

# Shiseido CSR

[Shiseido's Corporate Social Responsibility]

"Beautiful Society, Bright Future."

Shiseido is committed to pursuing a variety of CSR activities that earn the empathy of society.

\*CSR: Corporate Social Responsibility

Although the target period for the information included in this back number is mainly FY2013 (from April 1, 2013, to March 31, 2014), part of the information also includes contents prior to/after the said period.

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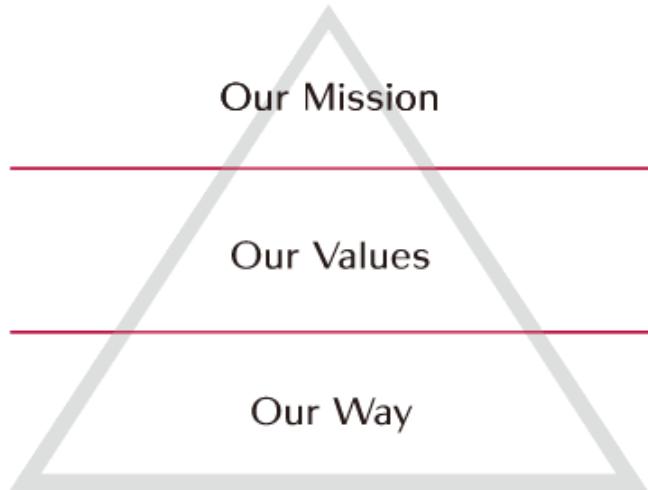
## What is Shiseido CSR?

Shiseido's overall image and domains of CSR activities based on the implementation of "Our Way".

### Basic Concept of Shiseido CSR

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

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



### Initiatives Related to the United Nations Global Compact

In September 2004, Shiseido announced that it was joining the United Nations Global Compact, declaring that it would voluntarily work to solve problems and create an international framework for realizing a sustainable society. As a specific example of our initiatives in this area, in March 2006 we adopted the "Shiseido Group Supplier Code of Conduct [PDF:162KB]" (revised in December 2011), a series of standards governing Shiseido procurement activities, based on the Global Compact's ten principles. In this way, we have joined our business partners in making a commitment to society to pursue procurement activities based on high ethical standards.

In the area of human rights, we continue to pursue initiatives in the context of our own corporate activities. In addition, we joined the CEO Statement, an initiative launched by the Global Compact on the 60th anniversary of the Universal Declaration of Human Rights in December 2008, as part of our program of support for the Global Compact. The statement declares to the world, "We also reiterate our own commitment to respect and support human rights within our sphere of influence. Human rights are universal and are an important business concern all



over the globe."

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

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

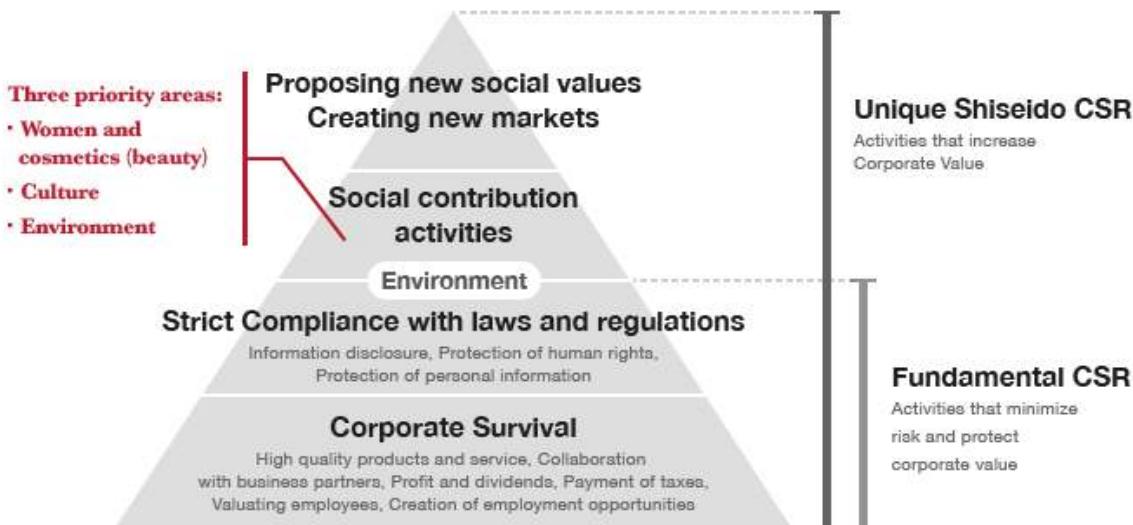


Declaration of participation in the United Nations Global Compact's Initiative on Climate Change



Letter of certification

## CSR Activities Domain



## CSR Activity Promotion Structure

Shiseido's CSR activities are deliberated and discussed by the CSR Committee under the direct management of the Board of Directors in order to steadily promote CSR activities unique to Shiseido that will lead to enhancing corporate value. To ensure expertise, fairness and transparency, external committee members and a Shiseido labor union committee chairman representing Shiseido employees are included as members.

- Committee Organization



- Objectives of Committee under the direct jurisdiction of the Board of Directors

### Implementation of CSR verification

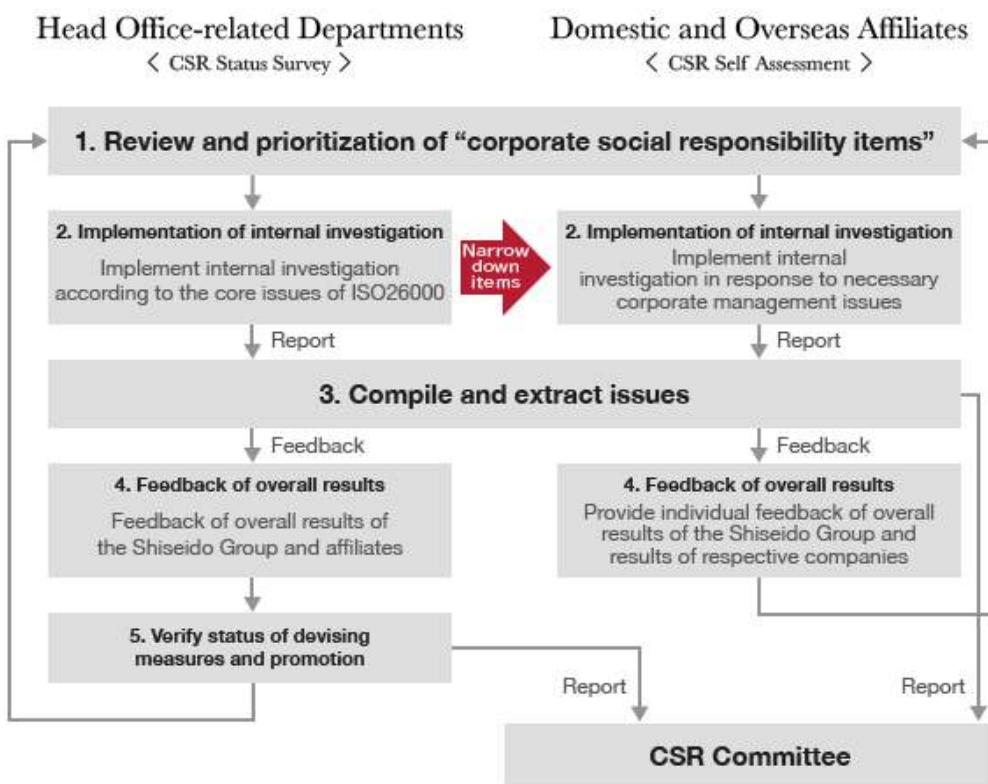
The target of our "CSR Committee", a committee under the direct authority of the Board of Directors covers all the potential areas which are supposed to be required for Shiseido Group to carry out social responsibility. In order to respond to the social demand, challenges are extracted from a unitary perspective. Promoting appropriate measures(CSR actions) as well as examining the orientation of CSR activities, we try to obtain and evaluate possible risks in management strategies and operating business activities, and thus, try to take necessary measures.

The CSR Committee is run by members who are selected from throughout the Company and key figures from the outside. Activity plans and results are thereby proposed and reported to the Board of Directors.

## Promotion procedures

Shiseido recognizes risk prevention as essential for sustainable business and implements various measures emphasizing verification of latent risks. In order to ensure that various issues that need to be addressed are not overlooked, including forecasts for the social environment and international affairs as well as amendments to treaties and laws, Shiseido is making decisions on initiatives that should be promoted (CSR actions) by addressing risks from the three perspectives of "what is expected from society," "what is not being addressed (cannot be addressed) by Shiseido" and "what should be addressed by Shiseido."

### Flow of CSR Action



Specifically, Shiseido categorizes all questionnaires that are received from Socially Responsible Investment (SRI) and CSR-related investigation institutions by area in keeping with relevant items of Our Way, GRI Guidelines and ISO26000. These areas include corporate governance, human rights, labor practices, the environment, fair business practices, consumer issues, participation in communities and community development. Moreover, items are further established in detail according to these

areas, with each item carefully examined from the viewpoints of "whether or not a basic plan is established (Plan)," "whether or not a system is in place for implementation (Do)" and "whether or not evaluation and verification are being conducted (Check & Act)," thereby identifying activities that should be implemented. As for issues that have been identified and are being evaluated according to the two pillars of "level of impact on business" and "level of focus from society," thereby prioritizing items that need to be addressed.

Shiseido utilizes these results for a risk map, reports the results to the CSR Committee and provides feedback to departments in charge of handling to ensure quick establishment and implementation of plans. Furthermore, from fiscal 2011, Shiseido also implemented self-assessment according to items that are equivalent to CSR actions for domestic and overseas affiliated companies. In doing so, Shiseido established a system that is capable of identifying latent risks for the Group. In the future, Shiseido will continue aiming to respond quickly and appropriately by identifying social perspectives and degrees of impact on our business.

## ■ Shiseido's Inclusion in SRI (Socially Responsible Investment) Indexes and Other Indexes

Being selected as a company included in Socially Responsible Investment (SRI) indexes, which take account of companies that are highly trusted by society in terms of ethics, environment, employment and safety in their operations, signifies that the company is found to have both a high level of social trust and sound financial performance.

Shiseido received various evaluations from SRI evaluation institutions of countries worldwide and was selected for inclusion as a constituent company for SRI indexes in Japan and overseas. In this respect, Shiseido will continue to contribute to the development of a sustainable society and be consistently accountable by promoting specific CSR activities that utilize Shiseido's strengths.

### ■ SRI indexes in fiscal 2013

Overseas, Shiseido has been continuously included as a company member for the FTSE4Good Global Index, ETHIBEL EXCELLENCE, UN Global Compact Stock Index, as well as the Morningstar Socially Responsible Investment Index (MS-SRI) in Japan.

< Overseas Indexes >



**FTSE4Good**

\* Shiseido has been continuously included since March 2007.



\* Shiseido has been continuously included since June 2004.



**Network Japan  
WE SUPPORT**

\* Shiseido has been included Since October 2013.

< Japan Index >



\* Shiseido has been continuously included since the launch of the index in July 2003.

#### ■ Evaluation from External Evaluation Institution in Fiscal 2013

Besides SRI index, Shiseido has been selected by some research institutes to provide information and data to SRI and some international think tank.

In March 2014, Ethisphere Institute , a US-based think tank, specializing in corporate ethics and CSR (Corporate Social Responsibility)etc. announced that Shiseido got the highest evaluation, with regards to corporate ethics and other issues, as a result of respondents of inquiries to researches targeting more than 1000 companies over the world and we are honored to have been selected as "World's Most Ethical Companies 2014". This is the third consecutive year in which Shiseido has achieved the designation.

On the other hand, in Japan, since 2003, every year Shiseido has been selected as "Companies With the Most Advanced Commitment in Socially Responsible Management" by Nihon Sogo Kenkyujyo, The Japan Research Institute, Limited.

In addition, Shiseido is committing to maximize its corporate value and shareholder value through expanding the growth potential and improving profitability, and simultaneously, Shiseido Group is endeavoring to fulfill the communication via disclosure of appropriate information and dialogues through various channels according to each occasion, in order to pursue understanding and trust from our shareholders.



## Commitment by Management

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

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

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

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

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

By 2020, I will transform Shiseido into:

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

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

Our motto is "Rejuvenate, Shiseido".

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

Moreover, to realize a beautiful society that will continue into the future, all employees of Shiseido will put into practice "Our Way" and the "Shiseido Group Standards of Business Conduct and Ethics," which define the



standards of action that we should take when interacting with stakeholders throughout the world. The "Shiseido Group Standards of Business Conduct and Ethics" contains 10 principles regarding "Human Rights", "Labor Standards", "Environment", and "Anti-Corruption" declared in the United Nations Global Compact, which Shiseido has proclaimed its participation in.

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

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



April 2015

## Three Commitments of Shiseido CSR

Shiseido's aspires for CSR to create a beautiful society that will be sustainable well into the future by everyone related to Shiseido. Shiseido's social responsibility is based on the basic concept of "Our Way," established under our corporate initiative of "Our Mission, Values and Way." The following "three commitments of Shiseido CSR" are three focal CSR activities that Shiseido will address toward 2020 in order to resolve social issues.

### Three Commitments of Shiseido CSR Directed toward 2020

	Social Issues	What Shiseido can do to resolve social issues	Commitments for 2020
Women and Cosmetics	<p><b>[International society]</b></p> <ul style="list-style-type: none"> <li>• Eradication of poverty</li> <li>• Promotion of gender equality and enhancement of women's status</li> <li>• Health of pregnant and parturient women and reduction of child mortality rate</li> <li>• Achievement of universal primary education (from the United Nations Millennium Development Goals)</li> </ul> <p><b>[Japanese society]</b></p> <ul style="list-style-type: none"> <li>• Response to declining birthrate and aging society</li> <li>• Realization of gender-equal society</li> </ul>	Accumulated knowledge of women's beauty and health or support women taking active roles by utilizing experience as a company promoting gender equality.	Provide support so that all women will be healthy and beautiful
Culture	Response to values that seek emotional peace of mind or enrichment rather than material affluence.	As a company that has continuously valued aesthetic sensibility, support realizing a fulfilling and enriched society through support of culture and the arts.	Create beautiful culture and link to the future.
Environment	<ul style="list-style-type: none"> <li>• Curb global warming and reduce CO<sub>2</sub> reductions</li> <li>• Response to resource depletion and resource saving</li> <li>• Response to biodiversity</li> </ul>	Various activities that connect a beautiful and enriched lifestyle and the environment through manufacturing	Promote environmental activities so that both people and the Earth remain beautiful.

