participants have a clear image of their future job with greater responsibilities and influence, discover their own unique-to-women leadership style to become more confident in themselves, and upgrade their management skills. The contents of the program include, therefore, not only general leadership development training but also assistance in solving concerns and problems unique to women.



"NEXT LEADERSHIP SESSION for WOMEN"



**Workshop to learn from horses' demeanor**  
Horses swiftly respond to your action (leadership) regardless of your title or social position. We hold a workshop to provide participants with an opportunity to reconsider their actual leadership by watching the horses' response (feedback).

**TOPICS :** Shiseido Tops in Overall Ranking for Three Straight Years in “100 Best Companies Where Women Play Active Part”

Shiseido achieved “The First-Place of Overall Ranking” for three straight years since the year 2014 in “100 Best Companies Where Women Play Active Part” organized by “Nikkei Woman” and “Nikkei Womeneconomics Project”. Adding to it, we were awarded a prize on “The First Place of Diversity Penetrance” as a category ranking.

This ranking was based on “Survey on Female Workers’ Workplace Opportunities” conducted by “Nikkei Woman”, women’s career and lifestyle magazine published by Nikkei Business Publications, and Nikkei Womeneconomics Project, and evaluated 534 companies with valid responses. The survey measures how female workers are treated and promoted in terms of four categories: 1) promotion to managerial positions, 2) work-life balance, 3) active use of women’s ability, and 4) diversity penetrance. After appropriate weights are added to the scores of each category, the results are summed up to derive deviation scores for the overall ranking of “Companies Where Women Play Active Part” and for the previously mentioned four category rankings.

Shiseido has been promoting various initiatives since 1990 with the aim of becoming a company in which women continue to take active roles through corporate culture reform/reform of employee awareness, by establishing internal systems, such as child care leaves/child care time system, and others, prior to the law and establishing child care facilities within affiliates as part of the initiatives to support people to balance work and child care. From 2004, we have been dealing with enabling women to take active roles as a corporate strategy. Through Stage 1 - “many women leave work when they have children” and Stage 2 - “women continue to work while raising children”, we are currently aiming to become a company that enables a situation of Stage 3 - “both men and women move up the career ladder while carrying out various activities such as childcare and nursing care”. Shiseido was awarded as a double winner of Overall Ranking and Diversity Penetrance in 2016 and has received requests from various organizations to share its initiatives, which are highly valued by society.

To achieve our mid- to long-term strategy “VISION 2020”, we will work on creating the model for Shiseido to remain vital for the next 100 years. Furthermore, to actualize our vision, “be a global winner with our heritage”, we will focus on management with the emphasis on diversity. Shiseido will further evolve to “the best company that is a great place to work” for anyone.



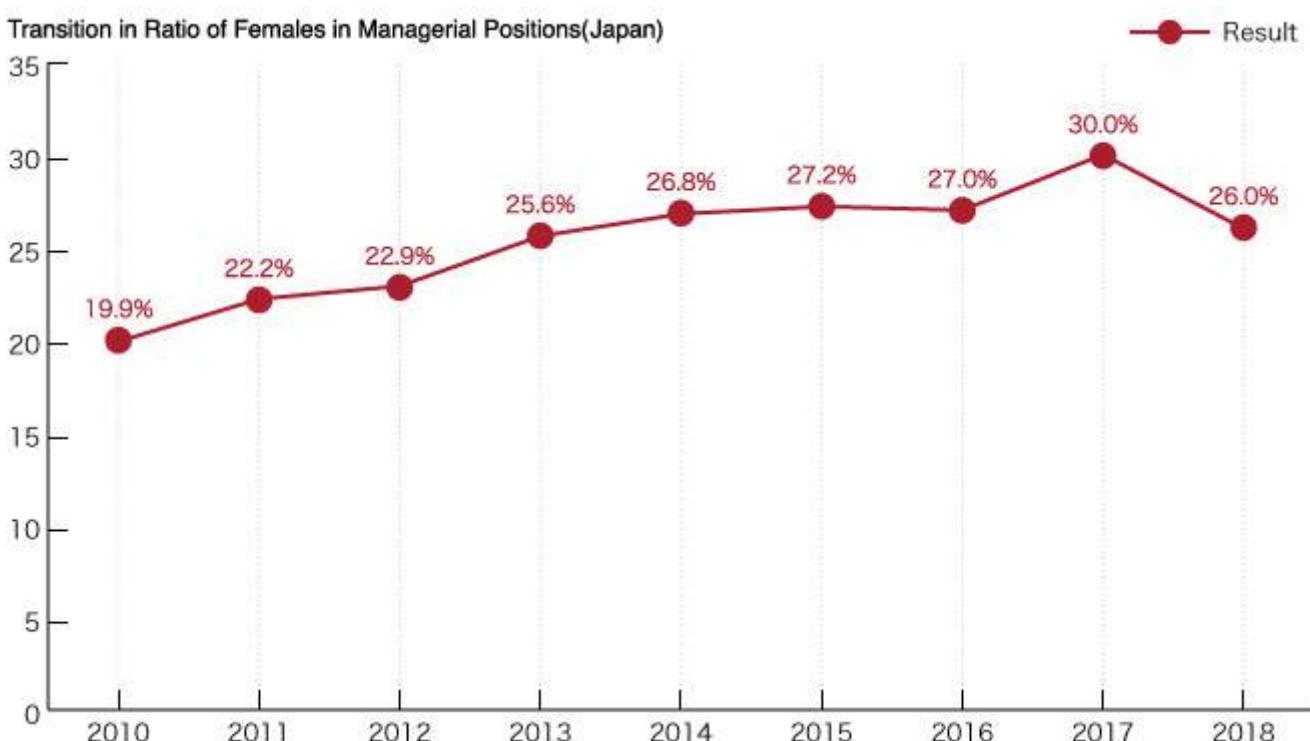
Commendation ceremony for “100 Best Companies Where Women Play Active Part” (May 2016)

## Ratio of Female Managers

In terms of female manager appointment, the Company has promoted "individual personnel development" to enable female employees to assume managerial positions in the future through the steady achievement of results and learning the basics of management, dealing with a higher level of work duties (how to assign work), expanding the professional area of focus (transfer), and other relevant initiatives, and achieved a 30% ratio of females in managerial positions in January 2017.

In order to evolve further, we focus on nurturing global human resources through leader trainings and digital skill enhancement programs, etc., aiming to create the "50:50" equal opportunity climate. In terms of social contribution, we established KODOMOLOGY CO., LTD., a company whose main business is the entrusted operation of in-house nurseries, in February 2017. Through this, we will contribute to the realization of a society where everyone can play an active role balancing their careers with raising children.

Note: Results are as of April 1 of each year until 2015. After 2016, the results are as of January 1 of each year.



## Supporting LGBT

We are working on various activities such as creating an environment where every employee can be themselves at work, deepening the understanding of LGBT and supporting LGBT persons.

For example, we have held in-house sessions for understanding LGBT (since July 2015) and revised the employment regulations in which one can enjoy the same treatment for having a same-sex partner as that for an opposite-sex partner (as of January 1, 2017). By doing these, we are promoting the correct understanding of LGBT and preparing in-house systems for the employees who are LGBT persons.

Also, we participate in Japan's biggest LGBT supporting event, Tokyo Rainbow Pride, and continue social support activities such as makeup advice, sampling activities (volunteers from the Company) and makeup advice for patients who have undergone gender reassignment surgery, etc.

Through these activities, we were certified as Gold, the highest grade, in 2017 by "work with Pride", an organization that evaluates companies' LGBT support efforts.

## **Employment of Individuals with Disabilities**

As one of our measures for "creating a workplace where all employees can actively work", we promote the employment of individuals with disabilities. Currently, about 290 such employees are taking active roles in the Shiseido Group.

We promise the employees with disabilities that "we seriously expect achievement from them", "we provide necessary consideration, but no special treatment" and "we willingly support those with the passion to work hard", and continuously reinforce the recruitment and retention of employees who may bring diversity to our organization.

In a special subsidiary, Shiseido's Hanatsubaki Factory Co., Ltd., 34 employees, primarily developmentally challenged individuals, are working at the four locations in Tokyo, Osaka and Kakegawa.

As of June 1, 2018, the number of employees with disabilities accounts for 3.19% in Shiseido Company, Limited and 2.04% in the Shiseido Group in Japan as a whole.

## **Employment of Foreign Personnel**

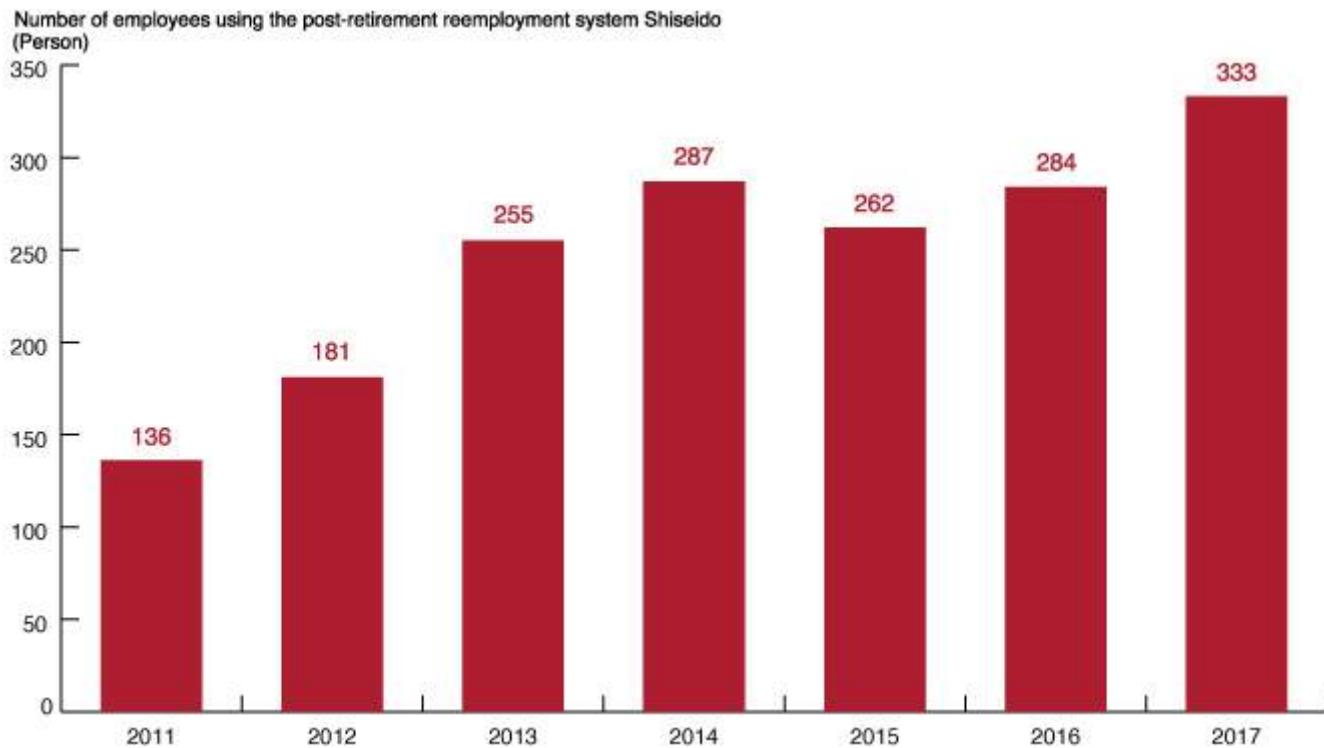
In addition to overseas subsidiaries, the Shiseido head office also has been employing diverse personnel regardless of nationality. We are hiring foreign personnel at the head office while adhering to the immigration control system, including resident status considerations, and subjecting them, regardless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

## **Post-retirement Reemployment System**

Shiseido has been introducing a post-retirement reemployment system since FY2006 aimed at developing an energetic corporate culture and establishing an environment in which middle-aged and older employees who have grown within Shiseido can continue to work as long as they have the motivation and ability to do so. Especially since FY2014, we have introduced the "EL Partner System" and reemployed all the employees who wish to continue working.

As for the research and development area, we operate the "Senior Scientist System" for personnel that possess high expertise, ensuring handing down techniques and know-how to the next generation employees.

Note: Results are as of April 1 of each year until 2015. After 2016, the results are as of January 1 of each year.



## **Employment of Fixed-term Employees**

The domestic Shiseido Group employs fixed-term employees based on labor-related laws and regulations and provides appropriate treatment with various social insurance and holidays stipulated by the law according to employment regulations and various other regulations.

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

\*They are re-employed as fixed-term employees.

## **Employment of Temporary Employees**

Temporary employees are working at the respective business sites and domestic Group companies of Shiseido according to the Worker Dispatch Law.

With regard to the employment of temporary employees at Shiseido Group, we are implementing various measures such as concluding agreements with employment agencies, development and management of registers, and appointment of personnel in charge of management, all of which is based on the Worker Dispatch Law policy related to measures that should be established regarding employment agencies and other relevant laws and regulations.

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

## Realizing a Rewarding Workplace

### Realizing a Rewarding Workplace

Shiseido aims to "become a company where both mentally and physically healthy employees fully enjoy their time for personal development and create innovation." We call this "WORK LIFE BEAUTY." We are working to implement flexible work arrangements and resolve the issue of long working hours to create a rewarding workplace where every employee can work with enthusiasm.

Domestic business sites and affiliated companies are concluding labor-management agreements pertaining to overtime work by business site according to laws and regulations, and reporting to concerned administrative authorities.

As for concluding the labor-management agreements, not only do we state the statutory limit related to working hours but also include aspects of the risk of long-time work based on government guidelines. With this agreement, Shiseido is setting a maximum of 80 hours per month of overtime work even in exceptional cases (instances of 45 to 80 hours of overtime work per month are limited to up to 6 times per year).

Shiseido's efforts to reduce long working hours are as follows.

#### ■ 1. Spread Knowledge of the Labor-Management Agreement

Based on the understanding that overtime work is mandatory upon the order of the employer (supervisors), Shiseido complies with laws and regulations by informing the details of the agreement to personnel in charge at respective workplaces and personnel in charge of human resources at respective workplaces and periodically informing managers with subordinates, etc. We also provide relevant information to employees by using in-house bulletin boards and other means.

#### ■ 2. Promotion of Activities to Review How Employees Work

From FY2011, Shiseido established the guidelines (key performance indicators [KPI] and goals related to working hours) for reviewing how employees work and is currently promoting relevant activities at all domestic business sites. According to the "Agreement 36 (Saburoku kyotei)", we have devised three objectives in the guidelines for reviewing how employees work to 1) reduce overtime work, 2) improve the acquisition rate of annual paid leave, and 3) reduce overall actual working hours. Accordingly, we are making progress in terms of reviewing promotion methods of work that address each business site and workplace. We are also horizontally expanding good internal examples by developing and distributing the "Guidebook to Review How Employees Work", which is a collection of case studies for review.

Since FY2016, all Shiseido Group offices in Japan clearly have stated concrete measures to conduct "Work-style reform" and have been carrying out further improvements.

### ■ 3. Promotion of Measures to Switch Off Office Lights

At all Shiseido Group's business sites\* in Japan, including affiliated companies, office lights are switched off at 10 p.m. and the lights-off time at Shiodome Office is set to be 8 p.m.

\* Excluding factories, stores, and storefronts that are implementing 24-hour operations or shift work. Furthermore, working from home, which had been introduced in headquarters, Global Innovation Center (GIC), Shiseido Japan Co., Ltd. and some of the affiliated companies, has been formalized as a teleworking system since April 2017 (qualified workers and jobs are determined by each workplace). As a measure of introducing diverse work styles, use of satellite offices and other practical systems are available for all employees including working mothers and those who are taking care of their families.

### ■ 4. Verification of Actual Status of Overtime Work Between Employer and Employees

Actual work hours and acquisition rate of paid leave are being regularly verified between employer and employees, reflecting the results in labor-management initiatives after sharing the issues.

Additionally, in order to respond to the requests for more diverse working forms, Shiseido is improving childcare- and nursing care-related leaves/short working hours/time-off systems based on laws and regulations. In particular, Shiseido made it possible to use short working hours for employees with children up to the third grade in elementary school beyond the legal requirement. (Conditions for limited-term contract employees vary depending on contract terms; however, the conditions are higher than what have been stipulated by law.)

Furthermore, Shiseido has a spousal accompaniment for childcare system in place, by which employees with childcare responsibilities may request to accompany a spouse transferred within Japan. We also have a leave system to allow employees to take leave up to three years so that they can accompany spouses who are transferred overseas.

At the same time, regarding work-related systems, Shiseido has introduced a specialized discretionary work hour system for researchers at GIC.

## Support for Balancing Work with Childcare and Nursing Care

As a means for all employees to realize work-life balance and increase productivity, Shiseido has since 1990 been introducing various systems to help both men and women move up the career ladder while carrying out various activities such as childcare and nursing care.

[Click here for details on Support for Women's Empowerment](#)

Specifically, such initiatives include the establishment and operation of the "Kangaroom Shiodome" daycare facility located within a business site, a paid childcare leave system within a limited period of two weeks to encourage male employees to take childcare leave, and introduction of the Kangaroo Staff System\* for Beauty Consultants (BCs) to work shorter hours for childcare.

Employees' use of leave and shorter working hour systems related to childcare and nursing care is increasing every year. As of 2017, 1,483 employees (including 18 male employees) used the childcare leave (including short-term paid parental leave), 2,130 employees (including 2 male employees) worked shorter hours to care for their children, 37 employees (including 3 male employees) took nursing care leave, and 24 employees (including 2 male employees) worked shorter hours for nursing care.

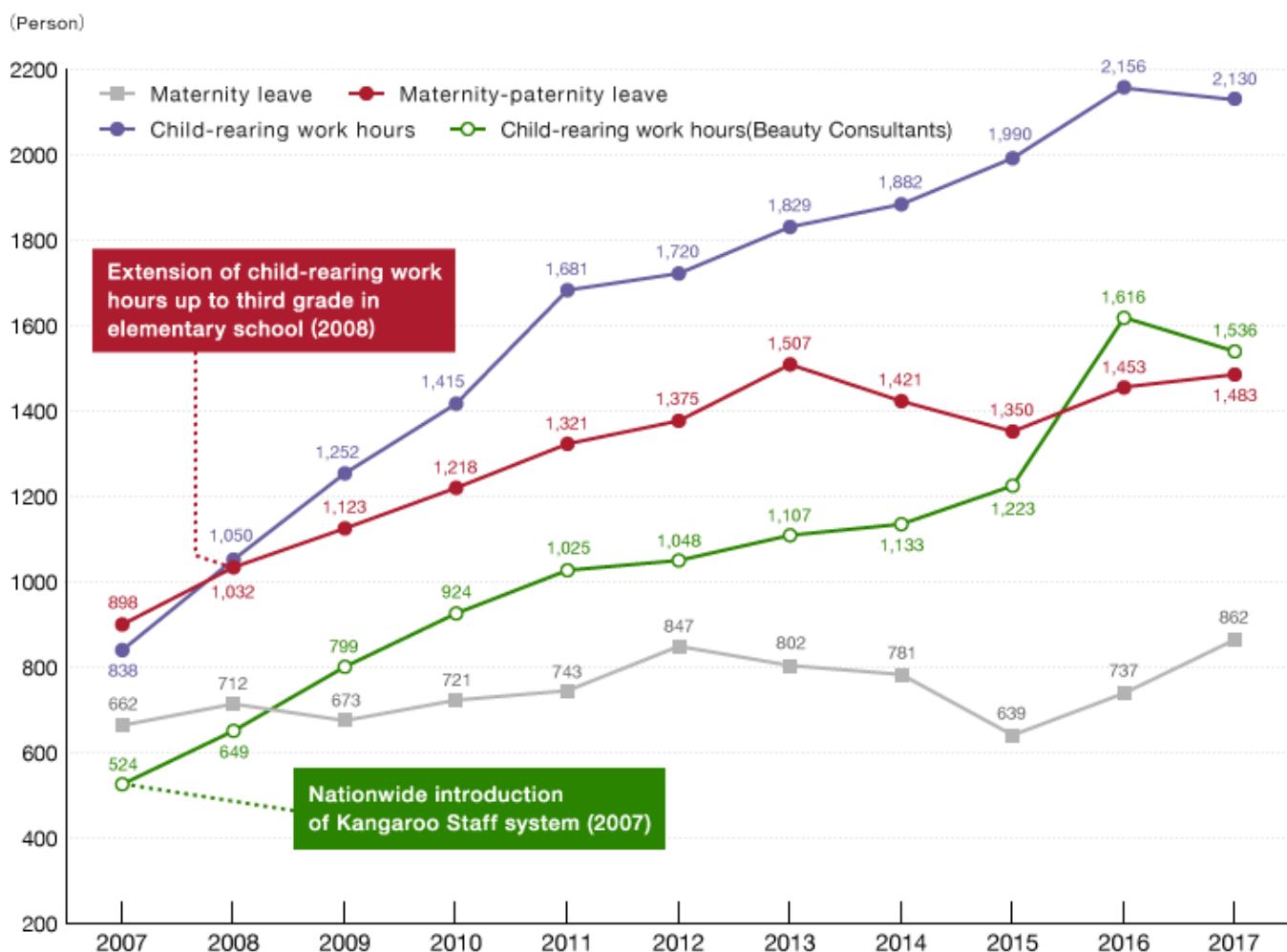
Moreover, as a part of activities aimed at becoming a company where both men and women can advance in their careers while raising children or nursing family members, we are also promoting reforms to the way BCs work. In implementing these reforms, we solicited feedback from BCs to ascertain the current situation and left in place the balance support systems introduced to date. Next, we conducted individual interviews with BCs currently raising children and their superiors, to ensure that systems could be utilized in ways tailored to the diverse working styles of each individual. Through the interviews, as well as having BCs share information about their childcare environments, we have communicated our expectations as a company with regard to BCs who are raising children, and confirmed the working styles that will lead to career advancement while taking into account the circumstances each BC faces. As a result of promoting these reforms, 98% of BCs working short hours for childcare have revised the way they work, and consequently, they have gained an even greater awareness of career advancement than ever before.

\* Kangaroo Staff System (Japan)

Shiseido introduced the "Kangaroo Staff System" throughout Japan in 2007 to support evening storefront activities by having temporary workers take the place of BCs engaged in consumer service activities so that the BCs could work short hours to care for their children.

This program has enabled us to create a workplace environment that allows BCs who had difficulty balancing the competing demands of work and childcare to have children with peace of mind, since they would be able to care for the children while working to advance Shiseido's "100% consumer-oriented" philosophy. In recent years, the Kangaroo Staff program has more than doubled in size to 1,837 Kangaroo staff providing such support for more than 1,000 BCs making use of child-rearing work hours.

## Number of Employees Who Used Child Care System in the Shiseido Group in Japan



Note1: Years ended December. Results for FY2015 are for 9 months between April and December.

Note2: The data is subject to the number of persons who used the systems among the domestic Shiseido Group managers, employees in general positions, Beauty Consultants, employees in specialized positions (routine operations specific to worksites), affiliates' employees and limited-term contract employees.

Note3: The targeted number of people is 23,505 as of January 1, 2018 (7,858 BCs).

Note4: Number of employees who used the childcare leave and child-rearing work hours is a cumulative total.

Since we are forecasting an increase in the number of employees who will continue working while using child-rearing work hours and nursing care work hours, employees are expected to be more conscious about their work and try to acquire time management, risk management and communication skills to consistently achieve results within their limited time. At the same time, managers are expected to exercise their management capabilities to raise motivation while understanding each and every employee's situation.

## Overview of Work/Childcare and Nursing Care Programs Previously Introduced by Shiseido

Support Program	Year Introduced	Details
Maternity/paternity leave	1990	A system by which employees may take leave after having a baby until the child is three years old for a total of up to five years (Employees may take leave a total of up to three times for the same child in the case of special circumstances. <Revised in 2009>)
Child-rearing work hours	1991	A system by which employees may shorten work hours by up to two hours a day if they have children in up to the third grade of elementary school.<Revised in 2008>
Nursing care leave	1993	A system by which employees can take up to one year off at a time per family member for a total of up to three years.
Nursing care work hours	1993	A system by which employees may shorten work hours by up to two hours a day for up to one year at a time per family member for a total of up to three years.
Cafeteria system for childcare support	1998	A system by which employees can receive a fixed annual subsidy to offset childcare fees for children in nursery school.
Childcare plan	1999	A plan implemented to improve communication structures that enable employees to confirm with their managers the process from pregnancy onward to return to the workplace.
Kangaroom Shiodome	2003	An in-house daycare center for Shiseido employees' children at the Shiodome Office. Accommodating a fixed number of children, the center is also partially open to the children of employees of nearby companies.
Short-term paid parental leave	2005	A system by which employees may take leave up to two consecutive weeks until the child is three years old. This short-term paid parental leave system encourages male employees to take leave.
Nursing care leave system for children	2005	A system by which employees may take paid leave if they have children not yet enrolled in elementary school who require nursing care due to sickness or injury. Employees may take leave of up to five days per year for one child and up to ten days for two or more children per year. (Paid leave) Half-day leave is also permitted.<Revised in 2010>
Childcare support center	2006	Medical office staff at the head office provide support centering on health issues, including various concerns or questions related to pregnancy, birth and child-rearing.
Maternity wear	2006	A system in which maternity wear is provided for BCs.
Kangaroo Staff system	2007	A system by which alternative staff relieve BCs working child-rearing hours.
Guidelines governing transfers of employees with childcare and nursing care responsibilities	2008	A system of rules that prevents transfers of employees that would require them to move while working child-rearing or nursing hours.
Spousal accompaniment for childcare	2008	A system by which employees with childcare responsibilities (e.g., with children up to the third grade in elementary school) may request to accompany their spouse who is transferred within Japan.

Leave to accompany spouse when transferred overseas	2008	A system by which the company allows up to three years of leave so that employees can accompany spouses who are transferred overseas.
Encourage fathers whose infants are less than 8 weeks old to take paternity leave	2010	A system by which the company allows fathers who acquired paternity leave within 8 weeks after their spouses gave birth may take paternity leave again.
Cafeteria system for Child education support	2014	A system by which employees can receive support for outgoing expenses spent on child education, such as cramming schools, correspondence studies, enrichment classes, etc. for children.

## General Business Owner Action Plans Complying with the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace

Shiseido aims to establish a workplace in which each and every employee can work with a sense of reward and enhance their contribution toward the Company.

As part of the initiatives, we promote a number of measures to support female employees' further advancement as well as to support parenting employees in balancing work and childcare.

In addition, Shiseido Company, Limited obtained the "Kurumin" next-generation supporter mark in 2007 and 2013, and Shiseido Japan Co., Ltd. obtained the mark in 2007 based on the Act on Advancement of Measures to Support Raising Next-Generation Children.



### Phase 5 of the General Business Owner Action Plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Scope: Shiseido Company, Limited and Shiseido Japan Co., Ltd.

Period: April 1, 2016 – December 31, 2018 (2 years and 9 months)

No.	Goals	Time, Actions
1	Enhance individual human resource development in order to visualize and pool female leader candidates	<From 2016> Consider/implement development measures
2	Implement corrective measures to reduce overtime work	<From 2016> Consider/implement corrective measures
3	Consider and implement the introduction of the work-from-home system, etc. to promote efficient use of time	<From 2016> Prepare and consider promotion measures in preparation for the full-scale introduction

## Phase 1 of the General Business Owner Action Plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace

Scope: Shiseido Group (Japan)

Period: April 1, 2016 – December 31, 2018 (2 years and 9 months)

Numerical goal: 30% female leader ratio within Shiseido Group (Japan) within FY2016

No.	Goals	Time, Actions
1	Enhance individual human resource development in order to visualize and pool female leader candidates	<From 2016> Consider/implement development measures
2	Implement corrective measures to reduce overtime work	<From 2016> Consider/implement corrective measures
3	Consider and implement the introduction of the work-from-home system, etc. to promote efficient use of time	<From 2016> Prepare and consider promotion measures in preparation for the full-scale introduction

The scope of domestic Shiseido Group includes Shiseido Company, Limited; Shiseido Japan Co., Ltd.; Shiseido Parlour Co., Ltd.; IPSA Co., Ltd.; FT Shiseido Co., Ltd.; and Japan Retail Innovation Co., Ltd.

## Fair Evaluation of Employees

In order to be a stronger corporate group in Japan and overseas, Shiseido Group has established its global personnel affairs policy, thereby defining rules and guidelines regarding various aspects such as evaluations and work conditions as personnel affairs measures.

Rules refer to globally unified standards that should be followed throughout the Shiseido Group, and personnel affairs measures are developed according to this policy.

### ■ Rules for Evaluation and Work Conditions

- Implement system operation that will seek a degree of employee satisfaction while also ensuring fairness of work conditions internally and externally.
- Eliminate evaluations that are based on preconceived ideas or impressions and strive to carry out highly transparent evaluations based on objective facts.

Guidelines refer to various aspects that specifically define the operational standards of personnel affairs measures based on globally unified rules. Specific plans or operations of a system are promoted based on these guidelines in view of attributes of respective countries and regions or subsidiaries.

### ■ Guidelines for Evaluation and Work Conditions

- Implement evaluations based on target management.
- In addition to accomplishment and performance, promote a development-type ability evaluation with an emphasis on process (exert abilities).
- Provide evaluation feedback to employees and disclose relevant standards, including evaluation and promotion standards.
- Implement evaluation interview with employees at least once a year.

Based on the aforementioned Shiseido Global Personnel Affairs Policy, the Shiseido Group in Japan is also evaluating processes and actions along with achievement in an appropriate manner, thereby building a system with a high degree of fairness and satisfaction.

Moreover, as a means of enhancing fairness and satisfaction of evaluation, the Group is also improving and expanding opportunities for training and offering feedback to personnel in managerial positions. Specifically, we are enhancing the skills of assessors on various occasions by means such as management training and newly appointed assessor training. Furthermore, Shiseido holds HR briefing sessions twice a year for management-level personnel of the Shiseido Group in Japan, with the aim of deepening their understanding toward our human resources system and its operation.

## Structure for Listening to Employee Opinions

The Shiseido Group Engagement Survey is conducted twice a year targeting all Group employees working at domestic business sites with the aim of "creating a dynamic organizational culture" in which each and every Shiseido Group employee is able to enthusiastically work in an open and transparent workplace and gain a sense of satisfaction toward their work.

Note: In 2017, we conducted the survey not only in Japan but also all overseas business sites. This survey was initiated as part of management reforms being promoted throughout the Shiseido Group. Shiseido must tackle a multitude of issues in order to promote such reforms, and employees are constantly expected to "change their awareness and actions." As these reforms proceed, various concerns may arise such as a gap between employees in terms of their awareness and efforts or motivation for undertaking such efforts may decline due to a sense of placing a heavier burden on employees. This in turn may reduce the speed of realizing Shiseido's vision. Consequently, the survey results are used so that the members of top management can take the initiative in listening to employees' opinions, clarifying current issues and utilizing the information to develop specific actions toward solving any concerns or problems.

Additionally, the results of the engagement survey are provided to employees via the persons in charge of respective workplaces. At the same time, all employees carry out initiatives in their respective workplaces to improve issues that have been identified in business operations and work environments.

Shiseido established the in-house Shiseido Consultation Office in 2000 and the telephone counseling service, which is outside the Company, in 2002, thereby addressing various matters such as inquiries and whistle blowing related to employment regulations and violations of laws and regulations from employees, limited-term contract employees and temporary employees.

## Utilization and Development of Human Resources

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### Human Resources Development Policy

Shiseido has been earnest in its human resources development since it was founded. The Company, in fact, was once known in society as "Shoseido" which translates to "hall of scholars."

We will aim to be a company "filled with energy" and "that the younger generation adores," as stated in VISION 2020. To that end, under the slogan "People First," we will be developing many personnel who relates to both "innovations" and "value" and thus strengthen the Company through the power of people to be an organization that is a notch above competitors.

For that purpose, we have established the working principles, "TRUST 8" which are principles of actions to achieve VISION 2020, and "Organization and Human Resources Principles" that define the ideal organizations and personnel. These principles are our guidelines in human resources development and require employees to take on consumer-centered challenges, keep taking actions, motivate people, and lead others by setting examples worth following.

## Performance Management

Aiming to link individual employee's growth to that of the company, and to produce great achievements as an organization, we have introduced the Performance Management since 2016.

Most ability development is achieved through job experience. Therefore, Shiseido conducts ability development at each job site as each person takes on the challenge of high goals, acquires new knowledge and skills, and uses them to develop their abilities, while managers support their growth through coaching and giving feedback.

We conduct continuous training concerning the Performance Management for managers who are the key to this process.

Moreover, we use the Action Survey "GIFT," which allows subordinates to give feedback on managers' day-to-day actions. Thus we aim to develop a corporate culture of growth by improving managers' performance management skills and mutual feedback.

## Effective Use and Development of Human Resources on a Global Level

As a result of the shift to the matrix organization system, which cross-matches five brand businesses with six regional headquarters, effective use and development of human resources on a global level are becoming more and more important. Due to this, we have started promoting global talent management, in which we fully utilize people's capabilities through a series of processes, such as human resources employment, selection, development, and appointment. For example, we aim to develop human resources capabilities to use appropriate personnel in appropriate positions and to prepare for the future with global perspectives. To that end, we find excellent personnel on a global level, promote mobility between regions and enhance leadership at every layer from the young to the top through the Shiseido Leadership Academy, which provides assessments and collective training to managers selected from all over the world. We also offer the Future Leader Program for young employees in non-managerial positions, providing opportunities of voluntary participation in domestic/overseas MBA courses and overseas residential-type intensive English training (full time/short time), etc.

In addition, to accelerate these initiatives, we plan to start the English mandate mainly at our HQ in Japan from October 2018, placing emphasis on employees' communication skills in English.

## Safety and Health of Employees

### Health Management Policy

Shiseido has established its basic health management policy to protect the invaluable health of each and every employee and supports their physical and emotional wellness.

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

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

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

### Promotion of Safety and Health

Complying with laws, the Company has set up hygiene committees in Shiseido Group offices in Japan and makes screening tours of the offices to create a safe and comfortable work environment. The Global Innovation Center and factories have established occupational safety and health policies, and safety and health committees that regularly check and point out hazardous areas or dangerous behaviors that require improvements. Measures are also being taken at the domestic factories to prevent the occurrence of major accidents, targeting zero lost-time incidents every year.

### Safety and Health Education for Employees

Shiseido promotes the health of each and every employee according to its Basic Health Management Policy. The Company provides information under various themes centering on measures to prevent lifestyle-related diseases, which requires self control. Also, in addition to health counseling, we are implementing programs such as health-related seminars and conducting the following health education.

We have also established an external cooperative counseling office in order to provide employees' care in a wide scope 24 hours a day, all year round.

## ■ Preventing Lifestyle-related Diseases

We have added optional items to regular health checks in addition to the legally required items, thereby raising employees' interest toward their own health management.

We promote activities to prevent lifestyle-related diseases through individual health counseling, etc. to employees by industrial health staff based on the national regional assignment. Shiseido also distributes information on the intranet, issues periodical materials, and provides employee e-learning to promote health education among all employees.

## ■ Providing Mental Healthcare

An in-house mental health counseling office is established, with specialized counselors and industrial physicians allowing employees to receive counselling at their workplace. In addition, we have also established an external cooperative counseling office that can offer support 24 hours a day. Shiseido is conducting self-care training for employees and "line-care training"<sup>\*</sup> for managers.

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

\*Training on handling employees with physical or mental health issues

## ■ Discouraging Tobacco Use

Shiseido is implementing non-smoking in the company building with the objective of improving employees' health, enhancing consumer satisfaction and fulfilling social responsibility. Enlightenment activities including smoking cessation seminars are held within the company to promote understanding and support for non-smoking.

## ■ Supporting Women's Health

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

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

## ■ Counseling to Prevent Long-time Work

To prevent health disorders due to long-time work, Shiseido business sites have established an original standard following statutory standards and industrial physicians are conducting interviews among employees.

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

### ■ Others and Overseas

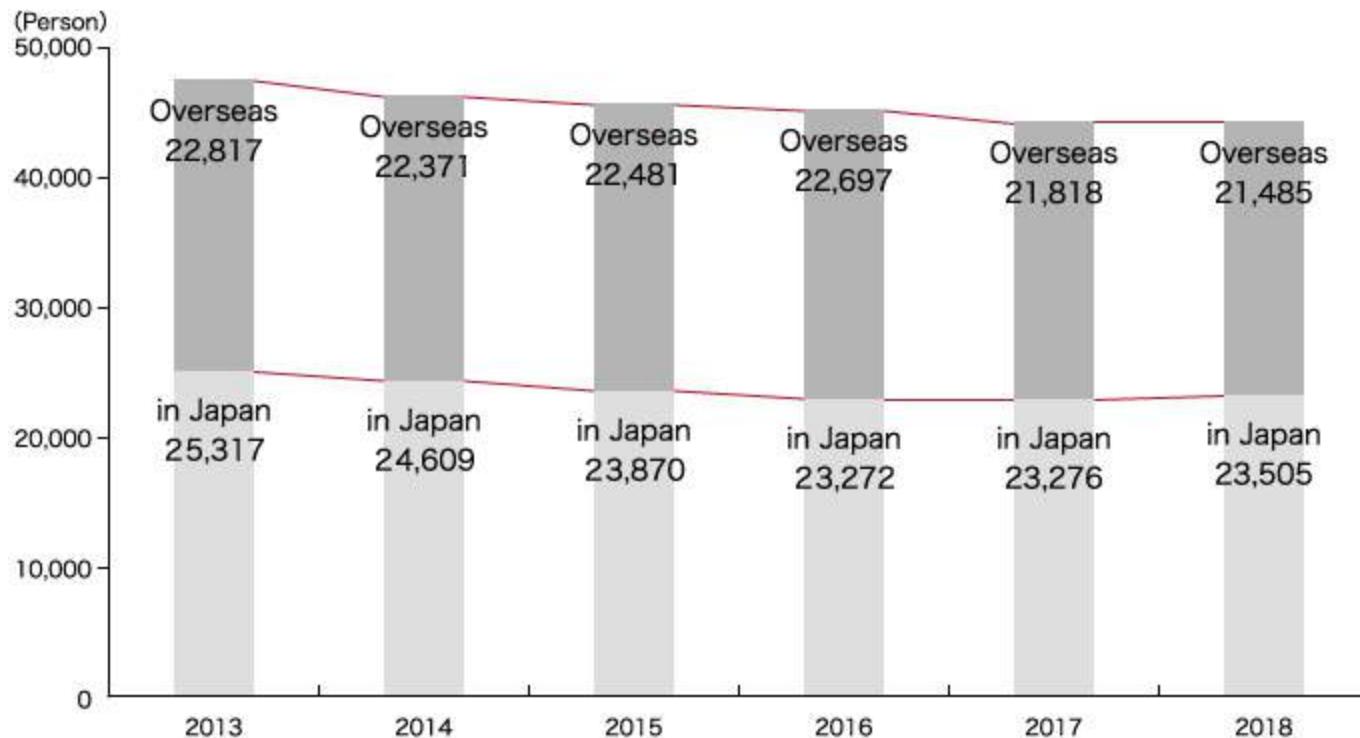
Information calling attention to infectious diseases is posted on the intranet for employees traveling overseas while a booklet on infectious disease prevention is distributed to employees prior to their transfer to work overseas.

## Employment and Labor

### ■ The Number of Employees

All the domestic and overseas Shiseido Group companies apply diversified employee working conditions in accordance with each business and each specific role expected of each employee, aiming to maintain and improve our competitive strength. As of January 1, 2018, the number of employees throughout our Group companies totals 44,990, which is approx. 100 less than the previous year.

#### The Number of Employees in Shiseido Group Companies



Note: Each figure up to 2015 is based on the data as of April 1 for Japan. The overseas data is based on the number of employees who worked under the direct labor contract as of the end of December in the previous year.

Starting in 2016, the figure is based on the data as of January 1 for Japan. The overseas data is based on the number of employees who worked under the direct labor contract as of the end of December in the previous year.

## ■ Wage

The wage system of Shiseido is based on abilities and results, which eliminates some elements such as promotion by seniority and dependence on personal background. In addition, the system for evaluating abilities and results is fair and transparent based on the rules for handling evaluations and is aimed at increasing the satisfaction level of employees.

The basic salary ratios of employees in the domestic Shiseido Group in FY2017 by job category and gender are as follows: Management level: Male 106: Female 100; General management: Male 99: Female 100; and Beauty staff: Male 84: Female 100 (as of January 1, 2018).

## ■ Employee Benefits and Welfare

Aiming for our employees and their families to enjoy "prosperous and comfortably affluent life," we are focusing on employee benefits and welfare as well as improving our working conditions so that employees can actively engage in corporate and social activities.

## Welfare System to Support Employees to Advance Their Business Career and Design Their Own Life Style

Shiseido is supporting employees to advance their business career and design their own life style based on their self-control and responsibility in their work and life, providing them with our diverse welfare system.

We have introduced not only systems and measures that support employees to balance work and childcare/nursing care in order to realize work-life balance and various other measures, such as housing support including company housing and housing compensation, property accumulation savings, employee shareholding system, consolation payment system, etc., but also the "Cafeteria system (welfare plan by selection)". The company prepares menus responding to employees' lifestyles and needs, such as "promoting an active workplace", "self-enlightenment", "childcare/nursing care", and "health promotion", and employees can select necessary support as needed, according to their own points.

## Life Planning Support for Employees by Corporate Pension Plan

Shiseido supports employees' life planning management.

Retirement allowances in Shiseido Group companies consist of "defined benefit pension plan", "defined contribution pension scheme" or "prepaid retirement allowance" and "lump sum retirement pay".

Employees enjoy benefit after selecting a plan between defined contribution pension scheme and prepaid retirement allowance. With regards to defined contribution pension scheme, Shiseido helps support employees to actively practice post-retirement life design planning through periodical provision of asset management and investment information. Some local subsidiaries are providing defined benefit type plan, lump sum retirement pay and defined contribution type plans.

## I Employment

In Shiseido Group, both companies and employees are maximizing their efforts to maintain employment of workers, and our commitment to stabilize the employment certainly complies with laws and regulations in each respective region and country. In employing workers, upholding The Shiseido Group Standards of Business Conduct and Ethics, we try to respect diversity and to realize such a working environment that employees could feel rewarded.

Basically, Shiseido introduces regular employment system, and as far as targeted candidates are concerned, it does not matter whether it would be a new graduate or previous graduate. Meanwhile, the Group companies also employ experienced candidates, targeting those who have already accumulated their professional career. Offering diversified job opportunities, with an objective of careful adjustment of employees' working conditions, Shiseido tries to organize employment systems.

Furthermore, in case that employees could be significantly affected due to relocation to a new branch or transfer to another office, our labor agreement stipulates that Shiseido should set up a committee consisting of management and labor union members to sincerely discuss and settle specific problems for immediate solution.

## Good Relationship with Labor Union

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Based on the concept that "good labor-management relations are fundamental to corporate management," the Shiseido Group actively promotes information sharing regarding general corporate activities and discussions with employees to resolve issues in a concerted manner.

Labor unions have been organized in Shiseido and certain Group companies (including overseas subsidiaries). In Japan, Shiseido's labor union, representing Shiseido Company, Limited, Shiseido Japan Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System (applicable to approximately 12,000 Shiseido Group employees in Japan as of January 1, 2018).

In the union agreement document, Shiseido and Shiseido's labor union confirm to "recognize the social mission of Shiseido's business, strive to realize sound development of the Company and maintain and improve the economic and social status of employees, thereby sustaining labor-management relations based on goodwill and trust." On this basis, both parties aim to honor their mutual stance and hold management councils as well as labor-management discussions in consideration of various issues.

To be more precise, we actively hold labor-management discussions on the themes of "working conditions and benefit package for employees," "work style reform," and "reduction of long working hours" to ensure appropriate business operations.

In addition, each office discusses their own labor-management issues.

Overseas subsidiaries are also doing business while respecting labor laws and regulations of respective countries, and are thereby striving to build and maintain sound labor-management relationships through communication with management, labor unions and employees.



Labor-management discussion

## With Society

With Society. Shiseido's social participation activities as a community member.

### ➤ Employee-led social Contribution Activities



Shiseido's employee-led social contribution activities are promoted through the "Mirai Tsubaki Activities" and "Social Contribution Club."

### ➤ Disaster Support Activities



Shiseido's support activities and donations at times of disasters.

### ➤ Aid Initiatives in the Wake of the Great East Japan Earthquake



In cooperation with government and local residents, we work on new community development by carrying out events such as planting camellia trees.

### ➤ Initiatives for Children



We provide day-to-day beauty information such as face cleansing and UV protection methods to protect children's healthy skin.

## Employee-led Social Contribution Activities

Social contribution activities by the Shiseido Group employees are mainly the "Mirai Tsubaki Activities" performed by the whole group, and the "Social Contribution Club" in Japan.

Mirai Tsubaki Activities is a social contribution activity in which all the employees in the Shiseido Group throughout the world have been participating from FY2012, the 140th anniversary of Shiseido's foundation. By performing the activities that employees have formulated and planned themselves, we return our gratitude to consumers and society that have supported Shiseido until today.

The Social Contribution Club is an organization established to support employees who are hoping to make a contribution to society. The club has been providing various flexible activity programs to create social engagement opportunities for employees.

### Mirai Tsubaki Activities

### "Social Contribution Club" Activities

130 Shiseido Group offices throughout the world have promoted 1,270 activities by FY2017.

Employees who participated in the activities said, "I saw many smiles and heard so many encouraging words through the handcare activity. All of those experiences really gratified me," and, "Beach cleaning and tree planting were hard work, but working hard with colleagues in the sun made me feel refreshed and strengthened group ties. It reminded me of the importance and the responsibility of maintaining the natural environment and partnership with local communities for the next generation." Those words testify that the activities enhance bonds with the community as well as ties among employees.

▶ Japan ▶ Asia and Oceania ▶ America and Europe

## Japan

### We Meet Up Again! Handcare and Cover Makeup Activity at Open Hospital

On October 28, 2017, Kyoto University Hospital invited inpatients, outpatients, their family members and local residents to its annual event named Open Hospital 2017, where we provided handcare and cover makeup services to visitors.

This year, our sixth year of participation, a cross-departmental team of 18 employees gathered from the Sustainability Strategy Department and the nearby Kinki area business units including Osaka Factory, Kinki Offices and Department Stores Sales Division, and provided handcare services to 247 visitors and cover makeup services to 58 visitors.

In the handcare section, we were impressed that there were so many fans of our continuing activities. The participants said, "I came here last year and this year. I love your handcare services and really appreciate them," "I will surely come next year, too."

And in the cover makeup section, we taught some makeup techniques to draw eyebrows or to cover skin concerns using Perfect Cover Foundation MV, launched on October 21 that year. One of the participants looked in a mirror and said with a smile, "My complexion looks brighter by covering only the area of concern."

#### [Feedback from employees who participated]

- I gave a handcare service to an inpatient lady and noticed that she looked really happy. I am grateful that I could directly feel the power of makeup.
- Though my arms got terribly tired by providing handcare service for many participants with no breaks, their words, "Thank you," and "It was so comforting" gave me genuine pleasure that cannot be experienced in my daily work.
- Doing such activities with members from other business units, who I have little opportunity to work with, was very stimulating.

We will come back to Kyoto next year for many Shiseido fans who are looking forward to our activities!



## "Lip Gloss Factory," a Craft Workshop Providing Children with an Unforgettable Experience

Shiseido Japan Kyushu/Okinawa Sales Department held a craft workshop named "Lip Gloss Factory" at the "Spring Festa 2017," an event hosted by Toyota Motor Kyushu, Inc. on the premises of its factory. Our first-time participation in the event was achieved through the collaboration with three of our domestic factories (Osaka, Kakegawa and Kuki).

This event, visited by nearly 10,000 people every year, is a "festival" that local residents and families of Toyota Motor Group employees look forward to. Our "Lip Gloss Factory" attracted many people and all of its tickets sold out as soon as the doors were opened.

Through the exciting experience, participating children discovered the joy of craftwork. We look forward to continuing such activities to give children more unforgettable moments.



## Flowers to Brighten Up the Town of Ginza! Flowerbed-making Volunteer Activities

The Quality Management Department has been participating in "Green Adaptation Campaign" of Chuo Ward since 2012, taking care of three flowerbeds in Ginza.

32 volunteer members have been engaged in flowerbed-making activities including seasonal flower planting four times a year, in addition to daily watering, weeding and cleaning. They take turns in pairs watering the flowers while interacting with each other.

In 2017, they planted linaria and primula polyantha on February 24, and dianthus and coleus on May 18 at three of their flowerbeds. Pentas and catharanthus were planted on August 25, and pansy and miniature flowering kale on December 1.

Wishing for steady growth of the flowers as in usual years, they worked considering the balance of color to make beautiful flowerbeds. Members will continue to take care of the flowers lovingly to brighten up the town of Ginza.



## Science Cafe “Skincare for Babies” at Showa University

On October 19, 2017, Shiseido Global Innovation Center and Showa University Career Support Office co-hosted a Science Cafe for fourth- and fifth-year students of the university. Unlike regular seminars, Science Cafes are group discussions where researchers join in and raise topics for students to think about and deepen their knowledge in science. The cafe was attended by about 20 participants including teachers and students from the schools of medicine, dentistry, and pharmacy. The theme of the discussion was Shiseido’s research activities on the “power of makeup” and the “importance of skincare for babies,” which provided beneficial information for future medical professionals. A total of eight employees from the Global Innovation Center and the Sustainability Strategy Department facilitated the discussion.



The students were surprised about the facts that cosmetics can improve people’s quality of life (QOL) and that skincare for babies decreases the incidence of atopic dermatitis. They also showed a positive response saying, “I want to utilize the information for my future work” and “I will share today’s topics with friends who have babies.” It was a really active and exciting session, where opinions and questions typical of young students were raised such as “What is the difference between spots and freckles?” “What kind of brightening agent is most effective?” “I need an easy-to-use, effective sunscreen product,” etc.

## Asia and Oceania

### Beauty Seminar for Art College Students

Shiseido Thailand held a work session on skincare and makeup techniques for 60 junior year students at an art college on November 2, 2017. Being very popular among the students, the seminar provides those who are studying beauty and culture with an opportunity to discover Shiseido’s technology and know-how and to acquire beauty-related knowledge and skills, which they can exercise as professionals after graduation. Two identical sessions were held in the morning and afternoon, each of which was attended by 30 students who learned about skincare and makeup techniques with hands-on practice. The students’ feedback was positive, such as “We learned a lot about basic skincare and makeup techniques/knowledge. Thank you for giving us this opportunity. We want to make good use of this experience in our future.” We are very happy to be able to inspire young students through the seminar.



## America and Europe

### Annual Beauty Seminar for the Elderly

A team from Shiseido Spain offers every year a beauty seminar for elderly people at a local nursing home. On October 21, 2017, 10 employees visited the facility. Divided into two groups, they offered skincare and hand massage services, which the elderly enjoyed a lot.



## Employee-led Social Contribution Activities

Social contribution activities by the Shiseido Group employees are mainly the "Mirai Tsubaki Activities" performed by the whole group, and the "Social Contribution Club" in Japan.

Mirai Tsubaki Activities is a social contribution activity in which all the employees in the Shiseido Group throughout the world have been participating from FY2012, the 140th anniversary of Shiseido's foundation. By performing the activities that employees have formulated and planned themselves, we return our gratitude to consumers and society that have supported Shiseido until today.

Mirai Tsubaki Activities

"Social Contribution Club" Activities

The Social Contribution Club was voluntarily established by employees in Japan in 2005. Its activity programs vary from Shiseido Camellia Fund to donations for disaster-affected areas, Volunteer Activity by Collecting Various Items, TABLE FOR TWO (TFT) and Volunteer Menu.

A paid-leave system named Social Studies Days\* supports employees who do voluntary activities during working hours on weekdays. We aim to establish a company climate in which "each and every employee possesses a perspective for social issue solutions and an opportunity to voluntarily consider and take action," and utilize in daily work and activities the findings and knowledge obtained through social participation and taking a broader view. We believe these efforts will lead us to the creation of greater value.

\* A system that allows employees to participate in social contribution activities instead of coming to work for up to three days a year.

### Shiseido Camellia Fund

Shiseido Camellia Fund is a social contribution activity promoted through donations made by Shiseido Group employees and friends of the company to support the activities of NPOs and NGOs that aim to resolve social issues. Since its establishment in 2005 to 2017, a total of 267,995,869 yen has been donated to the organizations that we support.

Shiseido Group employees who support the cause participate in this initiative by saving money in the unit of 100 yen from their monthly salary, and retirees of the company also participate by transferring money in the unit of 1,000 yen.

Volunteer employees operate the Fund as steering committee members, conduct PR activities and hold an event named Open Café to introduce the activities of the recipient NPOs and NGOs. Also, they hold a review meeting every year to assess support contents of each organization and select new organizations to support.



Review meeting in 2017  
Presentation given by JOICEP

## Donations for Disaster-affected Areas

We donated a total of 59,286,960 yen to disaster-affected areas around the world from 2004 to 2017. The combined goodwill of each of our employees and company friends has a tremendous impact.



Letter of Appreciation from Japan Platform,  
an Authorized NPO

### Organizations and activities supported by the Camellia Fund in FY2018

Areas	Supported organizations	Support activities of the Camellia Fund
Women/Child	All Japan WOMEN'S SHELTER NETWORK	 Activities to eradicate domestic violence; shelter abused women, mothers and children; and support their rehabilitation.
	Save the Children Japan	 Support for developing countries where one in 20 babies do not survive to five years of age.
	Japanese Organization International Cooperation in Family Planning (JOICFP)	 Support for activities to protect the lives and health of pregnant women in Zambia.
Next Generation	SHISEIDO SOCIAL WELFARE FOUNDATION	 Assistance for foster children and children living in nursing homes for their access to higher education.
	Japanese National Network of Xeroderma Pigmentosum (XP)	 Support for children suffering from Xeroderma Pigmentosum (XP), a skin disease that becomes severer with UV rays exposure.
	JAPAN TEAM OF YOUNG HUMAN POWER (JHP)	 Activities to build schoolhouses and sanitary toilets in Cambodia to support the future of young people.
Environment	World Wide Fund for Nature (WWF Japan)	 Support for the forest restoration and coexistence of wild animals and humans in Indonesia.
	The NATURE CONSERVATION SOCIETY OF JAPAN	 Support for nature conservation activities and the preservation of the habitats of endangered species in Japan.

Support for Disaster Areas	JAPAN PLATFORM		Continuous support for the reconstruction of areas affected by the Great East Japan Earthquake.
Health	Japan Cancer Society		Support for cancer awareness activities, cancer patients and their families.

**TOPICS : FY2018 recipient organizations have been selected**

Camellia Fund held a review meeting at Shiseido Shiodome Office on September 4, 2017 and selected the FY2018 recipient organizations.



Review meeting  
Presentation given by JAPAN TEAM OF YOUNG HUMAN POWER (JHP)

■List of FY2018 Camellia Fund recipient organizations (10 organizations)■

- (1) All Japan WOMEN'S SHELTER NETWORK
- (2) SHISEIDO SOCIAL WELFARE FOUNDATION
- (3) Japanese National Network of Xeroderma Pigmentosum (XP)
- (4) WWF Japan
- (5) Save the Children Japan
- (6) The NATURE CONSERVATION SOCIETY OF JAPAN
- (7) JAPAN PLATFORM
- (8) Japanese Organization for International Cooperation in Family Planning (JOICFP)
- (9) JAPAN TEAM OF YOUNG HUMAN POWER (JHP)
- (10) Japan Cancer Society

**TOPICS :** 13th year to support XP patients with Shiseido sunscreen products

In March of 2017, we provided sunscreen products, including the Shiseido brands "ANESSA" and "2e", "SUNMEDIC" sold by the group company Shiseido Pharmaceutical Co., Ltd., and "Avene" sold by PIERRE FABRE JAPON CO., LTD., to 92 xeroderma pigmentosum (XP) patients.

XP is a progressive disease which causes serious sensitivity toward sunlight and neurological problems due to the fact that it inhibits the function to repair genetic damage.

Since this disease has a high probability of quickly developing into skin cancer after skin exposure to UV rays, XP patients must not only apply sunscreen to skin but also wear UV-protective clothes.

Since 2005, we have been providing products to XP patients who wish to use Shiseido sunscreen products and delivering their desired products through the "Japanese National Network of Xeroderma Pigmentosum (XP)" once a year. 2017 was the 13th year of the activity.

Patients' families have shared their voices, saying "UV reduction cream is a very important and necessary item that protects the sensitive skin of children with XP from UV rays and skin cancer throughout the year. We would like to express our sincere appreciation for letting the children use your products with peace of mind. We will spend our days with our children, thanking you for your warm support."



\*Shiseido began its support activities for XP patients in 2000 as part of social contribution activities and has been promoting various initiatives, such as seminars for patients' families (how to use sunscreen products), childcare activities for XP patient children through employee volunteer work, hosting national conferences funded by the Camellia Fund, etc.

**TOPICS :** Small but hearty gifts from Shiseido employees for child patients with XP serious disease  
 - UV seminars held as part of our social contribution activities

The 3rd national conference of the Japanese National Network of Xeroderma Pigmentosum (XP) was held at Aichi Health Plaza (Aichi Pref.) for two days on October 15 and 16, 2016, in which 10 Shiseido Group employees participated to do volunteer activities such as:

- (1) Consultation by Beauty Consultants on effective use of sunscreen products, skin concerns, etc.
- (2) Lectures on "UV damage to the skin and latest information on sunscreen products" by researchers in charge of suncare product development.
- (3) Time to play with XP child patients and their brothers and sisters.

In 2000, as part of the social contribution activities, Shiseido began providing support for patients with Xeroderma Pigmentosum (XP), a serious skin disease with a high probability of developing into skin cancer or progressive neurological disability after skin exposure to UV rays. Every year since 2005, Shiseido has been offering its sunscreen products (ANESSA, 2e, SUNMEDIC, Avene, etc.), which are essential to protect the children from UV rays.

Also, we continuously support the patients through the "Camellia Fund," voluntarily organized by Shiseido's employees and friends of the company.



Personal counseling by Beauty Consultants in Chubu branch office



Presentation by Shiseido's researcher in charge of sunscreen product development

## Other Activities

### Efforts of "TABLE FOR TWO"

**TABLE FOR TWO.** This is an effort representing a concept that we, who live in advanced countries, share a table with children in developing countries beyond time and space. Our placing an order for one designated healthy meal delivers a meal to one child through TABLE FOR TWO International (TFT), a specified non-profit corporation.

Expressing sympathy with the idea of TFT, Shiseido has implemented the initiative since July 2009. As of 2017, the initiative is being implemented at our Shiodome Office and Global Innovation Center.

In June 2017, TFT gave us a certificate of appreciation praising our annual contributions to the activity as a Silver Supporter company.

In Japan, about 700 companies, schools and other organizations are engaged in TFT activities and make efforts in their own way to develop TFT menus or to make the activity better known by their cafeteria users. In that sense, the TFT secretariat conducts a unique event named the TFT general election to broadly spread the activity's best practices.

At the 2nd general election hosted by TFT in July 2016, Shiseido nominated itself for the Menu Category with its original "Melty-Egg Rice Omelet with Starchy Clam Sauce." We won the second prize, losing the first by a margin of only one vote, and received a certificate of commendation.

Providing meals for children in developing countries enhances not only their physical growth but also their awareness of the joy of learning and their steady motivation for studying. We will continuously support TFT activity, through which we can contribute to society just by having a meal.



Certificate of appreciation received from TFT secretariat



Came second in the Menu Category of the general election.

**TOPICS:** Deliciously arranging preserved food! Social contribution through “food”

On November 26 (Thu), 2015, we held the “Let’s eat preserved food in a delicious manner” fair. In this fair, we arranged and offered preserved food for emergency, with less than 1 year before the expiration date, as TFT menus with the cooperation of LEOC Co., Ltd., the company commissioned to operate the cafeteria in the Shiodome Office.

Due to the fact that preserved food, stored in preparation for disaster, must be replaced when the expiration date approaches, Shiseido proactively aims to utilize preserved food in order to “effectively utilize food resources”, “consider the environment”, and “contribute to society”.

We held the first fair in July. This time, which was the 5th time for us to hold the fair, we offered 2 preserved food menus to 143 employees. In every fair, we commit to deliciousness and try to create menus that are also fun to look at. This initiative helps us support school meals for children in developing countries. We also offered the preserved food, which was used in the menus, as well as recipes as souvenirs to employees who tried the menus so that they would apply the recipe to preserved food at home. Through these initiatives, we aim to also raise awareness toward disaster prevention.

Employees who tried the menus shared their voices, such as “It was so well-cooked and delicious that I almost couldn’t tell it was preserved food”, “I want to try making it as per the recipe soon”, and “I’m glad that I was able to cooperate with effective use of food and donation”. Dietician Mr. Ono of LEOC Co., Ltd., who comes up with new menus each time, shared his comment: “Through trial and error, I tried to reduce the dry texture of preserved rice and come up with the kind of menus that people would find delicious and enjoy”.

The total number of meals consumed was 608, and a total of 12,160 yen was donated to support the meals of TFT.

Note: Part of the preserved food is also provided to “Second Harvest”, which is a food bank, and is delivered to children in orphanages and shelters for domestic violence victims, etc.



Preserved food arrangement menu “Shrimp cream risotto with soft boiled egg”



Handing out preserved food and recipe souvenirs

## Volunteer Activity by Collecting Various Items

Since 2005, Shiseido has been engaged in a company-wide activity to support women, mothers and expectant mothers and to offer educational support to children in developing countries by collecting used stamps and miswritten postcards.

We work on the activity throughout the year and run campaigns twice a year in summer and winter.

Collected used stamps and miswritten postcards will be turned into cash and will be used for various purposes in developing countries, including the shipping cost for recycled bicycles as well as the rescue activities for mothers and babies through the Japanese Organization for International Cooperation in Family Planning (JOICFP), and Darunee Scholarship Fund to support children in need in Thailand, Laos, Cambodia, Vietnam and Myanmar through the Education for Development Foundation (EDF).

We have supported 114 children to attend schools as of August 2017.

In 2018, we plan to help one child (a junior high school student living in Laos) attend school.



## Social Studies Days

Since 1993, Shiseido's Social Studies Days Program has allowed employees to participate in social contribution activities instead of coming to work for up to three days each year. A total of 53 days were utilized under this system in fiscal 2014, with 47 participants taking this time to hone their skills for volunteer and social contribution activities, to donate blood and to register as donors.

## Disaster Support Activities

### Volunteer Employees Present Donations for the Victims of the Kumamoto Earthquake

The Kumamoto Earthquake that occurred in April 2016 caused serious damage to wide areas of the Kyushu region, mainly Kumamoto and Oita Prefectures, which were hit by strong earthquakes. The Shiseido "Social Contribution Club" presented donations collected from volunteer employees of the company group (a total of 2,499,500 yen from 3,444 supporters) to the authorized NPO Japan Platform (JPF) for disaster relief. The donated money was used for assistance, especially for those who are vulnerable to disasters such as elderly people, women, children, and handicapped people, and for gender-oriented support activities, which are in line with the "JPF Emergency Response to Earthquake in Kyushu" program.



Donation at Japan Platform



Letter of appreciation from Japan Platform

### Volunteer Employees Present Donations for the Victims of Hurricane Matthew

The Shiseido "Social Contribution Club" presented donations collected from volunteer employees of the company group (418,500 yen from 837 supporters) to the authorized NPO Japan Platform (JPF) for the disaster relief of Hurricane Matthew in the Republic of Haiti, which suffered devastating damages in October 2016. The donation money was used for humanitarian relief activities such as the distribution by JPF member NGOs of emergency relief goods (food, chlorine water purification tablets, hygiene goods such as oral rehydration solutions to prevent dehydration, and daily commodities), which are in line with the "JPF Emergency Response to Hurricane Matthew 2016" program.



Donation at Japan Platform



Letter of appreciation from Japan Platform

## Aid Initiatives in the Wake of the Great East Japan Earthquake

We would like to express our sympathy for the people affected by the Great East Japan Earthquake. Shiseido Group wishes to support affected people right by their sides through beauty support activities and activities that only Shiseido can promote.

### Concept of Reconstruction Support

Company lives with society, and society is what lets us survive. Our hope is to fulfill the company's responsibilities as a member of society when society faces difficulties.

Reconstruction of the Tohoku region, which received unprecedented damage, has a long way ahead. We intend to support affected people right by their sides for a long time so that they can become independent by utilizing our resources, such as people, objects, information, technologies, and culture, etc.

What can we do to give energy to affected people as a cosmetics company, even if the amount may be small? With such a hope, we have been promoting "beauty support activities", in which we offer beauty services like skincare, makeup, and hand care, etc., for not only women but also children and men since the quake. Through the beauty support activities, we have learned that there is "power of makeup" that can heal people's hearts, make them positive, and give them energy.

### Past Activities

[Click Here for Activities and Quake Support Information in FY2011](#)

[Click Here for Activities and Quake Support Information in FY2012](#)

### Reconstruction Support Linked by "Camellia"

A few years after the Great East Japan Earthquake, it is shifting from the resettlement phase, which involves environmental establishment of temporary housing and debris processing, etc., to the reconstruction phase, which involves self-reliant re-building of houses, re-building of lifelines/infrastructures, and reconstruction of business districts and local industries, etc. The reconstruction speed also differs in each area. Due to this, affected people's desires are also changing and becoming diversified. Shiseido has promoted the corporate activity style of establishing relationships with stakeholders, including consumers and business partners, in which we can see each other's face and providing thorough response.

Since FY2013, we have been promoting beauty support activities leveraging the "power of makeup", which can only be offered by a cosmetics company, and reconstruction activities with the government and local residents by utilizing our resources. We hope to consider and overcome issues that we find with local residents through face-to-face efforts and steadily promote reconstruction by accumulating results. Therefore, we will continue to support new city development by limiting the areas.

## The Reason We Started Promoting These Activities

### **Reconstruction Support Linked by "Camellia"**

Shiseido's symbol is "Hanatsubaki (camellia)". The city flower of Ofunato City/Rikuzentakata City in the Kesen area in Iwate Prefecture is "camellia". Because of this connection, we wondered if there was anything we can do to support them by using "camellia" as the keyword and held a number of dialogues with people of these cities. Through the dialogues, we learned that people in the Kesen area used to press oil from camellia fruits in each household to use for cooking and hair care, etc. until several decades ago.

In addition, we learned that people wanted to use camellia, which residents of these cities have always treasured, as a new industry for these cities. We also learned that there had been a foundation in which Ofunato had been treating camellia as a tourism resource –"home of camellia: Ofunato"– since before the quake. We thought that there must be something we can do to support these activities by utilizing Shiseido's resources.

### **Our Dream - In Preparation for Specific Actions -**

Our greatest dream is to nurture camellia as a new industry for these cities, which will rapidly develop in the course of reconstruction, and to provide support for the efforts.

We hope to make the dream come true by holding dialogues and generating ideas with residents of the Kesen area and Ofunato City/Rikuzentakata City and also promote our own activities so that we can help the people develop their ideal cities.



## 1. Activities with Hopes of Industrialization

We promote camellia tree-planting activities every year so that camellia can become a new industry for the city and that they can be utilized as a tourism resource.

Since FY2014, we have been transporting and planting 30-year-old camellia trees from Machida in Tokyo with the cooperation of the JAPAN CAMELLIA SOCIETY as a specific means to accelerate the industrialization process. In collaboration with Ofunato City, we have planted approximately 470 nursery trees and about 100 mature trees (as of May 2017).

### A Camellia Tree Planting Event Held to Contribute to the City Development Project

Shiseido launched the planting activity in 2012. In 2017, its sixth anniversary year, the participants planted nursery trees, which they plant every year, as well as mature trees, a new symbol of the city, to support the revitalized city of Ofunato. 15 employees from Shiseido planted trees with people from Taiyo-kai, the Ofunato City Office, and the JAPAN CAMELLIA SOCIETY.

#### (1) Nursery Camellia Tree Planting Event

On Thursday, May 25, 2017, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event on the premises of Taiyo-kai Fukushi-no-sato Center in Ofunato City. The participants planted 32 trees. To support this activity, Shiseido donates part of the sales of the Shiseido Relaxing Night Mist and of Ofunato's signature products that SHISEIDO AMENITY GOODS CO., LTD. offered in its mail order catalogues.



Planting ceremony  
(Ofunato City Mayor  
Kimiaki Toda,  
second from right)



A city office worker and  
a Shiseido employee  
planting a nursery tree



Participants of the  
planting event

#### (2) Commemorative Mature Camellia Tree Planting Event

On Friday, May 26, 2017, Shiseido planted nine mature trees as a new symbol of the city in the KYAS-SEN Mall & Patio, a commercial facility. Shiseido and KYASSEN CO., LTD., a city development company, co-hosted the ceremony.



Memorial plate unveiling  
ceremony



Employees wrapping a  
tree trunk in cloth



During the ceremony



## A Camellia Tree Planting Event with Wishes for Reconstruction

Held on June 11, 2016

### A camellia tree planting event was also held this year, on June 11, 2016

On Saturday, June 11, 2016, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural Fukushi-no-sato Center. 20 employees from Shiseido participated in the event and planted trees together with people from Taiyo-kai, the Ofunato City Office, and the JAPAN CAMELLIA SOCIETY.

#### (1) Mature camellia tree planting

In order to harvest camellia seeds, from which oil is extracted, at an early stage, we planted 20 mature trees. This year, as well as last year, the JAPAN CAMELLIA SOCIETY donated 30-year-old trees.

#### (2) Nursery camellia tree planting

In the hope that the trees will grow well and vigorously, commemorative trees were planted by Ofunato City Mayor Kimiaki Toda, Shiseido Executive Vice President and Representative Director Tsunehiko Iwai, Taiyo-kai Director Noriya Kikawada, and Mr. Kiyohiko Nakamura of the JAPAN CAMELLIA SOCIETY. A part of the sales of the "Shiseido Relaxing Night Mist" and of Ofunato's signature products that SHISEIDO AMENITY GOODS CO., LTD. offered in its mail order catalogues is donated to this nursery tree planting event.



The tree planting ceremony with Ofunato City Mayor, Kimiaki Toda (right) and Shiseido Executive Vice President and Representative Director, Tsunehiko Iwai (left)



Planting nursery trees on a steep slope



Shiseido staff who participated in the tree planting event



## Hosting a Camellia Tree-planting with Hopes of Industrialization

Event on June 12, 2015

### “Camellia seedling planting” held on July 12, 2013

The city of Ofunato took the lead to host the tree-planting event with hopes of industrialization so that camellia can become a new industry for the town and that they can be effectively utilized as a tourism resource. From Shiseido, 13 employees participated and promoted the tree-planting activities with local people. The camellia seedlings, which were used in this event, were donated from Shin-kamigoto-cho in Nagasaki Prefecture because of Shiseido’s activities. Among the 1,000 donated trees, approximately 300 seedlings were planted on this day.



Scene from  
tree-planting



Shiseido employees  
who participated in the  
tree-planting activities



After the tree-planting  
activities

### “Tree-planting of mature camellia trees” held on June 28, 2014

Due to the fact that camellia trees take approximately 20 years to become mature, nut harvesting is the issue in industrialization. In order to accelerate the industrialization of camellia and effectively utilize it as a tourism resource, we planted mature trees at Iwate Prefectural Fukushi-no-sato Center. 8 members participated from Shiseido and planted 40 mature trees, which were donated by members of the JAPAN CAMELLIA SOCIETY via Machida City, Tokyo, along with members of Taiyo-kai and employees of Ofunato City Office.



Scene from  
tree-planting



Completed line of  
Camellia trees

## Mature and young camellia tree planting event held on June 12, 2015

On Friday, June 12, 2015, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural Fukushi-no-sato Center.

16 employees from Shiseido participated in the event and planted trees together with people from Taiyo-kai, the Ofunato City Office, and the general incorporated association RCF.

### (1) Mature camellia tree planting

In order to harvest camellia seeds, from which oil is extracted, at an early stage, we planted 30 mature trees. The planted mature trees were donated from the JAPAN CAMELLIA SOCIETY, which has supported this activity.

### (2) Nursery camellia tree planting

We planted 40 nursery trees. A part of the sales of the "Shiseido Relaxing Night Mist" and of Ofunato's signature products that SHISEIDO AMENITY GOODS CO., LTD. offered in its mail order catalogues is donated to this nursery tree planting event.



Installing poles for  
protecting nursery  
trees from deer



Planting mature  
camellia trees



Shiseido staff who  
participated in the  
tree planting event

## 2. Initiatives for Raising Awareness of Camellia in Kesen Area



### Releasing “Before bedtime” Fragrance with the Motif of “Sanmen Tsubaki” of Ofunato City

Released on October 1, 2014

Fragrance soothes our feelings and gives us a sense of relaxation. With the hopes of delivering pleasant sleep with good fragrance to affected people, we worked on developing a product by utilizing Shiseido's aromachology research. As a result, we have developed a new fragrance for users of all ages regardless of gender to experience a sense of relaxation before bedtime, by combining with the fragrance ingredient of flowers of “Sanmen Tsubaki”, which is 1,400 years old and is the oldest camellia tree in Japan located at “Nakamori Kumano Shrine” in Massaki-cho, Ofunato City. We collaborated with local people to create a new fragrance “Shiseido Relaxing Night Mist”.

It was released on October 1 (Wed), 2014, with limited volume via the Shiseido website, and is available at 4 department stores, Isetan Mitsukoshi Ltd.\* from March 9 (Wed), 2016.

Part of the sales will be utilized in the development of “Ofunato, home of camellia”.

\*available through e-commerce and selected stores only.



Shiseido Relaxing Night Mist  
Can be used on the linen and skin.



### Using Camellia in Reconstruction Efforts Initiatives Shiseido Parlour Launching “Kesen Tsubaki Dressing”

November 10, 2014

On November 10, Shiseido Parlour, participating in Shiseido's reconstruction efforts initiatives centered around the use of camellia, launched a series of dressings in the market with a limited number of products. These dressings contain “Kesen Tsubaki” camellia oil made from camellia seeds from Kesen area, a town that was affected by the Great East Japan Earthquake and Tsunami.

Kesen Tsubaki camellia oil is made by roasting camellia seeds and carefully wringing the oil out with manual oil wringers. Roasting the seeds brings out a distinctive, rich aroma and gives the oil a beautiful golden color.

This series comes in two varieties: Onion and French mustard. Head chef at Ginza Shiseido Parlour has made the best of this aroma, using a signature recipe in the making of the dressings.



Kesen Tsubaki Dressing



## "TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)"

October 4, 2014

Shiseido held "TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)" at Rias Hall in Ofunato City, Iwate on October 4, 2014, as part of Shiseido's "Using Camellia in reconstruction efforts" initiatives. The purpose of this event was to let the local young people experience and know the potential of camellia as an industrial and tourism resource.

The theme of the performances for the event was "Experience camellia with all five senses," including a "Fragrance Seminar" to feel the effects of fragrance and "Shiseido Relaxing Night Mist," a "Mini Gallery" exhibiting Shiseido products and posters designed with camellia motifs, and a "Tasting camellia oil" activity where people could try foods and sweets that contain camellia oil.

In "Tasting camellia oil," Ofunato Higashi High School students presented their hand-made sweets that contained camellia oil.



Fragrance Seminar



Serving Spiedini with "  
Kesen Tsubaki  
Dressing"



Ofunato Higashi High School with their food  
and sweets that contain camellia oil



Shiseido also held "Hair & Skincare Seminars" for both male and female high school students to show the students how to style their hair and provide some tips on how to maintain healthy skin. It was a way of drawing the local youth to this festival, since it is them who will have to shoulder the responsibility for the reconstruction of the region.

The event closed with the "Hair & Makeup Show" by Shiseido's hair & makeup artists, and featured models selected from among the local youth.

Thanks to the popular fashion brands, CECIL McBEE and SLY from Shibuya 109, all participants were able to express their "Ideal ME."



"Hair & Skincare Seminars" for high school students



"Hair & Mak

"



## Hosting "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)" Hosted on November 23, 2013

We focused on the "food culture" of camellia to support its industrialization by promoting the recognition of edible camellia oil, which was commercialized after the quake. We planned the "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)" with the hopes of creating an opportunity to explore the potential of camellia with local residents through food experience.

In this event, local restaurants and Japanese/Western sweets stores prepared new dishes and sweets using camellia oil, and we held a menu contest. The head chef of Ginza Shiseido Parlour participated from Shiseido and served the signature menu, "Meat Croquette", which was fried in camellia oil.

Local women made "Kenchin-jiru (miso soup with root vegetables)", which has always been made with camellia oil in the area, and served it at the venue. They simultaneously handed down the culture to children, who did not know camellia oil.



Menu contest



Camellia oil pressing experience



Food experience venue



Food experience venue reception



Local performing art (deer dance) by Ofunato Nursery School students

In addition, we also held an event to experience harvesting camellia fruits, which will be important in industrialization, in another venue (Goishi District, a tourist spot for camellia in Ofunato), and picked 54 kg fruits with the local residents.

The harvested fruits were donated to Seishokan of Taiyo-kai, a social welfare corporation, and an oil factory in Rikuzentakata, that faces an issue of fruit harvesting in preparation for the industrialization.



Fruit harvesting experience



Harvested camellia fruits

In addition, we also held a makeup seminar at the request of local residents. We were able to experience "camellia", which is much more than just flowers, together with them on this day.



Beauty seminar



Staff who participated in the "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)"

### 3. Activities to Grow Camellia with the Next Generation

#### Ofunato City Hikoroichi Junior High School's Activities

Ofunato City Hikoroichi Junior High School in Iwate Prefecture is implementing a school-wide program named the "Camellia Learning Program" for further understanding of camellias, the city flower. At the junior high school's request, Shiseido is supporting the students, who will play a central role in the future city development, in experiencing the "potential of camellias".

#### Cooking Class with the Shiseido Parlour Held on August 28, 2017

On Monday, August 28, the students made special omelet with rice under the guidance of the chefs of Shiseido Parlour and compared the taste of croquettes fried with camellia oil produced in Ofunato City.

First, the grand chef of Shiseido Parlour demonstrated how to make omelet with rice. He told the students the secret to wrapping chicken fried rice gently in a thin sheet of egg omelet. The students were fascinated by the process of cooking the delicious-looking dish.

The students were nervous and looked awkward at the start of cooking, but they gradually began to smile. Everyone managed with the difficult task - wrapping chicken fried rice in a thin sheet of egg omelet - to make tasty omelet with rice.

Eating the home-made omelet with rice made them smile because making it themselves gave them confidence, and they were happy with its mild taste. In addition, they compared the taste of croquettes fried with camellia oil or cooking oil. They enjoyed the flavor and aroma of the croquettes fried with camellia oil produced in their hometown.



Students watching the skillful techniques of the grand chef



Students cooking



Students enjoying the omelet with rice they made

## Activities in Ofunato Municipal Akasaki Junior High School

Our encounter with Ofunato Municipal Akasaki Junior High School in Iwate Prefecture was on September 11, 2012. Shiseido employees and all of Akasaki Junior High School students planted the same number of camellia seedlings as the number of 9th grade students in front of the temporary building of the school, which was affected by the tsunami.

Plates of haiku, written on the themes of "home of camellia: Ofunato" and "reconstruction of our home", were attached to the camellia seedlings. Since then, we have been continuing to promote the activities to grow the camellias, which we planted with the students of Akasaki Junior High School.

Students are passing down the responsibility to grow the camellias with care while communicating the possibility that these trees may become a seed for a new industry for Ofunato someday.



### Haiku Works

The students in the 9th grade have been composing haiku (Japanese poems in 5-7-5 syllabic form) with the themes of "home of camellia: Ofunato" and "reconstruction of our home" annually since 2012. We have organized their haiku works into a "haiku booklet" as records of steps to reconstruction, and presented to them.



### Activities to Grow Camellia (Video conferences/Tsubaki Journal)

#### Holding Video conferences

We began holding Video conferences with maintenance and safety representative students in June, 2013. In these "Tsubaki Meetings", students discuss what they have noticed and wondered about in the course of providing care for the camellia trees, and we share information.

We considered what was necessary to nurture camellia trees and prepared a nurturing program while seeking advice from specialists.

#### Akasaki Junior High School "Tsubaki Journal"

Akasaki Junior High School has decided that "maintenance and safety representative" students would be in charge of nurturing the camellia trees, starting in FY2013.

Mr. Takashi Takahashi, teacher in charge, started sending us reports on the camellia trees.

We have decided to keep them as records under the name of "Tsubaki Journal".



## Oil Pressing Event Held on November 17, 2015

"Grow camellia" ⇒ "harvest its fruits" ⇒ "extract oil"

We held an event to extract oil from camellia fruit to support Ofunato City's goal of industrializing camellia through an event to experience this important process with local students and by deepening their interest in camellia.

About 30 students participated on the day, watched how oil was extracted by a traditional oil press machine in Ofunato and experienced extraction by home oil press machines. Afterwards, they tasted "Kesen Tsubaki (camellia) Dressing" from Shiseido Parlour to experience an example of how the camellia oil is used.

The participating junior high school students told us with excitement, "It was my first time to actually touch camellia fruit and extract camellia oil. It was very interesting", "when you actually experience it, you realize that you need quite a lot of power to extract even the smallest amount of oil", and "I learned for the first time that camellia oil is used for many things".



Oil pressing experience with a home oil press machine



Tasting "Kesen Tsubaki (camellia) Dressing"



A photo taken with the participating students

## 4. Reconstruction Support Market

We have been holding the reconstruction support market, in which we collect and internally sell products from the Kesen area that we have been supporting, in the Shiseido Shiodome Head Office every year since FY2013.

### <Objectives of the market>

#### For Region

- Improvement of the recognition of the Kesen area
- Development of new sales channels

#### For Employees

- Opportunity to PR the reconstruction support activities to gain sympathy
- Opportunity to realize employees' will to help with reconstruction support



Scene from the reconstruction support market

## Shiseido Aid Initiatives in the Wake of the Great East Japan Earthquake, in 2011

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### ■ Relief money/donations

Immediately after the Great East Japan Earthquake, Shiseido Co. Ltd. decided to contribute 100 million yen in relief money and donated the money to Japan Platform.

Overseas Shiseido Group local affiliates are also making donations through the Red Cross in each country, and the total donation amount has reached approximately 3,700 million yen. Shiseido's Group company in France promoted their own initiatives, such as employees at the factory choosing one day, working without pay, and donating the equivalent amount via the Red Cross, and employees in the office giving up 1 paid holiday and donating the equivalent amount via the Red Cross, etc.

When Shiseido raised relief money for the affected area with the "Hanatsubaki Fund", which was established by Shiseido with the aim of supporting social contribution activities, with employees and former employees, approximately 8.2 million yen was collected. This entire amount was donated to the Japan Platform.

### ■ Support with goods

Immediately after the Great East Japan Earthquake, Shiseido provided approximately 30,000 "FRESSY Dry Shampoo", which is water-less shampoo, and approximately 300,000 cleansing sheets/body sheets/antiperspirant, etc. as urgently needed daily commodities to task forces of Iwate Prefecture, Miyagi Prefecture, and Fukushima Prefecture as well as the police, the Self-Defense Forces, support NPOs, etc. After hearing compelling wishes of women, such as "I want to draw my eyebrows", "I want to care for my skin", etc., as time passed after the quake, Shiseido distributed 30,000 sets of cosmetics, such as softener, moisturizer, foundation, eyebrow pencils, body sheets, etc. to evacuation sites in Iwate, Miyagi, and Fukushima from the end of April to July.

In December, we distributed 12,000 sets of cosmetics, such as cleanser, softener, lipsticks, shampoo, rinse, hand cream, etc., to temporary housing in Iwate, Miyagi, and Fukushima with the hopes of giving as much support as possible for those spending the New Year's holidays in temporary housing.



## Visiting Temporary Housing Units One by One for Winter Skincare



Amid a situation in which rehabilitation efforts are expected to take a long time, Shiseido provided cosmetics sets for people who are still forced to live in temporary housing in the three prefectures of Iwate, Miyagi and Fukushima so that they could celebrate the New Year with even just a little more hope and cheer. In addition to skincare and makeup items, the cosmetics sets also included other items such as hair care products, hand cream and lip cream, which are essential for the cold winter season. A total of approximately 180 employees visited houses one by one and handed out approximately 12,000 cosmetics sets. Residents who received these items were full of smiles and we received many words of appreciation such as, "We are so grateful for receiving heavy items like shampoo because shops are far away from temporary houses."

## Beauty Support Activities

What can we do for affected people as a cosmetic company to lift them up even a little? Based on such a feeling, we have carried out "Beauty support activities," which provide beauty services including massage, makeup and hand massage, not only to women but also to children and men since the earthquake disaster.



## Visiting Shelters from Spring to Summer

The Tohoku Branch of Shiseido Sales Co., Ltd. (Sendai, Miyagi prefecture) has developed Beauty Support Activities, in which Beauty Consultants provided skincare and cosmetic services in response to demand from shelter residents in the respective areas of Iwate, Miyagi and Fukushima. Hand massages were offered not only to women but also to men and children, plus facial massages were offered to women. Additionally, 30,000 cosmetics sets, including skin lotion and emulsion, were prepared and distributed together with leaflets summarizing how to use cosmetics and useful daily information for people taking shelter. 359 HQ employees from Tokyo also participated in these activities for the total of 1,626 days. The activities were held 575 times in total by the end of July, and we offered our services to over 30,000 people.





## Services for Wearing Usual Makeup at Assembly Halls

The majority of people moved to temporary housing in line with the closure of shelters in autumn. Although many people wanted to receive skincare and massage services only from April to the summer season, there were more comments towards the winter season saying that they "want to wear their usual makeup." Therefore, 24 Beauty Consultants gathered from all over Japan from Hokkaido to Okinawa respectively and visited temporary housing twice in November and January. We applied makeup to 422 people in 14 temporary housing locations within Miyagi Prefecture on November 5 (Fri) and 6 (Sat) and 334 people in 13 temporary housing locations within Fukushima Prefecture on January 20 (Fri) and 21 (Sat). In temporary housing assembly halls, we offered individual makeup services from skincare to putting on lipstick as the final touch. We received many encouraging comments such as, "It feels like my life is back to normal" and "It made me feel positive," as well as heartwarming words such as, "Please come and visit us again."



## Support for Local Media

Taking into consideration the importance of information in times of disaster and providing necessary information to people in disaster affected areas, Shiseido supports special disaster-related FM and community FM radio stations. We are providing various assistance such as skincare information and content production support in emergency situations. Additionally, Shiseido placed advertisements in local newspapers in the three prefectures in the Tohoku region (Iwate, Miyagi and Fukushima) in order to inform people in disaster affected areas about how to treat their skin and hair in emergency situations.



### Radio Broadcasting

Shiseido supports special disaster-related FM and community FM radio stations to communicate disaster-related information in Iwate, Miyagi and Fukushima prefectures, thereby cooperating to produce content that local areas need.



## Uta yo Todoke(Message and songs)

### Uta yo Todoke

Japanese ballad music ( enka ) has deep ties with the Tohoku region. In response to many comments from local people such as " enka songs give me courage," Shiseido is producing and providing content that delivers enka singers' messages encouraging reconstruction as well as their representative songs.

#### Sachiko Kobayashi



My name is Sachiko Kobayashi.

I would like to express my deepest condolences to everyone affected by the recent Great East Japan Earthquake.

In Niigata prefecture, which is my birthplace, a large earthquake previously struck the area in 1964.

Additionally, three major earthquakes hit the prefecture, including the Chuetsu Earthquake and the Chuetsu Oki Earthquake, and everyone in the Tohoku region helped us each time.

Many people came to voluntarily help affected people in Niigata prefecture in whatever way they could.

I will never forget such kindness.

I am actually personally visiting shelters, which is something I really want to do simply out of gratitude.

I think that reconstruction will take a long time, so I would like to give support continuously rather than just this one time. Although there are still many aftershocks and the situation is tough, my heart will always be with you.

It is not just me, but everyone.

I hope that you will be able to move forward one step at a time.

Let's move forward and try our best.

### Masao Sen



大震災における資生堂の支援  
東日本大震災にお...

千昌夫さんからのメッセージ

♪北国の春

My name is Masao Sen.

I would like to express my deepest condolences to everyone affected by the recent Great East Japan Earthquake.

Rikuzentakata, my hometown, was struck by the devastating disaster.

As a singer, however, I hope to do my best

by singing for everyone who faces tough circumstances.

I would be glad if my song reaches your hearts and restores your energy even a little.

Although I have been singing Kitaguni no Haru for many years,

I feel that this song regained a new breath.

I will make greater efforts to sing.

With everyone's cooperation, let's rebuild our new hometowns.

### Kenji Ninuma



大震災における資生堂の支援  
東日本大震災にお...

新沼謙治さんからのメッセージ

♪おもいで岬

My name is Kenji Ninuma.

I would like to express my deepest condolences to everyone affected by the recent Great East Japan Earthquake.

My hometown is Ofunatoshii in Iwate prefecture.

Although the scenery of my hometown where I was born and grew up has changed, I believe that the warm and affectionate feelings of people there will remain unchanged no matter how much time goes by.

I pray from the bottom of my heart that everyone who suffered from the disaster will cooperate toward reconstruction and

reproduce new hometowns surely, steadily and without rushing.

I will also be part of this process.

Above all, I hope that you take care of yourselves, especially under such circumstances.

### **Yukio Hashi**



My name is Yukio Hashi.

I would like to express my deepest condolences to everyone affected by the recent Great East Japan Earthquake.

In addition to local people, everyone in Japan and the world was devastated by the current earthquake disaster. Since that day, every day has been heartbreakingly difficult for me as I hear and watch the news of the truly devastating, shocking state of things.

Although I am hoping that, with everyone's utmost efforts, it may not be so long before reconstruction and recovery take hold, I would like an opportunity to visit and do whatever I can.

I would like to create an opportunity to sing songs with the hope of making people relax as much as possible. Above all,

I hope that you will try to take care of your health.

I sincerely would like to do my best to move forward with you toward reconstruction.

### **Aki Yashiro**



I'm Aki Yashiro.

I would like to express my deepest condolences to everyone affected by the recent Great East Japan Earthquake.

I realize that the current earthquake disaster caused everyone a lot of suffering.

Nonetheless, because we face such tough situations,

I hope that we can all do our best without giving up under any circumstances by emphasizing what men and women can do in their respective roles.

I will always support you.

**Ichiro Toba**

本震災における資生堂の支援  
SHISEIDO 東日本大震災にお... ⌚ ↗

鳥羽一郎さんからのメッセージ ▶

♪兄弟船

Hello everyone. My name is Ichiro Toba. I hope you are all well.  
 The areas currently affected by the disaster were mainly port towns, in which those related to the fishing industry,  
 including fishermen, have suffered a great deal.  
 I sung my song to many people in the affected areas and they told me that they were encouraged  
 by listening to my song. At the same time,  
 however, I have gained courage from everyone.  
 Now that I have become a singer after making the transition from being a fisherman,  
 I am sincerely glad that I continued singing over many years and am able to help you in this way.  
 I will continue to sing in the future as well.  
 I hope that you will remain patient and move on toward the future one step at a time without  
 giving up.  
 Please take care and I wish you all the best.

**Harumi Miyako**

本震災における資生堂の支援  
SHISEIDO 東日本大震災にお... ⌚ ↗

都はるみさんからのメッセージ ▶

♪北の宿から

Hello everyone. I am Harumi Miyako.  
 I have had the opportunity to sing in various places of Tohoku in front of many people. During this time, while I visited the disaster-affected areas,  
 I was in turn encouraged as everyone tapped on my shoulder and said, "Good luck." People also told me,  
 "I'm the same age as you" or "Come and visit us again, Harumi." I went home each time, promising everyone that we will meet again.  
 Now, I truly feel each individual's power of life.  
 I look forward to singing in front of everyone again in the future.  
 Together, let's move forward taking one thing at a time and make steady progress.