### Promotion of Fundamental CSR

Initiatives that will become the base for gaining trust from stakeholders, including corporate sustainability and compliance

## Women and Cosmetics

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

## SHISEIDO LIFE QUALITY BEAUTY PROGRAM

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

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

### SHISEIDO LIFE QUALITY MAKEUP

Shiseido has worked in partnership with medical institutions to provide makeup advice for customers with skin disorders or scarring such as birthmarks, vitiligo<sup><\*></sup> and skin irregularities, while developing Perfect Cover Foundation, a product specifically designed to conceal birthmarks and other blemishes. Following the establishment of the SHISEIDO LIFE QUALITY BEAUTY CENTER at our Head Office building in Tokyo's Ginza district in June 2006, we have been establishing similar facilities in Shanghai, Hong Kong and Taipei and deploying the program on a global scale. Staff members who have undergone a special program of on-the-job training and practical training at medical institutions help people with various skin troubles due to bruises, dark spots, vitiligo, skin irregularities (scars), dullness, beauty-related concerns caused by side effects of cancer treatment, etc. by providing free-of-charge makeup advice on how to conceal concerns with cosmetics, etc. Available by appointment only, services are provided in a private setting so that customers can relax and learn with peace of mind. Individuals who have visited the Center describe how they have a new sense of confidence and hope and speak of how they look forward to enjoying cosmetics now that they know how to conceal blemishes in an attractive way.



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



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

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

(As of March 31, 2014, there were 370 organizations participating in this program.)

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

**TOPICS:** Introduced beauty care information for cancer patients in the "Shiseido Open Seminar"

On March 15 (Sat), 2014, SHISEIDO LIFE QUALITY BEAUTY CENTER(Japanese Only) hosted the Shiseido Open Seminar "Hint for proactive living: Concealing appearance-related concerns due to cancer treatment with makeup" in Shiseido Ginza Building (Tokyo), and approximately 170 people participated. This inaugural seminar was held with the hopes of "enabling people who have experienced cancer and have appearance-related concerns as well as their family members to lead proactive lives with their eyes set on the future." In the first section, a medical social worker gave a lecture on "power of makeup." In the second section, beauty technicians from the Center introduced makeup techniques using special items, such as dullness in skin, missing eyebrows/eyelashes, etc. due to cancer treatment, targeting those who have appearance-related concerns.

After the seminar, we offered not only a tour of the Center but also a communication/experience booth, in which participants could freely participate to experience hand massage, colors that make hands look beautiful, concealing makeup, etc.

Participants shared their voices, such as "I decided to stay positive toward my treatment," "It was educational to learn the information which will be useful when I find myself in such situations," "I was able to experience how to respond to concerns in a fun manner," etc.

SHISEIDO LIFE QUALITY BEAUTY CENTER will continue to help people with deep skin concerns with the "power of makeup" in the future.



Lecture by a medical social worker Ms. Osawa



Hand massage by volunteers

**TOPICS:** Introduced beauty care information for cancer patients in the "28th Annual Conference of the Japanese Society of Cancer Nursing"

On February 8 (Sat) and 9 (Sun), 2014, SHISEIDO LIFE QUALITY BEAUTY CENTER(Japanese Only) set up a company exhibition booth in the "28th Annual Conference of the Japanese Society of Cancer Nursing" (Niigata City).

At the venue, staff who have undergone special education of the Center introduced and demonstrated "how to draw eyebrows when they are missing" and "how to conceal dark dullness, etc." as beauty care information, targeting approximately 3,800 nurses, etc. who participated from all over the country.

Nurses who visited the exhibition booth shared their voices, such as "There are many patients with concerns, but I had no idea what kind of advice I could actually give. I'm relieved to learn that Shiseido promotes such activities," "I want to tell my patients about this," etc., indicating their great interest toward makeup. SHISEIDO LIFE QUALITY BEAUTY CENTER introduces how to conceal beauty-related concerns due to treatment side effects by using private rooms that guarantee privacy.

In addition, " *Perfect Cover Foundation*(Japanese Only)," which was introduced in the conference, is available at SHISEIDO LIFE QUALITY BEAUTY affiliate stores(Japanese Only). Shiseido will continue to help people with deep skin concerns with the "power of makeup" in the future.



Staff introducing how to conceal dark dullness to nurses



Exhibits of *Perfect Cover Foundation*(Japanese Only), etc.

**TOPICS:** "SHISEIDO LIFE QUALITY MAKEUP" activities in China

We have established the "SHISEIDO LIFE QUALITY BEAUTY CENTER ("SLQ CENTER" hereafter)," which is a beauty facility that provides makeup advice for people with deep skin concerns, such as birthmarks, vitiligo, and scars, etc., free of charge and promoting activities through this facility, in Shanghai, China. We will continue to promote the activities of "SHISEIDO LIFE QUALITY MAKEUP" which improves the QOL (Quality of Life) of customers with skin concerns through the "power of makeup," in China as well.



SHISEIDO LIFE QUALITY BEAUTY CENTER  
opened in Shanghai in 2009



Scene from SHISEIDO LIFE QUALITY MAKEUP  
in China (image)

## 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 2013, we held a total of 2,812 seminars in 15 countries and 1 region\*, including Japan, China, Germany, and the U.S., and a total of 49,859 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.

\*15 countries and 1 region: Japan, China, Singapore, Korea, Thailand, Vietnam, New Zealand, Australia, France, Germany, Italy, Spain, Greece, Canada, U.S.A, Taiwan



Seminar at welfare institution for the elderly in Japan



Seminar at a medical facility in Germany.

## Supporting Women's Activities

### Supporting Female Researchers and Academic Research

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

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

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

Specifically, we are sending Shiseido employees, such as scientists who have completed science-related courses, to schools as "career education" instructors to arouse their interests in science as study and the "wide range of options and possibilities in the future that are made possible by selecting science-related courses" by introducing their experience to female junior high school and high school students.

We promoted these initiatives in 7 schools in 2013, including St. Margaret's Junior & Senior High School and KOKUGAKUIN KUGAYAMA JUNIOR HIGH SCHOOL/SENIOR HIGH SCHOOL, etc.

Students who received the lectures have shared their comments, such as "This has taught me the width of occupational options if I proceed with science-related courses," etc. This has also been a good opportunity for the scientists who have been giving the lectures as instructors to look back to their origins.

By presenting social activities that only Shiseido can do while collaborating with schools, we hope to encourage female junior high school and high school students to plan for their future "dreams" with the aim of nurturing human resources in science-related courses who will support Japan's future as a "scientific and technological nation".



Class at St. Margaret's Junior & Senior High School



Class at KOKUGAKUIN KUGAYAMA JUNIOR HIGH SCHOOL/SENIOR HIGH SCHOOL

## Childcare support

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

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

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

[Click here for Overview of work/Childcare and Nursing care Program](#)



## Shiseido Running Club

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

## 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 in line with the trend to begin using cosmetic products at a younger age. To address this issue, Shiseido is disseminating daily beauty information for children, including face washing and UV-protection methods in an easy-to-understand manner, thereby enabling children to become familiar with suitable ways to treat their skin and maintain beautiful skin for many years.

- Initiative to disseminate daily beauty information via "Kirei Club for Kids" website (Japanese only)
- Provision of visual educational materials (DVDs) for supporting healthcare lessons, wall newspapers posted on school billboards and leaflets for distribution to children at no cost.
- Face-to-face awareness-raising activity at a special lesson at school



The scene of the Shiseido Kodomo Seminar.

## Organizational Governance

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

### Corporate Governance

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

Corporate Governance

#### Corporate Governance Policy

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

Corporate Governance

#### Management and Execution Structure

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

Composed of seven members including three external directors and presided by President & CEO, the Board of Directors is small and able to make decisions quickly.

The Board of Directors meets at least once a month to discuss all significant matters.

Through the adoption of a corporate officer system, we separate the decision-making and supervisory functions of the Board of Directors from the business execution functions of corporate officers. The Executive Committee, which acts as the final decision-making body regarding corporate officers' material issues, and the Corporate Strategy Committee/the Business Planning Committee, at which corporate officers determine medium term/annual business plans, serve to transfer authority to corporate officers, thereby clarifying their responsibilities and accelerating operational execution. President & CEO chairs these three Committees. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee. The term of office of directors and corporate officers is one year.

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

In addition, two out of five directors aside from the external directors have built careers outside of Shiseido, ensuring diversity among the directors. We are also recruiting younger members for corporate officers, thereby aiming to strengthen the executive function.

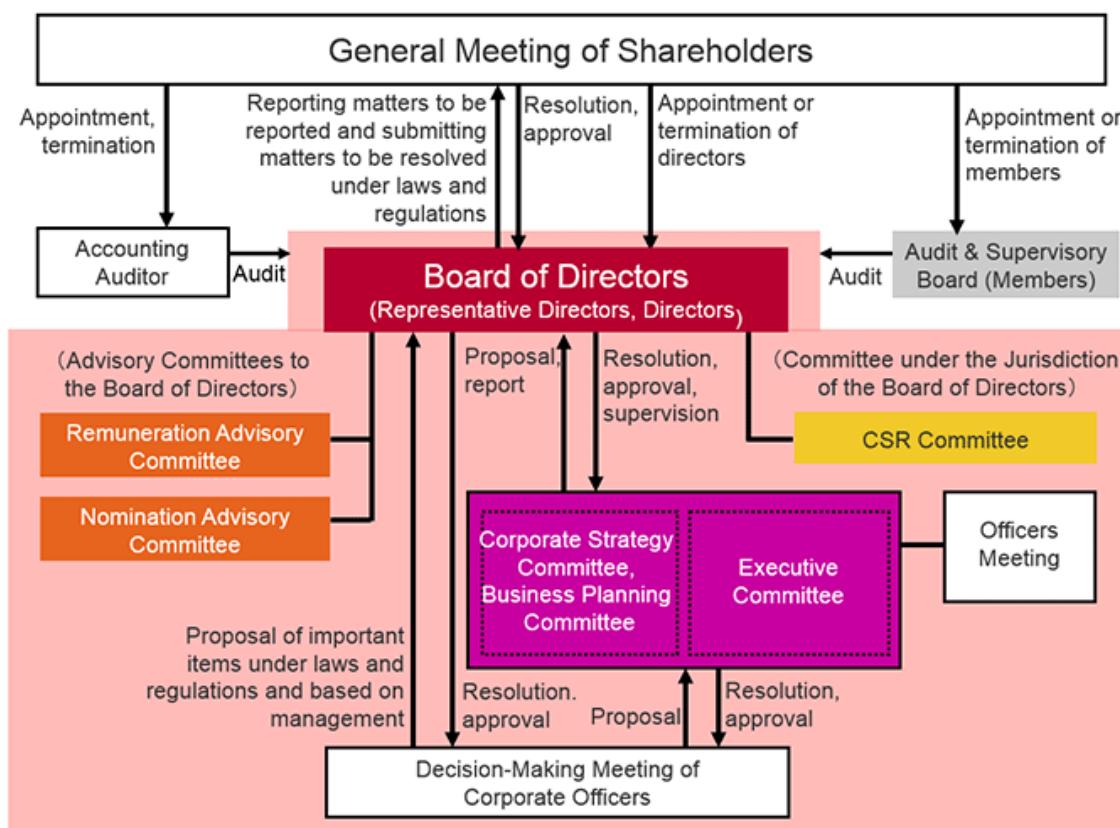
(As of April 1, 2015)

## Advisory Committees to the Board of Directors

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

In preparation for further globalization, the Remuneration Advisory Committee, referring to the remuneration systems of European companies, formulated a remuneration policy, which would further link executive remunerations with performance and stock price, and the executive remuneration system was revised at the Board of Directors meeting in the fiscal year ended March 2009.

The Nomination Advisory Committee, in addition to proposing candidates for directors and corporate executive officers, determines the limits on the terms of corporate officers as well as the rules for their promotions or demotion and retirement in order to enhance the capabilities of top management, and manages these policies in a highly transparent and impartial manner. The term limit of corporate officers is four years per position in principle and six years maximum.



## Corporate Governance

## Audit Structure

### Internal Audit

The Internal Auditing Department, which reports directly to the President & CEO, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board.

Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant divisions.

### Audit & Supervisory Board Members' Audits and Initiatives toward Strengthening Their Functions

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three audit & supervisory board member(external) offer advices, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and audit & supervisory board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that audit & supervisory board members discharge their duties effectively, such as the assignment of staff dedicated to assisting them.

### Accounting Audits

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act.

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

(As of the end of June, 2014)

Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
KPMG AZSA LLC	Masahiro Mekada, Designated Limited Liability Partner	3 years
	Ryoji Fujii, Designated Limited Liability Partner	1 years
	Takashi Kawakami, Designated Limited Liability Partner	4 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

The executive remuneration policy of Shiseido Company Limited (hereinafter "the Company") is established by the Remuneration Advisory Committee, which consists of members including experts outside the Company and is chaired by an external director, to maintain objectivity and high transparency.

The remunerations under this system consist of a basic fixed portion and a performance-linked portion that fluctuates depending on the achieving of performance targets and share price. Remunerations for Directors have been set so that the higher his / her position in the rank of corporate officers, the greater will be the performance-linked portion in his/her total remuneration. On average, the fixed remuneration portion is around 40% and that of performance-linked remuneration portion is around 60%, assuming a 100% achievement rate of the annual consolidated performance targets and the performance target of the Three-Year Plan.

Performance-linked remuneration consists of a bonus based on annual consolidated results, medium-term remuneration based on the achievement of the final year targets of the Three-Year Plan, to be paid at the culmination of the plan, and stock options as long-term incentive, primarily aimed at fostering a shared awareness of profits with shareholders. Performance-linked remuneration is designed to give directors a medium-to-long-term perspective, not just a single-year focus, and to motivate management to become more aware of the Company's performance and share price.

External directors and members of the Audit & Supervisory Board receive fixed basic remuneration only, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution.

The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale taking the Company's performance into consideration.

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.

**Proportion of Each Remuneration Type by Rank and Standards for Performance-Linked Remuneration (Assuming 100% Achievement Rate of All Performance Targets)**

		Chairman	President & CEO	Executive Vice President	Corporate Senior Executive Officer	Corporate Executive Officer	Corporate Officer	Carsten Fischer, Corporate Senior Executive Officer
Fixed Remuneration	Basic Fixed Remuneration	42%	30%	43%	44%	45%	48%	34%
	Calculation Standard	According to the rank						Calculated individually

Performance-Linked Remuneration	Bonuses (Short-Term)	-	23%	22%	21%	21%	21%	22%
	Calculation Standard	-	Consolidated results		Consolidated results and business results of duties in charge and personal evaluation			
	Medium-Term Incentives	29%	23%	17%	17%	17%	16%	35%
	Calculation Standard	Targets of the Three-Year Plan						Performance targets of the duties in charge for 3 years
	Long-Term Incentives	29%	23%	17%	17%	17%	16%	9%
	Calculation Standard	According to the rank						Calculated individually
Total		100%	100%	100%	100%	100%	100%	100%

\*For each rank, the remunerations for representative directors and directors are the same.