## Mimi wo Sumashit

### Mimi wo Sumashitene

Content for narrated picture books is being produced and provided for children to enjoy in moments of relaxation amid the uneasy situation in general.

#### "Chorus"



#### "Tegami"(letter)



#### "Mugibue"(wheat-straw whistle)



#### "Biwa"(loquat)



#### "Kamakiri"(mantis)





Introduced  
picture book  
title

: Five stories from Ohanashi Pochiri  
(Approximately 5 minutes/story)  
(Written by Miyako Moriyama; Illustrated by Kazuhiko Toyota; Published by Komineshoten)

- 1) "Chorus"
- 2) "Tegami"
- 3) "Mugibue"
- 4) "Biwa"
- 5) "Kamakiri"

Reading  
Theme song  
Music

: Kie Nakai (actress)  
: "LOVE YOU LONG" by Mariko Hamada  
: TONE



## Newspaper Advertisement

Shiseido has summarized the information about "skincare and hair care in disaster-affected areas," which is posted on its company website (Japanese only) ([opens in new window.](#)), and is providing this information to local regions in the form of a newspaper advertisement. The advertisement, with large, easy-to-read text (in Japanese only) and illustrations like those in picture books, is designed so that its most important parts can be easily trimmed and stored or put on a wall.



In our final advertisements, we expressed our appreciation for all the various lessons Shiseido has learned from everyone through beauty support activities, as well as conveyed the Company's intent to continuously promote activities in the Tohoku region by reaching out and connecting with people's lives and hearts.



## Photo exhibition “Love letters full of color”

Shiseido held the photo exhibition “– For more colorful tomorrow - Love letters full of color by Shiseido hair and makeup artists” at Sendai Mediatheque (Sendai City, Miyagi Prefecture) for 5 days from January 13 (Fri) to 17 (Tue), 2012.

Shiseido Beauty Creation Research Center has been holding creative exhibitions, which are places of creation for the Center’s hair and makeup artists to offer joy, fun, and inspirations to people with free ideas and creativity, since 1989. In response to the artists’ desire to support the Tohoku area, which has been trying to reconstruct itself since the Great East Japan Earthquake on March 11, the Center held the 17th exhibition in Sendai as the first local exhibition.

The photo exhibition included 30 works by makeup artists with the hopes of “brighter tomorrow filled with colors and light in Tohoku”, the exhibit of 6 works “Tohoku Muses”, the models of which were women who have been affected by the quake and who promote support activities for affected people, photo shooting sessions with hair and makeup artists who are active with CM shooting, etc., beauty seminars and talk shows by Shiseido beauty top specialists, etc.

After the exhibition in Sendai, the Center held the said photo exhibition in Osaka Station City (Osaka City) in March and within JR Ueno Station and JR Shinagawa Station between June and July of 2012 with the cooperation of East Japan Railway Company. Overseas, the Center also held a photo exhibition “Beautiful Smiles of Japan – Power of Smiles” by editing some works, which had been exhibited before, at the “Maison de la Culture du Japon à Paris (The Japan Cultural Institute in Paris)” (Paris) in France from October 2 (Tue) to 20 (Sat), 2012.

## Linking Up with a Sash. Support Activities of Shiseido Running Club

Oomagari Elementary School, which is located near the sea in Higashi-Matsushima in Miyagi Prefecture, was struck by the tsunami that hit the building at a height of 1.7 meters so that physical education classes could not be conducted for a while even after the debris was removed.

During this time, the Shiseido Running Club organized a jogging class, having received a letter that was sent to Shiseido from a teacher after the earthquake disaster. Athletes who had participated in the All-Japan Women’s Corporate Ekiden Championship, which was held on the day before the event in Miyagi Prefecture, ran around the playground and worked up a sweat together with all of 359 school children, who were wearing pink gloves that were a gift from Shiseido.

In a program activity that enabled the children to get a sense of the actual running speed of athletes, some children were trying hard to follow them. Everyone was keen on passing a sash to the next person during the practice session. Many questions were also raised during the Q&A session such as, "How can I run faster?" and "Didn't you ever get tired of practicing?" The children raised their small pink hands all at once as an athlete asked a final question: "Raise your hands if you want to become an Ekiden athlete!"

On this day, laughing voices, cheering and applause were continuously heard from the school playground and smiling faces were everywhere, with everyone connected by a single sash.



## Others

### Charity Event Support

During the three-day period from April 29 to May 1, Artist's Action for Japan - the Great East Japan Earthquake Charity Drawing Project was held at Word Shiseido (9th floor, Tokyo Ginza Shiseido Building). This project was launched by members, mainly young students who aspire to become artists or performers, as a means of supporting recovery from the Great East Japan Earthquake. Artists who applied to take part gathered during the event period, drew pictures on site and sold them at the venue. A total of 549 people visited over the course of three days and the proceeds of approximately ¥600,000 were donated to the disaster-affected areas via the Japanese Red Cross.

### Students Volunteer Support

Shiseido is providing assistance to non-profit organizations promoting volunteer activities in disaster-affected areas. In line with the summer holiday period when student volunteers typically increase in number, we provided Anessa sunscreen products to three volunteer organizations carrying out activities on site. The Company also distributed long sleeve original T-shirts for volunteers to wear during activities, thereby supporting volunteer activities during the summer.



### Extension of Social Studies Day

Shiseido has a human resources program in place called Social Studies Day. Under this program, employees in Japan are allowed to take up to three days per year to conduct social activities as normal work. In the wake of the earthquake disaster, the Company decided to extend the number of days for this program from the usual 3 days to up to 7 days, thereby supporting employees' participation as volunteers in disaster-affected areas.

## Shiseido Aid Initiatives in the Wake of the Great East Japan Earthquake, in 2012

Shiseido Co., Ltd. extends its heartfelt sympathies and deepest condolences to the people affected by the Great East Japan Earthquake.

The Shiseido Group has been implementing various support including Beauty Support activities.  
In 2012, Shiseido is providing activities mainly on the following initiatives that can be useful at moment.

### BALLOONS OF COLORFUL HOPES

Shiseido's hair makeup artists and creators in the Advertising Creation department have set up this exhibition, introducing many paintings and compositions coming from children in Fukushima.

Upholding the title of "BALLOONS OF COLORFUL HOPES", Shiseido is proactively contributing to such activities, expecting to convey the hopes and dreams of those children to nationwide Japan just like inflated balloons flying up in the sky.

The event was held in Iwaki Business Innovation Center from 21th to 25th December, 2012.

~The exhibition was held under the auspices of Shiseido and Mainichi Daily News, both of which marked the 140th anniversary since their foundation~



Website to BALLOONS OF COLORFUL HOPES



## Shiseido Beauty Support activities in Japan Women's Conference in Sendai 2012

Shiseido introduced its aid activities which were provided in disaster affected Northeast Japan, in "Japan Women's Conference in Sendai 2012" \* held at Sendai International Center from 26th Fri to 27th Sat, October 2012.

In the venue, totaling 11 beauty consultants from The Tohoku Branch of Shiseido Sales Co.,Ltd. presented hand massage service performances which actually had been provided to women in evacuation shelters and temporary housing in disaster hit areas, sharing their effort to recover their everyday lives as well as experiences of dispatched employees themselves. Thus, we are happy to announce that participants in the conference were convinced that "there is the power in makeup to revitalize people's mind and heart". In addition, 4 of Shiseido's Top Beauty Specialists exhibited their totaling 18 works in 4 sections such as the entrance and main halls. They presented newly created works under the theme of "One Step Toward Tomorrow, the Power of Hope" and their photo works exhibited in a photo show held in Sendai January, 2012.

\* Japan Women's Conference has been held since 1984, as one of the biggest female annual symposiums with its venue taking turn among cities nationwide, in an effort to realize the improvement of women's status and Gender Equal Society. Agenda discussed in the Sendai conference of 2012 included the revival from the Great East Earthquake from women's perspective and the pursuit of how disaster prevention should be.



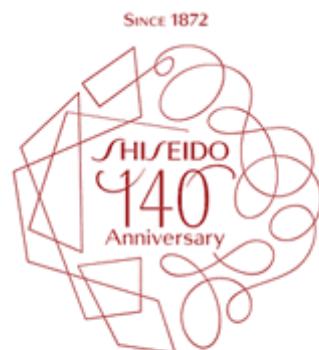
Shiseido Beauty Consultants providing hand massage services



Works exhibited by Shiseido's Top Beauty Specialists

## MIRAI-TSUBAKI Project

In MIRAI-TSUBAKI Project, Shiseido would like to express our gratitude to our customers and societies for their kind support for 140 years through our employees' participation in social contributing activities in return. Particularly, some activities in an effort to help support the Great East Japan Earthquake hit areas include "beauty support activities to those areas or those evacuated far from their home", "next generation activities to junior and senior high school students" and "activities in coastal areas under the influence of environmental conditions".



**MIRAI-TSUBAKI Project**

## Initiatives for Children

### Activities to Provide Beauty Information to the Next Generation

The number of children with skin problems such as rough skin is increasing, caused by their random use of cosmetic products at a younger age. To address this issue, Shiseido is disseminating daily beauty information for children, including face washing and UV-protection methods in an easy-to-understand manner, thereby enabling children to protect healthy skin on their own.

The initiative launched in 2009, and we have reached out to about 6000 children in total.



The scene of the Shiseido Kodomo Seminar

## Onsite Education Activities



Shiseido Kodomo Seminar is a free, onsite class given at elementary schools all over Japan. We provide prepubertal fourth- to sixth-grade students with information on skin and hygiene as well as on correct skincare methods as a lifelong habit through hands-on practice.

Knowledge about taking care of the skin, keeping the skin clean and about correct methods to protect the skin would encourage children to solve their future skin problems, such as pimples and roughness, without unduly worrying or being over self-conscious. We believe that will accordingly improve their confidence.

Two seminars

#### Correct Face Washing



Children will learn how impurities affect the skin and how to keep their skin clean.

#### UV Protection



Children will learn what damage UV rays cause to the skin and how to protect their skin against UV radiation.

## School Health Committee



We present a lecture entitled "For your healthy days – UV protection and correct facial cleansing" at the School Health Committee meetings attended by parents and teachers.

School Health Committee is a meeting organized mainly by nursing teachers of each local school. School doctors such as physicians, otolaryngologists, ophthalmologists, dentists or pharmacists give presentations on students' health and growth status with the aim of providing information to be shared by teachers and parents.

Recognizing the seminar as a supporting tool to promote health education at elementary schools, we present lectures with some demonstrations for adults, who are close to children, on UV protection and the importance of facial cleansing, which are key contents of our Kodomo Seminar.

## Nursing Teachers' Study Meeting



We present a lecture entitled "For your healthy days – UV protection and correct facial cleansing" at Nursing Teachers' Study Meeting attended by nursing teachers of elementary and junior high schools.

Nursing Teachers' Study Meeting is a study group of nursing teachers organized by each municipality. We present a lecture on UV protection and correct facial cleansing with many hands-on demonstrations aiming to broadly deliver information useful to protect children's healthy skin.

## Website

Beauty and lifestyle information for children is available on our website, "Kirei Club for Kids."



## **Educational Materials for Supporting Healthcare Lessons**

To support healthcare lessons, we provide free of charge visual educational materials (DVDs) and leaflets to be distributed to children.

## With the Earth

Our corporate name is derived from a passage in the Yi Jing, a Chinese classic text, which reads, "Praise the virtues of the Earth, which nurtures new life and brings forth significant values." Shiseido has been doing business for over 140 years while praising the blessings of the Earth. Today, however, this bounty is being lost at a rapid pace, casting into doubt our ability to pass it down to future generations.

In order to remain a company always trusted and needed by society and consumers all over the world for the next 100 years, we devote continuous effort to preserve the global environment through initiatives including sustainable utilization of natural resources and endeavors to minimize climate change impacts.

### Our Stance on Environmental Issues/Our Goals, Achievements and Key Initiatives

#### ► Shiseido's Stance on Environmental Issues/Our Goals and Achievements



Shiseido's stance on environmental issues and our goals/ achievements

#### ► Environmental Management



Shiseido Group's environmental activity promotion system and addressing risks related to the environment

#### ► Efforts toward Recycling of Resources



Shiseido's initiatives on the reuse, recycle and other sustainable ways of using resources

### Other Environmental Initiatives

#### ► Product Initiatives



Environmentally-friendly product initiatives

#### ► Initiatives in Production and Distribution



Shiseido's environment-friendly initiatives in production and distribution

#### ► Initiatives to Conserve Biodiversity



Shiseido's activities related to conserving the blessings of the Earth

#### ► Environmental Communication



Shiseido's communication activities on the environment

## Shiseido's Stance on Environmental Issues/Our Goals and Achievements

### ■ Shiseido's Stance on Environmental Issues

Since 1992, when Shiseido Eco Policy, a set of the company's principles on environmental considerations, was formulated, we have worked to preserve the global environment. Today, the inherited passion appears in "Our Way – With Society and the Earth," one of the Shiseido Group Standards of Business Conduct and Ethics. Following this spirit, we praise and try to preserve the blessings of the Earth, and conduct business with a sincere commitment to people's desire to "live beautifully." That is, we believe, our purpose.

We believe that conservation of biodiversity and sustainable use of water resources are important for "the preservation of the bounty of the Earth." Regarding the former issue, we organized "the concept of Shiseido's biodiversity" in 2010 as follows.

#### ■ Biodiversity at Shiseido

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

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

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

### ■ Environmental Targets and Results

Shiseido commits to pursue "environmental friendliness throughout the product life cycle" and "global initiatives to reduce CO<sub>2</sub>" as two pillars in its environmental program up until 2020.

➤ **Environmental Policies and Targets until Year 2020**

➤ **Environmental Accounting**

➤ **Environmental Impact Results in Fiscal 2017**

## Environmental Policies and Targets until Year 2020

### Minimizing the Environmental Load throughout the Product Life Cycle

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

We began using sugarcane-derived polyethylene for containers in order to save a finite petroleum resource and reduce CO<sub>2</sub> emissions during disposal and incineration from fiscal 2011. In addition, we are actively working to increase the environmental friendliness of our products, for example by using recycled/non-wood paper or third-party certified (FSC-certified) paper and beginning to use more sustainable palm oil for our products.

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

### Environmental Friendliness Product Targets

Item	Objective
Utilization of Sustainable Plastic	In addition to switching to plant-derived polyethylene since 2011, we began to deploy mechanically recycled plastic. We plan to switch all packaging from resin to sustainable plastic by 2030 (drawn up in 2017).
Use of Sustainable Paper	Since 2012, for the new/updated products for which paper is used in the cosmetics business in Japan, we have promoted the switch to environmentally-considerate paper, such as recycled/non-wood paper and third-party certified (FSC-certified) paper.
Sustainable Palm Oil	For all palm-derived raw materials used for Shiseido products, we will achieve the procurement of raw materials considering environmental conservation for the place of origin (procurement of RSPO-certified materials) by 2020. For more information, see the Shiseido Group Sustainable Raw Materials Procurement Guidelines (drawn up in 2018).

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

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

## CO<sub>2</sub> Emission Reduction Targets

Scope		Base year	Fiscal 2017 target	Fiscal 2020 target	Criteria
Japan	Production facilities	Fiscal 2009	18% reduction	20% reduction	Absolute amount
	Non-Production facilities		10% reduction	14% reduction	
Overseas	Production facilities		22% reduction	23% reduction	Compared with BAU *1
	Non-Production facilities		8% reduction	11% reduction	Absolute amount *2

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

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

Usually, greenhouse gases (GHG) include seven gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC, SF<sub>6</sub>, and NF<sub>3</sub>); however, on this website, these are expressed cumulatively as CO<sub>2</sub> unless otherwise noted.

## Environmental Impact Results in Fiscal 2017

### Environmental Targets and Results in Fiscal 2017

During the fiscal year of 2017, Shiseido achieved our targeted reduction of CO<sub>2</sub> emissions in all sections. Our corporate efforts at our facilities in Japan included the consolidation and closure of offices and energy-saving activities, resulting in the successful reduction of CO<sub>2</sub> emissions that compensated for the CO<sub>2</sub> emissions generated by the electricity purchased.

Targets were achieved at our production facilities outside of Japan through the utilization of renewable energy, such as solar energy generated by power facilities in the U.S.

We continuously promote the use of Aqua Premium, a hydroelectric generation system provided by TEPCO Energy Partner, Incorporated, at our factories in Japan, while encouraging the use of renewable energy at sites outside Japan as we aim to meet our 2020 target.

#### CO<sub>2</sub> Emission Reduction Targets in Fiscal 2017

Scope		Fiscal 2017 Target	Fiscal 2017 Results
Japan	Production facilities	18% reduction compared to Fiscal 2009 (Absolute amount)	Reduced CO <sub>2</sub> by 19% (Achieved)
	Non-Production facilities	10% reduction compared to Fiscal 2009 (Absolute amount)	Reduced CO <sub>2</sub> by 28% (Achieved)
Overseas	Production facilities	22% reduction compared to BAU *1	Reduced CO <sub>2</sub> by 39% (Achieved)
	Non-Production facilities	8% reduction compared to Fiscal 2009 (Absolute amount) *2	Reduced CO <sub>2</sub> by 14% (Achieved)

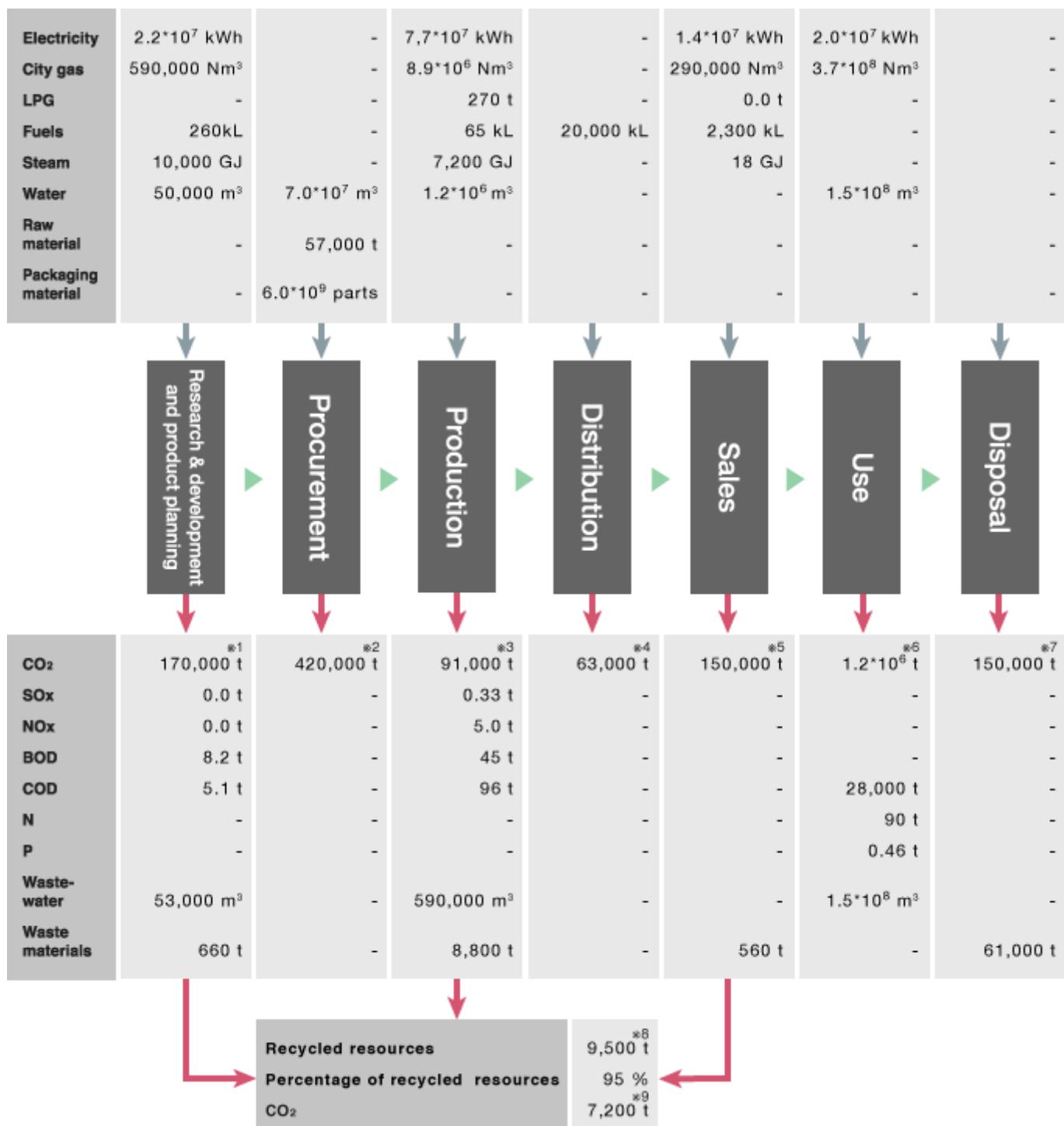
\*1 BAU ratio: A comparison of the CO<sub>2</sub> emissions that would be expected if particular reduction measures were not implemented ("business as usual," or BAU) and the CO<sub>2</sub> emissions that would be expected if reduction measures are implemented.

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

Usually, greenhouse gases (GHG) include seven gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC, SF<sub>6</sub>, and NF<sub>3</sub>); however, on this website, these are expressed cumulatively as CO<sub>2</sub> unless otherwise noted.

### Environmental Impacts Throughout the Value Chain in Fiscal 2017

In order to effectively reduce CO<sub>2</sub>, Shiseido measured the environmental impact throughout the value chain and reduced CO<sub>2</sub> emissions throughout the value chain based on the "GHG Protocol Scope 3 Standard".



In terms of the emission reduction effect through refill product lineup and other initiatives in 2017, we were able to reduce a total of approximately 44,000 tons of CO<sub>2</sub> emissions, including approximately 6,400 tons in raw material procurement, approximately 33,000 tons in product usage and approximately 4,500 tons in the product disposal phase.

Target Period: From January 1 to December 31, 2017

Target Facilities: Total of 35 organizations, including Shiseido Group Headquarters, sales offices, research and development centers, production facilities, and major subsidiaries

Calculation conditions : PDF Shiseido's Guidance for Product and Organizational Environmental Footprint Assessment

\*1 Includes CO<sub>2</sub> emissions from electricity and fuel consumption at the Headquarters and Shiseido Research Center (Global Innovation Center) (classified as Scope 1 and 2), CO<sub>2</sub> emissions from business trips (Category 6) and commute (Category 7).

\*2 Includes CO<sub>2</sub> emissions from the production of raw materials (Category 1), CO<sub>2</sub> emissions from procurement logistics (Category 4), and CO<sub>2</sub> emissions from the production of fuel consumed at our facilities (Category 3).

\*3 Includes CO<sub>2</sub> emissions from electricity and fuel consumption at our production facilities (Scope 1 and 2).

\*4 Includes CO<sub>2</sub> emissions from shipping logistics (Category 4).

\*5 Includes CO<sub>2</sub> emissions from electricity and fuel consumption at our sales offices (Scope 1 and 2) and advertisements (Category 1).

\*6 Includes CO<sub>2</sub> emissions from clean water and fuel consumption when our products are used and wastewater treatment associated with the use of the products (Category 11).

\*7 Includes CO<sub>2</sub> emissions from the sold products and disposal treatment of them (Category 12).

\*8 The following production facilities have achieved zero-emissions with a 100% waste recycling rate.

Japan: Shiseido Osaka Factory, Shiseido Kakegawa Factory, Shiseido Kuki Factory

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

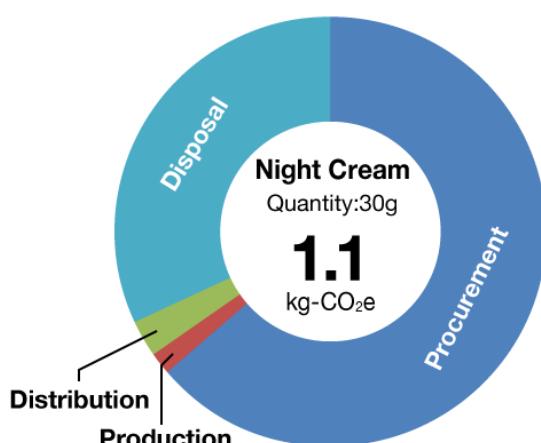
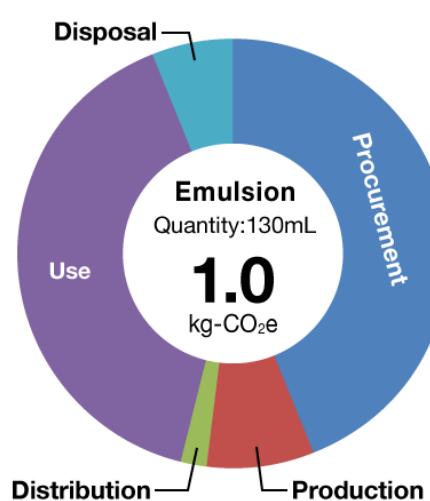
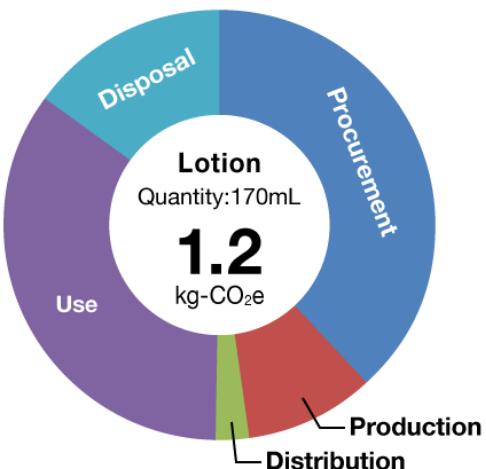
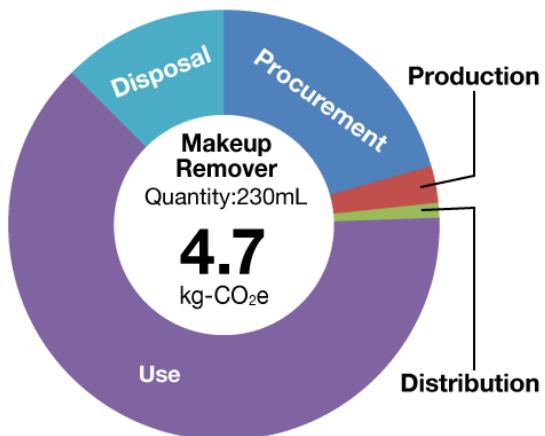
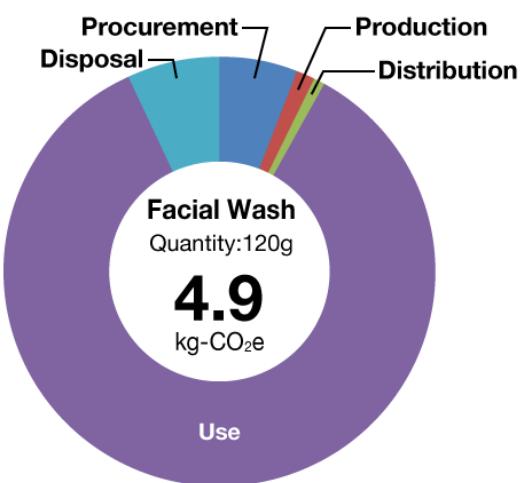
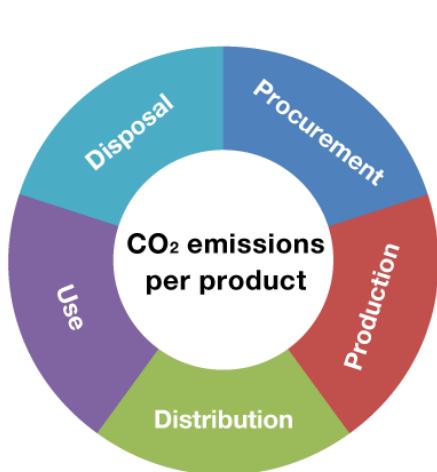
\*9 Includes CO<sub>2</sub> emissions from the waste generated in operations and disposal treatment of them (Category 5).

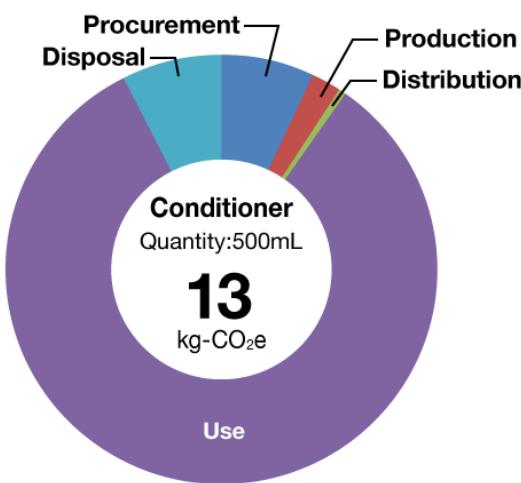
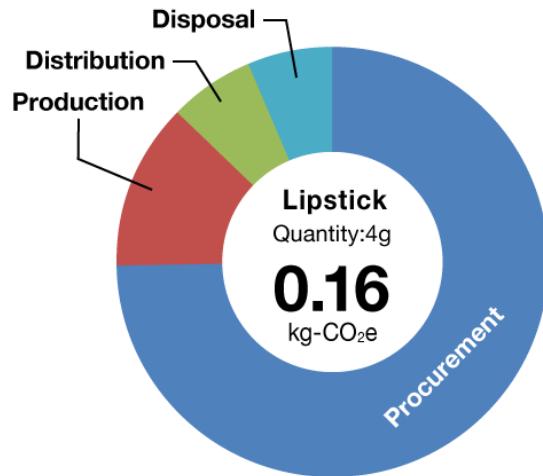
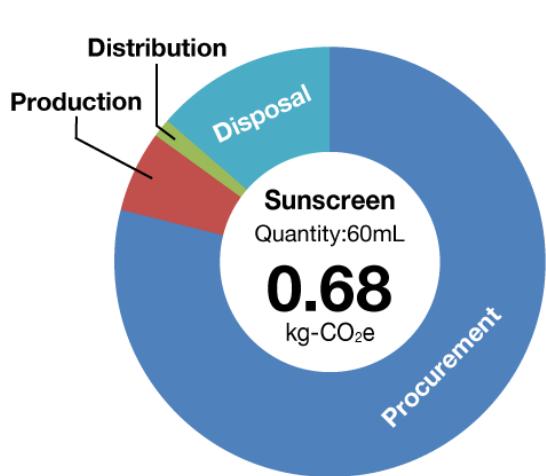
## Third-Party Certification

Among the CO<sub>2</sub> emission categories of Scope 3, Shiseido is certified by SGS Japan Inc., a third-party certification provider, for the most impactful categories 1, 4, 5, 11, and 12 to secure the transparency and adequacy of our evaluation. We will disclose the 2017 result as soon as the verification is completed, by posting a copy of our SGS Verification Statement on this website.

## CO<sub>2</sub> Emissions Related to Cosmetics and Personal Care Products

We also evaluate the environmental footprint of Shiseido's cosmetics and personal care products, including CO<sub>2</sub> emissions, according to "Shiseido's Environmental Footprint Evaluation Guidance."





\* Evaluation done under below condition

Product category	Conditions
Facial Wash	Rinse off with 4.11L of warm water (40 °C)
Makeup Remover	Rinse off with 4.5 L of warm water (40 °C)
Lotion and Emulsion	Apply to the face with a cotton pad
Shampoo and Conditioner	Rinse off with 15 L of warm water (40°C)

**Evaluation of each life cycle stage by product types, and CO<sub>2</sub> emissions per product**

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

**29<sup>th</sup>, June, 2018**

This guide provides principles, requirements and guidelines related to the environmental footprint (EF) of products and organizational activities, as defined by the life cycle assessment (LCA) outlined in ISO 14040<sup>1)</sup>, 14044<sup>2)</sup> and "Corporate Value Chain (Scope 3) Standard<sup>3)</sup>" of GHG protocol.

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

## 1.Terms and Definitions

### 1-1 Greenhouse gas (GHG):

The gas in the atmosphere that can absorb and release infrared radiation emitted from the surface of the earth, atmosphere and clouds. In this guide, GHG includes CO<sub>2</sub>, methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>).

### 1-2 Product:

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

### 1-3 Raw material:

Ingredients or packaging material used in or for the product.

### 1-4 Packaging material:

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

### 1-5 Auxiliary material:

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

transportation materials used at the distribution stages, etc.

**1-6 Preparation stage for recycling:**

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

**1-7 Equipment to be used repeatedly:**

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

**1-8 Primary data:**

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

**1-9 Secondary data:**

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

**2 Scope**

**2-1 Component to be targeted by this guide**

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

**2-2 Non-target component**

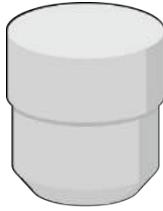
- (1) Promotional materials attached for a limited time
- (2) Equipment to be used repeatedly

**2-3 Functional unit**

In principle, EF is evaluated based on sales units.

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

&lt;Example&gt;

Product	Regular product	Refill product	Weighted-average
			$\text{EF} = (10 \times 40 \times 100 + 2 \times 40 \times 300) / (40 \times 100 + 40 \times 300) = 4$
Weight of content	40 g	40 g	
Sales quantity	100 p	300 p	
EF	10	2	4

## 2-4 Life cycle perspective

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

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

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

## 2-5 Inventory analysis and database

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

- IDEA<sup>4)</sup>
- Ecoinvent<sup>5)</sup>
- Japanese public database for the CFP program<sup>6)</sup>
- The basic unit database for the evaluation of organizational greenhouse gas emissions throughout the value chain<sup>7)</sup>
- WaterStat<sup>8)</sup>
- Water Footprint Inventory Database<sup>9)</sup>
- Electric power consumption rate, provided by power companies

## 2-6 Environmental impact categories and models on impact assessment

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

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

### 3. Methodological framework

#### 3-1 Common application to all stages

##### 3-1-1 Data collection

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

##### 3-1-2 Period of data collection

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

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

#### 3-1-3 Allocation

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

#### 3-1-4 Transportation

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

#### 3-1-5 Evaluation on waste treatment

- For waste discharged at each stage, the EF associated with waste treatment and transportation from the source to the final disposal site shall be calculated at each stage.
- The waste shall be treated according to the scenario detailed in Annex E, based on material type.
- In case the evaluation is based on climate change, CO<sub>2</sub> emissions released from the carbon in material molecules shall be included. However, CO<sub>2</sub> generated from biomass-derived materials should not be considered (=carbon neutral).
- For waste materials to be recycled, the EF related to transportation to the treatment site and the preparation process for recycling shall be calculated.
- The reduction effect on EF due to recycling shall not be included in the End-of-life stage.
- If waste is sold as a valuable material, it is excluded from evaluation.

### 3-1-6 Cut-off

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

## 3-2 Raw material procurement stage

### 3-2-1 Scope

The manufacturing stage covers processes included in the following items:

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

### 3-2-2 Data collection

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

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

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

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

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

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

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

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

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

W: Weight of the parts [kg]  
 G<sub>m</sub>: Unit EF corresponding to the material of the parts  
 G<sub>p</sub>: Unit EF corresponding to the process such as molding, printing, etc.  
 G<sub>t</sub>: Unit EF corresponding to the transportation method  
 D<sub>t</sub>: Transportation distance [km]
- In case of product EF evaluation, primary data related to the procurement volume shall be used. In the evaluation of organizational EF, if it is difficult to identify the weight of packaging materials, the average value of the same kind of packaging materials may be adopted.
- In the evaluation of auxiliary materials, the calculation based on the payment amount may be adopted.

### 3-2-4 Scenario on procurement transportation

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

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

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

## 3-3 Manufacturing stage

### 3-3-1 Scope

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

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

### 3-3-2 Data collection

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

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

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

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

- For products produced at multiple sites, primary data shall be collected for all sites, and a weighted average according to the quantity at each site shall be applied.
- The primary data measurement method for the manufacturing process should be selected from the following four methods:
  - (A) Method of totalizing the input/output amount of items for each operation unit (unit operating time, one lot, etc.) of facilities required for executing the process  
e.g. (Equipment operation time)\* (Power consumption rate of equipment)  
= (Power consumption)
  - (B) Method of allocating actual value for a certain period of time at production site among products  
e.g. Total fuel input per year allocated among products
  - (C) Combined use of (A) and (B)
- When measurement method (A) is adopted, the EF shall be appropriately allocated according to the method of (3-1-3).
- When measurement method (C) is adopted, missing records or double accounting shall be prevented in the evaluation of each process.
- The primary data on GHG emissions related to waste from the manufacturing stage shall be evaluated according to the following two methods:
  - (A) GHG emissions are calculated from the stoichiometric relationship, assuming that all carbon atoms constituting the components are

discharged as CO<sub>2</sub> by incineration or wastewater treatment.

(B) Evaluate GHG emissions of products by measuring CO<sub>2</sub> emissions with a burning test for each raw material.

- When the molecule contains biomass-derived carbon, CO<sub>2</sub> generated from the biomass carbon should not be counted (carbon neutral).
- For evaluations on waste treatment or wastewater treatment from the manufacturing stage, EF related to the operation of waste treatment or wastewater treatment shall be included in the manufacturing stage.

#### 3-3-4 Scenario on intermediate transportation

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

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

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

### 3-4 Distribution stage

#### 3-4-1 Scope

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

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

#### 3-4-2 Data collection

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

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

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

- The data collection method is not specified.

### 3-4-4 Scenario on procurement transportation

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

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

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

## 3-5 Use & maintenance stage

### 3-5-1 Scope

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

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

### 3-5-2 Data collection

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

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

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

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

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

$$(\text{Usage times}) = (\text{Product content weight}) / (\text{Usage weight per 1 use})$$
- Primary data shall be collected based on the scenario in Annex D.
- For aerosol products that emit GHG as a propellant, GWP shall be included in the scope.
- For aerosol products that emit LPG as a propellant, indirect GWP of LPG<sup>10)</sup> shall be included in the scope.
- The processes on treatment of waste containers and waste accessories, consisting the product, are excluded from the data collection items at the use & maintenance stage so as to be grasped at the end-of-life stage.

### 3-5-4 Scenario on product use

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

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

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

### 3-6 End-of-life stage

#### 3-6-1 Scope

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

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

#### 3-6-2 Data collection

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

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

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

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

- The primary data on GHG emissions related to degradation of content shall be evaluated according to the following two methods:
  - (A) GHG emissions are calculated from the stoichiometric relationship, assuming that all carbon atoms of the components are discharged as CO<sub>2</sub> by incineration or wastewater treatment.
  - (B) GHG emissions of products are evaluated by measuring CO<sub>2</sub> emissions from burnings tests for each raw material.
- When the molecule contains biomass-derived carbon, carbon derived from the biomass should not be counted (carbon neutral).

### 3-6-4 Scenario on transportation and waste treatment

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

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

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

- GHG emissions related to the treatment process of waste from the product shall be classified as category 11.
- GHG emissions such as CO<sub>2</sub> and CH<sub>4</sub> emitted from the carbon molecules of the

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

### 3-7 Other activities

#### 3-7-1 Scope

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

- Investment for capital goods
- Business travel
- Commuting

#### 3-7-2 Data collection

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

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

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

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

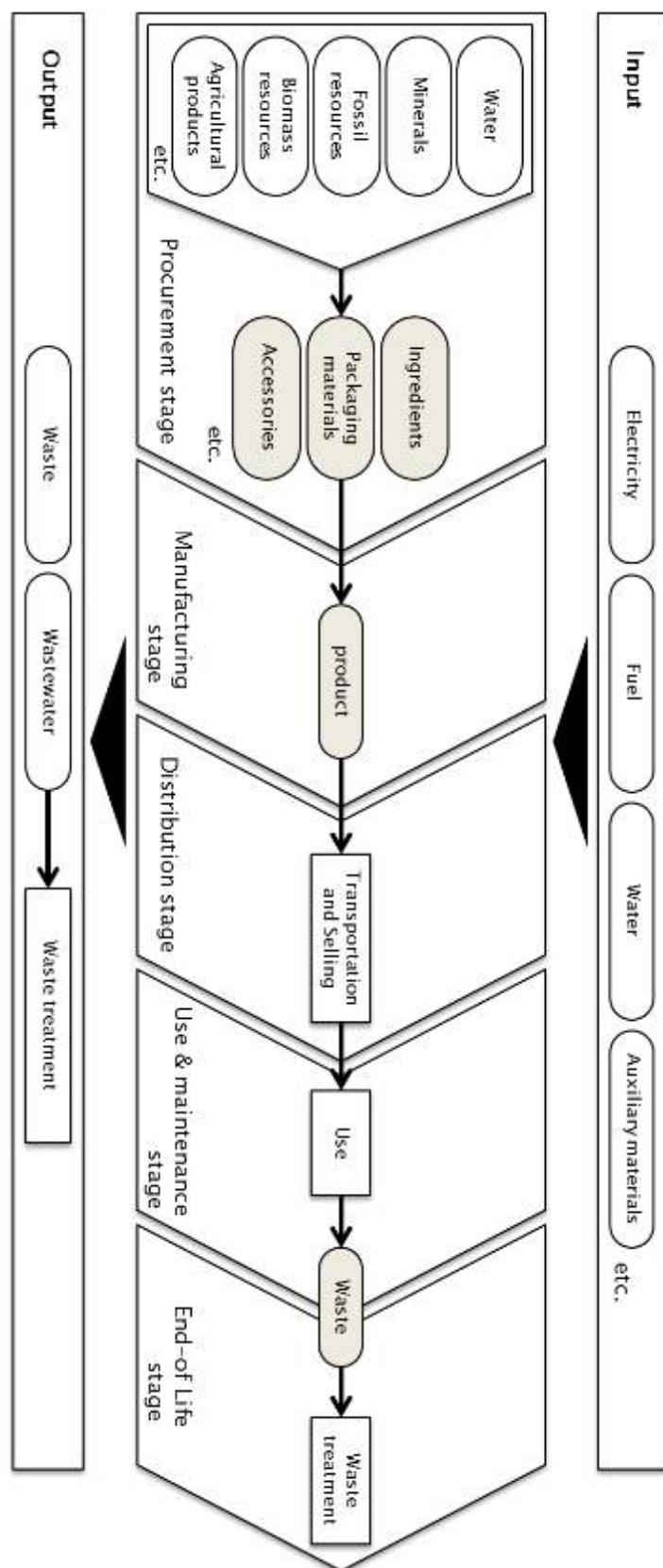
- GHG emissions related to investment for capital goods shall be classified as category 2.
- GHG emissions related to business travel shall be classified as category 6.
- GHG emissions related to commuting shall be classified as category 7.

### 4. References

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### Annex A: Life cycle flow diagram



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

### B-1 Fuel consumption method

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

### B-2 Fuel efficiency method

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

### B-3 Ton-kilometer method

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

## Annex C: Scenario for transportation

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

### C-1 Transport distance

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

#### <Examples>

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

### C-2 Transport method

In principle, truck transport is adopted as the basic transport method in order to raise the incentive for primary data collection and reduction of CO<sub>2</sub> emissions by modal shift.

#### <Examples>

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

### C-3 Loading factor

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

#### <Example>

50 %

### C-4 Transport materials

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

#### <Example>

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

## Annex D: Scenario for use conditions

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

### (1) Skincare lotion

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

### (2) Skincare emulsion

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

### (3) Makeup cleansing oil

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

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

### (4) Face wash

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

## (5) Face wash (Foaming type)

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

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

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

## (7) Soap

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

## (8) Soap as a hotel amenity

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

## (9)Eco-soap as a hotel amenity

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

## (10) Shampoo, Hair conditioner and Body shampoo

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

## (11) Bathwater additive

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

## Annex E: Scenario for waste treatment

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

### E-1 Glass

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

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

### E-2 Plastic

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

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

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

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

### E-3 Paper

The paper waste treatment scenario, taken from PCR(PA-BB-01)<sup>15)</sup> of the carbon footprint program for paper container packaging in Japan, is shown below.

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

CO<sub>2</sub> from the release of carbon-constituting paper molecules is not counted, because paper is considered to be a 100% biomass-derived material(carbon neutral).

#### E-4 Cardboard

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

- 4% is incinerated.
- 96% is recycled.
- E-5 Metal
- 100% is landfilled.

#### E-6 Other waste

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

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

# Verification Statement


  
6 June 2018

Mr. Masahiko UOTANI,  
President and Group CEO  
Shiseido Company, Limited.

## Objective

SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by Shiseido Company, Limited. (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO 14064-3: 2006 and the SGS verification protocol) regarding the data prepared by the Organization (hereinafter referred to as "the GHG assertion"). The objective of this verification is to confirm that the GHG assertion in the Organization's applicable scope has been correctly calculated and reported in the GHG assertion in conformance with the criteria, and to express our views as a third party.

## Scope

The scope of verification is limited to the GHG assertion at the head office, major facilities, factories, laboratories and major subsidiaries in Japan and overseas (totally 35 organizations, including 21 overseas), which have been defined by the Organization.

GHG emissions included in the GHG assertion are Scope 3 (Category 1, 4, 5, 11 and 12).

The period subject to report is from January 1, 2017 to December 31, 2017.

## Procedure of Verification

The GHG assertion was verified in accordance with Criteria of Verification, and the following processes were implemented at a limited of assurance:

- Verification of the calculation system: Interviews on the measurement, tabulation, calculation and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the GHG assertion: On-site verification, and review of calculation systems and match of evidences at the Shiodome Main Office, and performance of analytical procedures and interviews for the other sites in the scope of verification

The criteria for this review are based on the following documents:

- Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain, Ver. 2.2 and the Database of emissions unit values on the same Accounting Ver. 2.4
- Basic Database of the Carbon Footprint of Products (CFP) Communication Program Ver. 1.01 and the Applicable Data (Domestic) of the same Program Ver. 1.01
- Protocol specified by the Organization

## Conclusion

Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the Organization's GHG assertion (Scope 3: 2,008,311 t-CO<sub>2</sub>) was not calculated and reported in conformance with the criteria.

SGS Japan Inc. affirms our independence from the organization, being free from bias and conflicts of interest with the organization.

**For and on behalf of SGS Japan Inc**

Senior Executive & Business Manager  
Certification and Business Enhancement

Yuji Takeuchi

Signed:





## Environmental Accounting

### Basis for Environmental Accounting Calculations

Target Period : January 1, 2017 - December 31, 2017

Scope of Target : Head office, Shiseido research center (Global Innovation Center), and Production facilities (Japan and Overseas)

Unit : Millions of yen

#### 1. Environmental Conservation Costs

	Category	Main Initiatives	Investment	Expenses
(1) Costs breakdown by operation			94	288
Breakdown	(1)- 1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	10	81
	(1)- 2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	84	2
	(1)- 3 Resources recycling costs	Waste processing, recycling, wastewater re-use, reducing materials, etc.	-	205
(2)Upstream/downstream costs		Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc.	-	202
(3)Administrative costs		Personnel expenses (excluding R&D), environmental management costs	-	284

(4)Research and Development costs	R&D for environmentally friendly products, etc. (including personnel expenses)	-	13
(5)Social contribution costs	Support of environmental groups, disclosure of environmental information, environmental advertising, etc.	-	42
(7)Other costs	Environmental remediation costs, etc.	-	8
(7)Other costs		-	9
Total		94	846

## 2. Environmental Conservation Outcomes

Outcomes		Economic effect
Earnings	Revenue from the recycling of waste generated in main business activities and the recycling of used products, etc.	49
Cost savings	From energy conservation	62
	Waste-related	27
	From resource conservation	48
	Other	1
Total		186

# Environmental Management

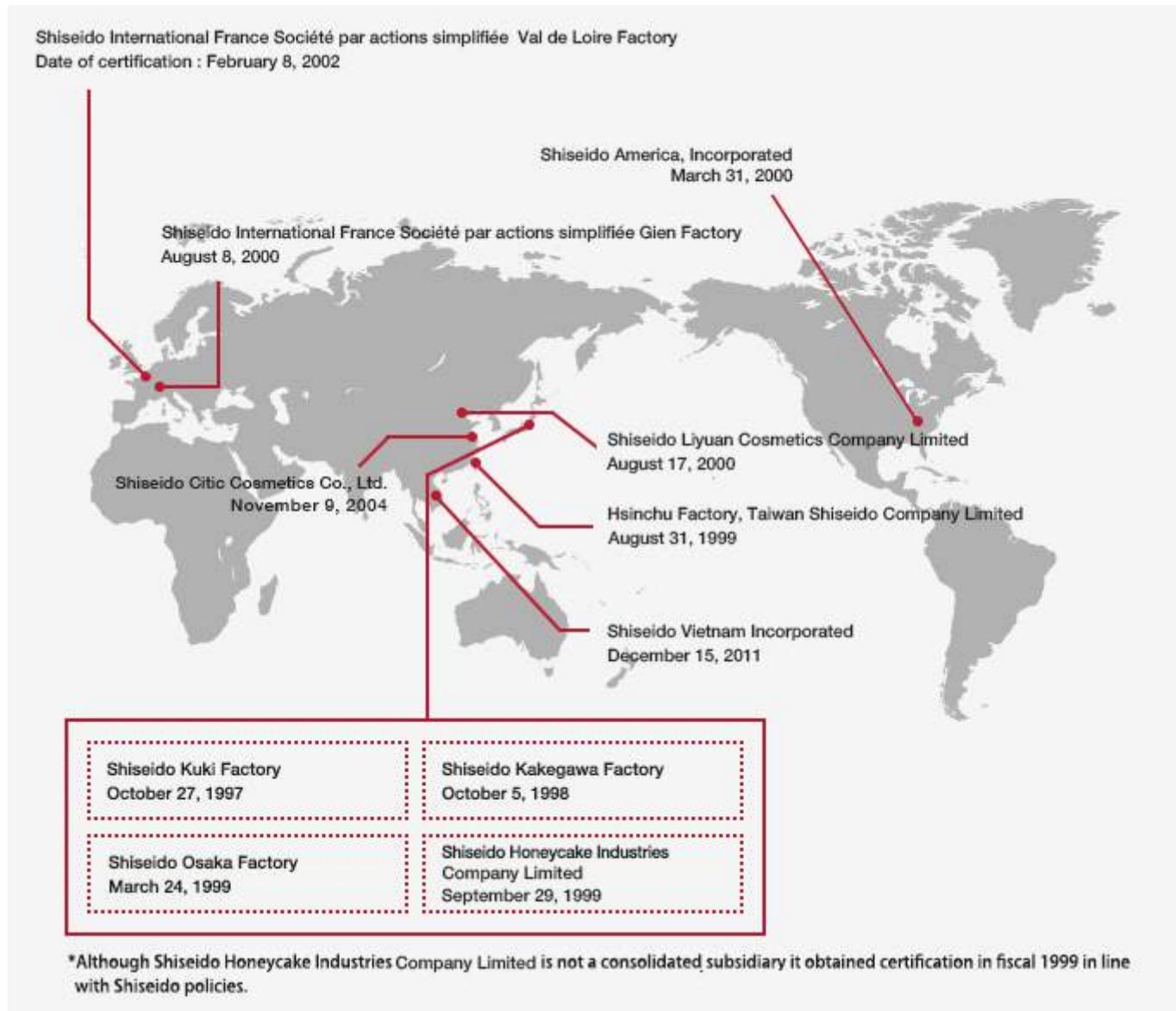
## Management Structures

Shiseido considers and consults on a variety of environmental issues at the "Executive Committee," which makes decisions for the execution of operation.

## Environmental Management According to ISO14001 Certification

ISO14001 is an international standard governing environmental management that was established in 1996. It presupposes ongoing inspections by an outside organization after initial certification. Production factories of Shiseido use a management system based on ISO14001, and they strive to improve management structures and reduce environmental impacts through the repeated use of the PDCA cycle ("Plan," "Do," "Check," "Act").

### Status of ISO14001 Certification



## Responding to Environmental Risks

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

### Shiseido's Response to Microplastic Beads in its Products

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

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

### Thorough Management of Industrial Waste

While waste producers are being held accountable with regard to the illegal disposal of industrial waste, Shiseido is promoting the following initiatives in the field of industrial waste management. Personnel in charge of waste management undergo regular training which is not limited to basic content but comprises also information on recent changes in relevant laws and regulations as well as compliance with them, in an effort to enhance our initiatives on the managerial level.

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



Industrial waste management training in progress

### Management of Chemical Substances

Shiseido not only satisfies the legal reporting requirements set out in the Pollutant Release and Transfer Register (PRTR) Law and Promotion of Chemical Management but also proactively conducts voluntary management of the use and disposal of chemical substances such as ingredients and reagents in factories and laboratories. From the standpoint of workplace safety, we ensure that Safety Data Sheets (SDS) are issued to business partners, for example by systemizing the issue of SDS for semi-finished products when supplying chemical substances containing ingredients specified by laws such as the PRTR Law and the Industrial Safety and Health Act to consumers.

## Correspondence to the PRTR Law

### PRTR Target Substance Emissions and Transfers

Fiscal 2017 (unit: tons)

Legal No.	Substance Name (legal designation)	Amounts of Emissions			Amounts of Transfers	
		Atmospheric	Public water	Soil	Sewage	Waste
13	Acetonitrile	-	-	-	-	3
56	Ethylene oxide	0	-	-	-	-
207	2,6-di-tertiary-Butyl-4-cresol	-	-	-	-	0
275	Sodium dodecyl sulfate	-	-	-	-	4
300	Toluene	-	-	-	-	2
334	Methyl 4-hydroxybenzoate	-	-	-	0	0
389	Hexadecyltrimethylammonium chloride	-	-	-	-	0
405	Boron and its compounds	-	-	-	0	0
409	Sodium poly (oxyethylene) dodecyl ether sulfate	-	-	-	0	19

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

Scope of Data: Shiseido Company, Limited (Kakogawa, Osaka, Kuki Factories and Research Center[Global Innovation Center])  
Target Period: January 1, 2017-December 31, 2017

## Eco Standards

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

In regards to the two Eco Standards that concern manufacturing, we have established the following evaluation items and are taking environmental measures for our products and promotional materials.

## The Production Eco Standards

Key Point	Evaluation Criteria
Design (Outer Packaging)	(1) Select outer packaging and materials that have low environmental impacts
	(2) Reduce weight and volume
Design (Contents)	(1) Formulation that does not harm environment
	(2) Formulation that takes packaging into consideration
Purchasing	(1) Purchasing of raw materials and ingredients
Production	(1) Reduce environmental impacts in the process of production
Logistics	(1) Reduce environmental impacts during the course of distribution and transport
Use	(1) Conserve energy and resources during consumer use
	(2) Reduction of emissions that have less environmental impacts at the use stage
	(3) Promotion of long-term use for packaging
Disposal	(1) Make recycling easier
	(2) Make disposal easier

## Sales Promotion Tools Eco Standards

Key Point	Evaluation Criteria
Planning and Design	(1) Design that is more easily utilized in stores <ol style="list-style-type: none"> <li>1. Design easy to resize</li> <li>2. Design that can be applied and developed for multiple purposes</li> </ol>
	(2) Selecting materials with minimal environmental burden <ol style="list-style-type: none"> <li>1. Materials for sales promotion tools</li> <li>2. Certified materials</li> <li>3. Specific parts materials</li> </ol>
	(3) Lightweight and simple design
	(4) Design based on standard size
	(5) Mold application
	(6) Suitable design for shipping
	(7) Design that is easy to dispose of <ol style="list-style-type: none"> <li>1. Design that is easy to separate</li> <li>2. Design with noticeable eco-labels</li> </ol>
Proof and Print	(1) Less waste printing process
	(2) Environmentally friendly ink
Packaging and Shipping	(1) Simplification of packaging
	(2) Elimination of double packaging

## Efforts toward Recycling of Resources

To continuously use the limited blessings of the Earth, we need to shift from the conventional style of economic activities based on one-way flow of things being “procured, manufactured, used and thrown out” to recycling-based activities promoting the recycle or reuse of resources.

Shiseido works on the following initiatives to create a powerful combination of various recycling circles ranging from a small circulation (Reuse) to a large circulation (Carbon cycle) expecting to effectively use resources and to create more attractive products.

### Initiatives for Reuse

In Japan, Shiseido sells over 700 items of refillable products, the containers of which can be re-used. We provide refillable items in various categories from personal care products such as shampoo and conditioner to beauty products including essence, cream, lotion, emulsion and foundation to conserve resources used to produce containers.



### Initiatives for Recycle

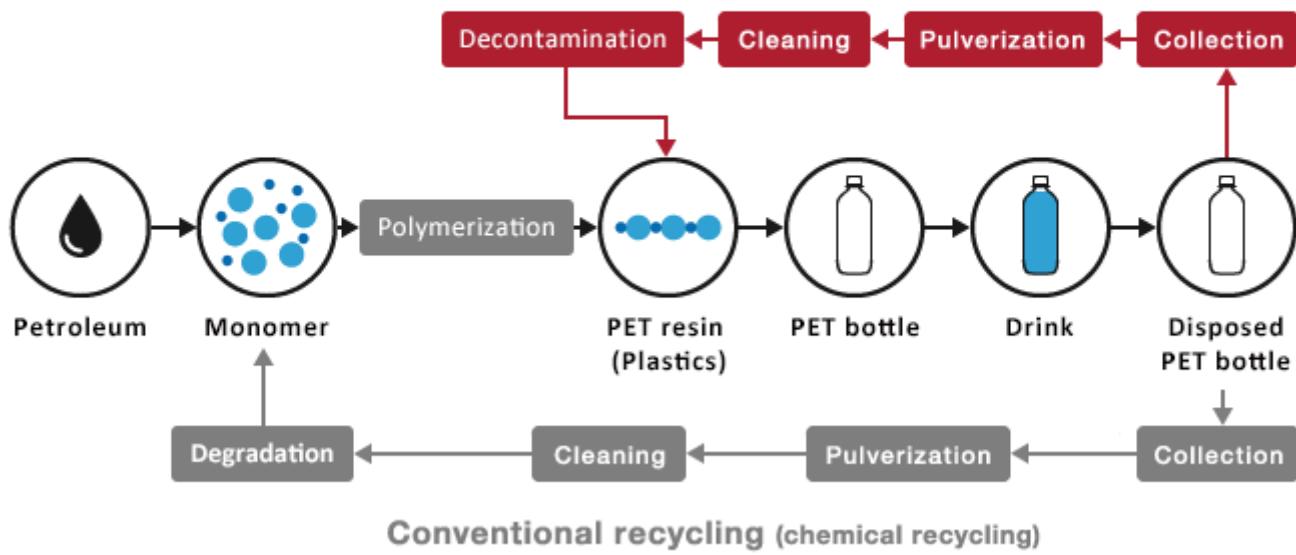
Since September 2015, Shiseido has been using PET resin, obtained through mechanical recycling of PET bottles, for the containers of Sea Breeze Body Shampoo. Mechanical recycling is the technology of efficiently producing high-quality PET resin from PET beverage bottles. This technology has been used broadly for drink bottles. Using recycled PET resin, approximately 22 tons of CO<sub>2</sub> emissions can be reduced every year compared to using petroleum-derived PET resin.

SEA BREEZE

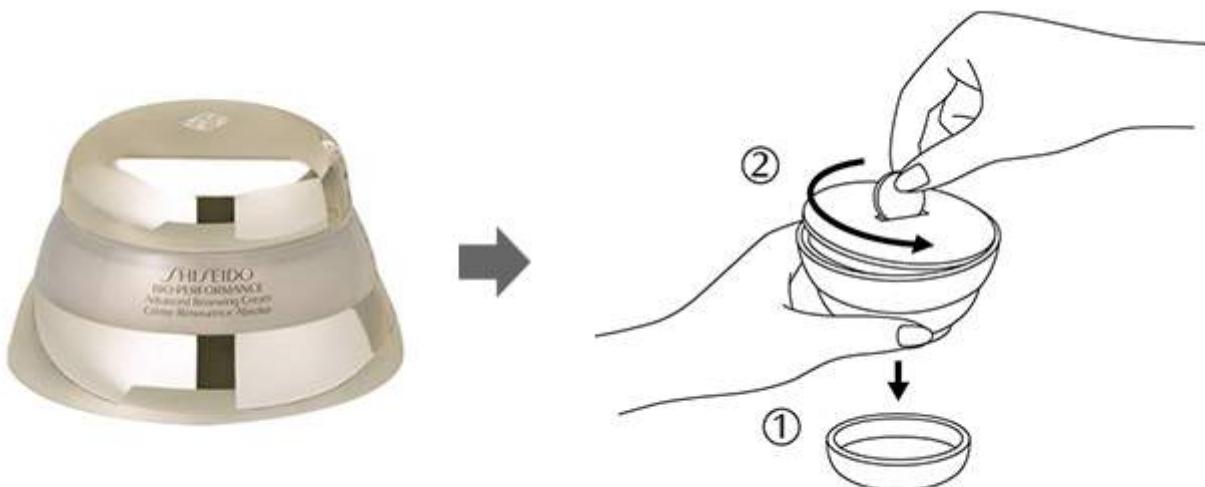


Mechanical recycling can drastically reduce the process and save the manufacturing energy

## Mechanical recycling



Shiseido's product containers made of different materials, such as a combination of plastic and metal, are designed to be easily separated after use for recycling. In addition to utilizing recycled materials, we actively work to improve used containers' suitability for recycling.



Examples of containers designed to be easily separated.

## Utilization of Biomass Resources

Shiseido was the first cosmetics/personal care products company in Japan to introduce sugarcane-derived polyethylene containers in September 2011 for its haircare brand, "SUPER MiLD." Effective utilization of biomass resources, as typified by sugarcane, is a benefit from the global carbon cycle. Incineration of sugarcane-derived polyethylene releases over 70% less CO<sub>2</sub> than petroleum-derived polyethylene in their life cycles. This initiative received the 1st Achievement Award for Promotion of Biomass Products from Japan Society of Biomass Industries in 2011.



Product containers made of plant-derived plastic bear the above-shown mark.

## Product Initiatives

Shiseido adopted the Production Eco Standards, a series of environmental standards governing the product design process, in fiscal 2010. To ensure that these standards are observed in all relevant operations, we are holding workshops and other programs for product planning departments. We aim to grow our business with minimal environmental load in the value chain not simply by incorporating environmental considerations into product planning, but rather by adding compelling value to products so that consumers' hearts will be moved.

### Products Containing Raw Materials Grown in Our Internal Plant Factory

In recent years, consumers' needs toward safety/security, such as traceability, have been growing due to not only the expansion of the natural/organic cosmetics market but also numerous food fraud issues, etc.

In December of 2012, Shiseido established a plant factory, which can efficiently cultivate plants used as raw materials of cosmetics, inside of the Kakegawa Factory (Kakegawa City, Shizuoka Prefecture). In this factory, we have promoted developing safe and secure plant raw materials with "clear background". In the plant factory, we efficiently grow seedlings while maintaining the optimal environment for various conditions, which are required for plants to grow (such as temperature, watering condition, lighting strength, light exposure duration, and CO<sub>2</sub> concentration). Chamomile and rosemary seedlings, which were grown in this plant factory, were then grown in an external commissioned farm. We released products containing the plant extract derived from these plants from a group company Ettusais in June of 2014.

Through these initiatives that allow us to control the harvested amount of raw materials, we can not only avoid supply risks of plant raw materials used in Shiseido but also prevent depletion of raw material plants and reduce the impact on the ecosystem in the production site.



Our internal plant factory

## Environmental Initiatives Associated with the Redesign of Clé de Peau Beauté Skincare Products

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

By utilizing the skincare renewal in January of 2011 as a good opportunity, we conducted initiatives such as follows:

1. Formulated all skincare items with sandalwood fragrance procured from fair trade <sup>\*1</sup>sources.
2. Introduced a refill product for *LA CRÈME* (cream) for the first time.
3. Adopted bagasse paper<sup>\*2</sup> for exterior packages and package inserts (instructions) of products.

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

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

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

\*2 Non-wood paper made from fiber after extracting the sugar content from sugarcane

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



*Clé de Peau Beauté*  
*LA CRÈME n <cream>*



*LA CRÈME n <refill>*



Left: *Enriched lip luminizer <lip stick>*  
Right: A refill must be set in the proper holder before use.



*Luminizing face enhancer <Highlighters>*

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

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

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

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



Clé de Peau Beauté  
concentré illuminateur



Pouch packs for the containers of  
the lotion and essence

## Reducing Plastic Use by Making HAKU Refills Available in Japan

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

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

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

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

*HAKU* melanofocus V (released in March 2018) continuously adopts these environmentally-friendly containers and packaging.



Left: *HAKU* melanofocus V

Right: Refill

## Reduction of Water Usage by Developing Rinse-aid Facial Wash

Shiseido incorporates "environmental considerations into product planning in the entire life-cycle". However, products for washing the face and body such as facial wash and shampoo, etc., require the use of water to rinse off, therefore we realize that they also have the biggest environmental load when "using" them in the entire product life-cycle from raw material procurement to use and disposal. In order to reduce water usage at the time of using the products, we developed a new rinse-aid technology and adopted it for the foam facial wash "*Senka Speedy Perfect Whip Airy Touch*" which was launched in March 2016 as a renewal.

It enabled approximately 35% water usage reduction for rinsing compared to the existing cream-type (tube) facial wash, which means saving water equivalent to approximately 540 two-liter plastic bottles per year (data by Shiseido).



*Senka Speedy Perfect Whip Airy Touch*

## Reducing the Glass Bottle Weight and Employing Labels That are Easy to Peel Off for *Pure White W and The Collagen* beauty drinks

In 2012, Shiseido reduced the weight of the glass bottles for *Pure White W and The Collagen* products (50 ml each) by about 10 percent because consumers had indicated that they throw out several empty bottles at a time and wanted them to be as light as possible.

Through this initiative, we reduced CO<sub>2</sub> emissions by about 427 tons in the year after the release (Shiseido's estimate).

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

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



*Pure White W and The Collagen*

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

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

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

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

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

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

### (3) 100% recyclability

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

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



*Kirei no Susume*



*Chou-mei-sou*

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

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

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

*Awafuru Eco Soap* contains micro air bubbles that cause it to form lather and dissolve quickly for easier consumption. As a result, soap remains are reduced, making it possible to reduce waste significantly. From its practical usage testing, the Shiseido Research Center learned that the volume of remains for disposal of the new type of soap compared with Shiseido conventional soap was about 90% less for the 10g soap bars and about 67% less for the 18g soap bars. According to Shiseido's estimate, the product reduced the disposal soap by a total of 12.4 tons for one year. Also, the inclusion of air bubbles helps to reduce not only waste but also the amount of raw materials used by approximately 30% without reducing soap size.

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

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



*Awafuru Eco Soap*



Contains micro air bubbles



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

## Initiatives in Production and Distribution

### Shiseido America, Inc. Introduced Solar Power System

East Windsor, New Jersey-headquartered Shiseido America, Inc. (hereinafter, "SAI") completed Phase 1 of a fixed-tilt solar power system installation in May 2007. In August 2010, the company completed Phase 2 of the project by installing a solar tracking system that changes the angle of panels in step with the position of the sun during the day. With this installation, the system is expected to cover more than 70% of electricity consumed annually at SAI using solar power generation. The system is ranked high among the largest installations in the state. In 2010, SAI received the New Jersey Governor's Environmental Excellence Award.

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



Phase 1 installation (fixed-tilt system)



Phase 2 installation (solar tracking system)

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

## Utilization of Renewable Energy at Shiseido Group's Factories in Japan

Our factories in Japan partially switched their electrical energy source to Aqua Premium, a hydroelectric generation system provided by TEPCO Energy Partner, Incorporated, in April 2018 as one of contributions to the reduction of CO<sub>2</sub> emissions.



Approximately 40% of the electricity used at Shiseido's domestic factories (Kakegawa, Kuki and Osaka) comes from hydroelectric power stations.

## Delivery Using 10-Sided Cardboard Boxes

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

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

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



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

## Initiatives to Conserve Biodiversity

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

### **Camellia Planting and Conservation Volunteer Activities in the Goto Islands, Nagasaki Prefecture**

#### **The Outline and Objective of the Activities**

Shiseido promotes camellia planting and conservation activities at the abandoned farmlands of the Goto Islands in Nagasaki Prefecture, the production site of raw material for the hair care brand "TSUBAKI." Due to the aging of the population in this area, abandoned farmlands are becoming a social issue. As Shiseido aims at sustainable and socially responsible raw material procurement, we achieve this through protecting and growing camellias in collaboration with the local residents. In September 2017, 40 employee volunteers and their families, mostly from the Kyushu area, planted 80 young trees of *Camellia japonica* L. on a plot of land of 0.07 ha. Also, this year we picked camellia's fruit for the first time. A total of 310 employee volunteers have participated in this activity from its start in 2011 till 2017, having planted approximately 580 trees up to date.

Through cooperation with the local community we are able not only to produce high-quality camellia oil but also to deepen the employees' understanding of sustainability.

#### **Period**

April 2017 through March 2020 (third term)

#### **Location**

Shin-kamigoto town, Minamimatsura-gun, Nagasaki prefecture

#### **Organizers**

Shiseido Company, Limited; Shin-kamigoto town

After the adoption of sustainable development goals (SDGs) by the United Nations General Assembly in 2015, various companies, organizations, and other entities are centering their activities on sustainable development. Shiseido aims to realize one of the SDGs, "Sustainably manage forests," and supports sustainable procurement of camellia oil through the protection of forests, in the hope to achieve a balance of sustainable agriculture and business growth.

#### **SDGs Targeted by the Present Activity**

Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests

## Results as of 2017

Area of abandoned farmland cultivated into a camellia forest: 0.07 ha



Group photo



Planting the trees

### Environmental Conservation Activity Support on Yonaguni Island, the Production Site of the Raw Ingredient for *Chou-mei-sou*

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

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

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

\* Yonaguni Itonami Network

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



Yonakama Zukan



Removing Eichhornia crassipes along Tabaru River

## ■ Shiseido Held the 10th Tree-Planting Activity in Gansu, China

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

On Thursday, April 13, 2017, the last year of this project, a total of 118 persons including volunteer employees and staff from the Shiseido Group and business partners participated in the 10th tree-planting activity and planted young trees of oriental arborvitae.

There were some employees who have participated in this project 3 times or more, and even those participating for 10 consecutive years. They shared their opinions, such as "When I came to Lanzhou City for the first time in 2009, there were no trees but brown, bare mountain surface and I was shocked by the scenery. I'm so glad to see our trees growing and the mountain becoming green now" and "I'm very proud that we are planting not only young trees but also the hope and expectation for the future."

The total number of young trees planted by the Shiseido Group since 2008 has now exceeded 100,000, and their establishment rate has reached about 88%.

The Shiseido Group will contribute to Chinese society's development also in the future, by actively participating in activities for environmental conservation and the realization of a sustainable society in China.

Location	Lanzhou City, Gansu Province, China
Planting area	Approx. 56 ha
Number of trees	Approx. 120,000 (April 2008 to April 2017)
Program duration	Approx. 10 years



Tree-planting activity



Planting each tree with care



Smiles watching the planted young trees

## Volunteers Plant Mangrove Trees in Thailand

Shiseido Thailand Co., Ltd. has been continuing with its mangrove planting activity throughout Thailand since fiscal 2008.

On November 24 of 2017, the 9th year of the activity, 41 local employees planted approximately 500 trees in a mangrove forest of the Nature Education Center, the Quartermaster Department Royal Thai Army (QMRTA) in Samutprakarn Province near Bangkok. After tree planting, we also collected the garbage on the beachside nearby.

Participants shared their voices, such as "We planted the saplings with care today. With good heart of everyone, hand by hand, we can make our environment more beautiful. We would like to continue these activities every year."

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



Commemorative photo of all the participants



Planting each tree carefully

## Environmental Responsiveness of Shiseido Ginza Building

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

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

The investigation results showed that the Ginza district had a small animal population with a small number of types of animals. On the other hand, it was confirmed that in the neighboring large greens such as Hibiya Park and Hamarikyu, there was a large animal population and they are breeding and foraging. From these results, we found that if we had green space on the rooftop of the new headquarters building, that could be a stopping point for birds and insects, thus we could contribute to the biodiversity-friendly community development.

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



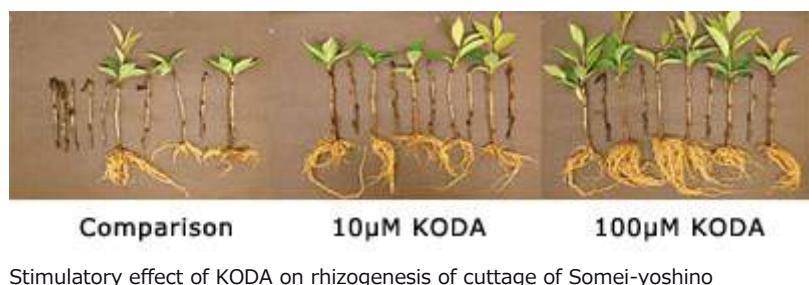
Shisei Garden

## Research on KODA

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

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

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



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

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

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

## Environmental Communication

### Awards

#### ***Clé de Peau Beauté LA CRÉME n Wins Award at "Japan Packaging Contest 2016"***

In August 2016, *Clé de Peau Beauté LA CRÉME n* received the "Accessible Design Packaging Award"<sup>\*1</sup> at the "Japan Packaging Contest 2016" <sup>\*2</sup>.

Refills for *LA CRÉME n*, a *Clé de Peau Beauté* cream, were first released in January 2011. In February 2016 the refill package was redesigned using a new refill mechanism developed to make it even easier to refill containers. With the new refill replacement method, the product container's cap is removed and the container is placed on top of the new refill container. Pushing down causes the used refill to pop up so that it can be removed. The new refill container is then lined up and pushed down into the product container, completing the process.

See this video for the details.

In addition to developing and introducing this new refill mechanism that enables anyone to easily refill containers, its launch also reduced the amount of plastic used by roughly 73% compared with the original product container. Vapor deposition used on the interior of the product container together with the container's polyhedral shape reflect the concept of *LA CRÉME n*: skin radiant from within. Features such as these led to the selection of *LA CRÉME n* as the award winner.

\*1 Award presented for package designs featuring universal design, accessible to the elderly and those with disabilities, and which also improve usability for able-bodied users.

\*2 "The Japan Packaging Contest" (held by the Japan Packaging Institute) is Japan's largest contest for superior packaging designs and packaging technologies. It presents awards in three categories: the Japan Star awards (12 awards), the Packaging Technology awards (6 awards), and the Packaging Department awards (13 awards). The "Accessible Design Packaging Award" is one of the Packaging Technology awards, and is the second highest award, surpassed only by the Japan Star awards.



Clé de Peau Beauté LA CRÉME n  
original container (left) and refill (right)



"Accessible Design Packaging Award" plaque

## Awards Received

Month/Year	Award	Organizer	Reason for award
April 2000	Minister for Environment Award of the 9th Grand Prize for the Global Environment Awards	The Fuji Sankei Group	Continuous environment improvement activities based on "Shiseido Global Eco Standard"
April 2002	Minister of Education, Culture, Sports, Science and Technology Award of the 11th Grand Prize for the Global Environment Awards	The Fuji Sankei Group	Establishment of a recycling system for used glass bottles for cosmetic products
February 2004	Encouragement Award for Environmental Reporting of the 8th Environmental Communication Awards	Ministry of Environment and the Global Environmental Forum	The contents of the CSR Reports
June 2009	Logistics Award of the Japan Packaging Contest 2009	The Japan Packaging Institute	Resource-saving packaging with 10-sided cardboard boxes
May 2010	The 18th Chemical/Biotechnology Prize	The Chemical/Bio Tsukuba Foundation	Research on the "Discovery and Development of the Physiological Effects of KODA ( $\alpha$ -Ketol-Octadecadienoic Acid)"
June 2010	Cosmetics Packaging Award of the Japan Packaging Contest 2010	The Japan Packaging Institute	Use of polylactic acid containers for <i>URARA hair cleansing</i> products.
June 2010	Cosmetics Packaging Award of the Japan Packaging Contest 2010	The Japan Packaging Institute	Reduction of CO <sub>2</sub> emissions by introducing <i>Soka Mocka</i> compressed cotton balls to improve the volumetric efficiency during transportation and storage
December 2010	"The 2010 New Jersey Governor's Environmental Excellence Awards" Clean Air Section	The state of New Jersey (USA)	Introduction of a photovoltaic power system at Shiseido America, Inc.
June 2011	Cosmetics Packaging Award of the Japan Packaging Contest 2011	The Japan Packaging Institute	Reduction of plastic use by adopting refill containers for <i>ELIXIR WHITE Reset Brightenist Cream</i>
June 2011	Appropriate Packaging Award of the Japan Packaging Contest 2011	The Japan Packaging Institute	Reduction of plastic use by adopting refill containers for <i>HAKU Melano Focus W</i>
September 2011	1st Biomass Product Popularization and Promotion Achievement Award	Japan Society of Biomass Industries	Adoption of cosmetic containers made from sugarcane-derived polyethylene
October 2011	Good Design Award 2011	The Japan Institute of Design Promotion	Environmentally friendly container designs of <i>Clé de Peau Beauté</i> and <i>HAKU Melano Focus W</i> products

February 2012	2nd Kanagawa Global Warming Prevention Award (Greenhouse Gas Reduction Technology Development Category)	Kanagawa Prefecture	Development of low-energy emulsion manufacturing process
February 2012	Award of Excellence (Environmental TV Commercial Category) of the 15th Environmental Communication Awards	Ministry of the Environment and the Earth, Human and Environment Forum	Corporate commercial, "Finger Energy version"
April 2012	The Japan Federation of Printing Industries Chairman's Award of Japan Packaging Competition 2012 (JPC Exhibition)	The Japan Federation of Printing Industries	Adoption of containers made from sugarcane-derived polyethylene for its <i>SUPER MILD</i> products
April 2012	Japan Business Federation Chairman Award of the 21st Grand Prize for the Global Environment Awards	The Fuji Sankei Group	Use of camellia oil produced in the Goto Islands in its products and planting and conservation of Japanese camellia trees, whose seeds are used to make the oil
June 2012	President of Japan Marketing Association Award of the Japan Packaging Contest 2012	The Japan Packaging Institute	Adoption of containers made from sugarcane-derived polyethylene for its <i>SUPER MILD</i> products
December 2012	2012 Environment Minister's Award for Global Warming Prevention Activity	Ministry of the Environment	Development of low-energy emulsion manufacturing process
February 2013	Award of excellence (Industrial Use Category) of the 2012 Cogeneration Grand Prix	The Advanced Cogeneration and Energy Utilization Center Japan	Energy-saving activity through the introduction of a highly-efficient warm water utilization system at Kuki factory
August 2013	Transport Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Development of shipping boxes for "watashi+" online shop
August 2013	Toiletry Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Adoption of refill containers made from sugarcane-derived polyethylene for <i>ELIXIR SUPERIEUR</i> , <i>ELIXIR WHITE</i> products
August 2013	Toiletry Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Adoption of refill containers made from sugarcane-derived polyethylene for <i>Shiseido Medicated Hand soap</i>
November 2013	CDP "Climate Disclosure Leadership Index"	CDP	Selected as an excellent company in the study regarding information disclosure on climate change conducted with 500 Japanese companies

August 2014	Japan Package Design Association Award of the Japan Packaging Contest 2014	Japan Packaging Institute	Environmentally friendly container designs of <i>Clé de Peau Beauté concentré illuminateur</i>
October 2014	CDP "Climate Performance Leadership Index"	CDP	Selected as an excellent company for its activities to reduce GHG emissions and mitigate climate change risks based on CDP's survey on climate change response conducted with 500 Japanese companies
December 2014	"LCA Society of Japan Encouragement Award" of 11th LCA Society of Japan	LCA Society of Japan	Sales activities of " <i>Awafuru Eco Soap</i> ", which is an amenity for hotels with considerations for the environment.
August 2015	Cosmetics Packaging Award of the Japan Packaging Contest 2015	Japan Packaging Institute	Reduction of plastic use by adopting refill containers for two <i>Clé de Peau Beauté SYNACTIF</i> serums for daytime use
August 2016	Accessible Design Packaging Award of the Japan Packaging Contest 2016	Japan Packaging Institute	Development of new refill replacement mechanism for <i>Clé de Peau Beauté LA CRÉME n</i>
August 2017	Technical Packaging Award of The Japan Packaging Contest 2017	Japan Packaging Institute	Using mechanically recycled PET: <i>SEA BREEZE Body Shampoo A Cool &amp; Deodorant</i> , <i>SEA BREEZE Super Cool Body Shampoo S</i>

## Commitment to Society

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

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

## About the Eco-First Program

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



Eco-First Mark

## Shiseido's Eco-First Commitment

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

## Other Activities

### Environmental Education in Collaboration with the Local Community

#### ■ Environmental Study Session Held in Shiseido Ginza Building's Roof Garden

On Wednesday, October 5, and Monday, October 24, 2016, 25 nursery school students and four second graders from nearby schools were invited to take part in environmental study sessions in the "Shisei Garden\*" on the roof of the Shiseido Ginza Building.

The nursery school students observed the plants, walked around the garden, plucked leaves that they liked, and observed differences between them, such as their colors, shapes, and smells. The elementary school students, who visited as part of a field trip, enjoyed various new experiences, such as taking seeds from a cotton tree, cutting a piece of sugar cane with scissors and tasting it, and crushing camellia seeds with a hammer, placing them in an oil mill and extracting their own camellia seed oil.

The nursery school students were surprised at the existence of a roof garden in Ginza, saying that they thought it was really interesting having a place with so many plants in the middle of the city, and that they wanted to see even more leaves. The elementary school students said they enjoyed the feel of the cotton from the cotton tree, which they touched for the first time, and that they were surprised that oil could be extracted from seeds. The event served as an excellent opportunity for them to learn about biodiversity and the relationship between nature and their day-to-day lives.

Shiseido is planning to continue environmental education in close collaboration with the community.

\* The zone was made available on the roof of the Shiseido Ginza Building in Chuo-ku, Tokyo (completed in the fall of 2013) for cultivating plants used as the raw materials for cosmetics, and is utilized as a place of study where Shiseido employees can feel the importance of the earth's blessings. (The place is not open to the public.)



Walking around the garden



Plucking leaves



Observing cotton



Extracting oil

#### ■ Environmental Study Session Held at Kakegawa Factory

Shiseido's Kakegawa Factory in Kakegawa City, Shizuoka Prefecture, offers every year a hands-on environmental study session for elementary school students in cooperation with Kakegawa City. Twelve children attended the 6th session held on Tuesday, August 8, 2017.

In the session, the children learned about Shiseido's refillable containers and development of new materials, and its activities including planting and conservation of trees, as examples of the company's environmental initiatives. Efforts for energy saving and waste reduction made by Kakegawa Factory were also presented. Then, to understand the wastewater treatment system, the children tried an experiment of checking water quality using a testing kit and saw the water purification process in which the factory's wastewater is clarified through methods such as microorganism treatment.

Also, to learn about UV rays, they enjoyed making a UV Bead Strap, an ornamental strap decorated with beads, the color of which changes when exposed to UV light.

The children said, "In the water purification experiment, seeing the water color changing to pink and purple, I understood that the system purifies dirty water," "I enjoyed observing the production process of cosmetics," and "I am glad I found a lot of Shiseido's good points."

Shiseido Kakegawa Factory will continue to provide environmental education in collaboration with local communities.



Experiment of checking water quality  
using a testing kit



Children enjoyed making UV Bead Straps

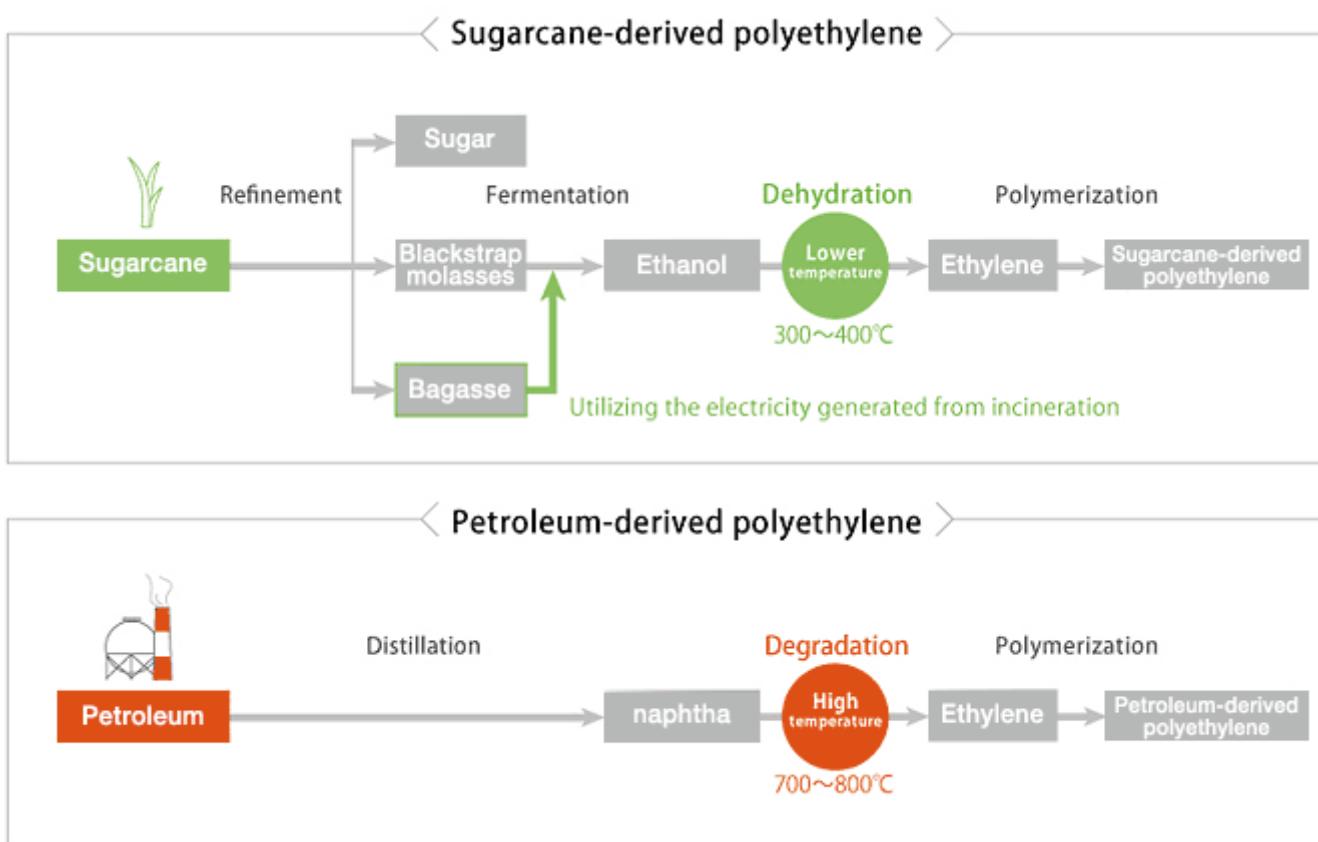
## Sugarcane-derived Polyethylene

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

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

In addition, sugarcane-derived polyethylene is also effective in CO<sub>2</sub> emission reduction in the manufacturing process. In addition to the advantage that the energy consumption is less than petroleum-derived polyethylene due to the fact that the heating temperature in the manufacturing process is lower, it utilizes the electricity generated from incinerating "bagasse," which is the residual material after refining sugar from sugarcane. Due to this, we can significantly reduce the CO<sub>2</sub> emission compared to before.  
(Refer to Diagram 1)

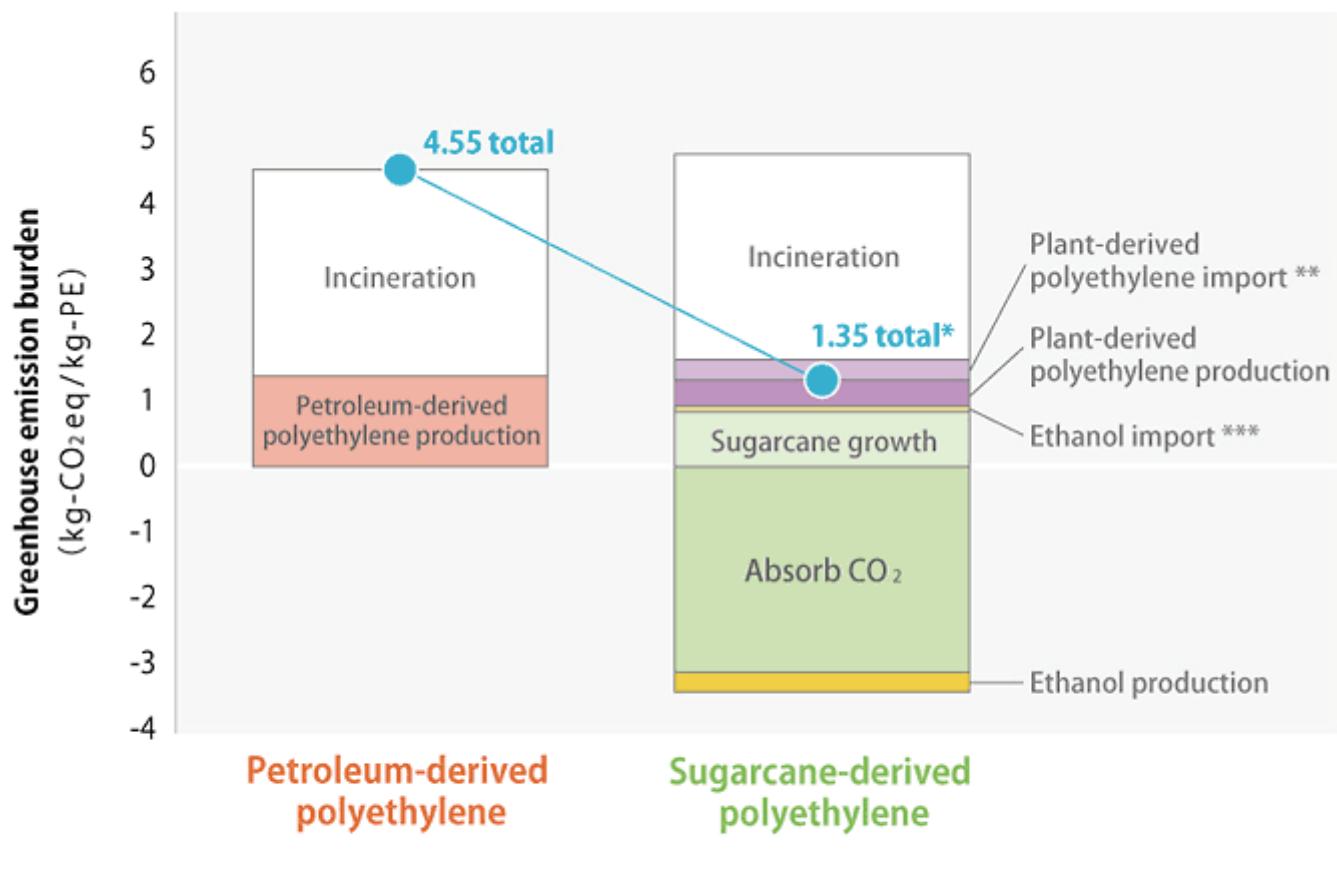
**Diagram 1: Polyethylene Manufacturing Process**



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

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

(Refer to Diagram 2)

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

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

## Compliance

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### ➤ Risk Management



Shiseido's basic policy of risk management

### ➤ Activities to Enhance Corporate Ethics



Here are our activities to ensure an environment for employees to work with a high-level sense of ethics.

### ➤ Information Security Management



Shiseido's activities to protect the Group's various information assets

### ➤ Protection of Intellectual Properties



Shiseido's initiatives to ensure the protection of intellectual property and preservation of confidentiality

### ➤ Tax Policy



Global Tax Policy and Shiseido Group's Tax Policy in the United Kingdom

## Risk Management

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The Compliance Committee fulfills its corporate governance oversight responsibilities with regard to the identification, evaluation, mitigation, and monitoring of risks. The Committee has overall responsibility for monitoring and approving the risk management framework and associated practices of the Company.