#### Amount of remunerations, etc. to Directors and Audit & Supervisory Board Members of the fiscal year ended March 2014

		Basic fixed remuneration	Bonuses	Medium-term remuneration	Stock Options as long-term incentives	Total
Directors	Directors (9 persons)	247	84	196	98	626
	External directors among directors (3 persons)	39	-	-	-	39
Audit & Supervisory Board Members	Audit & Supervisory Board Members (6 persons)	96	-	-	-	96
	External members among audit & supervisory board members (4 persons)	36	-	-	-	36
Total		343	84	196	98	722

(millions of yen)

#### Notes:

1. Basic remuneration for directors has the ceiling amount of Yen 30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of Yen 10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The above amount of basic fixed remuneration includes Yen 31 million as basic remuneration for fiscal 2013 that four subsidiaries of the Company paid through the Company to one director of the Company who served concurrently as the director of said subsidiaries. In addition, the amount of basic fixed remuneration paid to Mr. Shinzo Maeda, representative director was reduced because the Company was forced to make a downward revision to the initial management targets in the Three-Year Plan for the fiscal years from 2011 to 2013, and developed the annual target for the fiscal year ended March 31, 2014 based on the revision. The base amount of bonus for each director subject to the payment was also reduced.  
(Representative directors: down by 40%, directors: down by 20%)

3. The medium-term incentive remuneration is as per the resolution of the 111th ordinary general meeting of shareholders held on June 24, 2011. Calculation standards for the medium-term incentive remuneration to directors except Mr. Carsten Fischer, representative director are based on the achievement of the fiscal year targets of the Three-Year Plan up to the end of the current fiscal year that were set as 6% of annual growth in net sales over three years and 10% of consolidated operating profitability. On the grounds that the indicators for these targets fell short of the lowest limit of the level qualifying for the medium-term incentive remuneration, no payment shall be made for the fiscal year ended March 31, 2014. None of the external directors receive the medium-term incentives remuneration. The amount of the medium-term incentive remuneration to be paid to Mr. Carsten Fischer, representative director was determined based on the achievement rate against the targets for net sales and profits in the business in his charge for the period between April 1, 2011 and March 31, 2014. The Company was able to estimate the amount of medium-term incentive remuneration to be paid to Mr. Fischer, as the business performance for the relevant three-year period had been confirmed to meet the targets. Consequently the above table states the amount of the remuneration to Mr. Fischer. The amount stated in the above table represents the value of the remuneration for the relevant three-year period.
4. The amount of long-term incentive stock options indicated above represents the expenses associated with the current fiscal year among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. The amount of remuneration, etc. in respect of stock acquisition rights allotted as stock options for directors subject to the payment was reduced in the same manner as to bonuses.  
(Representative directors: down by 40%, directors: down by 20%)
5. In addition to the above payments, Yen 13 million was recorded for the fiscal year ended March 31, 2014 as expenses associated with stock options granted to three directors of the Company, at the time they served as corporate officers not holding the offices of directors.
6. 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 5).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of payment for the fiscal year ended March 2014

	Basic Fixed Remuneration	Bonuses	Medium-Term Incentive	Long-Term Incentive (Stock Option)	Total
Shinzo Maeda, Representative Director	43	22	-	49	115
Carsten Fischer, Representative Director	82	27	196	24	330

(millions of yen)

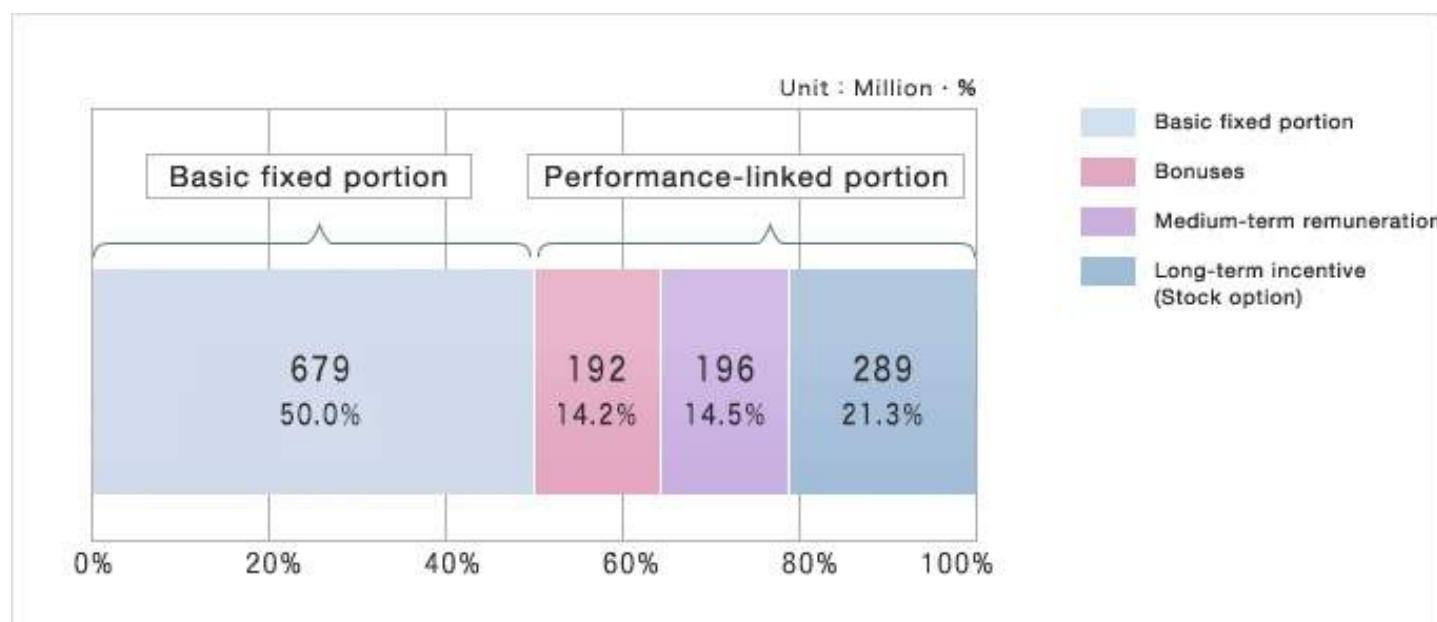
Notes:

- The Company was forced to make a downward revision to the initial management targets in the Three-Year Plan for the fiscal years from 2011 to 2013, and developed the annual target for the fiscal year ended March 31, 2014 based on the revision. Accordingly, the amount of basic fixed remuneration paid to Mr. Shinzo Maeda, representative director was reduced. The amount of bonus for each director subject to the payment was also reduced.  
(Representative directors: down by 40%, directors: down by 20%)
- The above amount of basic fixed remuneration includes Yen 31 million as basic remuneration for fiscal 2013 that four subsidiaries paid through the Company to Mr. Carsten Fischer, representative director, who served concurrently as the director of said subsidiaries.
- The medium-term incentive remuneration is stated in the note 3. of the above "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members of the Fiscal Year Ended March 31, 2014."
- The amount of long-term incentive stock options indicated above represents the expenses associated with the current fiscal year among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. The amount of remuneration, etc. in respect of stock acquisition rights allotted as stock options for directors subject to the payment was reduced in the same manner as to bonuses.  
(Representative directors: down by 40%, directors: down by 20%)
- None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 1 through 4).

## Proportion of the Two Types of Remunerations for Directors (excluding External Directors) Linked to the Three-Year Plan during former Three Years

The proportion of the two types of remunerations to directors (excluding external directors) linked to the former Three-Year Plan from April 2011 to March 2014 is as follows. The amount of remuneration includes the remuneration paid by the subsidiaries to the directors of the subsidiaries who also serve concurrently as the directors of the Company. The stock options as long-term incentives corresponding to the three years of the Three-Year Plan have been calculated exclusively for directors' remunerations.

The proportion of fixed remuneration and performance-linked remuneration as shown in the chart below is due to the fact that the Company did not pay bonuses for FY2012, and the amount of performance-linked remuneration was reduced for the fiscal year ended on March 31, 2014 in response to the downward revision to the initial management targets in the Three-Year Plan for the fiscal years from 2011 to 2013.



## Remuneration, etc. to the Accounting Auditor

Category	Amount
Remuneration paid for services rendered as accounting auditors for the fiscal year ended March 2014	191
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditors	229

(Millions of yen)

### Note:

In the audit contract between the Company and its accounting auditors, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in "Remuneration paid for services rendered as accounting auditors for the fiscal year ended March 2013" above.

## Corporate Governance Report

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October 31, 2014  
 Shiseido Company, Limited  
 President & CEO, Representative Director: Masahiko Uotani  
 Contact: +81-3-3572-5111  
 TSE Securities Code: 4911  
<http://www.shiseidogroup.com/>

### I. Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes and other Basic Information

#### 1. Basic Stance

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

#### 2. Capital Structure

Percentage of Shares Held by Foreign Shareholders	More than 30%
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##### [Principal Shareholders] Update

Name	Number of shares held	Percentage of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,625,800	7.40
JP MORGAN CHASE BANK 380055	28,039,628	7.00
Mizuho Bank, Ltd.	23,526,732	5.88
Japan Trustee Services Bank, Ltd (Trust Account)	13,833,100	3.45
Shiseido Employees' Stockholding	9,695,032	2.42
Sompo Japan Nipponkoa Insurance Inc.	5,934,497	1.48
Nippon Life Insurance Company	5,615,653	1.40
Mitsui Sumitomo Insurance Company, Limited	5,600,000	1.40
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	5,494,037	1.37
STATE STREET BANK AND TRUST COMPANY	4,869,293	1.21

Controlling Shareholders (except Parent Company)	—
Parent Company	None

**Supplementary Information:** None

#### 3. Corporate Attributes

Stock Listing and Sections:	First Section of Tokyo Stock Exchange
Fiscal Year End:	March
Sector:	Chemical

Number of Employees (consolidated) as of the previous fiscal year end:	1,000 and above
Net Sales (consolidated) as of the previous fiscal year end:	100 billion yen and above but less than 1 trillion yen
Number of Consolidated Subsidiaries as of the previous fiscal year end:	50 and above but less than 100

#### 4. Guidelines for Protecting Minority Shareholders when Making Transactions, etc. with Controlling Shareholders

N/A

#### 5. Other Particular Factors that May Have an Important Impact on Corporate Governance

None

## II. Status of Management Structure for Management Decision-Making, Operational Execution and Supervising, and Other Corporate Governance Systems

#### 1. Matters Relating to Institutional Structure and Organizational Operation

Type of Organization	Company with the Audit & Supervisory Board
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#### [Board of Directors]

Number of Directors adopted in the Company's Articles of Incorporation	12
Term of Directors adopted in the Company's Articles of Incorporation	1 year
Person presiding at the Board of Directors	CEO
Number of Directors	8
Appointed External Directors	Yes
Number of External Directors	3
Number of Independent Directors among External Directors	3

#### Relationship with Company (1)

Name	Affiliations	Relationship with the Company *1								
		a	b	c	d	e	f	g	h	i
Shoichiro Iwata	Originally from other company				x			x		
Taeko Nagai	Other								x	
Tatsuo Uemura	Scholar								x	

Note \*1 Categories Describing Relationship with Company

- a: From parent company
- b: From other affiliated company
- c: Principal shareholder of the subject company
- d: Concurrently serves as external director or external corporate auditor of other company
- e: Director or corporate officer of other company

- f: Close relative by blood or marriage to director or corporate officer of the subject company or other designated interested party
- g: Receives remuneration or other material benefit as officer of parent company or subsidiary of the subject company
- h: Has limited liability contract with the subject company
- i: Other

## Relationship with Company (2)

Name	Independent director	Supplemental information in regard to applicable items	Reason for appointing as an external director (and reason for appointing as independent director)
Shoichiro Iwata	○	<p>Mr. Shoichiro Iwata concurrently assumes the office of President &amp; Chief Executive Officer of ASKUL Corporation ("ASKUL"). Mr. Iwata falls under "an executive person of a counterparty of the Company" and "an executive person of a company/organization which is in the situation of cross-assumption of offices of directors, etc."</p> <p>The Company purchases stationeries, etc. from ASKUL and the payment for such purchases represented less than 0.1% of the total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2014. Transaction value is minimal for the Company. Such sales represented less than 0.1% of the net sales of ASKUL for the fiscal year ended May 31, 2013. Transaction value is minimal for ASKUL.</p> <p>The Shiseido Group purchase stationeries, etc. from ASKUL Group, and the payment to the ASKUL Group represented less than 0.1% of the total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2014. Transaction value is minimal for Shiseido Group. Such sales represented approximately 0.1% of the consolidated net sales of ASKUL Group for the fiscal year ended May 31, 2013. Transaction value is minimal for ASKUL Group.</p>	<p>&lt;Reasons for appointing as an external director and roles and functions in the Company&gt;</p> <p>Mr. Iwata has been appointed external director in order to reflect his views to the management of the Company, which views are free from the Company's established structure as an incumbent management executive. Mr. Iwata has voiced necessary views from an independent perspective, in addition to serving as the head of the Remuneration Committee and compiling proposals on the remuneration system for directors and audit &amp; supervisory board members.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Mr. Iwata maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Iwata has fulfilled the Criteria in full. Hence Mr. Iwata has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;  (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;  (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;  (4) A principle shareholder of the Company;  (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p>

Name	Independent director	Supplemental information in regard to applicable items	Reason for appointing as an external director (and reason for appointing as independent director)
Shoichiro Iwata	○	<p>The Shiseido Group sells toiletries, etc. for office use to the ASKUL Group and such sales to the ASKUL Group by the Shiseido Group represented less than 0.1% of the consolidated net sales of the Company for the fiscal year ended March 31, 2014. Transaction value is minimal for the Shiseido Group. Purchases of toiletries, etc. for office use by the ASKUL Group from the Shiseido Group represented approximately 0.1% of ASKUL's consolidated cost of sales for the fiscal year ended May 31, 2013. Transaction value is minimal for the ASKUL Group.</p> <p>ASKUL sells through catalogue sales toiletries, etc. for office use, which are produced by companies other than the Shiseido Group and such sales represented approximately 0.7% of the net sales of ASKUL for the fiscal year ended May 31, 2013. Competing transaction value is minimal.</p> <p>Mr. Tadakatsu Saito who is an outside director of ASKUL assumed the office of Director of the Company during June 1997 to June 2004, but the Company has no special relationships of interest with Mr. Saito at present.</p> <p>Mr. Iwata's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• President &amp; Chief Executive Officer of ASKUL Corporation</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Iwata's "Important Position of Other Organizations Concurrently Assumed."</p>	<p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>

Name	Independent director	Supplemental information in regard to applicable items	Reason for appointing as an external director (and reason for appointing as independent director)
Taeko Nagai	○	<p>Ms. Taeko Nagai does not fall under any of the following categories:</p> <ul style="list-style-type: none"> <li>• An executive person of a counterparty of the Company</li> <li>• An executive person of a company/organization which is in the situation of cross-assumption of offices of directors, etc.</li> <li>• An executive person of a company/organization which receives donation from the Company</li> </ul> <p>Ms. Nagai's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• President of Setagaya Arts Foundation</li> <li>• Outside Director of Mitsui Chemicals, Inc.</li> <li>• Chairman of International Theatre Institute</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. Nagai'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. Nagai has been appointed external director because she knows well about culture and art, and she would be able to reflect her wide view on society, culture and consumption life on the Company's management.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Ms. Nagai 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. Nagai has fulfilled the Criteria in full. Hence Ms. Nagai has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;  (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;  (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;  (4) A principle shareholder of the Company;  (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);  (b) A corporate officer of the Company or the Company's subsidiary</p>

Name	Independent director	Supplemental information in regard to applicable items	Reason for appointing as an external director (and reason for appointing as independent director)
Tatsuo Uemura	○	<p>Mr. Tatsuo Uemura does not fall under any of the following categories:</p> <ul style="list-style-type: none"> <li>• An executive person of a counterparty of the Company</li> <li>• An executive person of a company/organization which is in the situation of cross-assumption of offices of directors, etc.</li> <li>• An executive person of a company/organization which receives donation from the Company</li> </ul> <p>Mr. Uemura's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Professor, School of Law, Waseda University</li> <li>• Governor of Board of Governors (Acting Chairman) of Japan Broadcasting Corporation (NHK)</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>Mr. Uemura has been appointed external director to reflect his legal knowledge to the management of the Company, as well as his knowledge and experiences in the area of capital market and corporate governance. Mr. Uemura has voiced necessary views from an independent perspective, in addition to serving as the head of the Nomination Advisory Committee and compiling proposals on the selection of candidates for directors and executive officers.</p> <p>&lt;Status of meeting the standards for the independent directors and reason for appointing as independent director&gt;</p> <p>Mr. Uemura maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Uemura has fulfilled the Criteria in full. Hence Mr. Uemura has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;  (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;  (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;  (4) A principle shareholder of the Company;  (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);  (b) A corporate officer of the Company or the Company's subsidiary</p>

## [Audit & Supervisory Board]

Existence of the Audit & Supervisory Board	Yes
Number of Audit & Supervisory Board Members adopted in the Company's Articles of Incorporation	The Company doesn't set a ceiling on the number of corporate auditors
Number of Audit & Supervisory Board Members	5

### Cooperation between Audit & Supervisory Board Members, Accounting Auditors and Internal Auditing Department

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.

Appointed Audit & Supervisory Board Members (External)	Yes
Number of External Members	3
Number of Independent Members	3

### Relationship with Company (1)

Name	Affiliations	Relationship with the Company *1								
		a	b	c	d	e	f	g	h	i
Akio Harada	Attorney at Law				x				x	
Nobuo Otsuka	Other								x	
Eiko Tsujiyama	Certified Public Accountant				x				x	

#### Note\*1 Categories Describing Relationship with Company

- a: From parent company
- b: From other affiliated company
- c: Principal shareholder of the subject company
- d: Concurrently serves as external director or external corporate auditor of other company
- e: Director or corporate officer of other company
- f: Close relative by blood or marriage to director or corporate officer of the subject company or other designated interested party
- g: Receives remuneration or other material benefit as officer of parent company or subsidiary of the subject company
- h: Has limited liability contract with the subject company
- i: Other

**Relationship with Company (2)**

Name	Independent auditor	Supplemental information in regard to applicable items	Reason for appointing as an external member of audit & supervisory board member (and reason for appointing as independent auditor)
Akio Harada	○	<p>Mr. Akio Harada does not fall under any of the following categories:</p> <ul style="list-style-type: none"> <li>• An executive person of a counterparty of the Company</li> <li>• An executive person of a company/organization which is in the situation of cross-assumption of offices of directors, etc.</li> <li>• An executive person of a company/organization which receives donation from the Company</li> </ul> <p>Mr. Harada'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 Director of Seiko Holdings Corporation</li> <li>• Outside Director of Sumitomo Corporation</li> <li>• External Director of Yamazaki Baking Co., Ltd.</li> <li>• Representative director of Young Men's Christian Association at the University of Tokyo, public interest incorporated foundation</li> <li>• Representative director of Japan Criminal Policy Society, general incorporated foundation</li> <li>• Representative director of International Civil and Commercial Law Centre Foundation, public interest incorporated foundation</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Harada's "Important Position of Other Organizations Concurrently Assumed."</p>	<p>&lt;Reasons for appointing as an external member of audit &amp; supervisory board and roles and functions in the Company&gt;</p> <p>Mr. Harada 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. Harada has expressed necessary views from an independent perspective.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</p> <p>Mr. Harada maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Harada has fulfilled the Criteria in full. Hence Mr. Harada has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) a person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>

Name	Independent auditor	Supplemental information in regard to applicable items	Reason for appointing as an external member of audit & supervisory board member (and reason for appointing as independent auditor)
Nobuo Otsuka	○	<p>Mr. Nobuo Otsuka does not fall under any of the following categories:</p> <ul style="list-style-type: none"> <li>• An executive person of a counterparty of the Company</li> <li>• An executive person of a company/organization which is in the situation of cross-assumption of offices of directors, etc.</li> <li>• An executive person of a company/organization which receives donation from the Company</li> </ul> <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. 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> <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>

Name	Independent auditor	Supplemental information in regard to applicable items	Reason for appointing as an external member of audit & supervisory board member (and reason for appointing as independent auditor)
Eiko Tsujiyama	○	<p>Dr. Eiko Tsujiyama does not fall under any of the following categories:</p> <ul style="list-style-type: none"> <li>• An executive person of a counterparty of the Company</li> <li>• An executive person of a company/organization which is in the situation of cross-assumption of offices of directors, etc.</li> <li>• An executive person of a company/organization which receives donation from the Company</li> </ul> <p>Dr. Tsujiyama's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> <li>• Professor, School of Commerce and the Graduate School of Commerce, Waseda University</li> <li>• Dean of the Graduate School of Commerce, Waseda University</li> <li>• Outside Corporate Auditor of Mitsubishi Corporation</li> <li>• Outside Director of ORIX Corporation</li> <li>• Outside Corporate Auditor of LAWSON, INC.</li> <li>• Outside Corporate Auditor of NTT DOCOMO, INC.</li> </ul> <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Dr. Tsujiyama's "Important Position of Other Organizations Concurrently Assumed."</p>	<p>&lt;Reasons for appointing as an external member of audit &amp; supervisory board and roles and functions in the Company&gt;</p> <p>Dr. Tsujiyama has been appointed audit &amp; supervisory board member (external) in order to ensure objectivity and neutrality of auditing by audit &amp; supervisory board members, based on her experiences and knowledge as management executive of a medical corporation.</p> <p>&lt;Status of meeting the standards for the independent auditors and reason for appointing as independent auditor&gt;</p> <p>Dr. Tsujiyama maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Dr. Tsujiyama has fulfilled the Criteria in full. Hence Dr. Tsujiyama has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;  (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;  (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;  (4) A principle shareholder of the Company;  (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);  (b) A corporate officer of the Company or the Company's subsidiary</p>

## [Independent Directors]

Number of Independent Directors	6
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### Other Issues Relating to Independent Directors

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.

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#### <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). 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
  - 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
  - 5) Total amount of debt loan from a financial institution group at the end of each fiscal year of the Relevant Fiscal Years
2. Descriptions on “A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets in addition to the External Director’s remunerations”

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.

3. Descriptions on “A person/organization who received donation of a large amount of money or other assets”

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.

4. Descriptions on “Relatives of the External Directors”

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.

5. Descriptions on “Cross-Assumption of Offices of Directors, etc.”

The Company shall omit descriptions about “cross-assumption of offices of directors, etc. (\*)” if ten years or more have passed after severing such situations.

\* 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.

## [Incentives]

Implementation Status of Incentive Policies for Directors	Introduced performance-linked compensation system and stock option plan
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### Supplemental Explanation

The remuneration policy for non-external directors consists of a basic fixed portion and a performance-linked portion that fluctuates according to attainment of performance targets and stock price. The policy is designed that executive with higher position would be entitled to retain higher ratio of performance-linked portion. It is assumed that, on an average, performance-linked portion would account for 60% of all remuneration when the Three-Year Plan performance target and single year target are fully accomplished.

The performance-linked portion consists of “a bonus as short-term incentive” based on annual consolidated performance; “performance cash as medium-term incentive” based on targets of the Three-Year Plan; and “long-term incentive stock options”, primarily aimed at fostering a shared awareness of profits with shareholders. These three types of remuneration have been designed to give directors a medium-to-long-term perspective, not just a single-year focus, and to motivate management to become more aware of Shiseido’s performance and stock price. The Remuneration Committee is chaired by external director in order to obtain objectivity. The Committee discusses about evaluation criteria, target level, remuneration level and gearing ratio to performance, and submits reports to the Board of Directors.

The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale taking the Company’s performance into consideration.

Grantees of Stock Option	Executive directors and others
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### Supplemental Explanation

The Company grants stock options to executive directors and corporate officers who don’t concurrently serve as director of the Company in order to have them share risks with its shareholders and to motivate balanced management from a medium-to-long-term perspective, not just a short-term focus.

## [Remuneration to Directors]

Disclosure Status (regarding Individual Directors)	Some are individually disclosed
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### Supplemental Explanation

Total amounts paid to non-external directors, external directors, audit & supervisory board members, and audit & supervisory board members (external) are separately disclosed of basic fixed remuneration, bonuses and stock options.

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of payment for the current fiscal year ended March 2010 are disclosed as well.

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

	Basic fixed remuneration	Bonuses	medium-term incentive	Stock Options	(millions of yen) Total
Directors (9 persons)	247	84	196	98	626
External directors (3 persons)	39	-	-	-	39
Audit & Supervisory Board Members (6 persons)	96	-	-	-	96
External members (4 persons)	36	-	-	-	36
Total	343	84	196	98	722

Notes:

1. Basic remuneration for directors has the ceiling amount of Yen 30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of Yen 10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The above amount of basic fixed remuneration includes Yen 31 million as basic remuneration for fiscal 2013 that four subsidiaries of the Company paid through the Company to one director of the Company who served concurrently as the director of said subsidiaries. In addition, the amount of basic fixed remuneration paid to Mr. Shinzo Maeda, representative director was reduced because the Company was forced to make a downward revision to the initial management targets in the Three-Year Plan for the fiscal years from 2011 to 2013, and developed the annual target for the fiscal year ended March 31, 2014 based on the revision. The base amount of bonus for each director subject to the payment was also reduced.  
(Representative directors: down by 40%, directors: down by 20%)
3. The medium-term incentive remuneration is as per the resolution of the 111th ordinary general meeting of shareholders held on June 24, 2011. Calculation standards for the medium-term incentive remuneration to directors except Mr. Carsten Fischer, representative director are based on the achievement of the fiscal year targets of the Three-Year Plan up to the end of the current fiscal year that were set as 6% of annual growth in net sales over three years and 10% of consolidated operating profitability. On the grounds that the indicators for these targets fell short of the lowest limit of the level qualifying for the medium-term incentive remuneration, no payment shall be made for the fiscal year ended March 31, 2014. None of the external directors receive the medium-term incentives remuneration. The amount of the medium-term incentive remuneration to be paid to Mr. Carsten Fischer, representative director was determined based on the achievement rate against the targets for net sales and profits in the business in his charge for the period between April 1, 2011 and March 31, 2014. The Company was able to estimate the amount of medium-term incentive remuneration to be paid to Mr. Fischer, as the business performance for the relevant three-year period had been confirmed to meet the targets. Consequently the above table states the amount of the remuneration to Mr. Fischer. The amount stated in the above table represents the value of the remuneration for the relevant three-year period.
4. The amount of long-term incentive stock options indicated above represents the expenses associated with the current fiscal year among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. The amount of remuneration, etc. in respect of stock acquisition rights allotted as stock options for directors subject to the payment was reduced in the same manner as to bonuses.  
(Representative directors: down by 40%, directors: down by 20%)
5. In addition to the above payments, Yen 13 million was recorded for the fiscal year ended March 31, 2014 as expenses associated with stock options granted to three directors of the Company, at the time they served as corporate officers not holding the offices of directors.

6. 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 5).

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

	Basic fixed remuneration	Bonuses	medium-term incentive	Stock Options	Total	(millions of yen)
Shinzo Maeda, Representative Director	43	22	-	49	115	
Carsten Fischer, Representative Director	82	27	196	24	330	

Notes:

1. The Company was forced to make a downward revision to the initial management targets in the Three-Year Plan for the fiscal years from 2011 to 2013, and developed the annual target for the fiscal year ended March 31, 2014 based on the revision. Accordingly, the amount of basic fixed remuneration paid to Mr. Shinzo Maeda, representative director was reduced. The amount of bonus for each director subject to the payment was also reduced. (Representative directors: down by 40%, directors: down by 20%)
2. The above amount of basic fixed remuneration includes Yen 31 million as basic remuneration for fiscal 2013 that four subsidiaries paid through the Company to Mr. Carsten Fischer, representative director, who served concurrently as the director of said subsidiaries.
3. The medium-term incentive remuneration is stated in the note 3. of the above "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members of the Fiscal Year Ended March 31, 2014."
4. The amount of long-term incentive stock options indicated above represents the expenses associated with the current fiscal year among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors. The amount of remuneration, etc. in respect of stock acquisition rights allotted as stock options for directors subject to the payment was reduced in the same manner as to bonuses.  
(Representative directors: down by 40%, directors: down by 20%)
5. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 1 through 4).

Policies that Determine Remuneration Amount or Calculation Method	Established
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#### **Disclosure of Policies that Determine Remuneration Amount or Calculation Method**

The executive remuneration policy of the Company is designed by the Remuneration Committee which consists of members outside the Company and is chaired by an external director, to maintain objectivity and high transparency.

The remuneration policy for non-external directors consists of a basic fixed portion and a performance-linked portion that fluctuates according to attainment of performance targets and stock price. The policy is designed that executive with higher position would be entitled to retain higher ratio of performance-linked portion. It is assumed that, on an average, performance-linked portion would account for 60% of all remuneration when The Three-Year Plan performance target and single year target are fully accomplished.

The performance-linked portion consists of “a bonus as short-term incentive” based on annual consolidated performance; “performance cash as medium-term incentive” based on targets of the Three-Year Plan; and “long-term incentive stock options”, primarily aimed at fostering a shared awareness of profits with shareholders. These three types of remuneration have been designed to give directors a medium-to-long-term perspective, not just a single-year focus, and to motivate management to become more aware of Shiseido’s performance and stock price. The Remuneration Committee is chaired by external director in order to obtain objectivity. The Committee discusses about evaluation criteria, target level, remuneration level and gearing ratio to performance, and submits reports to the Board of Directors.

The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale taking the Company’s performance into consideration.

External directors and audit & supervisory board members (external) receive fixed basic remuneration only, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution.