### | Risk Management

Starting in 2016, Shiseido has been working on risk mitigation through matching the 100 risks common to global companies against responsible departments, especially focusing on non-strategic/non-financial risks. Also, compliance programs are being prepared for the 4 important themes of "personal information protection", "bribery prevention", "cartel prevention", and "business partner risk prevention" identified in the 2014 risk assessment.

## Incident Response

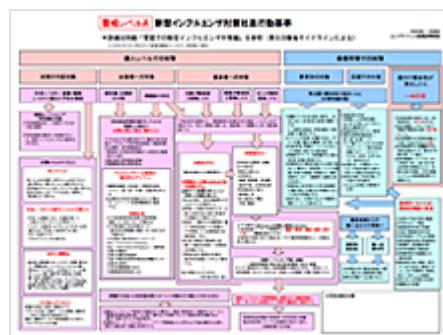
To enable swift and appropriate incident response, Shiseido has clearly defined and categorized incident types. Departments will immediately report incidents to the Risk Management Department, which acts as the Compliance Committee Secretariat. The Risk Management Department determines the gravity of each incident category, considering impact on employees, business operations, environment, etc. An appropriate taskforce will be set up accordingly, with relevant functions aggregated to minimize impact and collateral damage. The taskforce will continuously review the effectiveness of incident handling and promote countermeasures against recurrence.

## Business Continuity Plan (BCP)

Business Continuity Plan (BCP) is a subset of risk management, stipulating actions for incidents/ natural disasters which affect business continuation. Shiseido (Japan Region) has BCPs in place for major disasters which seriously affect business continuation, stipulating how important operations are resumed/ continued in a manner minimizing damages. At Shiseido, major incidents are categorized into 2 categories: (1) natural disasters/incidents with sudden and unexpected damages, and (2) natural disasters/incidents with gradual/long-term damages. 'Earthquake BCP' has been placed for sudden unexpected risks, and 'Novel Influenza (infectious disease) BCP' for gradual/long-term risks. If another type of incident should occur affecting business continuation, either of the two BCPs may be utilized, according to the nature of the incident.

The 'Earthquake BCP' stipulates action items in 4 phases: 1) Preventive Measures, 2) Emergency Response, 3) Resume Operation, and 4) Restored Operation/ Business Continuation. Once an earthquake of a certain level occurs, 'HQ emergency taskforce', led by the Executive Vice President, is activated to confirm employee safety, gather information on damages, and ensure important business operation, such as product supply. When the Great East Japan Earthquake hit in March 2011, Shiseido responded swiftly putting the BCP into action.

The 'Novel Influenza (infectious disease) BCP' categorizes influenza by 3 toxic levels. The action items for each group are shown in 4 phases: 1) Prediction stage, 2) Initial Alert stage, 3) Alert stage, and 4) Subsiding Alert stage. 'Employee Action Guidelines for Novel Influenza', a specific action guideline for employees, has been prepared based on the BCP. This Guideline is made available on the intranet for employees to familiarize themselves with the required actions.



Employees action guidelines for *New Strains of Influenza Countermeasures*

# SHISEIDO GROUP

## Shiseido Group Compliance Initiatives

The Shiseido Group is committed to complying with laws and regulations and internal rules, as well as to pursuing fair business practices with higher ethical standards in the development of the Group's global business.

The Shiseido Group has instated the following three commitments to focus on in order to fulfil the Group's social responsibility on a higher level, and declare group-wide compliance as follows.

### 1. Safeguarding of Personal Information as per the Importance of Protecting Customer Privacy

In an environment where information spreads instantaneously along with the growth of the Internet, it has become all the more important to safeguard personal information in order to protect customer privacy. The Shiseido Group will properly manage and never improperly use personal information, including customer data.

### 2. Proper Business Conduct Based on Fair, Transparent, and Free Competition (Prevention of Bribery and Cartels)

Bribery and cartels, which can impede fair competition, are strictly restricted under the laws of each country. In order to achieve fair, transparent, and free competition, 1) the Shiseido Group will not offer or receive entertainment and gifts that are suspected to be in effort to obtain illicit gains, regardless of whether or not the business is with government officials, and 2) the Group will also not engage in any cartel activities or any activities that give the appearance of participating in a cartel when conducting business.

### 3. Cooperation in the Supply Chain (CSR Procurement)

In order to contribute to sustainable growth in society, simply working from within the company is not enough—it is critical to cooperate within the supply chain itself. The Shiseido Group will maintain equitable relationships with our business partners in the procurement of products and raw materials, and will share and promote with our business partners activities that lead to the actualization of social responsibility such as respect for human rights, legal compliance, and environmental conservation.

Furthermore, we have also established the following rules as specified rules of the declaration of the three commitments listed above in regards to matters that all must comply with and handle.

- "Information Security Policy"/"Privacy Rule"
- "Compliance Rules Regarding Prevention of Bribery"
- "Compliance Rules Regarding Prevention of Cartels"
- "Shiseido Group Supplier Code of Conduct"

We, at the Shiseido Group, persistently commit ourselves to compliance by requesting that all employees of the Group fully understand the above.

October 2015



Masahiko Uotani  
Representative Director, President and CEO

## Activities to Enhance Corporate Ethics

To ensure an environment in which employees can work with a high-level sense of ethics, we have various training courses, a consultation desk and a whistleblower system available for employees.

### Training for Employees

#### (1) Enhancement of Corporate Ethics in Workplaces

We have assigned the Corporate Ethics Promotion Leaders in each office in Japan to be in charge of the thorough informing and promotion of corporate ethics. In the overseas regions, Risk Management Officers are responsible for promoting a culture of ethics regionally. The Risk Management Officers are supported by the Business Ethics Officers at the affiliate level. The Corporate Ethics Leaders and Risk Management Officers regularly report the results of corporate ethics activities to the Compliance Committee.

#### (2) Training for All Employees (Once a Year)

Human rights enlightenment and corporate ethics training are conducted for all employees at all business locations of the Shiseido Group in Japan with emphasis on raising awareness through employee discussions.

Various trainings are held to improve communication in various situations and create an open and free working environment.

#### (3) Position-specific Training (Once a Year)

Position-specific training is conducted according to respective positions (corporate officers, managers, new recruits) and specifics of each office in addition to training for all employees.

### Points of Contact for Employee Inquiries

In response to the Whistleblower Protection Act, which took effect in April 2006, and in order to internally resolve misconduct in the unlikely event of such occurrence and before such an issue would become more serious, Shiseido is working toward more widespread recognition of two points of contact: the in-house Shiseido Consultation Office and the telephone counseling service which is operated by the Japan Industrial Counselors Association. Relevant information is distributed in various ways such as through manager training and pamphlet distribution to all employees.

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

The Shiseido Consultation Office welcomes individuals seeking advice on a wide range of topics relating to the Company's business and operations in general, and is trying to quickly resolve employees' inquiries. In fiscal 2017, a total of 214 inquiries were received, contributing to a cumulative total of 3,030 inquiries since the establishment of facilities in April 2000.

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

## Whistleblower System

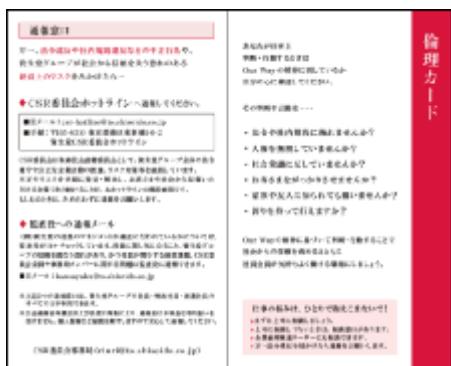
As the social environment continues to change, companies are required to make swift responses according to such changes. To ensure that any acts in violation of the law, employment regulations, or internal rules found in the Company are resolved internally before they become serious, the Company has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

The Company has also created and publicized through Ethics Card distribution, posters, intranet, etc., to employees a set of regulations setting forth an impartial means of investigating and resolving complaints and clearly prohibiting prejudicial treatment of whistleblowers (as well as individuals seeking advice) for each of the above entities, along with the means to receive inquiries, etc.

The above entities welcome individuals seeking advice on a wide range of topics, and received and quickly resolved 220 inquiries in Japan in 2017.

Approximately 70% of the inquiries received in 2017 were regarding relationships in the workplace as well as regarding labor management. Necessary measures were taken, such as internal investigations, etc., to resolve all of such inquiries. Furthermore, the Company aims to thoroughly prevent recurrence of those that must be regarded as issues for the overall workplace by calling attention throughout the Company by incorporating such issues in the management training, etc.

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



Ethics Card

## Information Security Management

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### Policy Related to Information Security

Shiseido establishes the "Information Security Policy" for all people working in the Shiseido Group to protect and maintain various essential information assets owned by business sites of the Group by setting robust information security. Under the group-wide basic policy, we strive to manage and operate various information assets. Employees receive continuous education on information security, such as annual training through e-learning.

### Policy Related to the Protection of Personal Information

Shiseido deeply recognizes the importance of personal information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Therefore, we have established the "Shiseido Group Privacy Rules" to which all employees of the Shiseido Group should adhere. All companies in the Shiseido Group endeavor to ensure the protection of personal information.

Details of Shiseido's policy on the protection of personal information are available in its Privacy Policy.

## Protection of Intellectual Properties

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Shiseido Group invests in R&D and marketing to develop innovative technologies and increase our brands' value. Therefore, enhancing our Intellectual Property (IP) value is a crucial activity for our sustainable growth. IP includes intangible assets such as patents, trademarks, copyrights, industrial designs, trade secrets, etc. We protect our inventions, brands, marketing ideas and other IP outcomes properly, as these assets play key roles in our future success. We also respect third parties' IP rights and provide internal trainings for our employees to raise the awareness.

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

# Tax Policy

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## Global Tax Policy

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Shiseido Group complies with the laws and regulations in all countries in which we run business. "Shiseido Group Standards of Business Conduct and Ethics" sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy here to ensure the tax transparency. We aim to maximize the shareholder value by mitigating the tax risk globally.

### Tax Principles

#### Compliance

We comply with the international guideline established by the OECD and the laws and regulations in all countries in which we run business.

#### Governance

The discipline for the compliance and accurate tax accounting is set forth in "Shiseido Group Standards of Business Conduct and Ethics" and shared with all employees to ensure the tax transparency. We will resolve the tax issues by managing the tax risk locally by each RHQ, and sharing the tax information globally in a timely manner.

#### Responsibilities and Organization for the Tax Compliance

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, tax team of global headquarters manages the tax compliance of the group, and CFOs at each regional headquarters manage the tax compliance in their region. Employees with tax expertise are assigned as necessary for the smooth operation of our global tax risk management organization. We provide trainings to employees to raise awareness on the tax compliance.

#### Maximization of the Shareholder Value

In order to improve the shareholder value, we strengthen the governance and save tax by utilizing tax incentives where applicable in the ordinary course of business.

#### Transfer Pricing

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy.

## Tax Havens

We do not utilize the tax havens to solely avoid tax.

## Relationship with the Tax Authorities

We cooperate with the tax authorities and build a good relationship with them.

## Shiseido UK Tax Policy

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SHISEIDO Group complies with the laws and regulations in all countries in which we run businesses. "Our Mission, Values and Way", our corporate philosophy, sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy to ensure tax transparency.

The following document lays out the company's strategy and approach in 2019 for the United Kingdom. We publish this statement to meet our obligation under Paragraphs 19(2) and 22(2) of Schedule 19 of FA2016."

## Governance and Responsibilities

The discipline for the compliance and accurate tax accounting is set forth in "Our Mission, Values and Way", our corporate philosophy, and shared with all employees to ensure tax transparency.

The Chief Financial Officer (CFO) is ultimately responsible for Shiseido's overall tax risks. We will resolve the tax issues by managing the tax risk locally by each Regional Head Quarters (RHQ) and sharing the tax information globally in a timely manner.

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, the tax team of Global Head Quarters (HQ) manages the tax compliance of the group, and CFOs at each RHQ manage the tax compliance in their region. Each RHQ assigns the employees with tax expertise as necessary. We provide trainings to employees to raise awareness on the tax compliance.

The Senior Accounting Officer (SAO) is responsible for the day-to-day management of the UK tax risks. In the UK, this role is performed by the UK&I Group CFO.

## Tax Planning

Shiseido's tax arrangements are based on its commercial business and economic activities. Shiseido monitors and reviews its operations in the UK and elsewhere to realign its tax arrangements when necessary to be compliant with the tax rules and regulations.

Globally, we comply with the international guideline established by the Organisation for Economic Co-operation (OECD) and the laws and regulations in all countries in which we run businesses.

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy.

We adhere to the UK Double Tax Treaties and the relevant guidance issued by the OECD for international tax matters.

## Tax Risk

We aim to maximize the shareholder value by mitigating the tax risk globally.

We will resolve the tax issues by managing the tax risk locally by each RHQ and sharing the tax information globally in a timely manner.

Where there is complexity or uncertainty we may seek support from external advisors.

## Relationship with Her Majesty's Revenue & Customs (HMRC)

We seek to build and sustain relationships with government and HMRC that are constructive and based on mutual respect. We work collaboratively wherever possible to resolve disputes and to achieve early agreement and certainty.

## Governance

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Shiseido sets out “to inspire a life of beauty and culture” as the corporate mission, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission”. Shiseido continuously addresses the strengthening of our corporate governance system.

<b>➤ Corporate Governance Policy</b>	<b>➤ Management and Execution Structure</b>	<b>➤ Audit Structure</b>
<b>➤ Remuneration to Directors, Corporate Officers and Audit Members</b>	<b>➤ Corporate Governance Report</b>	<b>➤ Internal Control Systems of the Company</b>

### Corporate Governance

## Corporate Governance Policy

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The Shiseido Group including the Company sets out “to inspire a life of beauty and culture” as the corporate mission, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission”.

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, “consumers”, “business partners”, “employees”, “shareholders”, and “society and the Earth”. In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

## Corporate Governance

## Management and Execution Structure

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### ■ Board of Directors and Committees Associated with Corporate Officers

Composed of seven members including four external directors and presided by President & CEO, the Board of Directors is small and able to make decisions quickly.

The Board of Directors meets at least once a month to discuss all significant matters.

Through the adoption of a corporate officer system, we separate the supervisory functions of the Board of Directors from the business execution functions of corporate officers. The Company sets up the Executive Committee, in which corporate officers study and discuss about important business execution from various aspects before the final decisions, and the meetings for development of medium-term/annual plans, in which corporate officers develop and resolve business plans and brand strategies. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating of business execution. President & CEO chairs these two Committees. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee. The term of office of directors and corporate officers is one year.

To obtain an outside point of view and further strengthen the Board of Directors' supervisory function in regard to business execution, Shiseido appointed two highly independent external directors in the fiscal year 2006. Shiseido added one external director in the fiscal year 2011 and one more in the fiscal year 2016. As a result, currently Shiseido appointed four highly independent external directors.

In addition, two out of three directors aside from the external directors has built careers outside of Shiseido, ensuring diversity among the directors. We are also recruiting younger members for corporate officers, thereby aiming to strengthen the executive function.

(As of January 1, 2018)

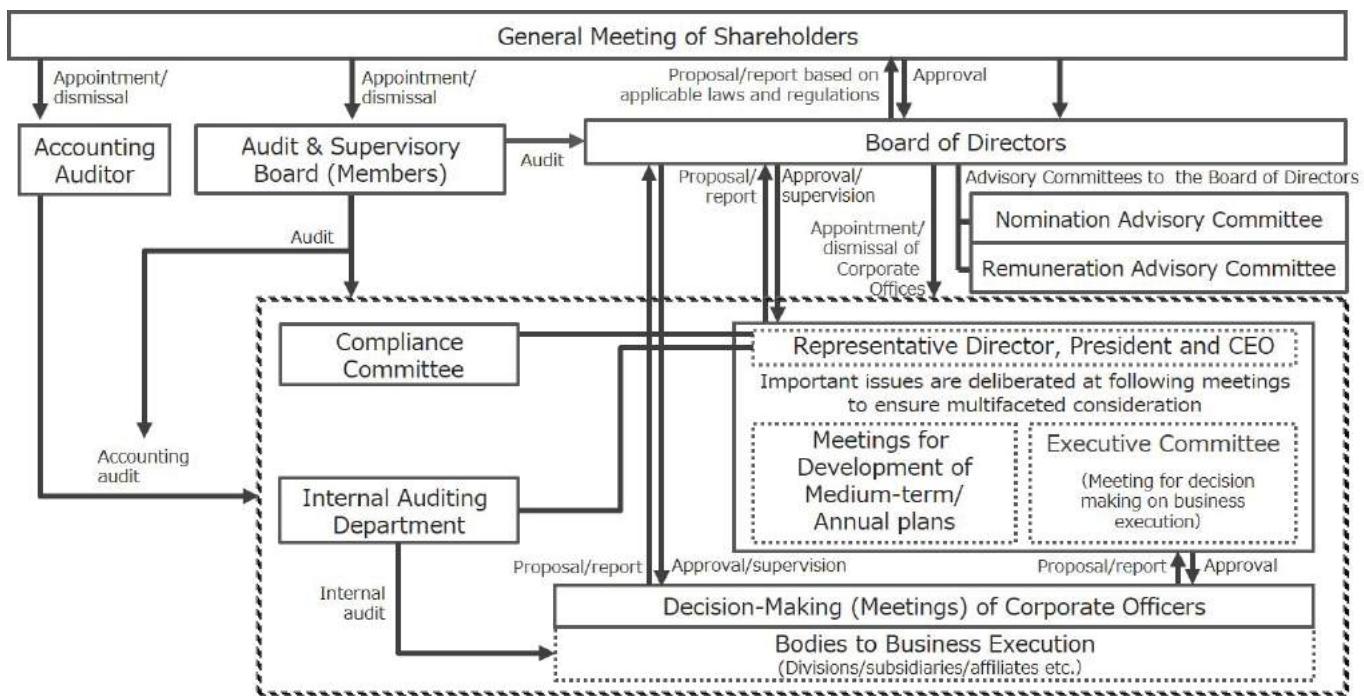
### ■ Advisory Committees

To promote transparency and objectivity in management, Shiseido established two committees to play an advisory role : the Nomination Advisory Committee, which deliberates and makes reports on matters including the selection of candidates for directors and corporate officers and their promotions and demotions, and the Remuneration Advisory Committee, which deliberates and makes reports regarding the remuneration system for directors as well as evaluation of their performance.

Both committees are chaired by external directors to maintain objectivity. Furthermore, majorities of each Committee's members are external directors.

The Nomination Advisory Committee, in addition to proposing candidates for directors and audit & supervisory board members, determines the promotions and demotions of corporate officers. The Nomination Advisory Committee also determines the limits on the terms of corporate officers as well as the rules for their promotions or demotion and retirement in order to enhance the capabilities of top management. It manages these policies in a highly transparent and impartial manner. The term limit of corporate officers is four years per position in principle. The term limit can be extended by a resolution of the Board of Directors. In that case, extension period should be within two years in principle.

The Remuneration Advisory Committee discusses about annual bonuses for directors and corporate officers. Additionally, in the fiscal 2017, the Remuneration Advisory Committee reviewed the new remuneration system for three years fiscal 2018 through fiscal 2020.



(As of January 1, 2018)

## Corporate Governance

## Audit Structure

### Internal Audit

The Internal Auditing Department, which reports directly to the President & CEO, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board.

Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant divisions.

### Audit & Supervisory Board Members' Audits and Initiatives toward Strengthening Their Functions

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three audit & supervisory board members(external) offer advices, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and audit & supervisory board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that audit & supervisory board members discharge their duties effectively, such as setting up a supporting group for audit & supervisory board members.

### Accounting Audits

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act.

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

(As of the end of March, 2018)

Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
KPMG AZSA LLC	Koichi Kobori, Designated Limited Liability Partner	2 years
	Ryoji Fujii, Designated Limited Liability Partner	5 years

Assistants for the accounting audits of the Company comprise certified public accountants and junior accountants.

### Mutual Cooperation among Internal Audits, Audit & Supervisory Board Members' Audits, and Accounting Audits

The Company, in order to improve the effectiveness and efficiency of the so-called three-pillar audit system (internal audits, audit & supervisory board members' audits, and accounting audits), has been making efforts to enhance the mutual cooperation among the parties concerned by such means as arranging regular liaison meetings to report on audit plans and audit results as well as to conduct exchanges of opinions.

## Corporate Governance

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

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The Company regards the directors, audit & supervisory board members and corporate officers remuneration policy as an important matter for the corporate governance. Thus the directors, audit & supervisory board members and corporate officers remuneration policy of the Company is designed at the Remuneration Advisory Committee chaired by external directors based on the following basic philosophy, while incorporating objective points of views.

### **[ Basic philosophy of the directors, audit & supervisory board members and corporate officers remuneration policy ]**

The directors, audit & supervisory board members and corporate officers remuneration policy shall:

1. contribute to realizing corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium- to long-term business strategy, and designed to strongly motivate directors, audit & supervisory board members and corporate officers eligible for remuneration to bring medium- to long-term growth;
4. have a mechanism incorporated to prevent overemphasis on a short-term views and wrongdoing; and
5. be designed to transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.

The remuneration of the directors, audit & supervisory board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

### **■ Remuneration for fiscal year ended December 2017**

#### **Amount of remunerations, etc. to Directors and Audit & Supervisory Board Members of the fiscal year ended December 2017**

	Basic Remuneration	Bonuses	Long-Term Incentive (Stock Option)	Total
Directors (8 persons)	270	222	93	585
External Directors among Directors (4 persons)	58	-	-	58
Audit & Supervisory Board Members (6 persons)	103	-	-	103
Audit & Supervisory Board Members (External) among Audit & Supervisory Board Members (4 persons)	38	-	-	38
<b>Total</b>	<b>373</b>	<b>222</b>	<b>93</b>	<b>688</b>

(millions of yen)

## Notes:

1. Basic remuneration for directors has the ceiling amount of ¥30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
3. In addition to the above payments, there are other remunerations, etc. of ¥16 million recorded for the fiscal year ended December 31, 2017 as expenses associated with stock options granted to one director of the Company, at the time he served as corporate officers not holding the offices of directors.
4. None of the directors or the audit & supervisory board members will be paid remunerations other than the executive remunerations described above (including those described in notes 1 through 3).

**Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of payment for the fiscal year ended December 2017**

	Basic remuneration	Bonuses	Long-term incentive (Stock option)	Total
Masahiko Uotani, Representative Director	127	179	69	377
Tsunehiko Iwai, Representative Director	46	22	23	92

(millions of yen)

## Notes:

1. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
2. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in note 1).

**Remuneration, etc. to the Accounting Auditor**

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2017	186
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	227

(Millions of yen)

## Note:

In the audit contract between the Company and its accounting auditors, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in "Remuneration paid for services rendered as accounting auditors for the fiscal year ended December 2017" above.

### **Reason for Audit and Supervisory Board to Have Agreed to Remuneration, etc. to the Accounting Auditor**

The Audit and Supervisory Board of the Company reviewed the status of performance of duties and basis for the calculation of the estimated amount of remuneration in the previous fiscal year as well as the validity of both descriptions in the audit plan prepared by the Accounting Auditor during the fiscal year and the estimated amount of remuneration, using the "Practical Guidelines for Cooperation with Accounting Auditors" released by Japan Corporate Auditors Association as a guide, and by way of necessary documents obtained from Directors, internal relevant departments and Accounting Auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the Accounting Auditor was appropriate, and expressed agreement that specified in Article 399, Paragraphs 1 and 2 of the Companies Act.

## Corporate Governance Report

Last Update: January 25, 2019

Shiseido Company, Limited

President and CEO, Representative Director: Masahiko Uotani

Contact: +81-3-6218-5530

Securities Code: 4911

<https://www.shisedogroup.com/>

The corporate governance of Shiseido Company, Limited (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

The Shiseido Group including the Company sets out “to inspire a life of beauty and culture” as the corporate mission, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission”.

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, “consumers”, “business partners”, “employees”, “shareholders”, and “society and the Earth”. In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

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

As of January 25, 2019, the Company has implemented each Principle of the Corporate Governance Code.

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

(December 27, 2018)

Descriptions of actions taken by the Company with respect to <Principle 1.4: Strategic Stockholdings> were updated. The Company reviewed some of the internal check processes for efforts to reduce strategic stockholdings.

Descriptions of actions taken by the Company concerning pension-fund investment with respect to <Principle 2.6: Roles of Corporate Pension Funds as Asset Owners> were added.

Descriptions of the Company’s procedures in dismissing a President who concurrently assumes the role of CEO with respect to <Principle 4.3.2 and 3: Appointment of a Qualified CEO and Establishment of Procedures in Dismissing the CEO> were added. As a result, descriptions of <Supplementary Principle 4.1.3: Succession Plan of the President and CEO> were recategorized under another item.

In addition, with respect to <Principle 5.2: Establishing and Disclosing Corporate Strategies and Business Plans>, part of the basic capital policy that has already been disclosed was revised, and goals of the earning ability and capital efficiency were added to clarify the Company’s corporate strategies on capital costs.

Updated Items are marked with a circle in front of the numbering.

Initiatives for the Company's corporate governance are disclosed in convocation notices of general meetings of shareholders, annual securities reports, annual reports and others, in addition to this report.

Descriptions of the items disclosed based on each Principle of the Corporate Governance Code are as follows:

1. The Company's corporate philosophy, corporate strategies and business plans <Principle 3.1: Proactive Provision of Information>

The Company's corporate philosophy, corporate strategies and business plans are contained and disclosed in the Company's Notice of Convocation of the 118th Ordinary General Meeting of Shareholders (pages 21 to 29).

[https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm\\_0000.pdf](https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm_0000.pdf)

In addition, the Company's corporate mission, "Our Mission," "Our Values" which defines a frame of mind that must be shared by each and every employee of the Shiseido Group in order to realize the mission, and "Our Way" and the "Shiseido Ethical Conduct Standards," both of which set out the standards of conduct for each and every employee of the Shiseido Group, are also stated in 2. of "Other" of this report.

2. Basic Policy on Corporate Governance <Principle 3.1: Proactive Provision of Information>

The basic stance and basic policy on the Company's corporate governance are shown in 1. of "Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" in this report. In addition, reasons why we adopted the current corporate governance system are shown in 3. of the "Status of Management Structure for Management Decision-Making, Operational Execution and Supervising, and Other Corporate Governance Systems" in this report.

3. Separation of monitoring and execution functions <Supplementary Principle 4.1.1: Summary of Scope of Matters Delegated from the Board of Directors to the Management>

The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation on the Board of Directors. Such matters consists of items relating to the general meeting of shareholders, personnel/organization, account settlement stock/bonds, and stock acquisition rights, corporate property, etc., business management and others of the Shiseido Group, that are matters provided in the Companies Act and other laws and regulations, and any other important matters equivalent thereof. Meanwhile, with the aim of clarifying the allocation of responsibility for the business management and accelerating decision making by delegation of authority, the Company introduced a corporate officer system in 2001. Authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that President and CEO can make decisions after deliberation at the Executive Committee, Meetings for Development of Medium-term/Annual Plans, and other meeting bodies.

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors.

4. Diversity of Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience and Skills, and Diversity and Size of the Board of Directors as a Whole>

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

When considering the diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc., to stress not only diversity of these attributes, but also diversity in terms of tasks including professional knowledge and experiences in various fields related to the business management. In addition, the Company has set a certain maximum term of office for external directors and external Audit & Supervisory Board members in order

to reflect their views, which are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & external supervisory board members to newly-appointed external directors and audit & external supervisory board members to ensure appropriate transition.

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

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the “monitoring board-type corporate governance”, the Company established its view on the ratio of external directors at the Board of Directors.

In the Company's articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates of external directors and Audit & Supervisory Board members are required to meet the Company's independence criteria as well as possess high independence in mental attitude.

#### 6. Criteria for Independence of “External Directors and Audit & Supervisory Board Members” <Principle 4.9: Independence Standards Aimed at Securing Effective Independence of Persons Who Will Become Independent Directors>

The Company established criteria for independence of external directors in 2012, which are included in the convocation notices of general meeting of shareholders and the like for disclosure. Specific descriptions can be found in the Internet Disclosure Accompanying the Notice of Convocation of the 118th Ordinary General Meeting of Shareholders (Voluntary Disclosure) (pages 2 to 5), and [Independent Directors] in 1. Organizational Composition and Operation of “Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” in this report.

[https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm\\_0007.pdf](https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm_0007.pdf)

#### ○ 7.Policies and Procedures in Appointing and Dismissing the Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information, Supplementary Principle 4.3.2: Appointment of a Qualified President and CEO, Supplementary Principle 4.3.3: Establishment of Procedures in Dismissing the President and CEO>

In nominating candidates for directors and Audit & Supervisory Board members and appointing corporate officers, it is a policy of the Company to nominate or appoint appropriate persons who are able to fulfill their duties and responsibility, fully taking into consideration their personality and intellectuality and the like regardless of gender, age and nationality. In addition, the Company also takes into consideration “the importance of roles to fulfill in response to entrustment on management by shareholders” for candidates for directors, and “the importance of audit and functions of Audit & Supervisory Board members for the corporate management” for candidates for Audit & Supervisory Board members, in nominating them respectively.

Nomination of candidates for directors and appointment of corporate officers are determined upon resolution by the Board of Directors after the Company receives a report from the Nomination Advisory Committee chaired by an external director on whether or not the candidates are adequate.

In addition to following the procedure, appointment of President and CEO is further carefully reviewed by the Nomination Advisory Committee. The candidate for President and CEO is selected from both inside and outside of the Company without excluding all sorts of possibilities from the standpoint of realizing the corporate philosophy and corporate strategies of the Company, and is bound to be subject to deliberation at the Nomination Advisory Committee chaired by an external director and an evaluation

working group composed of external directors and external members of Audit & Supervisory Board, starting from this selecting stage. In a case where an appropriate person was appointed as the President and CEO through such processes, but the President and CEO cannot fulfill job responsibilities for unavoidable reasons, the person is dismissed after a resolution by the Board of Directors after careful review by the Nomination Advisory Committee and the evaluation working group. The evaluation working group assesses, during meetings that are held several times in a year, whether a President and CEO has fulfilled his/her duties and responsibilities, and the Nomination Advisory Committee deliberates the group's judgment at meetings.

For nomination of candidates for Audit & Supervisory Board members, the representative directors select candidates, and the Company receives a report from the Nomination Advisory Committee on whether or not the candidates are adequate. Then the Board of Directors determines the nomination of candidates for Audit & Supervisory Board members upon receiving consent of the Audit & Supervisory Board on submitting a proposal for the election to the ordinary general meeting of shareholders.

#### 8. Explanations with Respect to the reasons for Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information>

With respect to all candidates for directors and Audit & Supervisory Board members, the Company has clarified "Reasons for Nomination of the Candidate" in relevant proposals for the election of the Notice of Convocation of the Ordinary General Meeting of Shareholders (Reference Document). The "Reasons for Nomination of the Candidates" for six directors and one Audit & Supervisory Board member proposed for election at the 118th Ordinary General Meeting of Shareholders are shown below. In addition, reasons for nomination for election of four auditors & supervisory board members other than one member identified above out of five members in the office of the Audit & Supervisory Board members as of the conclusion of the 118th Ordinary General Meeting of Shareholders are also shown below.

##### [Directors]

###### Masahiko Uotani:

Mr. Masahiko Uotani has a proven track record in business management and is particularly highly regarded within the marketing field. As a result of this and other factors, the Company invited him to become President and CEO, and in April 2014 he assumed that office. Following his appointment as a director of the Company at the 114th ordinary general meeting of shareholders held on June 25 that year, he was selected as representative director by the Board of Directors and since then has undertaken the mandate given by our shareholders to steer the Company's management.

In fiscal 2017, he continuously exerted his strong leadership, and guided by the VISION 2020 medium-to long-term strategy, he worked to realize the vision of "From a Leader in Japan to a Winner Worldwide." To that end, he aimed to accelerate sales growth by undertaking bold structural reforms. He also pursued business selection and concentration, and further reinforced investments in areas where substantial results could be expected and in human resources to support overall reforms. As a result of these activities, the Company steadily regained earning power.

Due to these facts and the leadership that will enable him to pursue the three-year plan from fiscal 2018, the Board of Directors has continuously selected him as a candidate for director.

(The 118th Ordinary General Meeting of Shareholders)

###### Jun Aoki:

Mr. Jun Aoki worked at McKinsey & Company Inc. Japan Office where he primarily handled the formulation of business strategies, and was also involved with the pharmaceutical industry and the healthcare field. He subsequently served as Head of International Human Resources for BNP Paribas Cardif, where he worked on acquisition, development, and retention of the personnel necessary to conduct business operations in countries worldwide, handling the establishment of human resource systems and formulation of human resource strategies for 36 countries globally. Since joining the Company he has been responsible for supporting the design and establishment of the global human resource framework, and for formulating and implementing human resource strategies and systems for the Group. In addition, from fiscal 2016, he has been responsible for the China Business Innovation Project, working toward reforming Shiseido into a global marketing company.

Due to these facts the Board of Directors has newly selected him as a candidate for director.  
(The 118th Ordinary General Meeting of Shareholders)

**Yoichi Shimatani (newly appointed):**

Since joining the Company, Mr. Yoichi Shimatani has handled work related to R&D and technology at Shiseido Research Labs (currently Shiseido Research Center), and possesses a wealth of experience in this field. After assuming the post of corporate officer, he has served as officer responsible for areas including innovative science and technology alliances, and has also been responsible for cosmetics value development and incubation, among other areas. He has thus contributed to the Company's growth.

Due to these facts the Board of Directors has newly selected him as a candidate for director.  
(The 118th Ordinary General Meeting of Shareholders)

**Yoko Ishikura:**

Ms. Yoko Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed opinions.

She has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that she would be able to achieve adequately the role of external director.

Due to these facts, the Board of Directors has decided to continuously select her as a candidate for external director.

(The 118th Ordinary General Meeting of Shareholders)

**Shinsaku Iwahara (newly appointed):**

Mr. Shinsaku Iwahara is a university professor and researcher specializing in legal studies, mainly with regard to companies and financial systems, with deep knowledge of law. He has also played important roles at the Legislative Council and Financial System Council, and has been involved in the establishment of the supervisory and examination systems of authorities such as the Financial Services Agency. He thus possesses a wealth of experience.

Mr. Iwahara has professional knowledge and experience as an expert in corporate governance, and by appointing him as an external director, the Company believes that the effectiveness of its Board of Directors can be further increased.

He has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external director.

Accordingly, the Board of Directors has decided to newly select him as a candidate for external director.  
(The 118th Ordinary General Meeting of Shareholders)

**Kanoko Oishi:**

Ms. Kanoko Oishi has experiences and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of active manager who is pushing forward patient-centered transformation of the medical industry. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed opinions.

For the reasons stated above, the Company is of an opinion that she would be able to achieve adequately the role of external director.

Due to these facts, the Board of Directors has continuously selected her as a candidate for external director.  
(The 118th Ordinary General Meeting of Shareholders)

**[Audit & Supervisory Board Members]**

**Takeshi Yoshida (newly appointed):**

Since joining the Company, Mr. Takeshi Yoshida has built up a career primarily in the field of personal care, and possesses a wealth of experience in the Cosmetics business in Japan and its administration as

Department Director of the Cosmetics Business Planning Department. In addition, he led the Cosmetics business in the Americas as Executive Vice President of Shiseido Americas Corporation, the holding company in the Americas. He also contributed to stable business operation for the Group by focusing on internal control as the Department Director of the Company's Internal Audit Department.

Furthermore, Mr. Yoshida has experience and knowledge in financing, accounting and taxation. Due to these facts the Board of Directors has decided to newly select him as a candidate for Audit & Supervisory Board member.

(The 118th Ordinary General Meeting of Shareholders)

**Kyoko Okada:**

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

(The 115th Ordinary General Meeting of Shareholders)

**Nobuo Otsuka:**

Mr. Nobuo Otsuka has ample knowledge and strong intellect as a doctor, as well as long experience in managing a medical corporation offering thoroughly patient-oriented services unbound by conventional modes of hospital operation. In these respects, he is fulfilling the function of Audit & Supervisory Board member well, for example by actively making statements as external Audit & Supervisory Board member of the Company.

Mr. Otsuka has not participated in management of companies other than as external Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that he would be able to adequately achieve the role of external Audit & Supervisory Board member. Accordingly, the Board of Directors has continuously selected him as a candidate for external Audit & Supervisory Board member.

(The 115th Ordinary General Meeting of Shareholders)

**Hiroshi Ozu:**

Mr. Hiroshi Ozu has held a series of important positions in the legal world, such as Vice-Minister of Justice at the Ministry of Justice and Prosecutor General at the Supreme Public Prosecutors Office, he has wide-ranging experience and knowledge focused on the legal field. He also serves as external Audit & Supervisory Board member in other companies and possesses a wealth of experience and keen insight. He has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external Audit & Supervisory Board member.

Due to these facts, the Board of Directors has selected him as a candidate for external Audit & Supervisory Board member.

(The 117th Ordinary General Meeting of Shareholders)

**Eiko Tsujiyama:**

Dr. Eiko Tsujiyama is a professor of the Faculty of Commerce of Waseda University and an expert in finance, accounting and tax issues qualified as certified public accountant. Dr. Tsujiyama currently holds the office of external director and external Audit & Supervisory Board member for several companies and has affluent experience and a high level of knowledge.

Dr. Tsujiyama has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that she would be able to achieve adequately the role of external Audit & Supervisory Board member. Accordingly, the Board of Directors has continuously selected her as a candidate for external Audit & Supervisory Board member. (The 116th Ordinary General Meeting of Shareholders)

○ 9. Succession Plan and Training for Directors, Audit and Supervisory Board Members and Corporate Officers <Supplementary Principle 4.1.3: Succession Plan of the President and CEO, Supplementary Principle 4.14.2: Training Policy for Directors and Audit & Supervisory Board Members>

The Company considers that it should strive to have a candidate successor for President and CEO selected under his or her own responsibility and authority, and that President and CEO should propose his or her own succession plan. In addition, the Nomination Advisory Committee, which performs certain functions of the Board of Directors, receives full reports from President and CEO on the succession plan and the specific nomination for successor, then exchanges opinions and discusses the matter in light of an evaluation to President and CEO from an independent perspective as well as the Company's management issues, and provides feedback. For the evaluation of the specific successor candidate, the evaluation working group judges whether the candidate is suitable.

In addition, the Company believes that it is important to have a succession plan for not only President and CEO as leader steering business management, but also for external directors and external Audit & Supervisory Board members who play key roles in supervising functions over the business management. The Company has reviewed the succession plan that includes control of term of office and clarification of requirements for candidates for successors, not only during the time immediately before the replacement but continuously at the Nomination Advisory Committee as a matter that needs to be paid attention to at all times.

The Company also believes in addition to appointing personnel having credentials required to serve as directors, Audit & Supervisory Board members and corporate officers, it is also important to provide them with necessary training and information. The Company provides candidates for new directors and candidates for new audit and supervisory board members with training with regard to legal and statutory authorities and obligations, etc. utilizing training programs provided by external institutions as necessary. In addition, when a new external director or external Audit & Supervisory Board member is scheduled to come on board, the Company provides training regarding the industry the Company operates business in, the history, business overview, strategy, etc. of the Company.

Furthermore, for directors who execute business and corporate officers, the Company holds an in-house executive program, as well as utilizing training at external institutions, in order to develop leadership capabilities to an even higher level. In respect of the cultivation of the next generation of management, executives who are corporate officer candidates are provided with training programs to nurture their leadership abilities and management skills required for top management officers.

10. Important Position at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.2: Concurrent Posts Assumed by Directors and Audit & Supervisory Board Members>

Matters concerning important positions at other organizations concurrently assumed by directors and Audit & Supervisory Board members of the Company are shown in the Notice of Convocation of the 118th Ordinary General Meeting of Shareholders of the Company (page 55, pages 104 to 112, and page 114).

Also, the important positions at other organizations concurrently assumed by external directors and external Audit & Supervisory Board members and relationships between organizations and the Company are shown in the Notice of Convocation of the 118th Ordinary General Meeting of Shareholders of the Company (pages 57 to 59, pages 104 to 112, and page 114).

[https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm\\_0000.pdf](https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm_0000.pdf)

11. Information Exchange between External Directors and External Audit & Supervisory Board Members <Supplementary Principle 4.4.1: Coordination between the Audit & Supervisory Board Members and Audit & Supervisory Board, and External Directors, Supplementary Principle 4.8.1 and 2: Establishment of Framework for Information Exchange among Independent Directors/Establishment of Framework for Communication with Various Corporate Bodies>

The Company has elected a total of six external directors and audit & external supervisory board members: three external directors and three external Audit & Supervisory Board members with high degree of independence. To ensure that external directors and external Audit & Supervisory Board members can fully play their expected roles, the Company provides them with training with regard to the industry the Company belongs to, history, business overview and strategies and the like of the Company at the time they newly assume office, and the materials for meetings of the Board of Directors in advance. In addition to the "Board of Directors Member Meeting" consisting of all directors and Audit & Supervisory Board members that has been held as necessary for information exchange and discussions,

In addition, information sharing meetings are held between external directors and Audit & Supervisory Board members.

In addition, external directors and external Audit & Supervisory Board members exchange and share information and confirmed mutual recognition through lively discussions in the evaluation working group meeting. The evaluation working group was established as a common deliberation body shared by the Nomination Advisory Committee and the Remuneration Advisory Committee, and the group is comprised of external directors and external Audit & Supervisory Board members. The group's mission is to conduct overall business evaluation including the performance evaluation for President and CEO, and confirm appropriateness of the remuneration level. The evaluation working group also deliberates and reviews reappointment or replacement of President and CEO, playing an extensive role concerning appropriate appointment of President and CEO and determining incentives.

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

The Company conducted an evaluation concerning effectiveness of the Board of Directors in fiscal 2017 with the aim of identifying issues and improvements required to enhance effectiveness of the Board of Directors.

The main purposes of the evaluation in fiscal 2017 were to assess the activities of the Board of Directors for a year comprehensively and to confirm the progress of the tasks and initiatives that had been identified through the evaluation in fiscal 2015 and 2016. So the evaluation in fiscal 2017 was carried out by self-assessment method.

Anonymous questionnaires are conducted for all directors and Audit & Supervisory Board members to evaluate and analyze the activities of the Board of Directors, the Nomination Advisory Committee, the Remuneration Advisory Committee and the Audit & Supervisory Board and the support system by the secretariat. In order to draw out frank opinions and to ensure objective analysis, the secretariat of the Board of Directors asked external organizations to collect responses from the questionnaires, and the secretariat conducted analyzes using the data after aggregation.

As a result of this compilation and analysis, the secretariat evaluates that the Board of Directors in fiscal 2017 was in the following situation:

- The Board of Directors has established a sound relationship of trust with Representative Director, President and CEO, a person with ultimate responsibility for business execution, and, as a result, progress has been made as a monitoring board, and its supervisory function is further enhanced.
- Although improvements are progressing steadily on the agendas identified in the evaluation conducted in fiscal 2015 and 2016, it is necessary to continuously improve the items listed below:
  - CEO's succession plan
  - To see the importance of external directors in a fresh light and their succession plans
  - To ensure greater diversity in the board of directors
  - To strengthen communication between external directors and Audit & Supervisory Board (and its members)
- As new agendas, there is room for improvement about items listed below:
  - To enhance the secretariat system of the Board of Directors and the advisory committees, and to strengthen linkage with the secretariat of the Board of Corporate Auditors
  - To enhance the dissemination of information regarding the Nominating Advisory Committee and the Remuneration Advisory Committee to Audit & Supervisory Board (members)

In fiscal 2018, the Company will continue to work on improving these agendas including new ones, maintaining the institutional design of the Company with the Audit & Supervisory Board. The Company will strengthen the monitoring function of the Board of Directors utilizing the mechanism of the Nomination Advisory Committee and Remuneration Advisory committee.

13. Policies and Procedures in Determining the Remuneration of the Senior Management and Directors by the Board of Directors <Principle 3.1: Proactive Provision of Information>

The directors, Audit & Supervisory Board members and corporate officers remuneration policy of the Company is established by the Remuneration Advisory Committee, which is chaired by an external director and includes external professionals as the Committee members, to maintain objectivity and high transparency. Remuneration to directors, Audit & Supervisory Board members and corporate officers of the Company consists of a basic remuneration and a performance-linked remuneration that fluctuates depending on the achievement of management targets and share price. The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and Audit & Supervisory Board members receive only basic remuneration, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th Ordinary General Meeting of Shareholders was held.

More details on the directors, Audit & Supervisory Board members and corporate officers' remuneration policy are shown for disclosure on the Notice of Convocation of the 118th Ordinary General Meeting of Shareholders of the Company (pages 62 to 69).

[https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm\\_0000.pdf](https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm_0000.pdf)

○14. Fundamental Approach to Capital Policy <Principle 1.3: Fundamental Approach to Capital Policy>

The Company endeavors to maintain its shareholders' equity at a certain level in order to invest promptly and decisively when considered necessary in order to ensure sustainable growth. In addition, the Company regards free cash flow and the cash conversion cycle as important, and practices management focused on ensuring capital efficiency by improving its management of cash flows and its balance sheet. With regard to financing which supports our investment for future growth, we will implement timely financing to the best of our abilities, taking into account market conditions and other factors. We set a target of debt-to-equity ratio of 0.3 and interest-bearing debt to EBITDA ratio of 1.0 in order to maintain a single-A credit rating, which enables financing on favorable terms. However, considering future earning ability and capability to create cash flow, we will review these indices as well as the current approach to providing returns to shareholders timely, so as to optimize the capital structure that can contribute to further improvement in capital efficiency.

We aim to achieve total returns, comprising direct returns to shareholders through dividends and medium-to-long term share price gains. Based on this approach, our basic policy is to focus on making strategic investment for sustainable growth, thus aiming for maximization of corporate value. At the same time we will enhance capital efficiency exceeding capital costs, with a view to increasing dividends and our share price over the medium-to-long term.

Upon determining dividends, we will achieve long-term, stable and continuous enhancement of returns with emphasis given to consolidated business results and free cash flow, and set the minimum level of Dividend on Equity (DOE) of 2.5%, which we see as an indicator that reflects our capital policy. We will also buy back shares flexibly taking the market environment into consideration.