### **[Support Structure for External Directors (and External Members of Audit & Supervisory Board)]**

<External Directors>

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

<External Members of Audit & Supervisory Board Members>

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

### **2. Issues Relating to Functions for Business Execution, Auditing and Supervisory, Nomination, and Remuneration Decisions (Outline of Current Corporate Governance Structure)**

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

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

Composed of eight members including three external directors and presided by CEO, the Board of Directors is small and able to make decisions quickly.

The Board of Directors meets at least once a month to discuss all significant matters.

Through the adoption of a corporate executive officer system, we separate the decision-making and supervisory functions of the Board of Directors from the business execution functions of corporate executive officers. The Corporate Executive Officer Committee, which acts as the final decision-making body regarding corporate executive officers’ material issues, and Policy Meeting of Corporate Executive Officers where corporate executive officers deliberate the Company’s medium-to-long-term strategies and decide the direction the strategies are to take, serve to transfer authority to corporate executive officers, thereby clarifying their responsibilities and accelerating operational execution.

President & Chief Executive Officer chairs the Corporate Executive Officer Committee. In addition to the above, corporate executive officers hold Decision-Making Meetings of Corporate Executive Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Corporate Executive Officer Committee. The term of office of directors and corporate executive officers is one year.

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

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

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

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

In preparation for further globalization, the Remuneration Advisory Committee, referring to the remuneration systems of European companies, formulated a remuneration policy, which would further link executive remunerations with performance and stock price, and the executive remuneration system was revised at the Board of Directors meeting in the fiscal year ended March 2009.

The Nomination Advisory Committee, in addition to proposing candidates for directors and corporate executive officers, determines the limits on the terms of corporate executive officers as well as the rules for their promotions or demotion and retirement in order to enhance the capabilities of top management, and manages these policies in a highly transparent and impartial manner. The term limit of corporate executive officers is four years per position in principle and six years maximum.

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

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

### (as of June 25, 2014)

- Directors (a total of eight):
  - Seven out of eight are male and one is female
- Audit & supervisory board members (a total of five):
  - Three out of five are male and two are female
- Corporate officers who do not serve as Director (a total of thirteen):
  - Twelve out of thirteen are male and one is female
- Remuneration Advisory Committee (one chairman and four members):
  - Four out of five are male and one is female
- Nomination Advisory Committee (one chairman and four members):
  - Four out of five are male and one is female
- CSR Committee (one chairman and ten members):
  - Nine out of eleven are male and two are female

### <Status of audits>

#### (Composition of audit & supervisory board members)

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

### (Internal audit)

The Internal Auditing Department, which reports directly to the President, monitors the appropriateness of business execution, as well as effectiveness of internal controls throughout the Group, and reports the audit results to the Board of Directors and the Audit & Supervisory Board.

Furthermore, auditing for specialized areas, i.e. security, environment, information systems, are mainly conducted by the relevant divisions.

(Audit & supervisory board members' audits and initiatives toward strengthening their functions)

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three audit & supervisory board member (external) offer advices, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields.

Representative directors and audit & supervisory board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that audit & supervisory board members discharge their duties effectively, such as the assignment of staff dedicated to assisting them.

(Accounting audits)

The Company's accounting audit is conducted by KPMG AZSA LLC, an accounting auditor pursuant to the Companies Act and the Financial Instruments and Exchange Act

The names of certified public accountants that have conducted auditing and the name of auditing firm are as follows:

Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
KPMG AZSA LLC	Masahiro Mekada, Designated Limited Liability Partner	3 years
The same as the above	Ryoji Fujii, Designated Limited Liability Partner	1 years
The same as the above	Takashi Kawakami, Designated Limited Liability Partner	4 year

Assistants for the accounting audits of the Company comprise certified public accountants and junior accountants.

(Mutual cooperation among internal audits, audit & supervisory board members' audits, and accounting audits)

The Company, in order to improve the effectiveness and efficiency of the so-called three-pillar audit system (internal audits, audit & supervisory board members' audits, and accounting audits), has been making efforts to enhance the mutual cooperation among the parties concerned by such means as arranging regular liaison meetings to report on audit plans and audit results as well as to conduct exchanges of opinions.

<Systems and schemes unique to Shiseido (CSR Committee)>

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

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

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

### 3. Reasons for adopting current framework

The Company has adopted the framework of a company with the Audit & Supervisory Board system, which exercises the dual checking functions over business execution by the Board of Directors and over the legality and effectiveness by the Audit & Supervisory Board. Furthermore, as the Company aims to become a truly global enterprise, it holds the establishment of corporate governance that is capable of satisfying the scrutiny and trust of global-level stakeholders and the reinforcement of top management capable of surviving global competition to be of paramount importance. Consequently, the Company, to the end of improving the "Management transparency,

fairness and speed," has been engaged in reforms to its corporate governance from the following four perspectives:

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

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

### **III. Implementation of Measures Regarding Shareholders and Other Stakeholders**

#### **1. Approach toward the vitalization of general meetings of shareholders and the facilitation of exercise of voting rights**

	<b>Supplemental Information</b>
Early distribution of convocation notice of general meetings of shareholders	Shiseido makes every effort to distribute a convocation notice about 3 weeks prior to a general meeting of shareholders. For the 114th Ordinary General Meeting of Shareholders, the convocation of notice was distributed on June 2, 2014, 23 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 May 20, English translation: on May 27.)
Scheduling of general meeting of shareholders that avoids the date on which general meeting of shareholders of companies are concentrated	The Company held the 114th Ordinary General Meeting of Shareholders on June 25, 2014. The date is 2 days prior to the most concentrated date for general meeting of shareholders of Japanese companies.
Exercising voting rights via website	Since the 103rd Ordinary General Meeting of Shareholders in 2003, the Company has introduced the measure of exercising voting rights via website.
Participating Voting Platform for Electronically Exercising Voting Rights and Other Measures to Improve Environment for Institutional Investors	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 English Translation (Summary) of Convocation of Notice	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.

Others	<p>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.</p> <p>The ordinary general meeting of shareholders is held using environmental friendly materials and we carried out carbon offsets to counterbalance the amount of greenhouse gases emitted through the purchase of credits for reduction or absorption of greenhouse gas emissions achieved elsewhere. Environmental friendly inks and papers are used for printed materials sent to shareholders, such as Notice of Convocation and Notice of Resolution, in order to contribute to protect the earth from global warming.</p>
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## 2. Investor Relation (IR) Activities

<b>Supplemental Information</b>	
Establishment and published the Disclosure Policy	<p>Established the Disclosure Policy, consisting of “Basic Policy on Information Disclosure”, “Standards for Information Disclosure”, “Method of Information Disclosure”, “Quiet Periods”, “Forward-Looking Statements” in 2006. The Policy is published on the website of the Company.</p> <p><a href="http://www.shisedogroup.com/ir/disclosure/policy/">http://www.shisedogroup.com/ir/disclosure/policy/</a></p>
Regular meetings 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 (1<sup>st</sup> round: held in Osaka on February 9, 2012, 2<sup>nd</sup> round: held in Nagoya on September 7, 2012, 3<sup>rd</sup> round: held in Fukuoka on February 8, 2013, 4<sup>th</sup> round: held in Kobe on September 6, 2013, 5<sup>th</sup> round: held in Saitama on February 6, 2014)</p>
Regular meetings 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 Meetings for foreign investors	Hold meetings individually mainly in US and European countries.
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="http://www.shisedogroup.com/ir/library/">http://www.shisedogroup.com/ir/library/</a></p>
Department (and Persons) in charge of IR activities	<p>Department in charge: Investor Relations Department            Corporate Officer in charge: Norio Tadakawa, Corporate Officer            Person in charge to contact: Tetsuaki Shiraiwa, General Manager of Investor Relations Department</p>
Others	Hold joint-meeting with and individually calling on domestic and foreign investors, in series

### 3. Activities concerning respect for stakeholders

	<b>Supplemental Information</b>
Internal guideline or code concerning respect for the stakeholders' position	Towards the realization of the Shiseido Group Corporate Philosophy "Our Mission, Values and Way", the Company established Our Mission, which sets out the <i>raison d'être</i> , that is core to the Group. Our Values defines the value that must be held and share to realize Our Mission. Our Way defines what corporate actions should be taken in relation to stakeholders (customers, business partners, shareholders, employees, and society and the Earth) and sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conducts with highest ethical standards.
Implementing environmental preservation activities and CSR activities	<p>The Shiseido Group's corporate social responsibility (CSR) activities follow the basic concept of "Our Way", which denotes action standards that each and every employee should take toward stakeholders based on the Shiseido Group corporate philosophy "Our Mission, Values and Way."</p> <p>The Company offers information in its Annual report and the form of CSR reports as part of its effort to inform stakeholders of its social responsibility. In the corporate website, the SOCIAL RESPONSIBILITY pages (<a href="http://www.shisheidogroup.com/csr/">http://www.shisheidogroup.com/csr/</a>) have been edited according to the following policies;</p> <ul style="list-style-type: none"> <li>- We introduce each activity according to the 7 core subjects of ISO26000 (Social Responsibility).</li> <li>- We have simplified the contents of reports on each page to make them easier to read.</li> <li>- We have also focused on overseas activities in order to enhance the Group's reports.</li> <li>- We disclose social responsibility/human resources result reports in lists.</li> <li>- Target period for the information included in this website is mainly for FY2013 (from April 1, 2013 to March 31, 2014). However, part of the information may be from prior to the said period or more recent than the period.</li> <li>- We have edited this website by using the United Nations Global Compact, Sustainability Reporting Guidelines G3.1 of GRI (Global Reporting Initiative), and ISO26000 (Social Responsibility) issued in November of 2010 for reference.</li> <li>- The scope includes Shiseido Co. Ltd. and 94 Shiseido Group companies (subsidiaries) as of March 31, 2014. Notes have been added to data outside of the above scope.</li> </ul>
Others	<p>&lt; Diversity in employees &gt;</p> <p>Employees, who work for the Shiseido Group in various countries and regions worldwide, have diverse attributes, including nationality, gender, age, employment status and developmental challenges, as well as values and viewpoints, and we are promoting diversity on a global level. Since 90 percent of the Shiseido Group's customers are women, we focus on providing new products and services based on our understandings of women's values and current lifestyles. Our female employees, who account for approximately 80 percent of all the employees, must therefore play a central role in management and business activities.</p> <p>(as of the end of March, 2014)</p> <ul style="list-style-type: none"> <li>- Ratios of female employees in the Shiseido Group worldwide: 84.6%</li> <li>- Ratios of female leaders* in the Shiseido Group worldwide: 49.2%</li> <li>- Ratios of female employees in the Shiseido Group in Japan: 83.3%</li> <li>- Ratios of female leaders* in the Shiseido Group in Japan: 26.1%</li> </ul> <p>* Ratio of female leaders: Ratio of females in managers with subordinates.</p>

The Company has declared that it is targeting a ratio of having female employees make up 30% its domestic leadership in the fiscal 2016, in advance of the government's stated goal (in 2020). As of April 1, 2014, females account for 26.8% of the Group's leadership in Japan. We believe that the important thing is not to make a goal of achieving numerical targets, but to nurture human resources equally, whether they are males or females, on the premise of promoting talented employees to positions of leadership. Therefore, we will continue seeking to foster a corporate climate that produces female leaders on a regular basis.

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.

<http://www.shiseidogroup.com/csr/labor/diversity.html>

<http://www.shiseidogroup.com/csr/labor/working.html>

## IV. Issues relating to Internal Control Systems

### 1. Fundamental thought relating to Internal Control Systems and Status for arrangement

Basic policy regarding Internal Control Systems of the Company is stated as bellow.

- (1) System under Which Execution of Duties by Directors and Employees Is Ensured to Comply with Laws, Ordinances, and the Articles of Incorporation of the Company;  
System under Which Business of the Company and Its Subsidiaries and Affiliates as a Group Is Ensured Duly to Be Conducted

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. The Company shall appoint external directors 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's Group 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," 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" with which the 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" and "Our Way" so that a foundation for the formulation and development of their detailed rules and regulations will be created.

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 of the group, and organizes regular training for corporate ethics. The person in charge of corporate ethics promotion shall draw up a plan of corporate ethics activities scheduled at each business premise and report to the CSR Committee on the progress and results thereof.

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 reporting and consultations on matters relating to compliance.

In accordance with the regulations pertaining to internal auditing, internal auditing shall be conducted with respect to the overall group companies to assure the appropriateness of business.

The results of audit shall be reported to directors and audit & supervisory board members.

(2) System under which directors 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 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 directors shall be maintained and controlled

Important documents such as minutes of the Board of Directors meetings and minutes of the Corporate Executive Officer Committee meetings shall be controlled pursuant to the internal regulations of the Company and presented to directors and audit & supervisory board members immediately whenever requested for inspection.

In addition, information with respect to execution of business by directors and employees shall be controlled pursuant to "Information System Controlling Regulation," "Confidential Information Controlling Regulation" and other regulations.

(4) Regulation regarding Control of Risk for Loss 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) Matters 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

Employees shall be positioned to assist the Audit & Supervisory Board and audit & supervisory board members as the Audit & Supervisory Board Staff Group.

The personnel of the Audit & Supervisory Board Staff Group shall be determined by taking audit & supervisory board members' opinion into consideration.

(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

Directors and employees shall report the status of business execution to audit & supervisory board members through meetings of the Board of Directors and other important meetings, and the results of audit performed by the department in charge of internal auditing. 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 can directly report issues to audit & supervisory board members and let all Company staff members know about it.

(7) 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, accounting auditors 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. Fundamental thought toward exclusion of anti-social power and the status for arrangement**

In the “Our Way,” the Company has declared that “we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations.” A coordination office was established in the CSR Department for the purpose of intensively collecting information and at the same time the Manual on how to cope with such power is revised on the intranet. Consulting with the local police offices for cooperation, the Company is a member of the “Conference on how to cope with particular violence” so that it strengthens to collect outside information and the cooperation with outside organizations.

## **V. Others**

### **1. Takeover Defense Measure**

Takeover Defense Measures	None
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#### **Supplemental Explanation**

The Company had adopted a plan for countermeasures against large-scale acquisitions of its shares (hereinafter, the “Plan”) based on the approval of its shareholders obtained at the 106th Ordinary General Meeting of Shareholders. The Plan was effective until the conclusion of the 108th Ordinary General Meeting of Shareholders, which was held on June 25, 2008.

The Company implemented the New Three-Year Plan steadily, in order to increase its competitiveness and maintain sustainable growth in the global markets and to assure or increase its corporate value. The Company therefore passed a resolution at its board of directors meeting held on April 30, 2008 to abolish the Plan upon the conclusion of the 108th Ordinary General Meeting of Shareholders and thereafter not to continue the Plan.

Deletion of the Articles of Incorporation that was grounds role of the plan was resolved at the 108th Ordinary General Meeting of Shareholders.