○15. Corporate Strategies Focused on Capital Costs <Principle 5.2: Establishing and Disclosing Corporate Strategies and Business Plans >

The Company aims to enhance our advantage globally in the prestige cosmetics field, with its top priority determined by the aforementioned capital policy. Toward 2020, the Company plans to invest more than 300 billion yen in the enhancement of the supply structure, including the building of a new factory, and marketing, which will increase total assets. Concerning cash and deposits, the Company aims to maintain the soundness of liquidity in hand, assigning priority to investment in growth and reduce the inventory to an appropriate level.

Through balance sheet management and cash flow management as outlined under the aforementioned capital policy, the Company aims to achieve more than 12% of return on invested capital (ROIC), a return that exceeds capital costs(WACC).

Business performance data of the most recent quarter and the corresponding corporate strategies are listed in the website below.

[https://www.shiseidogroup.jp/ir/library/tanshin/?rt\\_bt=second-ir-mainmenu\\_001](https://www.shiseidogroup.jp/ir/library/tanshin/?rt_bt=second-ir-mainmenu_001)

(Website>Investors>IR Library>Consolidated Settlement of Accounts/Presentation)

○16. The Company's Policy with Regard to Reduction of Strategic Stockholdings <Principle 1.4: Policy with Regard to Strategic Stockholdings and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings>

The Company conducts strategic stockholdings in accordance with the policy below, and keeps such stockholdings at the minimum level necessary.

- The Company conducts strategic stockholdings at the minimum level necessary only when it determines that such stockholdings would contribute to sustainable growth and mid- and long-term improvement of corporate value.
- The Company regularly examines whether the purpose of holdings and benefits from holdings are balanced with capital costs for each stock it holds, makes the Board of Directors verify the adequacy of the holdings, and discloses the results.
- When a company that holds the Company's shares for the purpose of strategic stockholdings wants to sell the shares, the Company should neither prevent the sales nor suggest that the Company would reduce transactions with the holding company.

As of the end of September 2018, the Company holds stocks of 30 companies as strategic stockholdings. The Company reduced strategic stockholdings by about 23% based on book value since the end of the previous fiscal year by selling all shares of three companies and some shares of two companies.

In addition, when exercising its voting rights with regard to shares of strategic stockholdings, the Company confirms whether the proposed item of business would lead to impairment of shareholder value. It then considers the situation of an investee company and other relevant factors to determine its approval or disapproval before exercising its voting rights.

If the Company wishes to confirm the intent of an item of business, etc., it will discuss the matter with the investee company if necessary.

○17. Roles of Corporate Pension Funds as Asset Owners <Principle 2.6: Roles of Corporate Pension Funds as Asset Owners>

For adequate pension fund investments, the Company takes the following actions to perform its roles expected as an asset owner:

- The Company regularly convenes meetings of the asset-investment review conference, which consists of the corporate officer in charge of finance, the Department Director of the Human Resources Department, the Department Director of the Financial Department, board members of the pension fund, and others; at the meeting, the Company determines asset portfolios, investment policies, and investment products based on opinions and advice from external consulting firms.
- Based on the policy determined by the asset-investment review conference, the board member in charge of investment of the pension fund conducts asset investments and reports the results to the asset-investment review conference, the board of representatives, and the board of directors of the pension fund, who monitor investment results.
- The executive board members and the board member in charge of investment are selected from among candidates who have years of experience in corporate pension fund operations at other financial institutions. The members of the asset-investment review conference gain expertise by participating in seminars held by external consulting firms and other professional organizations.

18. Framework for Confirmation of Transactions with Related Parties <Principle 1.7: Framework for Confirmation of Transactions with Related Parties>

The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms the existence of transactions with the said related parties and the importance of the said transactions, and, if there are transactions to be disclosed, carries out disclosure accordingly.

The existence of related parties, the existence of transactions with related parties, the contents of transactions and other such information, are reported to the Board of Directors in advance of disclosure, and a review is conducted based on the criteria for judgment of importance stipulated in the "Guidance on Accounting Standard for Related Party Disclosures."

19. Communication with Investors <Principle 5.1: Policies concerning the Measures and Organizational Structures Aimed at Promoting Constructive Dialogue with Shareholders>

The Company established the Disclosure Policy, consisting of “Basic Policy on Information Disclosure,” “Standards for Information Disclosure,” “Method of Information Disclosure,” “Quiet Periods,” and “Forward-Looking Statements” in 2006. The Disclosure Policy was partially amended in order to include provisions concerning recognition of material information in January, 2018, and the amended policy is disclosed on the website of the Company.

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

Currently, the Company is aggressively implementing the initiatives described in 1. and 2. of “Implementation of Measures for Shareholders and Other Stakeholders” in this report, based on the Disclosure Policy, with the aim of appropriately providing both institutional investors (shareholders) and individual investors (shareholders) with information.

As we believe that the Company is expected to make further improvements in these various activities, from the standpoint of “promoting constructive dialogue,” we are continuously studying this point. We will inform you of results of the study in a timely manner.

## 2. Capital Structure

<b>Foreign Shareholding Ratio</b>	<b>Updated</b>	More than 30%
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### [Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	38,033,600	11.33
Japan Trustee Services Bank, Ltd. (Trust Account)	22,795,100	5.70
BNYM TREATY DTT 15	11,915,384	2.98
Mizuho Trust & Banking Co., Ltd. re-trusted to Trust & Custody Services Bank, Ltd.	10,000,000	2.50
Employees Pension Trust for Mizuho Bank		
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,798,200	1.95
Japan Trustee Services Bank, Ltd. (Trust Account 7)	7,100,600	1.77
STATE STREET BANK WEST CLIENT – TREATY 505234	6,279,378	1.57
THE BANK OF NEW YORK MELLON 140044	5,964,548	1.49
JP MORGAN CHASE BANK 385151	5,897,907	1.47
SSBT CLIENT OMNIBUS ACCOUNT	5,856,871	1.46

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

### Supplementary Explanation **Updated**

1. All shares held by The Master Trust Bank of Japan, Ltd. (Trust Account) and Japan Trustee Services Bank, Ltd. (Trust Account) are in connection with the respective bank's trust business.
2. A report of amendment to large shareholdings from Mitsubishi UFJ Financial Group, Inc., that on October 15, 2018, it held 32,000 thousand shares through joint holdings (Percentage of shareholding: 8.01%), of which 24,833 thousand shares (6.21%) are held by the Mitsubishi UFJ Trust and Banking Corporation, has been filed with the Director-General of the Kanto Finance Bureau. However, the Mitsubishi UFJ Trust and Banking Corporation has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.
3. A report of amendment to large shareholdings from Mizuho Bank, Ltd., that on October 22, 2018, it held 26,972 thousand shares through joint holdings (Percentage of shareholdings: 6.75%), of which 15,832 thousand shares (3.96%) are held by the Asset Management One Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. However, the Asset Management One Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.
4. A report to large shareholdings from the Nomura Securities Co., Ltd. that on November 21, 2018, it held 20,023 thousand shares through joint holdings (Percentage of shareholding: 5.01%), of which 19,187 thousand shares (4.80%) are held by the Nomura Securities Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. However, the Nomura Securities Co., Ltd. has been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.

5. A report of amendment to large shareholdings from the Sumitomo Mitsui Trust Bank, Ltd., that on December 21, 2018, it held 28,236 thousand shares through joint holdings (Percentage of shareholding: 7.06%), of which 13,865 thousand shares (3.47%) are held by the Sumitomo Mitsui Trust Asset Management Co., Ltd. and 10,370 thousand shares (2.59%) are held by the Nikko Asset Management Co., Ltd. has been filed with the Director-General of the Kanto Finance Bureau. However, the Sumitomo Mitsui Trust Asset Management Co., Ltd. and the Nikko Asset Management Co., Ltd., Ltd., have been excluded from the above principal shareholders, as the actual number of shares held by the said company has not been confirmed by the Company as of the end of the fiscal year.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

N/A

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

None.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President

Number of Directors	<a href="#">Updated</a>	6
Number of External Directors	<a href="#">Updated</a>	3
Number of Independent Directors	<a href="#">Updated</a>	3

#### External Directors' Relationship with the Company (1) [Updated](#)

Name	Attribute	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	j
Yoko Ishikura	Other										
Shinsaku Iwahara	Scholar										
Kanoko Oishi	Originally from other company										

\* Categories for "Relationship with the Company"

- \* ○ when the director presently falls or has recently fallen under the category;
- “△” when the director fell under the category in the past
- \* ● when a close relative of the director presently falls or has recently fallen under the category;
- “▲” when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

#### External Directors' Relationship with the Company (2) [Updated](#)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoko Ishikura	○	With regard to Ms. Yoko Ishikura, none of the relationship and classification stated above	<Reasons for appointing as an external director and roles and functions in the Company>

	<p>(classification “a” – classification “k”) applies to her.</p> <p>Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Outside Director, Nissin Food Holdings Co., Ltd.</li> <li>• Outside Director, Sojitz Corporation</li> <li>• Professor Emeritus, Hitotsubashi University</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as “Principal Occupation” when it estimates the importance of Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed.”</p>	<p>Ms. Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a member of the Company’s Remuneration Advisory Committee and Nomination Advisory Committee, she attended the meetings of these committees and actively expressed opinions.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Ms. Ishikura maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Ms. Ishikura has fulfilled the Criteria in full. Hence Ms. Ishikura has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company’s subsidiary</p>
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Shinsaku Iwahara	○	<p>With regard to Mr. Shinsaku Iwahara, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Mr. Iwahara's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Professor, Faculty of Law, Waseda University</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Iwahara's "Important Position of Other Organizations Concurrently Assumed."</p>	<p>&lt;Reasons for appointing as an external director and roles and functions in the Company&gt;</p> <p>Mr. Iwahara has been appointed external director to reflect his legal knowledge, particularly regarding the Companies Act and Financial Laws, to the management of the Company, as well as his knowledge and experiences in the area of corporate governance.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Mr. Iwahara maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Iwahara has fulfilled the Criteria in full. Hence Mr. Iwahara has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) a person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
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Kanoko Oishi	○	<p>With regard to Ms. Kanoko Oishi, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Ms. Oishi's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• CEO, MEDIVA Inc.</li> <li>• CEO, Seeds 1 Co., Ltd.</li> <li>• Outside Director, Ezaki Glico Co., Ltd.</li> <li>• External Board Member, Santen Pharmaceutical Co., Ltd.</li> <li>• External Director, Suruga Bank Ltd.</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Uemura's "Important Position of Other Organizations Concurrently Assumed."</p>	<p>&lt;Reasons for appointing as an external director and roles and functions in the Company&gt;</p> <p>Ms. Oishi has many years of experience in managing businesses in Japan and overseas. Currently, she is primarily involved in efforts to transform the healthcare industry from the patient's point of view. In addition, she has accumulated experience as an external director in multiple companies. We believe that Ms. Oishi can help to enhance the Company's corporate value by leveraging this experience and knowledge, in addition to supervising management as an external director.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Ms. Oishi maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Ms. Oishi has fulfilled the Criteria in full. Hence Ms. Oishi has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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## Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Remuneration Advisory Committee
All Committee Members [Updated]	4	4
Full-time Members	0	0
Inside Directors	1	1
External Directors [Updated]	3	3
Outside Experts	0	0
Other	0	0
Chairperson	External Director	External Director

## Supplementary Explanation [Updated]

## &lt;Nomination Advisory Committee&gt;

The Nomination Advisory Committee makes reports to the Board of Directors on matters including the selection of candidates for directors and corporate officers and their promotions and demotions. In fiscal 2017, 7 meetings of the Nomination Advisory Committee were held. In addition to reporting on the selections of candidates for directors and audit & supervisory board members, the appointment of corporate officers, and the appointment of a CEO for the EMEA regional headquarters, etc., the committee discussed the view on an upper limit for the corporate officers' term of office, and abolition of the Counselor/Advisor system.

## &lt;Remuneration Advisory Committee&gt;

The Remuneration Advisory Committee makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. In fiscal 2017, 8 meetings of the Remuneration Advisory Committee were held. In addition to discussing bonuses for the Company's directors and corporate officers for fiscal 2016, remunerations for the Company's individual directors and corporate officers for fiscal 2017, and a remuneration system for fiscal 2017, the committee discussed a revision to the remuneration system for the next three years.

**[Audit & Supervisory Board Members (*Kansayaku*)]**

Establishment of Audit & Supervisory Board ( <i>Kansayaku</i> Board)	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	The Company doesn't set a ceiling on the number of corporate auditors
Number of <i>Kansayaku</i>	5

**Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments**

The Audit & Supervisory Board members receive reports on audit plans for audit system and schedule from the accounting auditors, and opinions are exchanged. The Audit & Supervisory Board members receive reports on audit results and its method from accounting auditors throughout the fiscal year. The Audit & Supervisory Board members receive reports on audit plans and the results of audits and surveys from the Internal Auditing Department, and opinions are exchanged on necessary commitments. In addition, representative directors and Audit & Supervisory Board members periodically hold meeting for exchanging opinions.

Appointment of External <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

**External *Kansayaku*'s Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Nobuo Otsuka	Other													
Hiroshi Ozu	Attorney at Law													
Eiko Tsujiyama	CPA													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. *Kansayaku* of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

**External *Kansayaku*'s Relationship with the Company (2)**

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobuo Otsuka	○	<p>With regard to Mr. Nobuo Otsuka, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <p>Mr. Otsuka's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Chairman of Keiseikai Hospital Group</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Otsuka's "Important Position of Other Organizations Concurrently Assumed."</p>	<p>&lt;Reasons for appointing as an external member of Audit &amp; Supervisory Board and roles and functions in the Company&gt;</p> <p>Mr. Otsuka has been appointed Audit &amp; Supervisory Board member (external) in order to ensure objectivity and neutrality of auditing by Audit &amp; Supervisory Board members, based on his experiences and knowledge as management executive of a medical corporation.</p> <p>Mr. Otsuka has expressed necessary views from an independent perspective.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</p> <p>Mr. Otsuka maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Otsuka has fulfilled the Criteria in full. Hence Mr. Otsuka has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p>

			(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
Hiroshi Ozu	○	<p>With regard to Mr. Hiroshi Ozu, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <p>Mr. Ozu's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• External Audit &amp; Supervisory Board Member of MITSUI &amp; CO., LTD.</li> <li>• Outside Audit &amp; Supervisory Board Member of TOYOTA MOTOR CORPORATION</li> <li>• Representative Director of Shimizu Scholarship Foundation, general incorporated foundations</li> <li>• President of Criminal Justice Welfare Forum Oasis (general incorporated association)</li> <li>• President of Japan Criminal Policy Society</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Ozu's "Important Position of Other Organizations</p>	<p>&lt;Reasons for appointing as an external member of Audit &amp; Supervisory Board and roles and functions in the Company&gt;</p> <p>Mr. Ozu has been appointed Audit &amp; Supervisory Board member (external) in order to ensure objectivity and neutrality of auditing by Audit &amp; Supervisory Board members, based on his experiences and knowledge in legal field.</p> <p>Mr. Ozu has expressed necessary views from an independent perspective.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</p> <p>Mr. Ozu maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Ozu has fulfilled the Criteria in full. Hence Mr. Ozu has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;  (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;  (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;  (4) A principle shareholder of the Company;  (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary</p>

		Concurrently Assumed.”	
Eiko Tsujiyama	○	<p>With regard to Dr. Eiko Tsujiyama, none of the relationship classification stated above (classification “a” – classification “m”) applies to her.</p> <p>Dr. Tsujiyama’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Professor, Faculty of Commerce, Waseda University</li> <li>• Outside Director of ORIX Corporation</li> <li>• Outside Corporate Auditor of Lawson, Inc.</li> <li>• Outside Corporate Auditor of NTT DoCoMo, Inc.</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as “Principal Occupation” when it estimates the importance of Dr. Tsujiyama’s “Important Position of Other Organizations Concurrently Assumed.”</p>	<p>&lt;Reasons for appointing as an external member of Audit &amp; Supervisory Board and roles and functions in the Company&gt;</p> <p>Dr. Tsujiyama has been appointed Audit &amp; Supervisory Board member (external) in order to ensure objectivity and neutrality of auditing by Audit &amp; Supervisory Board members, based on her experiences and knowledge as management executive of a medical corporation.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</p> <p>Dr. Tsujiyama maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Dr. Tsujiyama has fulfilled the Criteria in full. Hence Dr. Tsujiyama has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;  (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;  (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;  (4) A principle shareholder of the Company;  (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below  (a) person described in items (1) through (4);  (b) A corporate officer of the Company or the Company’s subsidiary</p>

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

Number of Independent Directors/ <i>Kansayaku</i>	6
Updated	

**Matters relating to Independent Directors/*Kansayaku***

The Company establishes its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” (the “Criteria”) and “Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”), which is contingent upon the Criteria. In this report, some of the descriptions about the relationships between the Company and other organizations in which external directors/Audit & Supervisory Board members concurrently assume important position are omitted according to the Insignificance Criteria.

**<Criteria for Independence of External Directors/Audit & Supervisory Board Members>**

Shiseido Company, Limited (the “Company”) deems an external director and Audit & Supervisory Board member (collectively the “External Director”) or a candidate for the External Director to have sufficient independence against the Company in the event that all the following requirements are fulfilled upon the Company’s research to the practically possible and reasonable extent.

1. He/She is not nor has been an executive person<sup>i</sup> of the Company or an affiliated company<sup>ii</sup> (collectively the “Shiseido Group”);  
In the case of an Audit & Supervisory Board members (external), in addition to the above, he/she has not been a non-executive director nor accounting advisor (in the case of accounting advisor being an artificial person, a staff in charge of the duty) of the Shiseido Group.
2. He/She does not fall under any of the following items for the current fiscal year and the last nine (9) fiscal years (all these fiscal years being referred to as the “Relevant Fiscal Years”):
  - 1) A counterparty which has transactions principally with the Shiseido Group<sup>iii</sup>, or its executive person (including a person having once been executive officer for the Relevant Fiscal Years. The same is applicable to Items 2) to 4) of this Clause below);
  - 2) A principal counterparty of the Shiseido Group<sup>iv</sup>, or its executive person;
  - 3) A large shareholder who holds or has held directly or indirectly 10% or more of the voting rights of the Company in the Relevant Fiscal Years or its executive person;
  - 4) An executive person of a company of which the Shiseido Group holds or has held directly or indirectly 10% or more of the total voting rights in the Relevant Fiscal Years;
  - 5) A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets<sup>v</sup> in addition to the External Director’s remunerations in the Relevant Fiscal Years. In addition, in the event that the accounting professional or legal professional is an organization such as artificial person or association, a person who belongs to such organization (including a person who has once belonged to such organization in the Relevant Fiscal Years. The same is applicable to Items 6 and 7 below of this Clause) is included.
  - 6) A person/organization who received donation of a large amount of money or other assets<sup>v</sup> from the Shiseido Group in the Relevant Fiscal Years. In addition, in the event that those who received donation from the Shiseido Group are an organization such as artificial person or association, a person who belongs to such organization is included.
  - 7) An accounting auditor of the Company. In addition, in the event that the accounting auditor is an organization such as artificial person or association, a person who belongs to such organization is included.
3. He/She is not a spouse of the following person, relative in second or less degree, relative living in the same place or a person with whom living costs are shared, provided, however that Item 2) is applicable only to make judgment on the independence of an Audit & Supervisory Board members (external).
  - 1) An important person<sup>vi</sup> among executive persons of the Shiseido Group;
  - 2) Non-executive director of a company in the Shiseido Group;

- 3) A person falling under any of Items 1) to 4) of Clause 2; provided, however, that with respect to these executive persons, applicable only to the important person<sup>vi</sup>.
- 4) A person falling under any of Items 5) to 7) of Clause 2; provided, however, that with respect to a person belonging to the organization, applicable only to the important persons<sup>vii</sup>.
4. Any of the following situations that could be deemed as “Cross-Assumption of Offices of Directors, etc.” is not applicable:
- 1) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, external director, corporate auditor or the office equivalent thereto<sup>viii</sup> of a company other than the Company, in Japan or overseas (the “Subject Company”), an executive person, an external director, corporate auditor (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes director (including an external director), executive officer, corporate auditor (including external corporate auditor), executive officer or person in the position equivalent thereto<sup>viii</sup> of the Subject Company.
  - 2) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, director, officer or the office equivalent to director or officer of an artificial person or other organization (other than a company) (the “Subject Organization”), an executive person, an external director, corporate auditor (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of director, officer or person in the position equivalent thereto<sup>ix</sup> of the Subject Organization.
5. In addition to Clauses 1 to 4, there exist no circumstances in which duties imposed on an independent External Director are reasonably deemed not to be achieved.
6. It is presently expected that any event or matter stated in Clauses 1 to 5 would not occur or exist hereafter.

Note:

- i. An “affiliated company” means the affiliated company stated in Article 2, Paragraph 3, Item 22 of the Ordinance on Company Accounting.
- ii. An “executive person” means an executive director, executive officer, corporate officer, staff executing business of a company divided into interest (mochibun kaisha) (in the event of the staff being a artificial person, a person to discharge duties stated in Article 598, Paragraph 1 of the Companies Act), a person executing business of artificial person or organization other than a company and an employed person (an employee, etc.) of a artificial person or organization including a company.
- iii. A “counterparty which has transactions principally with the Shiseido Group” means a person/organization falling under any of the following items:
  - 1) The counterparty or the counter party group (a consolidated group to which the company that has direct transactions with the Shiseido Group belongs to) (collectively the “counterparty”)which provides or provided products or services to the Shiseido Group and the aggregate amount of transactions between the counterparty and the Shiseido Group exceeds Yen10 million per fiscal year, and which exceeds 2% of consolidated net sales of the counterparty (or if the counterparty does not prepare consolidated financial statement, non-consolidated net sales of the counterparty) for the Relevant Fiscal Years.
  - 2) The counterparty group to which the Shiseido Group is or was indebted to the counterparty group and the aggregate amount of indebtedness of the Shiseido Group exceeds Yen10 million as at the end of each fiscal year, and which exceeds 2% of consolidated total assets (or if the counterparty does not prepare consolidated financial statement, non-consolidated total assets of the counterparty) of the counterparty for the Relevant Fiscal Years.
- iv. A “principal counterparty of the Shiseido Group” means a person/organization falling under any of the following items:
  - 1) The counterparty to which the Shiseido Group provides or provided products or services and the aggregate amount of transactions between the counterparty and the Shiseido Group exceeds ¥10 million per fiscal year, and which exceeds 2% of consolidated net sales of the Shiseido Group for the Relevant Fiscal Years.
  - 2) The counterparty to which the Company Group has account-receivable, advance and account due (collectively “account-receivable”) and the aggregate amount of the account-receivable of

- the Shiseido Group exceeds Yen10 million as at the end of each fiscal year, and which exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.
- 3) A financial institution group (to which the direct lender belongs) from which the Shiseido Group borrows or borrowed and the aggregate amount of the borrowing exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.
  - v. A “large amount of money or other assets” means in excess of Yen 10 million per fiscal year.
  - vi. An “important person” from among executive persons means a director (excluding external director), an executive officer, corporate officer, and employed person in the office of senior management not lower than general manager.
  - vii. An “important person” from among persons “belonging to the organization” stated in 5) and 7) in Clause 2 above means an officer such as certified public accountants belonging to audit corporation or accounting firm, lawyer (including so as to call associates) belonging to law firm, director and supervisor belonging to a judicial foundation, incorporated association, incorporated school and other artificial persons (collectively “Various Artificial Person”) In the event that an organization to which a person belongs is not any of audit corporation, accounting firm, law firm and Various Artificial Person, a person who is deemed objectively and reasonably important equivalent to the persons stated above in this note by the organization.
  - viii. An “office of an executive person, external director, corporate auditor or the position equivalent thereto” includes the positions such as “Counselor”, “Advisor”, etc. assumed by retired director, retired corporate auditor, retired executive officer or retired corporate officer enabling them to give advice to the Company, in addition to an executive person defined in Note ii above, non-executive director (including external director), and corporate auditor (including external corporate auditor).
  - ix. The “office of director or person in the position equivalent thereto” includes the positions such as “Counselor”, “Advisor”, etc. assumed by retired director, retired councilor or retired supervisor enabling them to give advice to the subject organization, in addition to director, councilor or supervisor.

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< Insignificance Criteria for Omission of Description about Relationships between the Company and the Eternal Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents >

Shiseido Company, Limited (the “Company”) establishes its own rules of ” Insignificance Criteria for Omission of Description about Relationships between the Company and the Eternal Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”) in accordance with its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” as described below. This Insignificance Criteria defines monetary amount standards by which the Company deems an external director and Audit & Supervisory Board member (collectively the “External Director”) or a candidate for the External Director to axiomatically have sufficient independence against the Company and it is allowed to omit detailed descriptions in the notification documents and disclosure documents (collectively the “Notification Documents”). Descriptions about the independence of the External Directors in the Notification Documents are made according to this Insignificance Criteria and, in principle, some of the descriptions about the relationships between the Company and other organizations in which External Directors concurrently assume important position to be omitted according to this Insignificance Criteria. In addition, the “Relevant Fiscal Years” in this Insignificance Criteria means “the current fiscal year and the last nine (9) fiscal years.”

1. Descriptions on “A principal counterparty of the Shiseido Group, or its executive person” and “A counterparty which has transactions principally with the Shiseido Group, or its executive person ”

The Company shall omit descriptions about the transactional relationships if all of transaction amount specified in the following 1) through 5) are smaller than Yen 10 million per year in the Relevant Fiscal Years.

- 1) Total amount of transactions of providing products or services from a counterparty group to the Shiseido Group in each Relevant Fiscal Years
- 2) Shiseido Group’s total unpaid amount to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years
- 3) Total amount of transactions of providing products or services from Shiseido Group to a counterparty group in each Relevant Fiscal Years

	<p>4) Shiseido Group's total amount of trade receivable to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years</p> <p>5) Total amount of debt loan from a financial institution group at the end of each fiscal year of the Relevant Fiscal Years</p>
2.	<p>Descriptions on “A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets in addition to the External Director’s remunerations”</p> <p>The Company shall omit descriptions about a consultant, accounting professional, or legal professional who has been paid some money from Shiseido Group in addition to the External Director’s remunerations if the amount of payment is smaller than Yen 10 million per year in the Relevant Fiscal Years.</p>
3.	<p>Descriptions on “A person/organization who received donation of a large amount of money or other assets”</p> <p>The Company shall omit descriptions about a person/organization who received donation from Shiseido Group if the amount of donation is smaller than Yen 5 million per year in the Relevant Fiscal Years.</p>
4.	<p>Descriptions on “Relatives of the External Directors”</p> <p>The Company shall omit descriptions about relatives in fourth or more degree. However, descriptions about a relative living in the same place with the External Directors or a person with whom living costs are shared with the External Directors can not be omitted.</p>
5.	<p>Descriptions on “Cross-Assumption of Offices of Directors, etc.”</p> <p>The Company shall omit descriptions about “cross-assumption of offices of directors, etc. (*)” if ten years or more have passed after severing such situations.</p> <p>* In the event that the External Directors or a candidate for the External Director currently assumes the office of an executive person, external director, corporate auditor or the office equivalent thereto of a company other than the Company, in Japan or overseas (the “Subject Company”), an executive person, an external director, corporate auditor (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes director (including an external director), executive officer, corporate auditor (including external corporate auditor), executive officer or person in the position equivalent thereto of the Subject Company. And also in the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, director, officer or the office equivalent to director or officer of an artificial person or other organization (other than a company) (the “Subject Organization”), an executive person, an external director, corporate auditor (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of director, officer or person in the position equivalent thereto of the Subject Organization.</p>

**[Incentives]**

Incentive Policies for Directors	Introduced Performance-linked Remuneration and Stock Options
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**Supplementary Explanation**

The Company regards the directors, Audit & Supervisory Board members and corporate officers remuneration policy as an important matter for the corporate governance. Thus the directors, Audit & Supervisory Board members and corporate officers remuneration policy of the Company is designed at the Remuneration Advisory Committee chaired by external directors based on the following basic philosophy, while incorporating objective points of views.

< Basic philosophy of the directors, Audit & Supervisory Board members and corporate officers remuneration policy>

1. contribute to realizing corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium- to long-term business strategy, and designed to strongly motivate directors, Audit & Supervisory Board members and corporate officers eligible for remuneration to bring medium- to long-term growth;
4. have a mechanism incorporated to prevent overemphasis on a short-term views and wrongdoing; and
5. be designed to transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.

The remuneration of the directors, Audit & Supervisory Board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and Audit & Supervisory Board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

Recipients of Stock Options	Inside Directors and others (Corporate Officers)
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**Supplementary Explanation** **Updated**

The Company grants stock options to executive directors and corporate officers of the Company who don't concurrently serve as director of the Company in order to have them share risks with its shareholders and to motivate balanced management from a medium-to-long-term perspective, not just a short-term focus. In addition, the Company grants stock options to corporate officers of Shiseido Japan Co., Ltd., a wholly owned subsidiary of the Company, for the same purpose.

The numbers of allotment of the Company's stock options for each allottees are determined based on the business performance and personal evaluations for the previous fiscal year. Therefore, part of the allottees may have retired from their respective positions at the time when stock options are allotted to them. However, the stock options are allotted as remuneration for business execution while the allottees are in the position of director or corporate officer of the Company/wholly owned subsidiary of the Company.

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	Selected Directors
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**Supplementary Explanation** **Updated**

Total amounts paid to non-external directors, external directors, Audit & Supervisory Board members, and Audit & Supervisory Board members (external) are separately disclosed of basic fixed remuneration, bonuses and stock options.

Amounts of remunerations, etc. paid to representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of remuneration, are individually disclosed. (as from fiscal 2009)

Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2017  
(millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Directors (7 persons)	270	222	93	585
External directors (4 persons)	58	-	-	58
Audit & Supervisory Board Members (65persons)	103	-	-	103
External members (3 persons)	38	-	-	38
Total	373	222	93	688

Notes:

1. The total amount of basic remuneration and bonuses paid to directors are not more than the ceiling amount of ¥2 billion (including the ceiling amount of ¥0.2 billion for remuneration for external directors) per annum, according to the resolution of the 118th annual general meeting of shareholder (March 27, 2018). Basic remuneration for Audit & Supervisory Board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
3. In addition to the above payments, there are other remuneration, etc. of ¥16 million recorded for the fiscal year ended December 31, 2017 as expenses associated with stock options granted to one director of the Company, at the time the director served as corporate officer not holding the office of director.
4. None of the directors or the Audit & Supervisory Board members will be paid remunerations other than the executive remunerations described above (including those described in notes 1 through 3).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds 100 million yen, by type of remuneration for Fiscal 2017

(millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Masahiko Uotani, Representative Director	127	179	69	377
Tsunehiko Iwai, Representative Director	46	22	23	92

Notes:

1. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
2. None of the two directors above will be paid remunerations other than the remunerations described above.

Policy on Determining Remuneration Amounts and Calculation Methods <span style="border: 1px solid black; padding: 2px;">Updated</span>	Established
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### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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

The remuneration of the directors, Audit & Supervisory Board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and Audit & Supervisory Board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

#### < Directors, Audit & Supervisory Board members and corporate officers remuneration policy aligned to the Three-Year Plan of fiscal 2018 through fiscal 2020>

##### (Overview)

The Company has dedicated the three years from fiscal 2018 through fiscal 2020 to pursuing new strategies aimed at accelerating growth.

Meanwhile, because the three years from fiscal 2015 through fiscal 2017 have been positioned as the period for rebuilding the Company's business foundation, the Company has accordingly designed the directors, audit & supervisory board members and corporate officers remuneration policy for the three years so that directors, audit & supervisory board members and corporate officers will be motivated to implement drastic reformation as leaders of the transformation. In addition, the Company has also established incentives for its officers to strategically resolve challenges from a long-term growth perspective where necessary, although some challenges to be resolved may require actions that could negatively affect business performance data in the short term.

Beginning in fiscal 2018, the Company will also hasten growth by creating a virtuous cycle while continuing to pursue structural reforms. This will essentially involve adhering to the business structure prevailing up through fiscal 2017, while on the other hand designing the remuneration scheme to place more focus on the notion of "pay linked to the corporate mission," which constitutes a step beyond the notion of "pay for performance" whereby remuneration paid to an officer reflects his or her accomplishments. Under the notion of "pay linked to the corporate mission," the Company evaluates the extent to which long-term strategies reflecting its management approach and Corporate Philosophy have been achieved, in addition to considering net sales, operating income, and other quantitative financial results.

Under the new remuneration policy, the Company has increased the maximum rate of the annual bonus payment, meaning that its officers are now eligible for a larger annual bonus payment than before in the event that growth achieved greatly exceeds the objectives. Also, the long-term incentive-type remuneration, another component of performance-linked compensation, now involves providing stock compensation which is equivalent in monetary value to the annual bonus in principle. As such, performance-linked compensation as a whole is now more substantially linked to performance, given that the maximum rate of the annual bonus payment has been increased.

##### (Basic remuneration)

The Company designs to set basic remunerations in accordance with the role grades, which is set based on size and level of responsibility that respective officers are in charge, as well as the impact to business management of the group. In addition, within a same grade, an increase of the amount is allowed within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with their achievements of respective directors, Audit & Supervisory Board members and corporate officers.

For external directors and Audit & Supervisory Board members, the Company shall not pay the basic remuneration that has a certain allowance for increase, but pay the fixed remuneration which is fixed at a certain amount only in the same manner as in the past.

**(Performance-linked remuneration)**

The Company designs to set basic remunerations in accordance with the role grades, which is set based on size and level of responsibility that respective officers are in charge, as well as the impact on business management of the group. In addition, within a same grade, an increase of the amount is allowed within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with their achievements of respective directors, audit & supervisory board members and corporate officers.

For external directors and audit & supervisory board members, the Company shall not pay the basic remuneration that has a certain allowance for increase, but pay the fixed remuneration only which is determined in accordance with their respective roles.

**(Annual bonus)**

The Company has set evaluation items for the annual bonus linked to performance in accordance with the scope respective directors and corporate officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating income as common performance indicators across directors and corporate officers. Although on the one hand it is essential that the entire management team remains aware of matters involving net income attributable to owners of parent, on the other hand it's crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment. As such, upon the Remuneration Advisory Committee deliberation, the Company has preliminarily established certain performance standards (thresholds) as described in the table below, with the evaluation framework designed so that the Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual bonus payment attributable to the whole group performance component of the total annual bonus, if results fall below the thresholds. In addition, as was the case for remuneration policy up to fiscal 2017, we set the individual performance evaluation of all directors and corporate officers in order to add the level of achievement regarding strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

**(Long-term incentive stock options)**

Of the performance-linked remuneration, the Company imposes terms and conditions regarding performance on stock compensation-type stock options as long-term incentive-type remuneration on two occasions when the stock acquisition rights are allotted and the exercise period of the stock acquisition rights allotted starts. When actually allotting the stock acquisition rights after obtaining an approval for the maximum number of stock acquisition rights to be allotted at the general meeting of shareholders, the Company shall increase or decrease the number of stock acquisition rights to be granted ranging from zero to the maximum number by using the evaluation indicators for annual bonus for the immediately preceding fiscal year. In addition, we have introduced a mechanism that when the stock acquisition right exercise period starts, the exercisable number of stock acquisition rights may be determined according to the consolidated performance and other track records up to the immediately preceding fiscal year in the range of 30% to 100% of the allotted number, and thereby strengthen it to functions as incentives for improving medium- to long-term business performance and achieving the targets.

In fiscal 2018, the Company will continue to provide performance-linked stock options under its long-term incentive-type remuneration scheme, but will also keep considering the possibility of shifting to a stock compensation approach that would be better tailored to the Company's remuneration philosophy.

Detailed descriptions of the remuneration of the directors, Audit & Supervisory Board members and corporate officers remuneration policy are shown in the Notice of Convocations of the 118th Ordinary General Meeting of Shareholders of the Company (pages 62 to 69)

[https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm\\_0000.pdf](https://www.shiseidogroup.com/ir/shareholder/e1806shm/pdf/shm_0000.pdf)

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

### <External Directors>

A section in charge of secretariat of the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee is formed in the Company's Legal and Governance Department. The section provides external directors with various information and assists duties of external directors to ensure smooth operation.

### <External Members of Audit & Supervisory Board Members>

Some employees of Internal Auditing Department of the Company are positioned to assist the Audit & Supervisory Board and members of Audit & Supervisory Board.

## 【Those who Resign from President and Representative Director etc.】 Updated

Name etc. of Senior Advisor/Advisor who is a Former President and Representative Director etc.

Name	Title	Role Content	Working Pattern/Conditions ( Full time/Non-Full time, With/Without Compensation, Etc.)	Resignation Date from President, Etc.	Term of Office
Shinzo Maeda	Counselor	Assume positions of public/private entities other than the Shiseido Group	<ul style="list-style-type: none"> <li>- Part time</li> <li>- With fixed compensation according to the Company's regulation</li> <li>- Without any fringe benefit</li> </ul>	June 25 <sup>th</sup> , 2014	Until June 30 <sup>th</sup> , 2020
Hisayuki Suekawa	Counselor	Assume positions of public/private entities other than the Shiseido Group	<ul style="list-style-type: none"> <li>- Part time</li> <li>- With fixed compensation according to the Company's regulation</li> <li>- Without any fringe benefit</li> </ul>	March 31 <sup>st</sup> , 2013	Until March 31 <sup>st</sup> , 2019

Total Number of Senior Advisor/Advisor who is a Former President and Representative Director, etc. Updated

2

Other Matters Updated

We abolished the counselor/adviser system by resolution of the Board of Directors Meeting held on September 29, 2017.

Under the previous counselor/advisor system, the term of office had been clearly established. In this circumstance, counselors/advisors had assumed the positions of public/private entities other than the Shiseido Group on the premise that the counselors/advisors would hold their office until the expiration of the term. Therefore, the Company decided that the term of office of the counselors/advisors who had been appointed to their current title before the abolition of the system will continue until the expiration of their term of office, taking into account the time required for the selection of their successors by the public/private entities in which the counselors/advisors assume the office.

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

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

Composed of six members including three external directors and chaired by the president & CEO, the Board of Directors is small and able to make decisions quickly. The Board of Directors meets at least once a month to discuss all significant matters.

To obtain an outside point of view and further strengthen the Board of Directors' supervisory function in regard to business execution, the Company had appointed highly independent external directors in the fiscal 2006. Now the Company has three highly independent external directors.

In addition, two out of three directors aside from the external directors have built careers outside of Shiseido, ensuring diversity among the directors.

The term of office of directors is one year.

(Corporate officers and meetings for corporate officers are involved)

Through the adoption of a corporate officer system, the Company separated the supervisory functions of the Board of Directors from the business execution functions of corporate officers. The term of office of corporate officers is one year, and the term limit of corporate officers is four years per position and six years maximum in principle. For extension of the term of office, the matter shall be referred to the Nomination Advisory Committee, which will discuss and check the necessity and appropriateness of the extension, followed by disclosure of the relevant information.

The Company sets up the Executive Committee, in which corporate officers study and discuss about important business execution from various aspects before the final decisions, and the Meetings for Development of Medium-term/Annual Plans, in which corporate officers develop and resolve business plans and brand strategies. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating of business execution. The President & CEO chairs these two committees. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee.

(Advisory committees)

To promote transparency and objectivity in management, The Company established two committees to play an advisory role to the Board of Directors:

the Nomination Advisory Committee, which evaluates candidates for directors and corporate executive officers to make report to the Board of Directors, and

the Remuneration Advisory Committee, which makes report to the Board of Directors about the remuneration system and performance evaluation of directors and corporate officers.

Both committees are chaired by external directors to maintain objectivity.

The Nomination Advisory Committee deliberates about candidates for directors and Audit & Supervisory Board members. The committee also deliberates about appointment, promotion and demotion of corporate officers. In addition, the committee determines the limits on the terms of corporate executive officers as well as the rules for their promotion or demotion and retirement in order to enhance the capabilities of top management, and manages these policies in a highly transparent and impartial manner.

The Remuneration Advisory Committee deliberates about the remuneration system for directors and corporate officers as well as evaluation of their performance.

(Evaluation working group)

In the current remuneration policy, personal evaluation of each director and corporate officer will have a significant impact on determination of the amount of all remunerations including basic remuneration, annual bonus and the long-term incentive-type remuneration. Unlike evaluations based on performance indicators such as consolidated net sales, personal evaluation is not a quantitative evaluation. It therefore requires a framework to ensure its objectivity, fairness and transparency.

To this end, the Company holds meetings of evaluation working group, which was established as a common deliberation body shared by Nomination Advisory Committee and Remuneration Advisory Committee to conduct overall business evaluation including the performance evaluation for President and CEO, and confirm appropriateness of the remuneration level. The evaluation working group also deliberates and reviews reappointment or replacement of President and CEO, playing an extensive role concerning appropriate appointment of President and CEO and determining incentives. The evaluation working group is comprised of external directors and external audit & supervisory board members as importance is put to the independence from President and CEO as well as business execution structure led by President and CEO.

Personal evaluation on corporate officers other than President and CEO (including those who concurrently serve as directors) is performed by President and CEO, together with evaluation based on the performance indicators. Objectivity, fairness and transparency of this personal evaluation are ensured by Remuneration Advisory Committee monitoring this evaluation process and the evaluation approach.

**<Diversity of directors and Audit & Supervisory Board members>**

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

When considering the diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc., to stress not only diversity of these attributes, but also diversity in terms of tasks including professional knowledge and experiences in various fields related to the business management. In addition, the Company has set a certain maximum term of office for external directors and external Audit & Supervisory Board members in order to reflect their views, which are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & external supervisory board members to newly-appointed external directors and audit & external supervisory board members to ensure appropriate transition.

**<Ratio of external directors at the board of directors>**

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company established its view on the ratio of external directors at the Board of Directors.

In the Company's articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates of external directors and Audit & Supervisory Board members are required to meet the Company's independence criteria as well as possess high independence in mental attitude.

**<Actual composition of directors and Audit & Supervisory Board members>**

Of six directors who are currently in office as of March 31, 2018, three directors (50.0%) are highly independent external directors who meet the criteria for independence of the external directors and Audit & Supervisory Board members of the Company. Other three directors who serve concurrently as corporate officers include two with career background as a management outside the Shiseido Group, and one with career background in the Shiseido Group. The directors include two females (33.3%).

Of five Audit & Supervisory Board members, three members (60.0%) are highly independent external Audit & Supervisory Board members and two are full-time members with career background in the Shiseido Group. The members include two female (40.0%).

Of the total eleven directors and Audit & Supervisory Board members, six members (54.5%) are highly independent external directors or external Audit & Supervisory Board members, and four members (36.4%) are female.

**<Status of audits>  
(Internal audit)**

The Internal Auditing Department, which reports directly to the President, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board.

Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant departments.

(Audit & Supervisory Board members' audits and initiatives toward strengthening their functions)

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three Audit & Supervisory Board member (external) offer advices, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and Audit & Supervisory Board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that Audit & Supervisory Board members discharge their duties effectively, such as the assignment of staff dedicated to assisting them.

(Accounting audits)

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
KPMG AZSA LLC	Koichi Kobori, Designated Limited Liability Partner	2 years
The same as the above	Ryoji Fujii, Designated Limited Liability Partner	5 years

Assistants for the accounting audits of the Company comprise certified public accountants and junior accountants.

(Mutual cooperation among internal audits, Audit & Supervisory Board members' audits, and accounting audits)

The Company, in order to improve the effectiveness and efficiency of the so-called three-pillar audit system (internal audits, Audit & Supervisory Board members' audits, and accounting audits), has been making efforts to enhance the mutual cooperation among the parties concerned by such means as arranging regular liaison meetings to report on audit plans and audit results as well as to conduct exchanges of opinions.

<Systems and schemes unique to Shiseido (Compliance Committee)>

The Compliance Committee, reporting directly to the President and CEO, is established. The committee comprises members elected group-wide. The Committee reports important issues figured out through the Committee's activities to the Board of Directors along with its results of activities.

The Compliance Committee establishes systems to promote the Shiseido Group's compliance and risk management. In addition, the Committee develops and executes the Shiseido Group's sustainability strategy aiming for the Shiseido Group's coexistence and co-prosperity with society and the Earth. These missions of the Committee are directly linked to business execution.

### 3. Reasons for Adoption of Current Corporate Governance System

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

Effective January 2016, the Shiseido Group has launched full-scale operations of a new matrix-type organizational system with five brand business categories and six regions combined. Under the new organizational system, the Company as the global headquarters is responsible for supervising the overall group and providing necessary support, and is promoting localization of responsibility and authority by delegating many of the authorities that used to be retained by the Company to respective regional head office of Japan, China, Asia, the Americas, EMEA, and travel retail. The Board of Directors held repeated discussions throughout fiscal 2015 with regard to an ideal state of the Company's corporate governance system that includes composition and operation of the Board of Directors under the new management structure as the premise. As a result, the Board of Directors concluded adopting the "monitoring board-type" would be appropriate to ensure sufficiently effective supervisory functions over the overall Shiseido Group, and resolved to implement the "monitoring board-type corporate governance" while leveraging advantages of the company with the Audit & Supervisory Board system.