### **2. Other Particular Items that May Have an Impact on Corporate Governance**

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 create beauty, we create wellness," it sets out our raison d'être that is core to the Shiseido Group, the Company defines the values that must be held and shared by each and every employee of the Shiseido Group, which we call Our Values (\*1), and also has a code of conduct in relation to stakeholders of all types (customers, business partners, shareholders, employees, and society and the Earth), which we call Our way. (\*2)

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

We also have the "Shiseido Disclosure Policy," (\*3) which we established as a policy on the disclosure of management information to investors, etc.

Thus, everyone in the Shiseido Group is working sincerely on disclosing, in a timely and appropriate manner, facts that have a material impact on investment decision-making by investors and financial information.

Specifically, we set in place the following structures to treat material facts that have an impact on decision-making by investors, for facts of decisions made and financial information and for facts of actual events, respectively:

#### 1. Facts of Decisions Made and Financial Information

In order to understand and identify what kinds of fact fall under the category of material fact, each place of business and each department of the Shiseido Group has put together a list of material facts under internal rules that reflect laws and regulations and listing rules and makes a judgment on a case-by-case basis whether or not a certain fact is a material fact.

In addition, when an applicable case is brought to the Board of Directors, etc. for approval, the Investor Relations Department, a section responsible for the Tokyo Stock Exchange, checks whether or not it falls under the category of material fact in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange, and the Management and Planning Department manages material facts.

On top of this framework for the clear representation of material facts, we have other frameworks for the timely disclosure in an appropriate fashion: the "Disclosure Meeting," which is held on a regular basis, and an "Examination Team," which is to be set up flexibly according to the specifics of the material fact. Its work involves not only the examination of the information subject to disclosure, but also the preparation and confirmation of the documents subject to disclosure.

It is after all those frameworks are drawn on that the Board of Directors approves a case and decides to take an information disclosure action, immediately after which the information is disclosed in an appropriate manner through the Tokyo Stock Exchange.

#### 2. Facts of Actual Events

In preparation for addressing abrupt events, we have developed a framework under which the "CSR Committee" gathers related departments to take emergency actions and ensure prompt disclosure actions.

Specifically, an "Emergency Conference" or "Ad Hoc Committee" will be organized in accordance with the Emergency Procedures Manual, which has been developed as internal rules. The level of risk involved is determined there and, depending on the level, an organ responsible for addressing it will be set up. For those of which level of risk falls under the category of material fact, an Emergency Task Force will be established in an attempt to take quick and appropriate disclosure actions.

For any business execution by each place of business and each department, the Internal Auditing Department strives to ensure and improve the fairness and transparency of our corporate management by performing stringent internal audits.

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(\*1)

Our Values

In Diversity, Strength  
In Challenge, Growth  
In Heritage, Excellence

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(\*2)

Our Way

[Toward 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.

[Toward 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.

[Toward 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.

[Toward 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.

[Toward 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 CO<sub>2</sub> and other greenhouse gases (GHG). We also manage chemical substances properly to prevent air, water and soil pollution.

(2) We strive to minimize waste in our business processes and in use by consumers, with emphasis on the 3Rs: reduce, reuse and recycle.

(3) We work to develop new products and services that bring out the beauty of consumers and are also eco-friendly.

(4) We proactively develop new technologies to balance environmental initiatives with our business activities.

3. We engage in a broad dialogue with society and strive to cooperate in solving social challenges.

(1) We strive to meet the expectations of global society through various activities, such as using the power of cosmetics to lift people's spirits and improve their quality of life, furthering the advancement of women, promoting the arts and culture, and conducting environmental activities.

(2) We work to deepen our interaction with communities where our affiliates are located and contribute to their development, thereby fulfilling our responsibility as a good corporate citizen.

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#### Shiseido Disclosure Policy

##### I. Basic Policy on Information Disclosure

Shiseido fully recognizes that the timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market. We will make constant efforts to improve our internal systems to ensure the prompt, accurate and fair disclosure of corporate information from an investor's viewpoint, and will focus on the timely and appropriate disclosure of corporate information to investors.

Through this timely and appropriate disclosure, we will endeavor to increase shareholder value by building favorable relationships with the capital market and incorporating market valuations in feedback to the management of the company.

##### II. Standards for Information Disclosure

###### 1. Timely Disclosure of Material Information

We will disclose information in accordance with the Financial Instruments and Exchange Act, other legislation and the rules on timely disclosure as defined by the Tokyo Stock Exchange, on which Shiseido is listed.

###### 2. Voluntary Disclosure

Any information not required by the above rules on timely disclosure will be disclosed by us in light of timeliness and fairness if we consider it useful for investment decisions.

##### III. Method of Information Disclosure

The disclosure of the material information prescribed in the rules for timely disclosure and the voluntary disclosure of other useful information not required by the rules will be made through TDnet, a timely disclosure system provided by the Tokyo Stock Exchange. Information disclosed on TDnet is also disclosed promptly on the Shiseido website.

##### IV. Quiet Periods

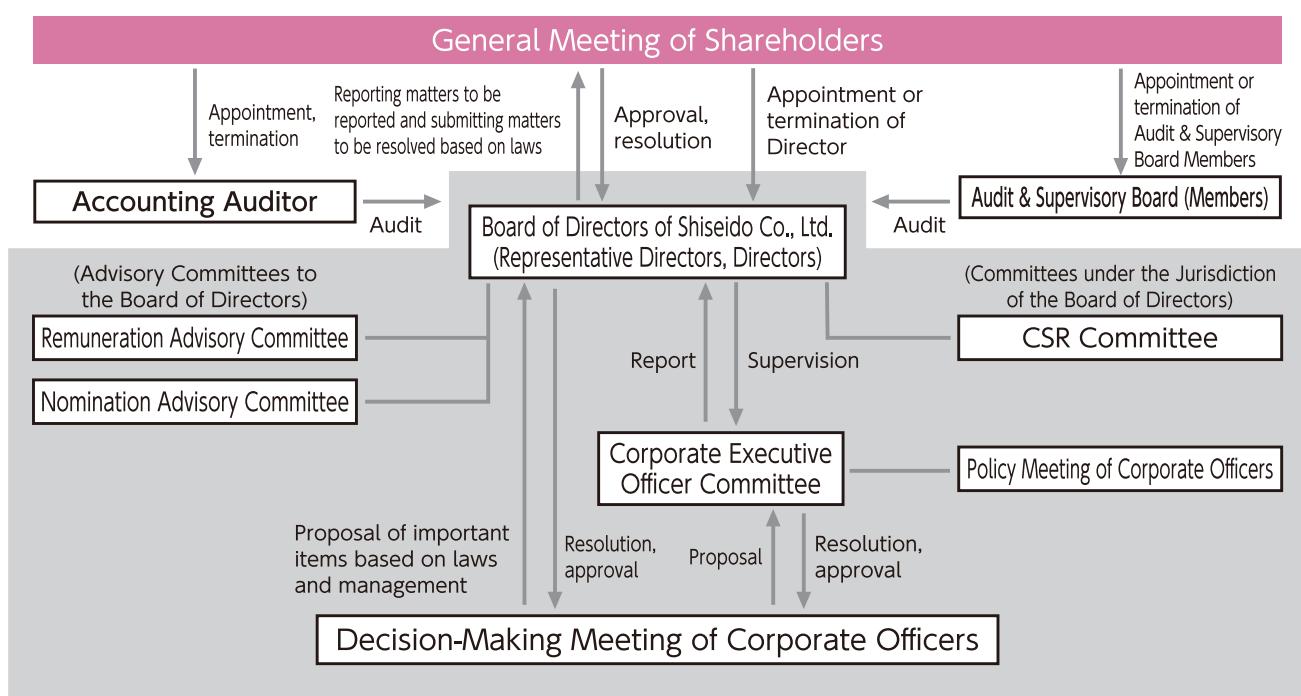
Shiseido observes quiet periods before the announcement of business results to prevent leaks of information on business results, and to assure fairness.

The quiet periods before the announcement of the full year results and half year results are the weeks between the day after the closing date (March 31, September 30) and the results announcement date. The quiet periods for the 1st and 3rd quarter earnings are two weeks before the results announcement date. During the quiet period, we do not respond to inquiries or make any comments on business results.

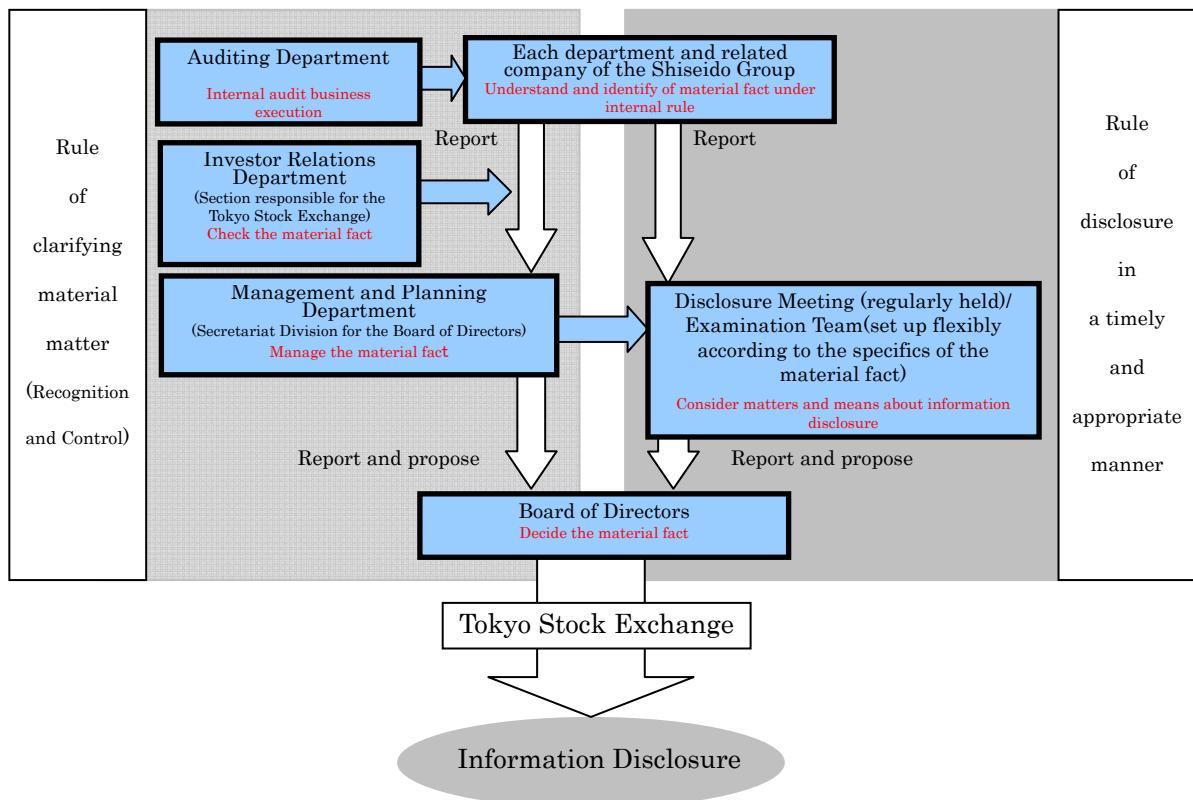
#### V. Forward-Looking Statements

Statements of information disclosed by Shiseido that are not historic facts are forward-looking statements that reflect management's views and assumptions at the time of the announcement and management targets based on its plans. These forward-looking statements may involve risks and other uncertain factors, and the actual business results and performance may differ materially from the projections contained in these forward-looking statements.

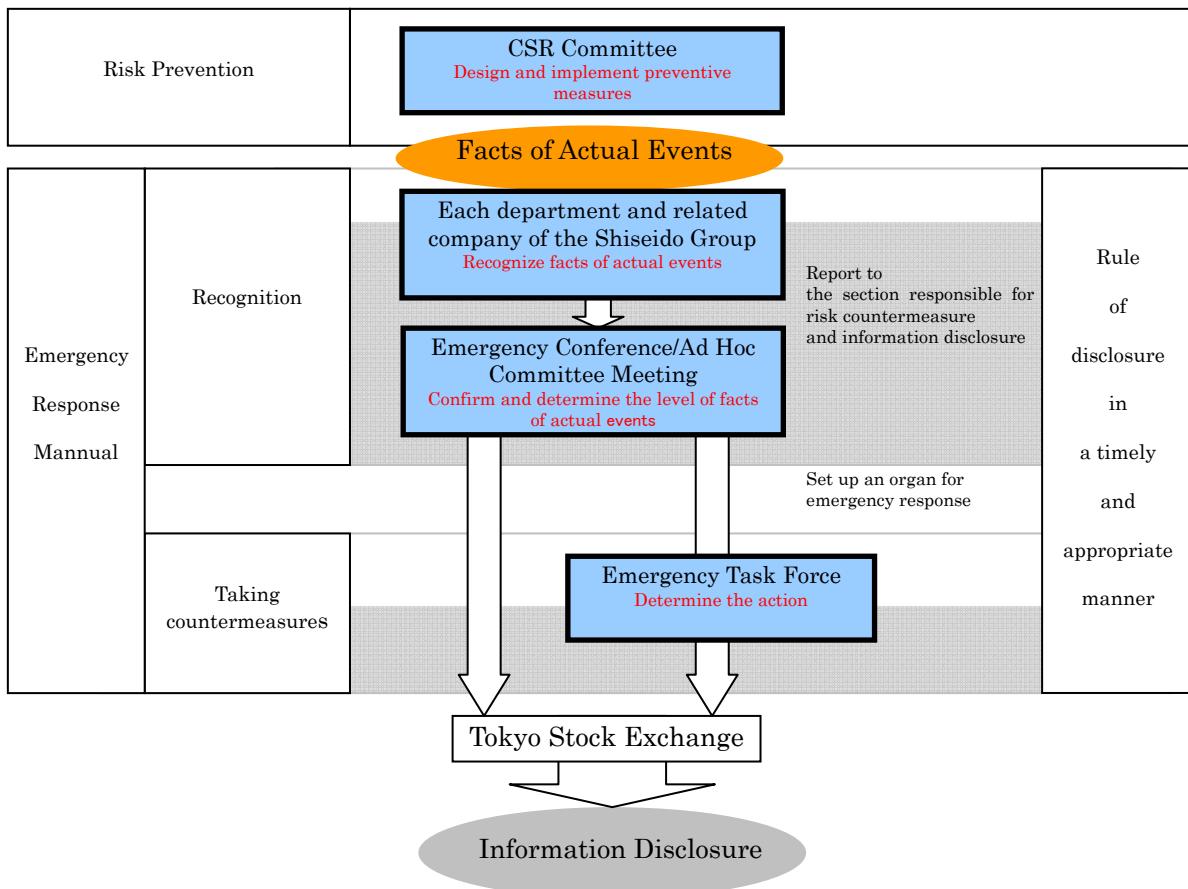
(The Company's System for the Management and Execution of Business)



<The Company's System for Information Disclosure of Facts of Decisions Made and Financial Information>



<The Company's System for Information Disclosure of Facts of Actual Events>



## Corporate Governance

## Internal Control Systems of the Company

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### Internal Control Systems of the Company

Basic policy regarding Internal Control Systems of the Company is as follows.