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

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

**Updated**

Supplementary Explanations	
Early Notification of General Shareholder Meeting	Shiseido makes every effort to distribute a convocation notice about 3 weeks prior to a general meeting of shareholders. For the 118th Ordinary General Meeting of Shareholders, the convocation of notice was distributed on March 9, 2018, 18 days prior to the Meeting. The Company disclosed the notice of convocations on its website before the date of mailing in light of earliest possible information service (Japanese: on February 28, English translation: on March 5.)
Scheduling AGMs Avoiding the Peak Day	In accordance with the change of the fiscal year-end of the Company, we held the 118th Ordinary General Meeting of Shareholders on March 27, 2018. The date is 2 days (2 business days) prior to the most concentrated date for AGMs of the Japanese companies whose fiscal year-end is December 31.
Allowing Electronic Exercise of Voting Rights	Since the 103rd Ordinary General Meeting of Shareholders in 2003, the Company has introduced the measure of exercising voting rights via website.
Participation in Electronic Voting Platform	Since the 106th Ordinary General Meeting of Shareholders in 2006, the Company has taken part in the Electronic Voting Platform operated and managed by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the convocation of notice is prepared, distributed to foreign shareholders to the maximum extent, and posted on the Tokyo Stock Exchange's website as well as the Company's website.
Other	Starting from June 2008, the Company started disclosing the results of the exercise of voting rights. Starting from 2010, the Company disclosed the result of the exercise of voting rights on the Tokyo Stock Exchange's website, the Company's website, and the extraordinary reports through EDINET of the Financial Services Agency of Japan.  In addition, as from fiscal 2015, the Company posts videos of the business report including a presentation by the chairman on the Company's website. The movies are available in Japanese and English language. <a href="https://www.shiseidogroup.com/ir/account/shareholder/">https://www.shiseidogroup.com/ir/account/shareholder/</a>

	The ordinary general meeting of shareholders is held using environmental friendly materials. Environmental friendly inks and papers are used for printed materials sent to shareholders, such as Notice of Convocation and Notice of Resolution, in order to contribute to protect the earth from global warming. The Company also uses recycled PET material for receipt number card distributed to attendees.
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## 2. IR Activities Updated

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	<p>Established the Disclosure Policy, consisting of “Basic Policy on Information Disclosure,” “Standards for Information Disclosure,” “Method of Information Disclosure,” “Quiet Periods,” and “Forward-Looking Statements” in 2006. The Disclosure Policy was partially amended in order to include provisions concerning recognition of material information in January, 2018, and the amended policy is disclosed on the website of the Company.  <a href="https://www.shiseidogroup.com/ir/disclosure/policy/">https://www.shiseidogroup.com/ir/disclosure/policy/</a></p>
Regular Investor Briefings for Individual Investors	<p>Hold presentation meetings presented by CEO or other corporate officers, and these presentations are distributed via the Internet.</p> <p>In addition, the Company started the “Individual Shareholders Meeting”, a regular meeting for exchanging opinions concerning shareholder relations of the Company with its individual shareholders (1st round: held in Osaka on February 9, 2012, 2nd round: held in Nagoya on September 7, 2012, 3rd round: held in Fukuoka on February 8, 2013, 4th round: held in Kobe on September 6, 2013, 5th round: held in Saitama on February 6, 2014, 6th round: held in Nagoya on September 12, 2014, 7th round: held in Sapporo on February 20, 2015, 8th round: held in Yokohama on September 29, 2015, 9<sup>th</sup> round: held in Sendai on June 24, 2016)</p> <p>In fiscal 2017, we renewed our event to the Company Facilities Tour in order to further deepen our understanding of the Company. On June 20th, 2017, we held the first tour at the Kakegawa Factory and the Corporate Museum. The report of this event is posted on our corporate website, so that many shareholders can learn about our position, history, and culture of manufacturing.</p>
Regular Investor Briefings for Analysts and Institutional Investors	Hold meetings twice a year when the Company announces about financial statements of full-year and the second Quarter.
Regular Investor Briefings for Overseas Investors	Hold meetings individually mainly in countries in North America, Europe and Asia.
Posting of IR Materials on Website	<p>The following statutory and non-statutory reports and materials are posted on the Company’s website:</p> <p>Notice of convocation of ordinary general meeting of shareholders, annual security reports (quarterly reports), timely disclosure materials, declaration for timely disclosure, references at financial result briefing, consolidated financial results for quarter, annual report and business report.</p> <p><a href="https://www.shiseidogroup.com/ir/library/">https://www.shiseidogroup.com/ir/library/</a></p> <p>In addition, we post Japanese and English version of movies of 2Q and 4Q financial results announcement meeting. Movies of financial results presentation and QA sessions are posted.</p> <p><a href="https://www.shiseidogroup.com/ir/library/acc/">https://www.shiseidogroup.com/ir/library/acc/</a></p>

Establishment of Department and/or Manager in Charge of IR	Department in charge: Investor Relations Department  Corporate Officer etc. in charge: Michael Coombs, Corporate Officer Chief Finance Officer  Person in charge to contact: Harumoto Kitagawa, Vice President of Investor Relations Department
Other	Hold joint-meeting with and individually calling on domestic and foreign investors, in series, in addition to Financial Results Briefings (twice a year.)

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

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Towards the realization of the Shiseido Group Corporate Philosophy "Our Mission, Values and Way", the Company established "Our Mission," which sets out the raison d'être, that is core to the Group. "Our Values" defines the value that must be held and share to realize "Our Mission." In addition, the Company established "Our Way" and "Shiseido Group Standards of Business Conduct and Ethics." "Our Way" defines what corporate actions should be taken in relation to stakeholders (customers, business partners, employees, shareholders, and society and the Earth) and sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conducts with highest ethical standards.
Implementation of Environmental Activities, CSR Activities etc.	The Shiseido Group's corporate social responsibility (CSR) activities follow the basic concept of "Our Way", which denotes action standards that each and every employee should take toward stakeholders based on the Shiseido Group corporate philosophy "Our Mission, Values and Way." The Company offers information in its Annual report and the form of CSR reports as part of its effort to inform stakeholders of its social responsibility. In the corporate website, the Sustainability pages ( <a href="https://www.shiseidogroup.com/sustainability/">https://www.shiseidogroup.com/sustainability/</a> ) have been edited according to the following policies; <ul style="list-style-type: none"> <li>- We introduce each activity according to the 7 core subjects of ISO26000 (Social Responsibility).</li> <li>- We have simplified the contents of reports on each page to make them easier to read.</li> <li>- We have also focused on overseas activities in order to enhance the Group's reports.</li> <li>- We disclose social responsibility/human resources result reports in lists.</li> <li>- Target period for the information included in this website is mainly for Fiscal 2016 (from January 1, 2016 to December 31, 2016). However, part of the information may be from prior to the said period or more recent than the period.</li> <li>- We have edited the website by using the United Nations Global Compact, Sustainability Reporting Guidelines G4 of GRI (Global Reporting Initiative), and ISO26000 (Social Responsibility) for reference.</li> <li>- The scope includes Shiseido Co. Ltd. and 96 Shiseido Group companies (subsidiaries) as of December 31, 2016. Notes have been added to data outside of the above scope.</li> </ul>
Other	< Diversity in employees > Employees, who work for the Shiseido Group in various countries and regions worldwide, have diverse attributes, including nationality, gender, age,

	<p>employment status and developmental challenges, as well as values and viewpoints, and we are promoting diversity on a global level. Since 90 percent of the Shiseido Group's customers are women, we focus on providing new products and services based on our understandings of women's values and current lifestyles. Our female employees, who account for approximately 80 percent of all the employees, must therefore play a central role in management and business activities.</p> <p>One of our core missions is to take a leading role in improving the social standing of women and their empowerment, and we have implemented a variety of measures to help advance women's causes. In January 2017, the Company achieved its target for a 30% ratio of women in management positions in Japan. In 2018, the ratio declined due to structural changes in the organization; however, the Company will continue to provide further support for the advancement of women in the workplace, aiming to increase the ratio to 40% by 2020.</p> <p>Specific efforts regarding gender equality, including support measures for the balancing of work and child-raising/at-home care of elderly family members, are described on our corporate website.</p> <p><a href="https://www.shiseidogroup.com/sustainability/labor/diversity.html">https://www.shiseidogroup.com/sustainability/labor/diversity.html</a> <a href="https://www.shiseidogroup.com/sustainability/labor/working.html">https://www.shiseidogroup.com/sustainability/labor/working.html</a></p>
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## IV. Matters Related to the Internal Control System

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

The Company's Basic Policy regarding Internal Control Systems as of December 31, 2015 is as follows:

**(1) System under Which Execution of Duties by Directors and Employees of the Company and all Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Business of the Whole Group Is Ensured**

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors' supervisory functions in regard to operational execution. The Audit & Supervisory Board members audit legality and appropriateness of the directors' execution of business. Upon request of any Audit & Supervisory Board member, directors and employees shall report the status of execution of business to the Audit & Supervisory Board member.

In order to realize "Our Mission," which defines the Shiseido Group's corporate philosophy and business domains and sets out its raison d'être, the Company has established "Our Values," which must be held and shared by each and every employee of the Shiseido Group, and "Our Way" and the "Shiseido Ethical Conduct Standards," which sets out the action standards for business conducts with highest ethical standards, and promotes corporate activities that are both legitimate and fair.

The Company should establish a basic policy and rules in line with "Our Way" and the "Shiseido Ethical Conduct Standards," with which the whole Shiseido Group is required to comply. Every group company and business office shall be fully aware of this policy and rules, along with "Our Mission," "Our Values," "Our Way" and the "Shiseido Ethical Conduct Standards," so that environments for the formulation of detailed internal regulations of the Company will be created at every group company and business office.

The "Compliance Committee," directly reporting to the President & CEO, shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The committee shall propose and report the plans and activities to the Board of Directors.

The Company deploys a person in charge of corporate ethics promotion at each group company and business office in order to promote legitimate and fair corporate activities across the Group, and organizes regular training for corporate ethics. The person in charge of corporate ethics promotion drafts plans for corporate ethics activities at each workplace, and reports the status of the said activities and their results to the CSR Committee.

For the purpose of detection and remediation of conducts within the Group that are in violation of laws and regulations, Articles of Incorporation and internal regulations of the Company, the Company shall introduce internal whistle blowing offices under the CSR Committee, where the Chairman of the CSR Committee, staff counselors, an external law office or other representatives will be appointed as a contact for informing and consultations on matters relating to compliance.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the whole Group to audit the appropriateness of business.

The results of audit shall be reported to directors and Audit & Supervisory Board members.

**(2) System under Which Directors of the Company and all Group Companies Shall Be Ensured to Efficiently Execute Duties**

The Company adopted a corporate executive officer system to actualize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. A corporate officer shall fix the specified target in the assigned field, including all Group companies, and set up a business system by which the target shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the Corporate Executive Officer Committee consisting of corporate officers shall deliberate the business execution from viewpoints of various aspects.

The Board of Directors and the Corporate Executive Officer Committee shall confirm the status of development vis-à-vis the target and conduct necessary improvement measure.

**(3) System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall be Reported to the Company**

Important documents such as minutes of the Board of Directors meetings and minutes of the Corporate Executive Officer Committee meetings shall be managed pursuant to laws and regulations and the internal regulations of the Company and these important documents shall be presented to directors and Audit & Supervisory Board members immediately whenever requested for inspection.

In addition, for information with respect to execution of business by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with them.

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

**(4) Regulation Regarding Control of Risk for Loss at the Company and all Group Companies and Other Regulation Systems**

The "CSR Committee," under the jurisdiction of the Board of Directors, shall manage risks associated with corporate activities of the whole group. Risks associated with management strategy and business execution shall be recognized and evaluated by the Committee so that necessary measures shall be taken. A contingency manual shall be prepared to deal with emergency situation.

In the case of emergency, countermeasure headquarters, projects or teams shall be set up pursuant to the levels of the emergency and shall take countermeasures.

**(5) System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees**

The Audit & Supervisory Board Staff Group shall be established and employees shall be positioned there to assist the Audit & Supervisory Board and Audit & Supervisory Board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from Audit & Supervisory Board members to them, the Audit & Supervisory Board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

**(6) System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members**

Directors and employees shall report the status of their execution of duties to Audit & Supervisory Board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to Audit & Supervisory Board members. In addition, the status of business and conditions of assets shall be reported to Audit & Supervisory Board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform Audit & Supervisory Board members of issues, and shall make this method known throughout the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to Audit & Supervisory Board members or informing them of issues, and shall make these regulations known.

**(7) Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties**

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and Audit & Supervisory Board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

**(8) Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured Efficiently to Be Performed**

Opinion exchange meetings shall be held regularly between representative directors and Audit & Supervisory Board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meeting shall be held among Audit & Supervisory Board members, the accounting auditor and the internal auditing department upon request of Audit & Supervisory Board members. In addition, Audit & Supervisory Board members shall be ensured to attend various meetings.

## 2. Basic Views on Eliminating Anti-Social Forces

In the "Our Way," the Company has declared that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office was established in the Risk Management Department for the purpose of intensively collecting information and at the same time the Manual on how to cope with such power is revised on the intranet. Consulting with the local police offices for cooperation, the Company is a member of the "Conference on how to cope with particular violence" so that it strengthens to collect outside information and the cooperation with outside organizations.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

None.

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

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

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

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

We also have the "Shiseido Disclosure Policy," (\*3) which we established as a policy on the disclosure of management information to investors, etc.

Thus, everyone in the Shiseido Group is working sincerely on disclosing, in a timely and appropriate manner, facts that have a material impact on investment decision-making by investors and financial information.

Specifically, we set in place the following structures to treat material facts that have an impact on decision-making by investors, for facts of decisions made and financial information and for facts of actual events, respectively:

1. Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information

In order to understand and identify what kinds of fact fall under the category of material fact, each place of business and each department of the Shiseido Group has put together a list of material facts under internal rules that reflect laws and regulations and listing rules and makes a judgment on a case-by-case basis whether or not a certain fact is a material fact.

In addition, when an applicable case is brought to the Board of Directors or Executive Committee, etc. for approval, the Investor Relations Department, a section responsible for the Tokyo Stock Exchange, checks whether or not it falls under the category of material fact in accordance with the Timely Disclosure Rules of

the Tokyo Stock Exchange, and the Corporate Strategy Department and Legal and Governance Department manages material facts.

On top of this framework for the clear representation of material facts, we have other frameworks for the timely disclosure in an appropriate fashion: the "Disclosure Meeting," which is held on a regular basis, and an "Examination Team," which is to be set up flexibly according to the specifics of the material fact. Its work involves not only the examination of the information subject to disclosure, but also the preparation and confirmation of the documents subject to disclosure.

It is after all those frameworks are drawn on that the Board of Directors or Executive Committee approves a case and decides to take an information disclosure action, immediately after which the information is disclosed in an appropriate manner through the Tokyo Stock Exchange.

## 2. The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters

In preparation for addressing abrupt events, we have developed a framework under which the "Compliance Committee" gathers related departments to take emergency actions and ensure prompt disclosure actions. Specifically, an "Emergency Conference" or "Ad Hoc Committee" will be organized in accordance with the Emergency Procedures Manual, which has been developed as internal rules. The level of risk involved is determined there and, depending on the level, an organ responsible for addressing it will be set up. For those of which level of risk falls under the category of material fact, an Emergency Task Force will be established in an attempt to take quick and appropriate disclosure actions.

For any business execution by each place of business and each department, the Internal Auditing Department strives to ensure and improve the fairness and transparency of our corporate management by performing stringent internal audits.

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(\*1)  
Our Values

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

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(\*2)  
Our Way

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

[With Consumers]

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

3. We continually strive to increase the value of all of the Shiseido Group's brands.
  - 1) We earn trust and increase the value of the Shiseido Group's brands by thinking together with consumers about how we can help them achieve beauty and well-being. We also strive to increase brand value at stores and other points of consumer contact.
  - 2) We manage intellectual property, which increases the value of the Shiseido Group's brands, to prevent infringement. We also respect the intellectual property rights of others.

[With Business Partners]

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

[With Employees]

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

[With Shareholders]

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

[With Society and the Earth]

1. We abide by the laws of each country and region in which we operate, and maintain sound ethical behavior as well as respect human rights.
  - 1) We abide by the laws and respect the history, culture, customs and other aspects of each country and region in which we operate.
  - 2) We respect international laws including treaties. We never engage in human rights violations such as child labor or forced labor.
  - 3) We do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations.
  - 4) We strictly maintain fairness and a high level of transparency in our relationships with national and local government entities and officials, political parties and politicians.
2. We promote environmental initiatives in line with our own stringent standards, and consider biodiversity as we aim for a sustainable society in which humanity and the Earth coexist beautifully.
  - 1) We strive to mitigate climate change through efforts such as reducing emissions of CO2 and other greenhouse gases (GHG). We also manage chemical substances properly to prevent air, water and soil pollution.
  - 2) We strive to minimize waste in our business processes and in use by consumers, with emphasis on the 3Rs: reduce, reuse and recycle.
  - 3) We work to develop new products and services that bring out the beauty of consumers and are also eco-friendly.
  - 4) We proactively develop new technologies to balance environmental initiatives with our business activities.
3. We engage in a broad dialogue with society and strive to cooperate in solving social challenges.
  - 1) We strive to meet the expectations of global society through various activities, such as using the power of cosmetics to lift people's spirits and improve their quality of life, furthering the advancement of women, promoting the arts and culture, and conducting environmental activities.
  - 2) We work to deepen our interaction with communities where our affiliates are located and contribute to their development, thereby fulfilling our responsibility as a good corporate citizen.

(\*3)

### Shiseido Disclosure Policy

#### I. Basic Policy on Information Disclosure

Shiseido fully recognizes that the timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market. We will make constant efforts to improve our internal systems to ensure the prompt, accurate and fair disclosure of corporate information from an investor's viewpoint, and will focus on the timely and appropriate disclosure of corporate information to investors. Through this timely and appropriate disclosure, we will endeavor to increase shareholder value by building favorable relationships with the capital market and incorporating market valuations in feedback to the management of the company.

#### II. Standards for Information Disclosure

##### 1. Timely Disclosure of Material Information

We will disclose information in accordance with the Financial Instruments and Exchange Act, other legislation and the rules on timely disclosure as defined by the Tokyo Stock Exchange, on which Shiseido is listed. Additionally, material information will be determined by the information management officer (corporate officer in charge of disclosure) upon consultation with relevant departments within the company according to the contents of the information.

##### 2. Voluntary Disclosure

Any information not required by the above rules on timely disclosure will be disclosed by us in light of timeliness and fairness if we consider it useful for investment decisions.

#### III. Method of Information Disclosure

The disclosure of the material information prescribed in the rules for timely disclosure and the voluntary disclosure of other useful information not required by the rules will be made through TDnet, a timely disclosure system provided by the Tokyo Stock Exchange. Information disclosed on TDnet is also disclosed promptly on the Shiseido website.

#### IV. Handling of Nonpublic Information and Response to Rumors

To avoid selective disclosure of nonpublic and voluntarily disclosed information to specific investors, we will manage information properly in accordance with internal rules for internal stakeholders involved with such information. In addition, when we recognize that certain rumors about the company are circulating that can significantly affect the capital market, we will disclose information promptly through channels such as "TDnet."

#### V. Quiet Periods

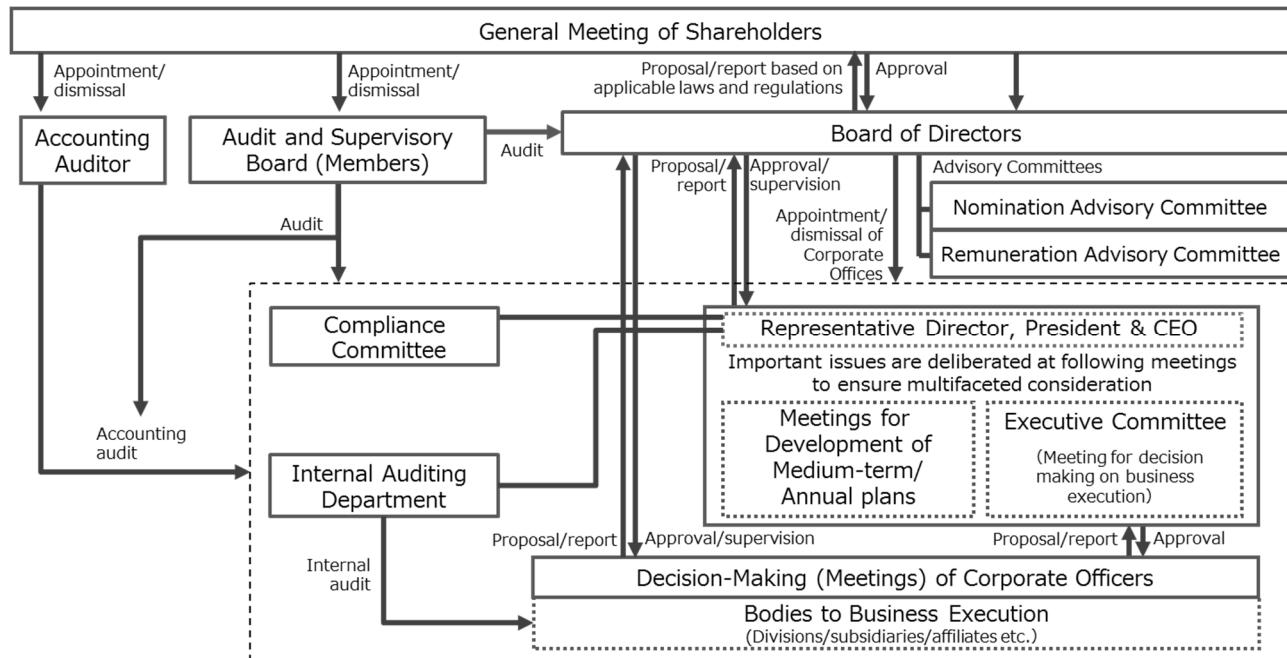
To prevent leaks of financial results before the announcement and to assure fairness, Shiseido observes a quiet period before the announcement of business results. The quiet period is from the day after the closing date※ to the date on which earnings are announced each quarter. During the quiet period, we do not answer inquiries or make any comments on business results. Should it prove necessary to make timely disclosure during the quiet period, Shiseido will do so under the rules on timely disclosure.

\*The closing date of the fiscal year was March 31 but is December 31 from fiscal 2015.

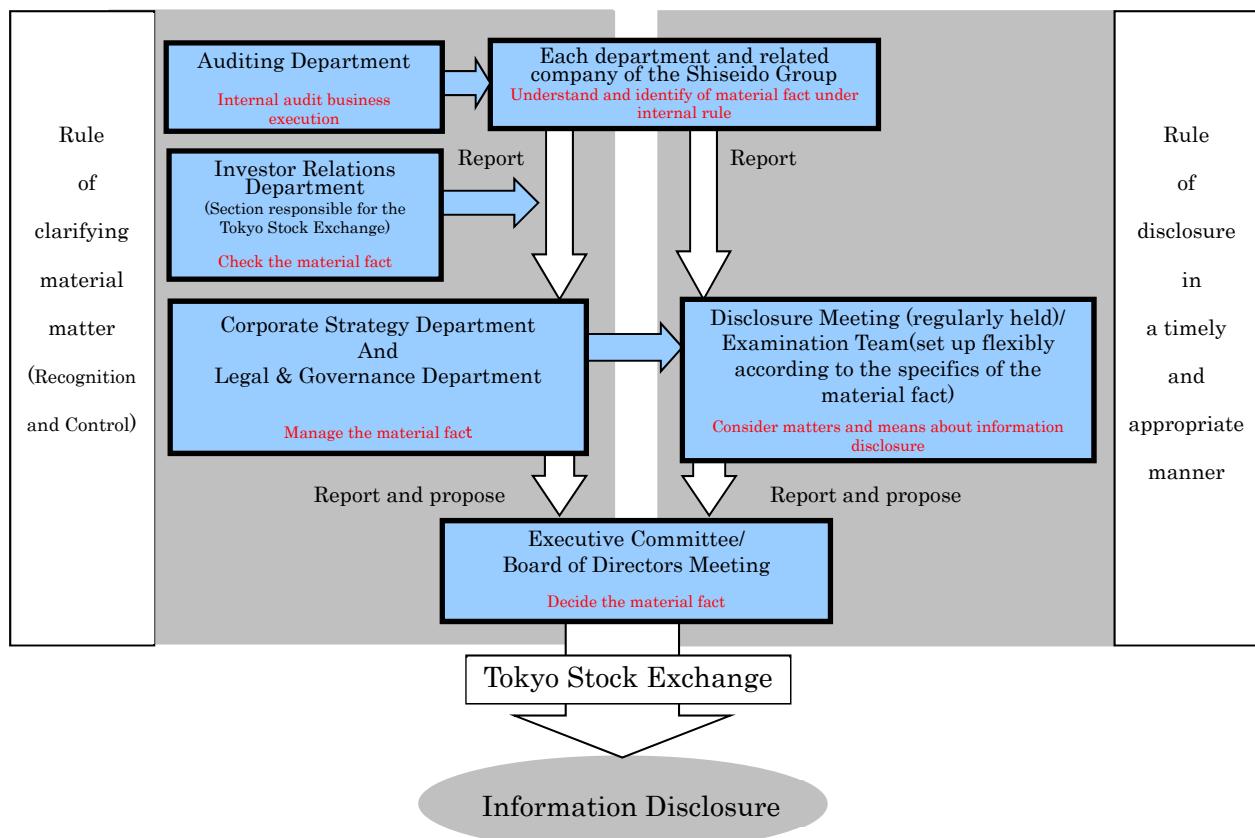
#### VI. Forward-Looking Statements

Statements of information disclosed by Shiseido that are not historic facts are forward-looking statements that reflect management's views and assumptions at the time of the announcement and management targets based on its plans. These forward-looking statements may involve risks and other uncertain factors, and the actual business results and performance may differ materially from the projections contained in these forward-looking statements.

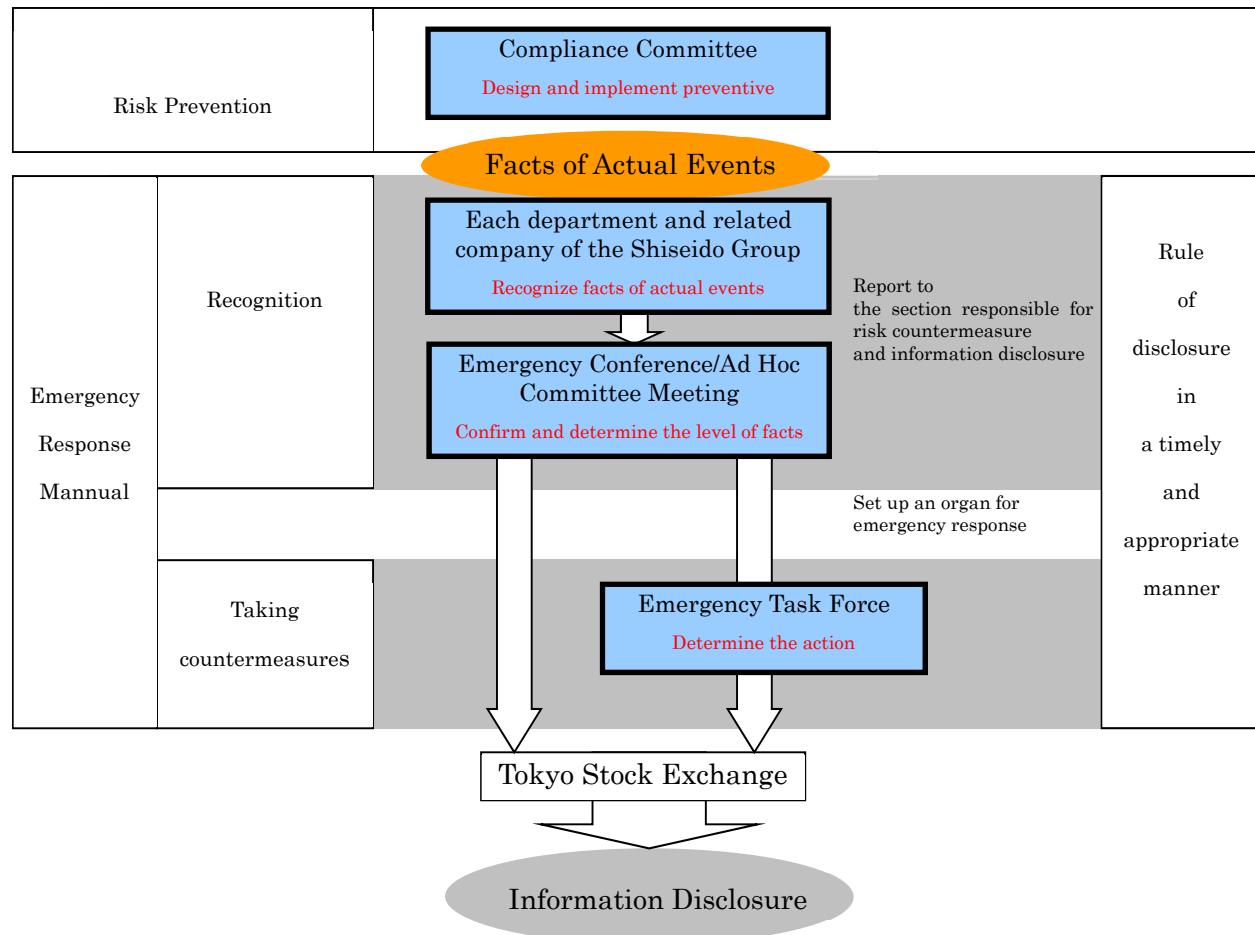
## &lt;The Company's Corporate Governance Framework&gt;



<The Company's System for Information Disclosure of Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information>



<The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters>



## Corporate Governance

## Internal Control Systems of the Company

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### Internal Control Systems of the Company

Basic policy regarding Internal Control Systems of the Company is as follows.

#### (1) System under Which Execution of Duties by Directors and Employees of the Company and all Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Busi-

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors' supervisory functions in regard to operational execution. The audit & supervisory board members audit legality and appropriateness of the directors' execution of business. Upon request of any audit & supervisory board member, directors and employees shall report the status of execution of business to the audit & supervisory board member.

In order to realize "Our Mission," which defines the Shiseido Group's corporate philosophy and business domains and sets out its raison d'être, the Company has established "Our Values," which must be held and shared by each and every employee of the Shiseido Group, and "Our Way" and the "Shiseido Ethical Conduct Standards," which sets out the action standards for business conducts with highest ethical standards, and promotes corporate activities that are both legitimate and fair. (\*)

The Company should establish a basic policy and rules in line with "Our Way" and the "Shiseido Ethical Conduct Standards," with which the whole Shiseido Group is required to comply. Every group company and business office shall be fully aware of this policy and rules, along with "Our Mission," "Our Values," "Our Way" and the "Shiseido Ethical Conduct Standards," so that environments for the formulation of detailed internal regulations of the Company will be created at every group company and business office.

The "CSR Committee," under jurisdiction of the Board of Directors, shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The committee shall propose and report the plans and activities to the Board of Directors.

The Company deploys a person in charge of corporate ethics promotion at each group company and business office in order to promote legitimate and fair corporate activities across the Group, and organizes regular training for corporate ethics. The person in charge of corporate ethics promotion drafts plans for corporate ethics activities at each workplace, and reports the status of the said activities and their results to the CSR Committee.

For the purpose of detection and remediation of conducts within the Group that are in violation of laws and regulations, Articles of Incorporation and internal regulations of the Company, the Company shall introduce internal whistle blowing offices under the CSR Committee, where the Chairman of the CSR Committee, staff counselors, an external law office or other representatives will be appointed as a contact for informing and consultations on matters relating to compliance.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the whole Group to audit the appropriateness of business.

The results of audit shall be reported to directors and audit & supervisory board members.

## **(2)System under Which Directors of the Company and all Group Companies Shall Be Ensured to Efficiently Execute Duties**

The Company adopted a corporate executive officer system to actualize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. A corporate officer shall fix the specified target in the assigned field, including all Group companies, and set up a business system by which the target shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the Corporate Executive Officer Committee consisting of corporate officers shall deliberate the business execution from viewpoints of various aspects.

The Board of Directors and the Corporate Executive Officer Committee shall confirm the status of development vis-à-vis the target and conduct necessary improvement measure.

## **(3)System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall be Reported to the Company**

Important documents such as minutes of the Board of Directors meetings and minutes of the Corporate Executive Officer Committee meetings shall be managed pursuant to laws and regulations and the internal regulations of the Company and these important documents shall be presented to directors and audit & supervisory board members immediately whenever requested for inspection.

In addition, for information with respect to execution of business by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with them.

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

#### **(4)Regulation Regarding Control of Risk for Loss at the Company and all Group Companies and Other Regulation Systems**

The "CSR Committee," under the jurisdiction of the Board of Directors, shall manage risks associated with corporate activities of the whole group. Risks associated with management strategy and business execution shall be recognized and evaluated by the Committee so that necessary measures shall be taken. A contingency manual shall be prepared to deal with emergency situation.

In the case of emergency, countermeasure headquarters, projects or teams shall be set up pursuant to the levels of the emergency and shall take countermeasures.

#### **(5)System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees**

The Audit & Supervisory Board Staff Group shall be established and employees shall be positioned there to assist the Audit & Supervisory Board and audit & supervisory board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from audit & supervisory board members to them, the audit & supervisory board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

#### **(6)System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members**

Directors and employees shall report the status of their execution of duties to audit & supervisory board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to audit & supervisory board members. In addition, the status of business and conditions of assets shall be reported to audit & supervisory board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform audit & supervisory board members of issues, and shall make this method known throughout the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to audit & supervisory board members or informing them of issues, and shall make these regulations known.

## **(7)Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties**

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and audit & supervisory board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

## **(8)Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured Efficiently to Be Performed**

Opinion exchange meetings shall be held regularly between representative directors and audit & supervisory board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meeting shall be held among audit & supervisory board members, the accounting auditor and the internal auditing department upon request of audit & supervisory board members. In addition, audit & supervisory board members shall be ensured to attend various meetings.

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

In the Company's "Ethical Conduct Standards," we have declared that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office was established in the CSR Department for the purpose of intensively collecting information, while a manual on how to cope with such forces is maintained on the intranet, among other activities. The Company is strengthening its collection of outside information and cooperation with outside organizations by such means as coordinating with local police offices and having membership of an organization that promotes the exclusion of anti-social forces.

## Efforts toward Human Rights

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

### ➤ Policy and Statement on Human Rights



Shiseido Group's basic policy on human rights enlightenment

### ➤ Promotion System



Shiseido's system to promote human rights enlightenment activity

### ➤ Human Rights Enlightenment (Education)



Human rights enlightenment activities encompass all Shiseido Group employees

## Shiseido Group Policy on Human Rights

In pursuit of our mission, to “inspire a life of beauty and culture”, Shiseido Group (“Shiseido”) aims to be an important and trusted corporate entity, accepted by society and consumers worldwide both today and 100 years into the future. Since its establishment, Shiseido has been operating business in the hope of improving society as much as possible through delivering products for beauty and wellness that enrich minds and lives of people.

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

### 1 Fundamental Position

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

- UN International Bill of Human Rights, which defines the fundamental human rights of all people (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and International Covenant on Economic, Social and Cultural Rights).
- International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, and the core labour standards therein.
- UN Declaration on the Rights of Indigenous Peoples.
- Other international norms of human rights, such as conventions relating to the human rights of workers on wages/ working hours.

As a signatory of the UN Global Compact ('GC') we also support and respect the GC Ten Principles.

The Policy represents Shiseido’s commitment to respecting human rights based on the Shiseido Group MVW (Our Mission, Values and Way).

### 2 Scope and Application

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

### 3 Responsibility to Respect Human Rights

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

- Human Rights Due Diligence

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

- Dialogue and Consultation

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

- Education and Training

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

- Remedy

In the event Shiseido's business activities result in violations of human rights, or its business partners have an adverse impact on human rights, we will provide for a remedy through appropriate dialogues and procedures.

- Accountability

Shiseido will appoint an executive officer for overseeing implementation of, and monitoring adherence to, the Policy.

- Information Disclosure

Shiseido will disclose progress and outcome of efforts regarding respecting human rights on its web site and through other media.

- Compliance with Applicable Laws and Regulations

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

Date of Establishment: May 31, 2017

Masahiko Uotani

Representative Director

President and CEO

Shiseido Company, Limited

## Policy and Statement on Human Rights

Shiseido aims to be an important and trusted corporate entity, accepted by society and consumers worldwide both today and 100 years into the future.

Shiseido understands that it must respect the human rights of all persons as a prerequisite to conducting business activities for its sustainable growth together with the global society. Shiseido hereby establishes the Shiseido Group Policy on Human Rights, based on the United Nations Guiding Principles on Business and Human Rights, to promote efforts for the respect of human rights and fulfill its duties.

### The gist of Shiseido Group Policy on Human Rights

To share the awareness of Business and Human Rights on a group-wide basis

To ensure supply chain transparency and traceability

To establish relationships of trust with human rights organizations

To comply with applicable laws and regulations of all countries where its business activities are conducted

## Promotion System

Shiseido Group companies in Japan examine the direction of their enlightenment activities and details thereof in the Human Rights Enlightenment Council led by the General Manager of the Human Resources Department of Shiseido Company, Limited. The Human Rights Enlightenment Council promotes internal training and external human rights enlightenment activities while collaborating with the secretariat (Shiseido Japan Human Resources Division Labor Group).

Also, the head office, factories, Global Innovation Center, and affiliated companies in Japan have established the Human Rights Enlightenment Promotion Committee under the Human Rights Enlightenment Council for annual training.

## Human Rights Enlightenment (Education)

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The human rights enlightenment training is implemented to verify the Shiseido Group Basic Policy on the Enlightenment of Human Rights. To steadily respond to social expectations according to the ISO26000 regarding various human rights issues, including anti-discrimination problems, women, children, persons with disabilities, LGBT and harassment, we are conducting enlightenment activities directed at eliminating discrimination and bias by establishing themes every year.

Specifically, an upper-level management workshop for the head office corporate officers and domestic and overseas department heads, a workshop for domestic and overseas business site managers, a workshop for employees (93% participation rate for fiscal 2017) and a workshop for new employees are conducted once a year. Moreover, fiscal year policy is confirmed and annual regular meetings on various subjects, such as training implementation plans, are carried out in National Human Rights Enlightenment Promotion Committee Training, which is for Human Rights Enlightenment Promotion Committee members from respective business sites in Japan.

At business sites outside Japan, the definition of human rights in English was included in the context of "With employees" in Shiseido Group Standards of Business Conduct and Ethics, allowing employees to deepen their shared recognition of human rights. Going forward, Shiseido will further promote activities to spread human rights awareness on a global scale.

To address harassment, we once held e-learning on abuse of power and other topics for all Group employees in fiscal 2017 with the aim of raising awareness to eliminate harassment, and will continue to organize such events.

## Compliance with the UK Modern Slavery Act

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In compliance with the Modern Slavery Act 2015 of the United Kingdom, Shiseido has published its own Modern Slavery Statement.

## **Shiseido Modern Slavery Statement (Year ended December 31, 2017)**

The statement below is the report for year 2017 as of December 31, 2017. Based on the statement of the previous fiscal year, this statement describes the actions taken in 2017 and the initiatives planned for 2018 and beyond.

### **1 About This Statement**

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

### **2 Business Operations and Organization**

The Company is a cosmetics manufacturer established in 1872 in Japan and today operates cosmetic business in more than 120 countries and areas.

In the UK, Shiseido sells cosmetics etc. through several local subsidiaries:subsidiaries located in the UK are Shiseido U.K. Co., Ltd, Bare Escentuals UK Limited and Gurwitch UK Limited.

### **3 Supply Chain**

In regards to the sourcing of raw materials for our products, Shiseido procures through multiple business partners in the global market (hereafter "supplier(s)"). The Company requires first-tier suppliers doing businesses through direct contracts with Shiseido to comply with the "Shiseido Group Supplier Code of Conduct" to be described hereafter, in order to ensure appropriate business operations. The first-tier suppliers that the Global Headquarters Purchasing Department deals with are 135(packaging materials), 135(raw materials) and 25 (promotional materials), totaling 295 companies (in 2017). In addition, Shiseido has recommended our first-tier suppliers to adopt the policies defined in the "Shiseido Group Supplier Code of Conduct" for second-tier suppliers and upstream suppliers, in order to disseminate positive impact to the wider supply chain. Shiseido believes such practice will enable us to mitigate the risk of slavery and human trafficking in our entire supply chain.

## 4 Policies in Relation to Slavery and Human Trafficking

Shiseido confirms that neither our own business nor the supply chain related to our business involves practices such as enslavement and human trafficking, by establishing corporate policies applicable to Shiseido and thoroughly communicating them to employees and suppliers. The policies are drafted by the Global Headquarters(hereafter "GHQ") directly responsible for human rights and are approved by the Company's Board of Directors.

Shiseido policies relating to human rights and/or enslavement and human trafficking include:

- "Shiseido Group Policy on Human Rights"  
<https://www.shiseidogroup.com/sustainability/human/pdf/policy01.pdf>  
 Shiseido newly formulated, and ratified by a resolution of the 2017 Board of Directors Meeting, the "Shiseido Group Policy on Human Rights" based on the United Nations Guiding Principles on Business and Human Rights. This Policy will be applied to the Shiseido Group and its business partners.
- "Shiseido Group Standards of Business Conduct and Ethics"  
<https://www.shiseidogroup.com/company/principle/way.html>  
 Operational guideline based on our corporate philosophy "Our Mission, Values and Way" that all Shiseido employees are expected to follow.
- "Shiseido Group Supplier Code of Conduct"  
<https://www.shiseidogroup.com/sustainability/pdf/pdf2018/partner2018.pdf>  
 Each of the Shiseido companies is expected to use this code as prerequisite for selecting first-tier suppliers and we recommend these suppliers to ask second-tier suppliers and upstream suppliers for compliance with the code.

In 2004 the Company signed the United Nations Global Compact and endorsed the principles of the Global Compact for all Shiseido companies.

In December 2008, the Company joined the CEO Statement, a Global Compact initiative launched on the 60th anniversary of the Universal Declaration of Human Rights, declaring to the world our commitment "to respect and support human rights within our sphere of influence" and that "human rights are universal and are an important business concern all over the globe."

Further, in September 2010, the Company signed "the Women's Empowerment Principles – Equality Means Business" developed by UN Women and the United Nations Global

Compact as a set of practical guidelines for private business and non-government organizations working for women's empowerment.

In the process of formulating the 2016 MSA Statement, the Company recognized the insufficient presentation of its human rights policy and in June 2017, newly formulated the "Shiseido Group Policy on Human Rights," which was approved by the Board of Directors and announced.

## **5 Risk Assessment and Due Diligence**

The risk of enslavement and human trafficking in Shiseido's business exists in part of our supply chain which Shiseido's management cannot directly reach.

While Shiseido recognizes the need for full visibility of the supply chain, it has not yet been revealed to the full at the moment. From now on, Shiseido believes that cooperation with suppliers is even more indispensable. Therefore, as the first step for supply chain risk assessment, Shiseido newly joined the Sedex (Supplier Ethical Data Exchange) platform in August 2017. Sedex registration of the Company's Kakegawa Factory was completed by the end of 2017. We will discuss with first-tier suppliers about utilizing this platform to secure traceability and transparency in our supply chain from now on, and we will carry out risk assessment using Sedex in collaboration with suppliers who joined it. For non-Sedex members, we will likewise establish cooperative relationships to secure traceability and transparency, and strive for human rights due diligence.

In addition to the above activities, Shiseido will revise "Shiseido Group Supplier Code of Conduct" (to be described hereafter) in 2018 to clarify the compliance of first-tier suppliers with the management of second-tier suppliers and also reflect them on purchasing contracts. In this way, we will strengthen our solidarity including contractual aspects, so that we can fulfill our social responsibilities together with suppliers.

The Chief Legal and Governance Officer and Chief Supply Network Officer of the GHQ are responsible for dealing with this risk assessment.

Meanwhile, the Company has begun social risk assessment of cosmetic ingredients in terms of raw materials. This is a project for identifying raw materials believed to be high-risk, utilizing the Social Hotspot Database which was developed by the nonprofit organization New Earth based on UNEP Guidelines for Social Life Cycle Assessment of Products (2009). Going forward, the Database will be used as a social hotspot screening tool in product development process.

At present, Shiseido will directly address palm oil and mica as ingredients determined to be high-risk. For palm oil, the Kakegawa Factory was RSPO certified in February 2017, and the Kuki and Vietnam factories will also be certified in 2018. Going forward, the Company will have more of its facilities obtain certification to prepare for the provision of

sustainable palm oil. Regarding mica, in May 2017 we joined the Responsible Mica Initiative, which strives to achieve a responsible Indian mica supply chain. From now on, the Company will aim for traceability and transparency of the mica supply chain.

In these ways, Shiseido is promoting risk assessment and human rights due diligence in two aspects: "risk identification of the supply chain as a whole" and "direct approach in terms of raw materials."

We also recognize that engagement with stakeholders is important for human rights due diligence. In 2017, we participated in a stakeholder engagement program of Nippon CSR Consortium operated by Caux Round Table Japan in Tokyo and identified important human rights issues for each industry with reference to the human rights guidance tool produced by the United Nations Environmental Program / Finance Initiative (UNEP FI) (<http://crtjapan.jp/en/portfolio/human-rights-due-diligence-workshop/>). We would like to make it a basis for our future efforts aimed at human rights due diligence.

We participated in a stakeholder engagement workshop in Malaysia organized by Caux Round Table Japan and Global Compact Network Malaysia, and had a dialogue on issues such as migrant workers with government officials, companies, NGOs, and other stakeholders. Also, we engaged in a dialogue with Malaysian small-scale farmers of palm oil.

We also participated in a global stakeholder engagement program organized by Caux Round Table Japan in Tokyo, and had a dialogue with domestic and overseas experts, in which we reported on the programs in Malaysia and Japan and the cases of each industry, as well as exchanged views on matters that should be taken into consideration for further promotion of business and human rights activities.

Furthermore, we had an exclusive dialogue with overseas experts (the Danish Institute for Human Rights, Institute for Human Rights and Business and Sedex) in Tokyo and exchanged opinions on issues that we should address in the field of business and human rights.

For information on initiatives with stakeholders in regard to due diligence, see the following website: <https://www.shiseidogroup.com/sustainability/msa/>

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

## **6 Performance Assessment**

The Company had been conducting questionnaires on compliance with Shiseido Group

Supplier Code of Conduct and addressing individual risk assessments based on the results, until 2016. From now on, based on Sedex assessment results, we will make efforts to promote performance measurements on labor rights, health and safety, the environment, and business ethics in the supply chain. 2017 was the transition period to Sedex, therefore we did not conduct the above questionnaires to suppliers.

- Business Partner Hotline:

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

## 7 Education and Training

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

Management level: human rights education / corporate ethics training is conducted once a year for our executive officers. Since 2015, the contents on business and human rights have been included in the trainings, and 25 executives participated in 2017.