(1) System under Which Execution of Duties by Directors and Employees of the Company and all Group Companies Is Ensured to Comply with Laws and Regulations and the Articles of Incorporation of the Company; System under Which the Appropriateness of Business of the Whole Group Is Ensured

The Board of Directors shall determine important matters which will affect the Company and its subsidiaries and affiliates as a group.

The representative directors of the Company shall regularly report the status of execution of business to the Board of Directors. External directors shall be elected to strengthen and maintain the Board of Directors' supervisory functions in regard to operational execution. The audit & supervisory board members audit legality and appropriateness of the directors' execution of business. Upon request of any audit & supervisory board member, directors and employees shall report the status of execution of business to the audit & supervisory board member.

In order to realize "Our Mission," which defines the Shiseido Group's corporate philosophy and business domains and sets out its raison d'être, the Company has established "Our Values," which must be held and shared by each and every employee of the Shiseido Group, and "Our Way" and the "Shiseido Ethical Conduct Standards," which sets out the action standards for business conducts with highest ethical standards, and promotes corporate activities that are both legitimate and fair. (\*)

The Company should establish a basic policy and rules in line with "Our Way" and the "Shiseido Ethical Conduct Standards," with which the whole Shiseido Group is required to comply. Every group company and business office shall be fully aware of this policy and rules, along with "Our Mission," "Our Values," "Our Way" and the "Shiseido Ethical Conduct Standards," so that environments for the formulation of detailed internal regulations of the Company will be created at every group company and business office.

The "CSR Committee," under jurisdiction of the Board of Directors, shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The committee shall propose and report the plans and activities to the Board of Directors.

The Company deploys a person in charge of corporate ethics promotion at each group company and business office in order to promote legitimate and fair corporate activities across the Group, and organizes regular training for corporate ethics. The person in charge of corporate ethics promotion drafts plans for corporate ethics activities at each workplace, and reports the status of the said activities and their results to the CSR Committee.

For the purpose of detection and remediation of conducts within the Group that are in violation of laws and regulations, Articles of Incorporation and internal regulations of the Company, the Company shall introduce internal whistle blowing offices under the CSR Committee, where the Chairman of the CSR Committee, staff counselors, an external law office or other representatives will be appointed as a contact for informing and

consultations on matters relating to compliance.

In accordance with the internal regulations of the Company pertaining to internal auditing, internal auditing shall be conducted with respect to the whole Group to audit the appropriateness of business.

The results of audit shall be reported to directors and audit & supervisory board members.

## (2)System under Which Directors of the Company and all Group Companies Shall Be Ensured to Efficiently Execute Duties

The Company adopted a corporate executive officer system to actualize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

A representative director shall coordinate and supervise the Group's overall execution of business operations that are directed towards achieving given corporate targets. A corporate officer shall fix the specified target in the assigned field, including all Group companies, and set up a business system by which the target shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the Corporate Executive Officer Committee consisting of corporate officers shall deliberate the business execution from viewpoints of various aspects.

The Board of Directors and the Corporate Executive Officer Committee shall confirm the status of development vis-à-vis the target and conduct necessary improvement measure.

## (3)System under Which Information Regarding Execution of Business by the Company's Directors Shall Be Maintained and Managed; System under Which Items Regarding Execution of Business by Directors and Employees of All Group Companies Shall be Reported to the Company

Important documents such as minutes of the Board of Directors meetings and minutes of the Corporate Executive Officer Committee meetings shall be managed pursuant to laws and regulations and the internal regulations of the Company and these important documents shall be presented to directors and audit & supervisory board members immediately whenever requested for inspection.

In addition, for information with respect to execution of business by directors and employees, internal regulations of the Company regarding protection of information assets and information disclosure shall be formulated, and the information shall be managed in accordance with them.

Important information regarding the execution of duties by directors and employees of all Group companies shall be reported in a timely manner to the Company by all Group companies in accordance with the internal regulations of the Company that stipulate matters such as reporting to the Company.

## (4)Regulation Regarding Control of Risk for Loss at the Company and all Group Companies and Other Regulation Systems

The "CSR Committee," under the jurisdiction of the Board of Directors, shall manage risks associated with corporate activities of the whole group. Risks associated with management strategy and business execution shall be recognized and evaluated by the Committee so that necessary measures shall be taken. A contingency manual shall be prepared to deal with emergency situation.

In the case of emergency, countermeasure headquarters, projects or teams shall be set up pursuant to the levels of the emergency and shall take countermeasures.

**(5)System Related to Employees to Assist Duties of Audit & Supervisory Board Members When Audit & Supervisory Board Members Request to Do So; and Matters Related to the Independence of Such Employees from Directors; Matters Related to Securing the Effectiveness of Instructions from Audit & Supervisory Board Members to Such Employees**

The Audit & Supervisory Board Staff Group shall be established and employees shall be positioned there to assist the Audit & Supervisory Board and audit & supervisory board members.

In order to ensure the independence of the employees in the Audit & Supervisory Board Staff Group from directors and the effectiveness of instructions from audit & supervisory board members to them, the audit & supervisory board members' consent shall be necessary for determination of personnel matters such as appointments, movements and evaluations of these employees.

**(6)System under Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems under Which Any Report Is Made to Audit & Supervisory Board Members; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit & Supervisory Board Members**

Directors and employees shall report the status of their execution of duties to audit & supervisory board members by enabling them to attend meetings of the Board of Directors and other important meetings, and they shall also report results of audit performed by the department in charge of internal auditing to audit & supervisory board members. In addition, the status of business and conditions of assets shall be reported to audit & supervisory board members upon their request.

Separately, the Company shall establish a method through which directors and employees, including those of all Group companies, can directly inform audit & supervisory board members of issues, and shall make this method known throughout the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said directors and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to audit & supervisory board members or informing them of issues, and shall make these regulations known.

**(7)Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit & Supervisory Board Members' Execution of Duties or Other Expenses or Debts Arising from the Said Execution of Duties**

Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and audit & supervisory board members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be handled by repaying them afterwards.

#### (8) Other Systems under Which Audit by Audit & Supervisory Board Members Is Ensured Efficiently to Be Performed

Opinion exchange meetings shall be held regularly between representative directors and audit & supervisory board members. The Company shall ensure a system under which corporate audits are implemented efficiently. Liaison meeting shall be held among audit & supervisory board members, the accounting auditor and the internal auditing department upon request of audit & supervisory board members. In addition, audit & supervisory board members shall be ensured to attend various meetings.

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

In the Company's "Ethical Conduct Standards," we have declared that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office was established in the CSR Department for the purpose of intensively collecting information, while a manual on how to cope with such forces is maintained on the intranet, among other activities. The Company is strengthening its collection of outside information and cooperation with outside organizations by such means as coordinating with local police offices and having membership of an organization that promotes the exclusion of anti-social forces.

#### Corporate Governance

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

#### Directors

(As of June 23, 2015)

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

	<p>Jun. 2014      Representative Director of the Company [incumbent]</p> <p>Jan. 2015      Responsible for Human Resources and Corporate Culture Reforms of the Company</p> <p>Feb. 2015      Responsible for Global Business (International Business, China Business and Professional Business) of the Company</p> <p>Apr. 2015      Chief Officer of International Business Division of the Company</p> <p>                  Responsible for Global Business and Corporate Communication of the Company [incumbent]</p>
Toru Sakai (October 16, 1956)	<p>Apr. 1982      Joined Shiseido</p> <p>Apr. 2008      General Manager of Purchasing Department of the Company</p> <p>Apr. 2010      Corporate Officer of the Company</p> <p>Apr. 2012      Responsible for Production, Purchasing and Logistics of the Company</p> <p>Apr. 2013      General Manager of Corporate Planning Department of the Company</p> <p>                  Corporate Executive Officer of the Company [incumbent]</p> <p>Jun. 2013      Responsible for Domestic Cosmetics Business, Business Strategies of the Company</p> <p>Apr. 2014      Director of the Company</p> <p>                  Responsible for Domestic Cosmetics Business and Healthcare Business of the Company</p> <p>                  Chief Officer of Domestic Cosmetics Business Division of the Company</p> <p>Apr. 2015      Representative Director of the Company [incumbent]</p> <p>                  President, Japan Region of the Company [incumbent]</p> <p>                  Responsible for Japan Business, Health Care Business and Digital Business [incumbent]</p>
Tsunehiko Iwai (May 28, 1953)	<p>Apr. 1979      Joined the Company</p> <p>Apr. 2002      General Manager of Product Commercialization Planning Department of the Company</p> <p>Apr. 2004      Chief Officer of Fine Chemical Division of the Company</p> <p>Apr. 2006      General Manager of Technical Department of the Company</p> <p>Apr. 2008      Corporate Officer of the Company</p> <p>Apr. 2009      General Manager of Quality Management Department of the Company</p> <p>Apr. 2010      Responsible for Technical Planning, Quality Management and Frontier Science Business of the Company</p> <p>Apr. 2013      Responsible for Technical Planning, Quality Management, Pharmaceuticals Affairs, CSR, Environmental Affairs and Frontier Science Business of the Company</p> <p>Apr. 2014      Corporate Executive Officer of the Company [incumbent]</p> <p>                  Responsible for Research &amp; Development, Production, and Technical Affairs of the Company [incumbent]</p> <p>Jun. 2014      Director of the Company [incumbent]</p> <p>Apr. 2015      Chief Technology and Innovation Officer [incumbent]</p> <p>                  Responsible for Research and Development, SCM, and Technical Strategy [incumbent]</p>
Yoko Ishikura (March 19, 1949)	<p>Jul. 1985      Joined McKinsey &amp; Company Inc. Japan Office</p> <p>Apr. 1992      Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University</p> <p>Mar. 1996      Director (part-time), Avon Products Inc.</p> <p>Apr. 2000      Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>Feb. 2001      Member of the Central Education Council</p> <p>Apr. 2004      Director (part-time), Vodafone Holdings K.K.</p> <p>                  Outside Director (part-time) of Japan Post</p> <p>Oct. 2005      Vice President, the Science Council of Japan</p> <p>Jun. 2006      Outside Director, Mitsui O.S.K. Lines, Ltd.</p> <p>Jan. 2008      Member (part-time) of the Council for Science and Technology Policy</p>

	<p>Jun. 2010      Outside Director, Nissin Food Holdings Co., Ltd. [incumbent]</p> <p>Outside Director, Fujitsu Limited</p> <p>Apr. 2011      Professor, Graduate School of Media Design, Keio University</p> <p>Apr. 2012      Professor Emeritus, Hitotsubashi University [incumbent]</p> <p>Jun. 2012      Outside Director, Lifenet Insurance Company [incumbent]</p> <p>Jun. 2014      Outside Director, Sojitz Corporation [incumbent]</p> <p>Jun. 2015      External Director of the Company [incumbent]</p>
Shoichiro Iwata (August 14, 1950)	<p>Mar. 1973      Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation)</p> <p>Mar. 1986      Joined Plus Corporation</p> <p>Deputy General Manager of Product Development Division</p> <p>May 1992      Head of ASKUL Business Project, Sales Division of Plus Corporation</p> <p>Nov. 1995      Manager of ASKUL Business Division, Plus Corporation</p> <p>Mar. 1997      President of ASKUL Corporation [incumbent]</p> <p>May 2000      Chief Executive Officer of ASKUL Corporation [incumbent]</p> <p>Jun. 2006      External Director of the Company [incumbent]</p> <p>Chairman of Remuneration Advisory Committee of the Company [incumbent]</p>
Tatsuo Uemura (April 19, 1948)	<p>Apr. 1977      Lecturer, Faculty of Law, The University of Kitakyushu</p> <p>Apr. 1979      Associate Professor, Faculty of Law, The University of Kitakyushu</p> <p>Apr. 1981      Associate Professor, School of Law, Senshu University</p> <p>Apr. 1986      Professor, School of Law, Senshu University</p> <p>Apr. 1990      Professor, College of Law and Politics, Rikkyo University</p> <p>Apr. 1997      Professor, School of Law, Waseda University [incumbent]</p> <p>Oct. 2003      Director, Center of Excellence - Waseda Institute for Corporation Law and Society</p> <p>Professor, Waseda Law School</p> <p>Jun. 2004      External Director, Jasdaq Securities Exchange, Inc.</p> <p>Jun. 2006      External Director of the Company [incumbent]</p> <p>Sep. 2006      Chairman of Nomination Advisory Committee of the Company [incumbent]</p> <p>Jul. 2008      Dean of Faculty of Law and the School of Law, Waseda University</p> <p>Director, Global Center of Excellence - Waseda Institute for Corporation Law and Society [incumbent]</p> <p>Mar. 2012      Member of the Board of Governors of Japan Broadcasting Corporation (NHK)</p> <p>Auditor of the Audit Committee of NHK</p> <p>Jul. 2013      Acting Chairman of the Board of Governors of NHK</p>

## Notes:

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

Transaction Matter, etc.	Vendor, Recipient of Supporting Money, etc.	Purchaser, Provider of Supporting Money, etc.	Percentage of Transaction Value	Value for Comparison	Significance of Relations
Stationeries, etc.	ASKUL Corporation	The Company	Less than 0.1%	Total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Company.
			Less than 0.1%	Net sales of ASKUL Corporation for the fiscal year ended May 31, 2013	Transaction value is minimal for ASKUL Corporation.
Stationeries, etc.	ASKUL Group	Shiseido Group	Less than 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Shiseido Group for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
			Approx. 0.1%	Consolidated net sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Group.
Cosmetics, etc.	Shiseido Group	ASKUL Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal year ended March 31, 2015	Transaction value is minimal for the Shiseido Group.
			Approx. 0.1%	Consolidated cost of sales of ASKUL Corporation for the fiscal year ended May 31, 2014	Transaction value is minimal for ASKUL Group.
ASKUL Corporation sells cosmetics, etc. and has a relationship with the Company consisting of transactions in competition. Consequently, the contents and maximum amounts of transactions between the Company and ASKUL Corporation are approved in advance at the Board of Directors along with matters pertaining to transactions with conflicts of interest, and the results are reported to the Board of Directors following the end of the business year of ASKUL Corporation. The amount of ASKUL Corporation's net sales of cosmetics, etc. in that period was approximately 0.4% of the consolidated net sales of the Company, and in the fiscal year ended May 31, 2014, ASKUL Corporation's net sales of cosmetics, etc. accounted for approximately 1.1% of its total sales.					Transactions in competition with organization where position is concurrently assumed have no impact on interests of shareholders

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

(As of June 23, 2015)