Employees: departments at respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 258 people in 21 branch offices / business departments in the sales division and 86 departments other than sales division). The Human Resources Department conducts trainings for the members, who then give human rights trainings to other employees in their respective departments. In 2017, the Company had all of the employees of all the Group companies in Japan undergo a training session on eliminating harassment.

The Company asked 18 overseas offices for their opinions on matters such as awareness about human rights policies and MSA statements, and actions taken if any in regard to human rights issues. As a result, recognition on Shiseido Group Policy on Human Rights and Shiseido Modern Slavery Statement was as low as 30% or less, so we aim for an 80% recognition in 2018. Also, through this questionnaire, a problem of overtime at one workplace (China) was identified. Measures have already been taken to resolve it.

In August 2017, we held a study session at our head office regarding initiatives for "Responsible Procurement" based on "United Nations Guiding Principles on Business and Human Rights" for 28 staff members of the purchasing department and sustainability department of GHQ.

## 8. For the Future

The Company will continue to take the perspective of the UN Guiding Principles on Business

and Human Rights, striving to prevent the initiation of, or involvement in, human rights abuse in its own business and throughout its supply chain. Specifically, the Company has the following plans for formulation/revision of policies and standards during 2018:

- Shiseido Group Procurement Policy (new)  
(<https://www.shiseidogroup.com/sustainability/ethical/policy.html>)  
Policy for achieving an ethical supply chain.
- Shiseido Group Sustainable Raw Materials Guidelines (new)  
(<https://www.shiseidogroup.com/sustainability/ethical/policy.html>)  
Set targets until 2020 and promote sustainable sourcing of palm oil which is a raw material posing deforestation risk.
- Shiseido Group Supplier Code of Conduct (revision)  
(<https://www.shiseidogroup.com/sustainability/pdf/pdf2018/partner2018.pdf>)  
The Code will be revised to more appropriately reflect the demands of today's society. Business partners will be required to comply with laws and regulations, prevent corruption, respect human rights, provide safe and healthy working conditions, and practice environmental conservation.

The Company will continue its human rights education for employees. To date, the Company's education programs were geared mainly toward its Japanese workforce and focused on harassment. Going forward, the Company plans to conduct training programs on business and human rights in Japan and in major offices worldwide. The Company will also continue educating buyers.

This statement is approved by the Board of Directors of the Company and signed on its behalf by:



**Masahiko Uotani**

Representative Director  
President and CEO  
Shiseido Company, Limited  
May 31, 2018

## Outside Evaluations/Awards

► SRI Indexes Selection Status ► Evaluation of Environmental Activities ► Evaluation of Other Activities

### SRI Indexes Selection Status

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

#### Global

##### FTSE4Good Index Series



**FTSE4Good**

SRI indexes that are announced by the UK's FTSE Russell and used by investors as one of the sets of ESG ratings. They are a series of indexes designed to promote investment in companies that meet global environmental/social/governance standards.  
(June 2018)

##### MSCI ESG Leaders Indexes



Index that is designed by the US's MSCI and selects companies that demonstrate strong environmental, social and governance (ESG) practices. (July 2018)

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##### STOXX Global ESG Leaders Index



Index that is designed by Deutsche Börse Group subsidiary STOXX Ltd. and selects companies that demonstrate strong environmental, social and governance (ESG) practices based on data provided by Sustainalytics. (2018)

## Japan

Morningstar Socially Responsible Investment



Japan's first socially responsible investment stock index that is announced by Morningstar Japan K.K. and selects 150 Japanese listed companies that demonstrate strong social practices. (May 2018)

**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 2018)  
Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

MSCI Japan ESG Select Leaders Index



Index that is designed by the US's MSCI and selects Japanese companies that receive positive evaluations of environmental, social and governance (ESG) practices. (July 2018)  
Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

MSCI Japan ESG Select Leaders Index (WIN)



Index that is designed by the US's MSCI and selects Japanese companies that receive a high score for empowering women and promoting gender diversity. (July 2018)  
Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

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**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 2018)

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

## **Evaluation of Other Activities**

### **■ Shiseido Selected as "Noteworthy IT Strategy Company" in the "2018 Survey of Competitive IT Strategies"**

Shiseido has been selected as one of "Noteworthy IT Strategy Companies" by the Japan's Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE) in the "2018 Survey of Competitive IT Strategies." Under their "Competitive IT Strategy Company Stock Selection" program, METI and TSE select companies that are engaged in competitive strategic IT-related investment as a means of enhancing competitiveness and increasing corporate value in the medium-to-long term. Companies that are implementing remarkably progressive, forward-thinking initiatives receive recognition as "Noteworthy IT Strategy Companies."

### **■ Shiseido Cited as "Most Honored Company" by Institutional Investor in 2018**

The rankings were released by the U.S.-based Institutional Investor, one of the world's leading financial information magazines. They identify and honor superior IR activities of listed Japanese companies, based on the votes of institutional investors and analysts from around the world. Shiseido won the "Most Honored Company" status in the Household & Personal Care sector due to the fact that it ranked first in the "Best CEOs" and "Best CFOs" and third in the "Best IR Programs."

### **■ Shiseido Receives 5 Stars in Customer Service Ranking, a Cosmetics Industry First**

Our "Consumer Information Center" received 5 stars for the Customer Service Ranking, by HDI-Japan, for the first time in the cosmetics industry.



## Activity Results Data

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Data detailing Shiseido's activity towards sustainability is available.

➤ **Social Activity-Related Data**

➤ **Personnel Related Data**

➤ **Environment Activity-performance Data**

## Social Activity-Related Data

Item	Indicator[Unit]	FY2016/12	FY2017/12	Scope
Shiseido Life Quality Beauty Center	Number of Facilities(*1)	1	1	Japan
		4	4	Overseas
	Number of Users[persons]	495	466	Japan
		828	935	Overseas
Shiseido Life Quality Beauty Seminar	Total Seminars Held[times]	4,522	4,705	Japan
		83	82	Overseas
	Total Participants[persons]	73,345	74,014	Japan
		2,697	2,053	Overseas
Initiatives for Children Shiseido Kodomo Seminar for Juniors	Number of Attendees (*2)[persons]	659	753	Japan
Shiseido Running Club	Running Lessons Held[times]	3	2	Japan
	Outside Lectures Held [times]	1	2	Japan
Shiseido Female Researcher Science Grant	Number of Grant Recipients[persons]	10	10	Japan
Shiseido Gallery(Ginza)	Number of Visitors [persons]	54,626	83,573	Japan
Shiseido Corporate Museum(Kakegawa)		30,571	29,735	Japan
Shiseido Art House(Kakegawa)		31,939	23,536 (*3)	Japan
Shiseido Camellia Fund	Monthly Number of Donation Units (*4)[units]	13,706	13,099	Japan

\*1 Tokyo, Shanghai, Hong Kong, Taipei, Kaohsiung

\*2 Conducted for boy and girl students in the upper grade of elementary schools since 2017

\*3 Closed from September 26, 2016 to July 3, 2017

\*4 1 Unit: 100 yen

## Personnel Related Data

### Number of Shiseido Group Employees

		January 1, 2017 (Ratio)			January 1, 2018 (Ratio)		
		Total	Male	Female	Total	Male	Female
Total		45,094 (100%)	-	-	44,900 (100%)	-	-
	Employee	35,411 (78.5%)	-	-	36,019 (80.1%)	-	-
	Fixed-term contract employee	9,683 (21.5%)	-	-	8,971 (19.9%)	-	-
Shiseido Group (Japan)		23,276 (51.6%)	3,874 (16.6%)	19,402 (83.4%)	23,505 (52.2%)	3,899 (16.6%)	19,606 (83.4%)
	Employee	14,807 (32.8%)	3,168 (21.4%)	11,639 (78.6%)	15,784 (35.1%)	3,271 (20.7%)	12,513 (79.3%)
	Fixed-term contract employee	8,469 (18.8%)	706 (8.3%)	7,763 (91.7%)	7,721 (17.2%)	628 (8.1%)	7,093 (91.9%)
	Shiseido Group (Overseas)	21,818 (48.4%)	-	-	21,485 (47.8%)	-	-
	Employee	20,604 (45.7%)	-	-	20,235 (45.0%)	-	-
	Fixed-term contract employee	1,214 (2.7%)	-	-	1,250 (2.8%)	-	-

\*The number of employees is as of January 1 each year in Japan, and December 31 in each previous year overseas.

## Number of Employees by Region

	January 1, 2017 (Ratio)			January 1, 2018 (Ratio)		
	Total	Male	Female	Total	Male	Female
Total	45,094 (100%)	-	-	44,900 (100%)	-	-
Japan	23,276 (51.6%)	3,874 (16.6%)	19,402 (83.4%)	23,505 (52.2%)	3,899 (16.6%)	19,606 (83.4%)
Overseas	21,818 (48.4%)	-	-	21,485 (47.8%)	-	-
Europe	2,391 (5.3%)			2,861 (6.4%)		
America	6,399 (14.2%)			6,169 (13.7%)		
Asia Pacific	3,653 (8.1%)			3,663 (8.1%)		
China	9,375 (20.8%)			8,792 (19.5%)		
Employee	35,411 (79.3%)	-	-	36,019 (80.1%)	-	-
Japan	14,807 (41.8%)	3,168 (21.4%)	11,639 (78.6%)	15,784 (43.8%)	3,271 (20.7%)	12,513 (79.3%)
Overseas	20,604 (58.2%)	-	-	20,235 (56.2%)	-	-
Europe	2,160 (6.1%)			2,448 (6.8%)		
America	5,942 (16.8%)			5,873 (16.3%)		
Asia Pacific	3,228 (9.1%)			3,228 (9.0%)		
China	9,274 (26.2%)			8,686 (24.1%)		
Fixed-term contract employee	9,683 (27.3%)	-	-	8,971 (19.9%)	-	-
Japan	8,469 (87.5%)	706 (8.3%)	7,763 (91.7%)	7,721 (86.1%)	628 (8.1%)	7,093 (91.9%)
Overseas	1,214 (12.5%)			1,250 (13.9%)		
Europe	231 (2.4%)			413 (4.6%)		

	America	457 (4.7%)	-	-	296 (3.3%)	-	-
	Asia Pacific	425 (4.4%)			435 (4.8%)		
	China	101 (1.0%)			106 (1.2%)		

\*The number of employees is as of January 1 each year in Japan, and December 31 in each previous year overseas.

## Ratio of Male and Female Leaders

	January 1, 2017			January 1, 2018		
	Total	Male	Female	Total	Male	Female
Total leaders	3,093	1,447	1,646	2,956	1,364	1,592
Japan	1,262	884	378	1,088	805	283
Overseas	1,831	563	1,268	1,868	559	1,309
Europe	405	155	250	466	159	307
America	943	213	730	871	221	650
Asia Pacific	160	58	102	264	89	175
China	323	137	186	267	90	177
Ratio of leaders	100.0%	46.8%	53.2%	100.0%	46.1%	53.9%
Japan	40.8%	70.0%	30.0%	36.8%	74.0%	26.0%
Overseas	59.2%	30.7%	69.3%	63.2%	29.9%	70.1%
Europe	13.1%	38.3%	61.7%	24.9%	34.1%	65.9%
America	30.5%	22.6%	77.4%	46.6%	25.4%	74.6%
Asia Pacific	5.2%	36.3%	63.7%	14.1%	33.7%	66.3%
China	10.4%	42.4%	57.6%	14.3%	33.7%	66.3%

\*The number of leaders is as of January 1 each year in Japan, and December 31 in each previous year overseas.

\*Overseas leaders refer to personnel in managerial positions (manager or higher).

## Ratio of Introductory Management-Level Personnel

	January 1, 2017	January 1, 2018
Number of Introductory Management-Level Personnel (Japan)	752	826
Male	519	612
Female	233	214
Ratio of Introductory Management-Level Personnel (Japan)	-	-
Male	69.0%	74.1%
Female	31.0%	25.9%

\* Introductory management-level personnel refers to management-level personnel without subordinates and general employees with subordinates.

## Average Service Years of Employees

	January 1, 2017	January 1, 2018
Shiseido Group (Japan)	16.5	15.6
Male	18.2	17.3
Female	16.0	15.1

\*All employees (excluding fixed-term contract employees)

## Working Hours / Rate of Taking Paid Holidays

	FY2016	FY2017
Total annual hours worked /person	-	-
Shiseido Company, Limited	1,913.9	1,915.4
Shiseido Group (Japan)	1,828.8	1,834.6
Annual designated hours worked (Japan)	1,844.5	1,860
Average designated overtime hours worked /person	-	-
Shiseido Company, Limited	227.9	216.6
Shiseido Group (Japan)	104.3	102.1
Acquisition rate of paid leave /year	-	-
Shiseido Company, Limited	74.1%	77.3%
Shiseido Group (Japan)	51.2%	57.0%

## Periodical Employment / Mid-career Employment: Number of People

	FY2016			FY2017		
	General	BC positions	Mid-career Employment	General	BC positions	Mid-career Employment
Total	149	241	-	155	257	97
Male	66	3	-	83	2	53
Female	83	238	-	72	255	44
Ratio	100.0%	100.0%	-	100.0%	100.0%	100.0%
Male	44.3%	1.2%	-	53.5%	0.8%	54.6%
Female	55.7%	98.8%	-	46.4%	99.2%	45.4%

\*Data only indicates affiliates in Japan.

## Entrance Pay

Newly employed in April 2018: in case a worker's service area is located in Tokyo Metropolis or 23 special wards

Category	Allowance
A person with doctoral degree	monthly salary 265,000yen
A person with master's degree	monthly salary 235,000yen
A college (university) graduate	monthly salary 215,000yen
A graduate from a technical college	monthly salary 195,000yen

\*In any case, a service area allowance of 9000 yen (amount of allowance differs by service area) is included.

## Number of Qualified Personnel for Ecole Shiseido

	FY2016 (Ratio)	FY2017 (Ratio)
Shiseido Group (Japan)	12,635 (54.3%)	12,833 (54.6%)

\*Target: Scope comprised of personnel in managerial, general, BC positions (excluding directors and fixed-term contract employees)

## Job Turnover Rate

	FY2016	FY2017
Shiseido Group (Japan)	2.4%	2.1%
Reason of marriage, maternity, child care	0.00%	0.05%
Shiseido Japan Co., Ltd.	3.9%	3.4%
Reason of marriage, maternity, child care	0.80%	0.63%

\*Target of Shiseido Group (Japan): Managers and general personnel

\*Target of Shiseido Japan Co., Ltd.: Beauty Consultants only (excluding fixed-term contract employees)

## Number of Employees Who Used Childcare Leave and Child-Rearing Work Hour Systems and Number of Kangaroo Staff

	FY2016 (Ratio)	FY2017 (Ratio)
Childcare leave (Including short-term childcare leave)	1,453 (6.24%)	1,483 (6.30%)
Male	14 (0.35%)	18 (0.46%)
Female	1,439 (7.44%)	1,465 (7.47%)
Child-rearing work hours	2,156 (9.26%)	2,130 (9.06%)
Male	2 (0.05%)	2 (0.05%)
Female	2,154 (11.14%)	2,128 (10.85%)
Beauty Consultants taking time off for childcare	1,616	1,536
Male	0	0
Female	1,616	1,536
Kangaroo Staff	1,803	1,837

\* Shiseido Group (Japan)

\* Acquisition rate of childcare leave (work hours) = Number of persons taking childcare leave (work hours)/Number of employees in Japan at the beginning of term x 100

\* All employees (including fixed-term contract employees)

## Number of Employees Who Used Nursing Care Leave and Nursing Care Work Hour Systems

	FY2016 (Ratio)	FY2017 (Ratio)
Nursing care leave	23 (0.09%)	37 (0.16%)
Male	3 (0.08%)	3 (0.08%)
Female	20 (0.10%)	34 (0.17%)
Nursing care work hours	27 (0.12%)	24 (0.10%)
Male	1 (0.03%)	2 (0.05%)
Female	26 (0.13%)	22 (0.11%)

\* Shiseido Group (Japan)

\* Acquisition rate of nursing care leave (work hours) = Number of persons taking nursing care leave (work hours)/Number of employees in Japan at the beginning of term x 100

\* All employees (including fixed-term contract employees)

## Number of Employees Who Used Shortened Work Hours System

	FY2016 (Ratio)	FY2017 (Ratio)
Shiseido Group (Japan)	2,183 (9.38%)	2,154 (9.16%)
Male	3 (0.08%)	4 (0.10%)
Female	2,180 (11.28%)	2,150 (10.97%)

\*Personnel using shortened work hours refers to those who are acquiring childcare work hours and nursing care work hours.

\*All employees (including fixed-term contract employees)

## Reinstatement Rate and Retention Rate after Maternity Leave and Childcare Leave

		FY2016	FY2017
Reinstatement rate	Shiseido Group (Japan)	98.2%	97.5%
	Shiseido Japan Co., Ltd.	98.8%	97.5%
Retention rate	Shiseido Group (Japan)	95.7%	98.2%
	Shiseido Japan Co., Ltd.	90.8%	98.5%

\* Target of Shiseido Group (Japan): Managers and general personnel; target of Shiseido Japan Co., Ltd.: beauty consultants (excluding fixed-term contract employees)

\* Reinstatement rate = Number of reinstated employees from their childcare leave in current year / Number of employees expected to be reinstated from their childcare leave in current year × 100

\* Retention rate = Number of employees enrolled as of the end of March in current year out of reinstated employees from their childcare leave in previous year / Number of reinstated employees from their childcare leave in previous year × 100

## Number of Employees Rehired after Retirement

	January 1, 2017	January 1, 2018
Shiseido Group (Japan)	333	275

## Ratio of Employees with Disabilities

	June 1, 2016	June 1, 2017	June 1, 2018
Shiseido Company, Limited	3.41%	3.30%	3.19%
Shiseido Group (Japan)	2.06%	2.02%	2.04%

## Ratio of Non-Japanese Directors in Overseas Affiliated Companies

	June 1, 2016	June 1, 2018
Shiseido Group (Overseas)	44.2%	71.4%

\*Non-Japanese directors at the head office who concurrently hold posts at overseas subsidiaries are counted as local directors overseas.

\*Directors who hold positions as directors in multiple companies are also included.

## Human Rights Enlightenment and Corporate Ethics Training

Target: Shiseido Group employees in Japan

	FY2016	FY2017
Training topic	Awareness of various human rights	Ensuring work environment without harassment
Number of times held	190	220
Time (per occasion)	60 minutes	60 minutes
Participants	19,759 persons	19,600 persons

## Number of Work-related Accidents

	FY2016	FY2017
Shiseido Group (Japan)	29	23
Including in-house factories and companies under business consignment	9	3
Shiseido Group (Overseas)	111	72

\* Number of work-related accidents that accompanied suspension of operations

\* Number of work-related accidents at business partners consigned by domestic factories is the number of accidents reported by business partners on consignment.

## Work-related Accident Severity Rate

	FY2016	FY2017
Number of work-related accidents	29	23
Accident severity rate	0.018	0.006

\*Number of work-related accidents in Shiseido Group (Japan)

\*Accident severity rate = Number of days lost due to work-related accidents/Total hours worked × 1,000

## ■ Lost Time Incident (LTI) Rate and Lost Time Injury Frequency Rate (LTIFR)

	FY2016	FY2017
LTI	0.19	0.12
LTIFR	0.96	0.59

\*Lost time incident rate and lost time injury frequency rate for Shiseido Group (Japan)

\*Lost time incident (LTI) rate = Number of lost time incidents/Total hours worked x 200,000

\*LTIFR = Lost time injury frequency rate/Total hours worked x 1,000,000

## ■ Number of Employees per Industrial Physician and/or Industrial Healthcare Staff

	June 1, 2016	June 1, 2018
Shiseido Company, Limited	628.7	326.6
Shiseido Group (Japan)	261.5	255.5

\* Definition: One industrial physician per business location to which the physician is appointed. (In cases where a business location is under contract with several full-time industrial physicians and part-time industrial physicians, physicians will all be included in the figure.)

## ■ Number of Labor Union Members and Composition

		FY2016 (January 1, 2017)	FY2017 (January 1, 2018)
Shiseido Company, Limited	Labor union members	1,659	1,783
	Composition(*1)	37.7%	39.0%
	Employees covered by labor law	100%	100%
Shiseido Group (Japan)	Labor union members	10,224	11,680
	Composition(*1)	43.9%	49.7%
	Employees covered by labor law	100%	100%

\*1 Number of Labor Union Members/Number of employees (including managers and fixed-term contract employees) x 100

## Subsidiaries with Labor Unions

	January 1, 2017 (Ratio)	January 1, 2018 (Ratio)
Japan	15.8%	17.1%
Overseas	45.9%	68.4%

\*Includes work council overseas

## Environmental Activity-Performance Data

### Shiseido Group

Index		FY2015 Results *1	FY2016 Results		FY2017 Results	
			Results	Coverage rate	Results	Coverage rate
Input	Energy consumption (MWh)	229,036	277,878	96% *2	268,088	97% *2
		Electric power (10,000 kWh)	9,640	11,276	—	11,327
		City gas (10,000 m³)	824	1,052	—	973
		LPG (t)	180	236	—	274
		Fuel (kl)	2,374	2,577	—	2,594
		Steam (GJ)	16,039	21,165	—	17,412
Output	Water (10,000 m³)		105	132	100% *3	122
	CO <sub>2</sub> (t)	92,227	114,193	96% *2	110,605	97% *2
		Scope1 (t)	48,009	60,629	95% *2	56,603
		Scope2 (t)	44,218	53,565	96% *2	54,002
	SOx (t)		1	1	92% *3	0
	NOx (t)		5	11	85% *3	5
	Wastewater (10,000 m³)		79	91	100% *3	97
	BOD (t)		110	111	92% *3	53
	COD (t)		216	208	85% *3	101
	Waste (t)	8,893	9,637	97% *2	10,036	96% *2
		Final disposal volume (t)	772	777	—	524
		Recycling rate (%)	91%	92%	—	95%

## Japan

Index		Scope	FY2015 Results *1	FY2016 Results	FY2017 Results
Input	Electric power (10,000 kWh)	Production facilities	2,015	2,753	2,925
		Non-production facilities	2,286	3,060	2,945
	City gas (10,000 m <sup>3</sup> )	Production facilities	397	585	523
		Non-production facilities	45	67	68
	LPG (t)	Production facilities	8	14	13
		Non-production facilities	0	0	0
	Fuel (kl)	Production facilities	—	—	—
		Non-production facilities	1,299	1,498	1,526
	Steam (GJ)	Production facilities	—	—	—
		Non-production facilities	6,836	11,584	10,205
	Water (10,000 m <sup>3</sup> )	Production facilities	54	79	73
		(Basic Unit)*4	(12.0)	(10.9)	(9.4)
Output	CO <sub>2</sub> (t)	Production facilities	31,995	45,942	43,556
		(Basic Unit) *5	(0.72)	(0.71)	(0.59)
		Non-production facilities	18,067	24,090	23,511
	SOx (t)	Production facilities	—	—	—
	NOx (t)		3	4	4
	Wastewater (10,000 m <sup>3</sup> )		49	56	59
	BOD (t)		13	19	20
	COD (t)		24	33	39
	Waste (t)	Production facilities	2,464	3,543	4,425
		(Basic Unit)*4	(0.06)	(0.05)	(0.06)
		Non-production facilities	838	966	825
	Recycling rate (%)	Production facilities/ Non-production facilities	100%	100%	100%

## Overseas \*6

Index		Scope	FY2015 Results *1	FY2016 Results	FY2017 Results
Input	Electric power (10,000 kWh)	Production facilities	4,824	4,984	4,804
		Non-production facilities	515	479	654
	City gas (10,000 m <sup>3</sup> )	Production facilities	374	379	363
		Non-production facilities	8	223	19
	LPG (t)	Production facilities	171	223	261
		Non-production facilities	0	0	—
	Fuel (kl)	Production facilities	77	79	65
		Non-production facilities	998	1,000	1,003
	Steam (GJ)	Production facilities	9,203	9,581	7,208
		Non-production facilities	—	—	—
	Water (10,000 m <sup>3</sup> )	Production facilities	49	50	44
		(Basic Unit)*4	(9.1)	(9.4)	(10.0)
Output	CO <sub>2</sub> (t)	Production facilities	36,829	38,560	37,306
		(Basic Unit) *5	(0.83)	(0.89)	(0.96)
		Non-production facilities	5,336	5,600	6,233
	SOx (t)	Production facilities	1	1	0
	NOx (t)		1	2	1
	Wastewater (10,000 m <sup>3</sup> )		29	34	32
	BOD (t)		98	92	25
	COD (t)		191	175	57
	Waste (t)	Production facilities	5,181	4,742	4,390
		(Basic Unit)*4	(0.10)	(0.09)	(0.10)
		Non-production facilities	409	386	396
	Recycling rate (%)	Production facilities/ Non-production facilities	86%	85%	89%

Note: Factors for the calculation of CO<sub>2</sub> emissions: Factors published by the International Energy Agency (IEA), which differ by country, are used as a rule.

\*1 April 1 - December 31, 2015 (due to the irregular account settlement of 2015)

\*2 Acknowledged total result/ Estimated amount for the whole Group

\*3 Number of production sites whose performance is acknowledged/ Number of production sites in the Group

\*4 Per bulk

\*5 Per production quantity

\*6 Main offices only, for overseas non-production facilities

## Data by Production Facilities in Japan

### Shiseido Osaka Factory

Index		FY2015 Results *1	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	542	745	775
	City gas(10,000 m <sup>3</sup> )	51	72	76
	LPG (t)	—	—	—
	Water (10,000 m <sup>3</sup> )	14	17	18
Output	CO <sub>2</sub> (t)	5,624	7,838	8,227
	SOx (t)	—	—	—
	NOx (t)	0	1	1
	Wastewater (10,000 m <sup>3</sup> )	14	13	13
	BOD (t)	2	1	1
	COD (t)	6	7	7
	Waste (t)	770	966	1,029

**Shiseido Kakegawa Factory**

Index		FY2015 Results *1	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	1,017	1,390	1,506
	City gas(10,000 m³)	138	197	190
	LPG (t)	—	—	—
	Water (10,000 m³)	17	23	23
Output	CO2 (t)	12,806	17,921	18,168
	SOx (t)	—	—	—
	NOx (t)	1	2	2
	Wastewater (10,000 m³)	15	19	20
	BOD (t)	2	4	4
	COD (t)	3	5	5
	Waste (t)	322	486	588

**Shiseido Kuki Factory**

Index		FY2015 Results *1	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	456	617	644
	City gas(10,000 m³)	208	316	257
	LPG (t)	8	14	13
	Water (10,000 m³)	23	39	31
Output	CO2 (t)	13,566	20,183	17,161
	SOx (t)	—	—	—
	NOx (t)	1	2	2
	Wastewater (10,000 m³)	20	25	26
	BOD (t)	9	13	15
	COD (t)	15	22	27
	Waste (t)	1,372	2,091	2,808

\* Target Period: April 1 - December 31, 2015

## Data by Overseas Production Facilities

### Shiseido America, Inc. (East Windsor Factory)

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	867	881	1,062
	City gas(10,000 m <sup>3</sup> )	89	75	114
	LPG (t)	—	—	—
	Fuel (kl)	—	—	—
	Steam (GJ)	—	—	—
	Water (10,000 m <sup>3</sup> )	4	4	3
Output	CO <sub>2</sub> (t)	6,760	6,026	8,881
	SOx (t)	—	—	—
	NOx (t)	—	—	—
	Wastewater (10,000 m <sup>3</sup> )	4	3	3
	BOD (t)	21	22	6
	COD (t)	—	—	—
	Waste (t)	894	844	986

**Shiseido International France S.A.S. Unité du Val de Loire**

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	423	404	378
	City gas(10,000 m³)	49	47	42
	LPG (t)	—	—	—
	Fuel (kl)	0	0	1
	Steam (GJ)	—	—	—
	Water (10,000 m³)	2	3	2
Output	CO2 (t)	2,186	2,115	1,914
	SOx (t)	—	—	—
	NOx (t)	0	—	—
	Wastewater (10,000 m³)	2	2	2
	BOD (t)	16	16	12
	COD (t)	56	44	38
	Waste (t)	327	346	272

**Shiseido International France S.A.S. Unité de Gien**

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	399	381	426
	City gas(10,000 m <sup>3</sup> )	30	31	29
	LPG (t)	—	—	—
	Fuel (kl)	2	1	1
	Steam (GJ)	—	—	—
	Water (10,000 m <sup>3</sup> )	1	1	1
Output	CO <sub>2</sub> (t)	1,415	1,451	1,426
	SOx (t)	—	—	—
	NOx (t)	—	0	—
	Wastewater (10,000 m <sup>3</sup> )	0	0	0
	BOD (t)	0	0	0
	COD (t)	1	0	0
	Waste (t)	1,052	347	473

**Shiseido Liyuan Cosmetics Co., Ltd.**

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	253	300	261
	City gas(10,000 m <sup>3</sup> )	1	1	1
	LPG (t)	—	—	—
	Fuel (kl)	—	—	—
	Steam (GJ)	3,434	3,575	2,690
	Water (10,000 m <sup>3</sup> )	4	4	3
Output	CO <sub>2</sub> (t)	1,729	2,038	1,773
	SOx (t)	—	—	—
	NOx (t)	—	—	—
	Wastewater (10,000 m <sup>3</sup> )	3	3	2
	BOD (t)	1	3	4
	COD (t)	2	6	7
	Waste (t)	205	346	84

**Shanghai Zotos Citic Cosmetics Co., Ltd.**

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	527	596	550
	City gas(10,000 m³)	43	52	44
	LPG (t)	—	—	—
	Fuel (kl)	—	—	—
	Steam (GJ)	—	—	—
	Water (10,000 m³)	15	16	12
Output	CO <sub>2</sub> (t)	5,723	6,626	5,923
	SOx (t)	0	0	0
	NOx (t)	1	1	0
	Wastewater (10,000 m³)	7	7	10
	BOD (t)	0	1	1
	COD (t)	3	3	2
	Waste (t)	174	443	341

**Taiwan Shiseido Co., Ltd. Hsinchu Factory**

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	185	223	215
	City gas(10,000 m³)	7	5	6
	LPG (t)	—	—	—
	Fuel (kl)	2	0	—
	Steam (GJ)	—	—	—
	Water (10,000 m³)	2	2	3
Output	CO <sub>2</sub> (t)	1,408	1,560	1,519
	SOx (t)	—	—	—
	NOx (t)	—	—	—
	Wastewater (10,000 m³)	3	2	0
	BOD (t)	—	—	—
	COD (t)	5	3	1
	Waste (t)	36	43	56

\* Chung-Li Factory stopped manufacturing activities in July 2016, and Hsinchu Factory started operation in the same month.

**Shiseido Vietnam Inc.**

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	807	863	873
	City gas(10,000 m <sup>3</sup> )	—	—	—
	LPG (t)	156	209	251
	Fuel (kl)	—	—	—
	Steam (GJ)	—	—	—
	Water (10,000 m <sup>3</sup> )	9	9	9
Output	CO <sub>2</sub> (t)	4,326	4,746	4,919
	SOx (t)	0	0	—
	NOx (t)	0	0	—
	Wastewater (10,000 m <sup>3</sup> )	3	7	8
	BOD (t)	0	1	1
	COD (t)	2	4	4
	Waste (t)	701	324	989

**Shanghai Huani Transparent Beauty Soap Co., Ltd.**

Index		FY2015 Results	FY2016 Results	FY2017 Results
Input	Electric power(10,000 kWh)	147	140	137
	City gas(10,000 m³)	—	—	—
	LPG (t)	—	—	—
	Fuel (kl)	73	78	64
	Steam (GJ)	—	—	—
	Water (10,000 m³)	3	3	3
Output	CO <sub>2</sub> (t)	1,158	1,126	1,067
	SOx (t)	0	0	0
	NOx (t)	0	1	0
	Wastewater (10,000 m³)	2	2	3
	BOD (t)	1	2	2
	COD (t)	4	5	5
	Waste (t)	27	30	35

## Editorial Policy/GRI Content Index

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### ► Editorial Policy

The editorial policy for the Shiseido Group's Sustainability website describes the features of the site as well as the scope of its coverage.

### ► GRI Content Index

Content Index of GRI Standard which is international sustainability reporting guidelines

## Editorial Policy

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Shiseido Group's Sustainability website has been edited according to the following policies.

- It is edited to be a website in which one can promptly get the information he/she needs.
- We disclose sustainability-related data in lists.
- The target period for the information included in this website is mainly for 2017 (from January 1, 2017 to December 31, 2017). However, part of the information may be from prior to the said period or more recent than the said period.
- We have edited this website by using the United Nations Global Compact, GRI Sustainability Reporting Standards (GRI Standards) for reference.
- The scope includes Shiseido Company, Limited and 79 Shiseido Group companies (consolidated subsidiaries) as of December 31, 2017.

Notes have been added to data outside of the above scope.

Information on the Shiseido Group's sustainability in 2017 is disclosed not only on the "Shiseido Group Sustainability website", but also in the "Annual Report 2017/12."

## GRI Content Index

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The information presented here is related to items of the GRI Standards, but is not reported in accordance with the GRI Standards.

About "Reference": "Not Applicable" indicates that the corresponding items are not relevant or have no cases relevant to any critical levels. "—" indicates no information.

### 102-General Disclosures

1. Organizational profile		Reference
102-1	Name of the organization	Corporate Information
102-2	Activities, brands, products, and services	Business Overview
		Brands
		Annual Report
102-3	Location of headquarters	Corporate Information
102-4	Location of operations	Shiseido Group Standards of Business Conduct and Ethics
		Corporate Profile
		Major Offices
102-5	Ownership and legal form	Corporate Information
102-6	Markets served	Business Overview
102-7	Scale of the organization	Shiseido at a Glance
		Annual Report
		Major Offices
102-8	Information on employees and other workers	Personnel Related Data
		Corporate Information
102-9	Supply chain	With Business Partners
		Global Network
102-10	Significant changes to the organization and its supply chain	Annual Securities Report (Japanese only)
102-11	Precautionary Principle or approach	What is Shiseido Sustainability?
		Risk Management

102-12	External initiatives	Cooperation with International Societies
		External Collaboration
102-13	Membership of associations	Cooperation with International Societies
		External Collaboration
2. Strategy		Reference
102-14	Statement from senior decision-maker	Top Commitment
102-15	Key impacts, risks, and opportunities	What is Shiseido Sustainability?
		Risk Management
		Annual Report
3. Ethics and integrity		Reference
102-16	Values, principles, standards, and norms of behavior	Shiseido Group Standards of Business Conduct and Ethics
102-17	Mechanisms for advice and concerns about ethics	Activities to Enhance Corporate Ethics
		Fair Evaluation of Employees
4. Governance		Reference
102-18	Governance structure	What is Shiseido Sustainability?
		Management and Execution Structure
102-19	Delegating authority	Annual Report
102-20	Executive-level responsibility for economic, environmental, and social topics	Directors, Audit & Supervisory Board Members and Corporate Officers
102-21	Consulting stakeholders on economic, environmental, and social topics	General Meeting of Shareholders
102-22	Composition of the highest governance body and its committees	Corporate Governance
		Annual Report
		Corporate Governance Report
102-23	Chair of the highest governance body	Management and Execution Structure
102-24	Nominating and selecting the highest governance body	Corporate Governance Report
		Management and Execution Structure
102-25	Conflicts of interest	Corporate Governance Report
		Annual Report

102-26	Role of highest governance body in setting purpose, values, and strategy	Management and Execution Structure
102-27	Collective knowledge of highest governance body	—
102-28	Evaluating the highest governance body's performance	—
102-29	Identifying and managing economic, environmental, and social impacts	Risk Management
		Annual Report
102-30	Effectiveness of risk management processes	Corporate Governance Report
		Annual Report
102-31	Review of economic, environmental, and social topics	—
102-32	Highest governance body's role in sustainability reporting	—
102-33	Communicating critical concerns	Corporate GovernanceC
		Whistleblower System
		Annual Report
102-34	Nature and total number of critical concerns	—
102-35	Remuneration policies	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Corporate Governance Report
102-36	Process for determining remuneration	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Corporate Governance Report
102-37	Stakeholders' involvement in remuneration	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		General Meeting of Shareholders
		Good Relationship with labor union
102-37	Annual total compensation ratio	—
102-39	Percentage increase in annual total compensation ratio	—

5. Stakeholder engagement		Reference
102-40	List of stakeholder groups	Shiseido Group Standards of Business Conduct and Ethics
102-41	Collective bargaining agreements	Personnel Related Data
102-42	Identifying and selecting stakeholders	Shiseido Group Standards of Business Conduct and Ethics
102-43	Approach to stakeholder engagement	Reflecting Consumer Feedback
		Efforts toward Building an Ethical Supply Chain
		With Business Partners
		Fair Evaluation of Employees
		General Meeting of Shareholders
		Annual Report
		With Society
102-44	Key topics and concerns raised	Initiatives in Response to Animal Testing and Alternative Methods
		Reflecting Consumer Feedback
6. Reporting practice		Reference
102-45	Entities included in the consolidated financial statements	Editorial Policy
		Annual Securities Report(Japanese only)
102-46	Defining report content and topic Boundaries	What is Shiseido Sustainability?
102-47	List of material topics	What is Shiseido Sustainability?
102-48	Restatements of information	Annual Report
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	Editorial Policy
102-51	Date of most recent report	Issuing Period: June 2018 (Next: June 2019, previous: May 2017)
		Editorial Policy
102-52	Reporting cycle	Issuing Period: June 2018 (Next: June 2019, previous: May 2017)
		Editorial Policy

102-53	Contact point for questions regarding the report	<a href="#">Contact Us</a>
102-54	Cbntact point for questions regarding the report	Not Applicable
102-55	GRI content index	GRI content index (This page)
102-56	External assurance	Editorial Policy
		<a href="#">Editorial Policy</a>

## 200-Economic

201-Economic Performance		Reference
201-1	Direct economic value generated and distributed	<a href="#">Annual Report</a>
201-2	Financial implications and other risks and opportunities due to climate change	Shiseido's Stance on Environmental Issues / Our Goals and Achievements
		<a href="#">Environmental Management</a>
		<a href="#">Environmental Impact Results in Fiscal 2017</a>
201-3	Defined benefit plan obligations and other retirement plans	<a href="#">Annual Report</a>
		<a href="#">Employee Benefits and Welfare</a>
201-4	Financial assistance received from government	—
202-Market Presence		Reference
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	<a href="#">Personnel Related Data</a>
202-2	Proportion of senior management hired from the local community	—
203-Indirect Economic Impacts		Reference
203-1	Infrastructure investments and services supported	<a href="#">With Society</a>
203-2	Significant indirect economic impacts	<a href="#">With Society</a>
		<a href="#">Social Activity-Related Data</a>
204-Procurement Practices		Reference
204-1	Proportion of spending on local suppliers	—

205Anti-corruption		Reference
205-1	Operations assessed for risks related to corruption	Not Applicable <Targeting all business offices inside and outside Japan>
		Compliance
205-2	Communication and training about anti-corruption policies and procedures	Activities to Enhance Corporate Ethics
205-3	Confirmed incidents of corruption and actions taken	Not Applicable <Targeting all business offices inside and outside Japan>
206Anti-competitive Behavior		Reference
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Result in FY 2017: "No legal actions"

## 300Environmental

301Materials		Reference
301-1	Materials used by weight or volume	—
301-2	Recycled input materials used	—
301-3	Reclaimed products and their packaging materials	Efforts toward Recycling of Resources
302Energy		Reference
302-1	Energy consumption within the organization	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
302-2	Energy consumption outside of the organization	Environmental Impact Results in Fiscal 2017
302-3	Energy intensity	Environmental Activity-Performance Data
302-4	Reduction of energy consumption	Environmental Impact Results in Fiscal 2017
		Initiatives in Production and Distribution
302-5	Reductions in energy requirements of products and services	Environmental Impact Results in Fiscal 2017
		Product Initiatives
		Efforts toward Recycling of Resources

303-Water		Reference
303-1	Water withdrawal by source	Environmental Impact Results in Fiscal 2017
303-2	Water source significantly affected by withdrawal of water	Not Applicable
303-3	Water recycled and reused	—
304-Biodiversity		Reference
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Applicable
304-2	Significant impacts of activities, products, and services on biodiversity	Initiatives to Conserve Biodiversity
		Environmental Policies and Targets until Year 2020
		Efforts toward Building an Ethical Supply Chain
304-3	Habitats protected or restored	Initiatives to Conserve Biodiversity
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—
305-Emissions		Reference
305-1	Direct (Scope 1) GHG emissions	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
305-3	Other indirect (Scope 3) GHG emissions	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
305-4	GHG emissions intensity	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
305-5	Reduction of GHG emissions	Shiseido's Stance on Environmental Issues / Our Goals and Achievements
		Shiseido's Stance on Environmental Issues / Our Goals and Achievements
		Environmental Activity-Performance Data

305-6	Emissions of ozone-depleting substances (ODS)	Not Applicable
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
306-Effluents and Waste		Reference
306-1	Water discharge by quality and destination	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
306-2	Waste by type and disposal method	Environmental Impact Results in Fiscal 2017
		Environmental Activity-Performance Data
		Environmental Management
306-3	Significant spills	Not Applicable
		Environmental Management
306-4	Transport of hazardous waste	Not Applicable
306-5	Water bodies affected by water discharges and/or runoff	—
307-Environmental Compliance		Reference
307-1	Non-compliance with environmental laws and regulations	Not Applicable
		Environmental Management
308-Supplier Environmental Assessment		Reference
308-2	New suppliers that were screened using environmental criteria	With Business Partners
		Policies and Standards
308-2	Negative environmental impacts in the supply chain and actions taken	With Business Partners

## 400 Social

401 Employment		Reference
401-1	New employee hires and employee turnover	Personnel Related Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment and Labor
		Realizing a Rewarding Workplace
401-3	Parental leave	Personnel Related Data
		Realizing a Rewarding Workplace
402 Labor/Management Relations		Reference
402-1	Minimum notice periods regarding operational changes	Employment and Labor
403 Occupational Health and Safety		Reference
403-1	Workers representation in formal joint management-worker health and safety committees	Safety and Health of Employees
		Personnel Related Data
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Personnel Related Data
403-3	Workers with high incidence or high risk of diseases related to their occupation	—
403-4	Health and safety topics covered in formal agreements with trade unions	Safety and Health of Employees
		Good Relationship with Labor Union
404 Training and Education		Reference
404-1	Average hours of training per year per employee	Utilization and Development of Human Resources
		Personnel Related Data
404-2	Programs for upgrading employee skills and transition assistance programs	Performance measurement setting and appraisal on regular basis 100%
404-3	Percentage of employees receiving regular performance and career development reviews	Performance measurement setting and appraisal on regular basis 100%
		Fair Evaluation of Employees
405 Diversity and Equal Opportunity		Reference
405-1	Diversity of governance bodies and employee	Management and Execution Structure
405-2	Ratio of basic salary and remuneration of women to men	Employment and Labor

406 Non-discrimination		Reference
406-1	Incidents of discrimination and corrective actions taken	—
407 Freedom of Association and Collective Bargaining		Reference
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—
408 Child Labor		Reference
408-1	Operations and suppliers at significant risk for incidents of child labor	Compliance with the UK Modern Slavery Act
		Policy and Statement on Human Rights
		Policies and Standards
		Specific Initiatives
409 Forced or Compulsory Labor		Reference
409-1	Operations and suppliers at significant risk for incidents of child labor	Compliance with the UK Modern Slavery Act
		Policy and Statement on Human Rights
		Policies and Standards
		Specific Initiatives
410 Security Practices		Reference
410-1	Security personnel trained in human rights policies or procedures	—
411 Rights of Indigenous Peoples		Reference
411-1	Incidents of violations involving rights of indigenous peoples	—
412 Human Rights Assessment		Reference
412-1	Operations that have been subject to human rights reviews or impact assessments	Efforts toward Human Rights
		Targetting all business offices inside and outside Japan.
412-2	Employee training on human rights policies or procedures	Human Rights Enlightenment (Education)
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—

413 Local Communities		Reference
413-1	Operations with local community engagement, impact assessments, and development programs	With Society Social Activity-Related Data
413-2	Operations with significant actual and potential negative impacts on local communities	Not Applicable
414 Supplier Social Assessment		Reference
414-1	New suppliers that were screened using social criteria	With Business Partners Efforts toward Building an Ethical Supply Chain
414-2	Negative social impacts in the supply chain and actions taken	With Business Partners Efforts toward Building an Ethical Supply Chain
415 Public Policy		Reference
415-1	Political contributions	—
416 Customer Health and Safety		Reference
416-1	Assessment of the health and safety impacts of product and service categories	Promotion of Safe and Reliable Manufacturing
416-2	Incidents of non-compliance concerning the health and safety impacts and services	Result in FY 2017: "No violations against rules and regulations as well as voluntary codes" (examples of administrative guidance based on the Act against Pharmaceuticals and Medical Devices Law) <Target areas: Japan>
		Result in FY 2017: "4 violations against rules and regulations as well as voluntary codes" (recall & voluntary collection) <Target areas: Japan>
		Promotion of Safe and Reliable Manufacturing
417 Marketing and Labeling		Reference
417-1	Requirements for product and service information and labeling	Promotion of Safe and Reliable Manufacturing
417-2	Incidents of non-compliance concerning product and service information and labeling	Result in FY 2017: "1 violation against rules and regulations as well as voluntary codes" (examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations, and Pharmaceuticals and Medical Devices Law) <Target areas: Japan>

417-3	Incidents of non-compliance concerning marketing communications	Result in FY 2017 :"No violations against rules and regulations as well as voluntary codes" (examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations, and Pharmaceuticals and Medical Devices Law) <Target areas: Japan>
	418-Customer Privacy	Reference
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Result in FY 2017: "6 examples" (incidents of reporting personal information disclosure to Personal Information Protection Commission) <Target areas: Shiseido Co., Ltd.; Shiseido Japan Co., Ltd.>  <b>Information Security Management</b>
	419-Socioeconomic Compliance	Reference
419-1	Non-compliance with laws and regulations in the social and economic area	Result in FY 2017: "No penalties against violating rules and regulations" <Target areas: Japan>  <b>Compliance</b>