Name (Date of birth)	Biography	
Yoshinori Nishimura (June 28, 1955)	Apr. 1979 Apr. 2005 Oct. 2008  Apr. 2009 Apr. 2011  Jun. 2012 Jun. 2014	Joined Shiseido General Manager of Financial Department General Manager of Corporate Planning Department Group Leader of Finance Strategy Group and General Manager of Financial Department of Shiseido Business Solutions Co., Ltd.  President of Shiseido Deutschland GmbH Corporate Officer, Chief Financial Officer Responsible for Finance, Investor Relations and Information System Planning Responsible for Internal Control Director Audit & Supervisory Board Member of the Company (standing) [incumbent]
Kyoko Okada (July 26, 1959)	Apr. 1982 Apr. 2003 Sep. 2004 Apr. 2006 Oct. 2011 Oct. 2012  Apr. 2015  Jun. 2015	Joined the Company Professional Business Operations Division of the Company Corporate Social Responsibility Department of the Company Corporate Culture Department of the Company General Manager of Corporate Culture Department of the Company General Manager of Corporate Culture Department of the Company and Group Leader for the 150-Year History Compilation Project General Manager, Executive Section, General Affairs Department of the Company Audit & Supervisory Board Member of the Company (standing) [incumbent]
Akio Harada (November 3, 1939)	Apr. 1965 Jul. 1975 Apr. 1988 Apr. 1992 Dec. 1993 Jan. 1996 Jun. 1998 Dec. 1999 Jul. 2001 Oct. 2004 May 2005 Jun. 2005  Jul. 2005 Jun. 2006 Oct. 2009	Public prosecutor of the Tokyo District Public Prosecutors Office First secretary of Japanese Embassy in the U.S. Chief of Personnel Division of Secretariat of the Minister of Justice Chief public prosecutor of the Morioka District Public Prosecutors Office Director-General of the Secretariat of the Minister of Justice Chief of Criminal Affairs Bureau of Ministry of Justice Administrative Vice-Minister for Justice Superintendent public prosecutor of the Tokyo High Prosecutors' Office Public Prosecutor-General Registered as a lawyer [incumbent] President of International Civil and Commercial Law Centre Foundation Audit & Supervisory Board Member of the Company (external) [incumbent] External director of Seiko Holdings Corporation [incumbent] External corporate auditor of Sumitomo Corporation President of Tokyo Woman's Christian University External director, Mitsubishi UFJ Financial Group, Inc. [incumbent] Outside Director of Japan Post Holdings Co., Ltd. External Auditor of Enterprise Turnaround Initiative Corporation of Japan

	Jan. 2011 Apr. 2012 Apr. 2013 Jun. 2013 Mar. 2014	External Director of Enterprise Turnaround Initiative Corporation of Japan Representative director of Young Men's Christian Association at the University of Tokyo, public interest incorporated foundation [incumbent] Representative director of Japan Criminal Policy Society, general incorporated foundation [incumbent] Representative director of International Civil and Commercial Law Centre Foundation, public interest incorporated foundation [incumbent] External Director of Sumitomo Corporation [incumbent] External Director of Yamazaki Baking Co., Ltd. [incumbent]
Nobuo Otsuka (January 10, 1942)	May 1967 May 1968 Feb. 1980 Nov. 1988 Feb. 2001 Jun. 2007 Apr. 2010	Assistant of classes in the Department of Neuropsychiatry at School of Medicine of Keio University Hired by Inokashira Hospital Director of Oume Keiyu Hospital President and Director of Keiseikai Hospital Full-time position of President of Keiseikai Hospital Audit & Supervisory Board Member of Shiseido (external) [incumbent] Chairman of Keiseikai Hospital [incumbent]
Eiko Tsujiyama (December 11, 1947)	Apr. 1977 Jan. 1982 Apr. 1985 Sep. 1993 Dec. 1993 Apr. 1996 Jul. 2001 Apr. 2003 Jun. 2008 Jun. 2010 Sep. 2010 May 2011 Jun. 2011 Jun. 2012	Lecturer, The College of Humanities, Ibaraki University Visiting Scholar, Columbia Business School, Columbia University, U.S.A. Assistant Professor, Faculty of Economics, Musashi University Visiting Scholar, University of Cambridge, U.K. Ph.D in Economics, The University of Tokyo Dean of Economics, Musashi University International Visiting Fellow, Financial Accounting Standards Board (FASB), U.S.A. Professor, School of Commerce, Waseda University [incumbent] Professor, Graduate School of Commerce, Waseda University Outside Corporate Auditor of Mitsubishi Corporation [incumbent] Outside Director of ORIX Corporation [incumbent] Dean of the Graduate School of Commerce, Waseda University Outside Corporate Auditor of LAWSON, INC. [incumbent] Outside Corporate Auditor of NTT DOCOMO, INC. [incumbent] Audit & Supervisory Board Member of the Company (external) [incumbent]

Notes:

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

## Corporate Officers

(As of May 11, 2015)

	Name	Title
Corporate Executive Officer	Ralph Ahrbeck	Chief Strategy Officer and President, China Region [Responsible for Corporate Strategy, China Business]
Corporate Executive Officer	Chikako Sekine	Chief Beauty Officer [Responsible for the area of Beauty (Global & Japan) , Beauty Creation and Consumer Information]
Corporate Executive Officer	Yoichi Shimatani	Chief Research and Development Officer [Responsible for Research and Development]

Corporate Officer	Jun Aoki	Chief People Officer [Responsible for Human Resources, General Manager of Human Resources Department]
Corporate Officer	Jean-Philippe Charrier	President, Asia Pacific Region, Global Business Division [Responsible for Asia Pacific Business]
Corporate Officer	Takahiro Hayashi	Chief Creative Officer [Responsible for Corporate Culture and Advertising Creation]
Corporate Officer	Masaya Hosaka	Chief Technical Strategy Officer and Chief Quality Officer [Responsible for Technical Strategy, Quality Management, Pharmaceutical Affairs and Frontier Science Business]
Corporate Officer	Kiyoshi Ishimoto	Chief Supply Chain Officer [Responsible for Production, Purchasing and Logistics]
Corporate Officer	Norio Iwasaki	Senior Vice President, Personal Care Brands, Japan Business Division [Responsible for Personal Care Brands, Japan Business]
Corporate Officer	Naoki Murakami	Senior Vice President, Prestige Brands, Japan Business Division [Responsible for Prestige Brands, Japan Business]
Corporate Officer	Yoshiaki Okabe	SHISEIDO Brand Director, Global Business Division [Responsible for SHISEIDO Brand]
Corporate Officer	Kazuhisa Shibata	Chief Administration Officer [Responsible for General Affairs, Legal Affairs, Executive Affairs, CSR and Environment]
Corporate Officer	Mikiko Soejima	Senior Vice President, Beauty, Japan Business Division [Responsible for the area of Beauty, Japan Business]
Corporate Officer	Shigekazu Sugiyama	Senior Vice President, Cosmetics Brands, Japan Business Division [Responsible for Cosmetics Brands, Japan Business]
Corporate Officer	Norio Tadakawa	Chief Finance Officer [Responsible for Finance, Information System Planning and Internal Control]
Corporate Officer	Shigeru Takano	Chairman and President, Shiseido China Co., Ltd. [Responsible for Shiseido China Co., Ltd.]
Corporate Officer	Mari Tamura	Senior Vice President, Global Prestige Brands, Global Business Division

## Compliance

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

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

### Compliance

## Establishment of corporate ethics

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### ■ (1) Establishment of corporate ethics in workplaces

We have assigned the Corporate Ethics Promotion Leaders in each office in Japan to be in charge of the thorough informing and promotion of corporate ethics. We have not only assigned the Business Ethics Officer (BEO), who plays similar roles, as well as the Corporate Ethics Leaders (CEL), who assists the BEO, but also host regular training programs on corporate ethics in each overseas subsidiary. The Corporate Ethics Leaders and BEOs report the plans for corporate ethics activities at each workplace and the status and results of such activities to the CSR Committee.

### ■ (2) Training for all employees

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

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

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

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

### ■ (3) Position-specific training

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

Compliance

## Establishment of entities for reporting concerns

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

The Company has also created and publicized through Ethics Card distribution, posters, intranet, etc., to employees a set of regulations setting forth an impartial means of investigating and resolving complaints and clearly prohibiting prejudicial treatment of whistleblowers (as well as individuals seeking advice) for each of the above entities, along with the means to receive inquiries, etc.

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

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

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

Compliance

## Internal Rules Governing Gift Exchanges and Business Entertainment

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In "Our Way," we declare "We do not provide or accept gifts or entertainment that may cause suspicion regarding our fairness" and "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." In addition, we have established and operate "Compliance Rules Regarding Prevention of Bribery" as company-wide rules.

## Risk Management

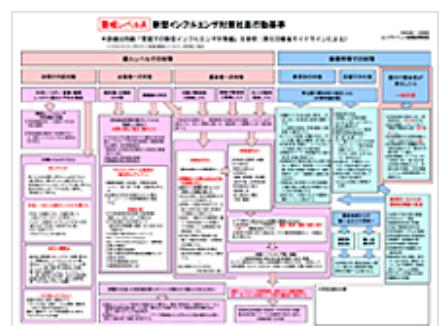
The basic policy of Shiseido risk management is primarily to "ensure the safety of employees and their families" as well as "ensure stakeholders' trust" while "preserving corporate assets" and "sustaining operations." In addition to quickly responding to and minimizing the impact of manifest risk, Shiseido considers corporate value to be enhanced through responsible action to contribute to society by eliminating social losses as well as possible. Shiseido established the "CSR Committee" to be under the direct management of the Board of Directors for comprehensive control of all corporate activity risks as well as promotion of various measures to "prevent potential risks" and "respond to occurred/surfaced risks." In terms of "potential risks," we comprehend/evaluate management strategy risks and operation management risks to take necessary measures according to the "CSR actions." In terms of "occurred/surfaced risks," we quickly comprehend risk occurrence and establish response systems for different levels, depending on the risk contents and scale of management effect, in order to minimize the damage. Risk response status, results, and preventive measures are appropriately reported to the CSR Committee director as necessary.

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

Shiseido has established a Business Continuity Plan (BCP) spelling out how important operations would be restored and carried on in the event of disasters including major earthquakes and new strains of influenza, in a manner that would allow the company to minimize damage and resume operations at the earliest possible opportunity.

The BCP requires response to all disasters/risks that may lead to discontinuation of the operation. Shiseido has categorized risks into 2 categories according to the characteristics, including "disasters/risks that result in damage unexpectedly" and "disasters/risks that result in continuous damage in a gradual/long-term manner." We have established the "earthquake response BCP" as the representative of unexpected risks and the "infectious disease response BCP" as the representative of gradual/long-term risks. Either the "earthquake response BCP" or the "infectious disease response BCP" is applied to other risks that may affect the continuation of the business according to the characteristics of the risks.

The "earthquake response BCP" stipulates execution items by phase for the 4 phases of 1) preventive measures, 2) emergency response, 3) resuming operation, and 4) restoring/ carrying on business before and after the earthquake. The system includes the "HQ emergency countermeasure headquarters," which consists of the "action group" that is led by the president and is in charge of missions in case of emergency, such as confirming people's safety and comprehending damage status, and the "product supply continuation committee" that considers the important operation of product supply, and the "local countermeasure headquarters" that manages sales departments with the largest number of personnel covering a large area. These two countermeasure headquarters collaborate with each other to respond to disasters. We responded to the Great East Japan Earthquake in March of 2011 in a swift manner based on the BCP. The



Employees action guidelines for New Strains of Influenza Countermeasures

"infectious disease response BCP" has established responses by level, including temporary business suspension, to address various conditions from strong toxicity to weak toxicity of new strains of influenza. The "Employee Action Guidelines for New Strains of Influenza Countermeasures," which is a guideline for employees' actions for different levels of responses, was created and posted on the intranet to arouse awareness among employees to enable them to calmly respond to emergencies.

## Human Rights

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

## Policy Related to Respect for Human Rights and Discrimination

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

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

## Promotion System

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Shiseido Group examines its direction of enlightenment activities and details in the Human Rights Enlightenment Council led by the General Manager of the Human Resources Department of Shiseido. The Human Rights Enlightenment Council is promoting internal research and external human rights enlightenment activities while collaborating with secretariats (Diversity Promotion Group, Human Resources Department at the Shiseido Head Office and Diversity Promotion Group, Business Administration Department of Shiseido Sales Co., Ltd). Also, the head office, factories, research centers, domestic affiliated companies and respective offices of Shiseido Sales Co., Ltd. have established the Human Rights Enlightenment Promotion Committee under the Human Rights Enlightenment Council for annual training.

## Human Rights Enlightenment (Education)

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

Specifically, an upper-level management workshop for the head office directors and domestic and overseas

general managers, a workshop for domestic business site managers, a workshop for business office employees (89% participation rate for fiscal 2013) and a workshop for new employees are conducted once a year. Moreover, fiscal year policy is confirmed and annual regular meetings on various subjects, such as training implementation plans, are carried out in National Human Rights Enlightenment Promotion Committee Training, which is for Human Rights Enlightenment Promotion Committee members from respective business sites nationwide.

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

To address harassment, we twice held e-Learning for all Group employees in fiscal 2013 with the aim of raising awareness to eliminate harassment and will continue to organize such events.

## Points of Contact for Employee Inquiries

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

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

The Shiseido Consultation Office welcomes individuals seeking advice on a wide range of topics relating to the Company's business and operations in general, and is trying to quickly resolve employees' inquiries. In fiscal 2013, a total of 219 inquiries was received, contributing to a cumulative total of 2,193 inquiries since the establishment of facilities in April 2000.

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

## Labor Practices

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

### Basic policy regarding personnel affairs

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

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

Also, we have established and promote the "Shiseido Group HR Philosophy" as a globally shared set of principles related to personnel management.

#### Shiseido Group HR Philosophy

Shiseido Group companies practice the following:

We consider our employees our most valuable asset and treat them with trust and respect. We expect and support their professional growth.

We expect our employees to fulfill their potential and implement our MVW/Core Traits. In recognition, we provide a Total Reward package.

We aim to create a dynamic organization that challenges every employee and where employees respect and work together with their diverse values.

Shiseido HR management cycle



- Assignment (Recruitment and Staffing)
  - Hire talented people who identify with and implement MVW/Core Traits
  - Ensure that the right person is in the right post at the right time
- Development
  - Provide challenging work and best-in-class training program
  - Expect our employees to develop expertise, and engage in mutual growth
- Performance
  - Motivate our employees and help them to be proactive
  - Expect our employees to take the initiatives to meet objectives
- Assessment (Compensation and Reward)
  - Ensure fair assessment and feedback that encourages personal development
  - Provide fair and equitable rewards based on performance
- Safety, Health and Wellness
  - Provide a safe, clean, and comfortable workplace
  - Encourage employees to maintain and manage their mental and physical health
- Employment and Employee Relations
  - Work to prohibit and prevent human rights violations and harassment
  - Ensure employment in accordance with labor laws and customs
  - Cultivate good labor-management relations
  - Disclose information in a timely manner and ensure open communication

## Diversity & Inclusion

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### Support Measures for Women's Activities

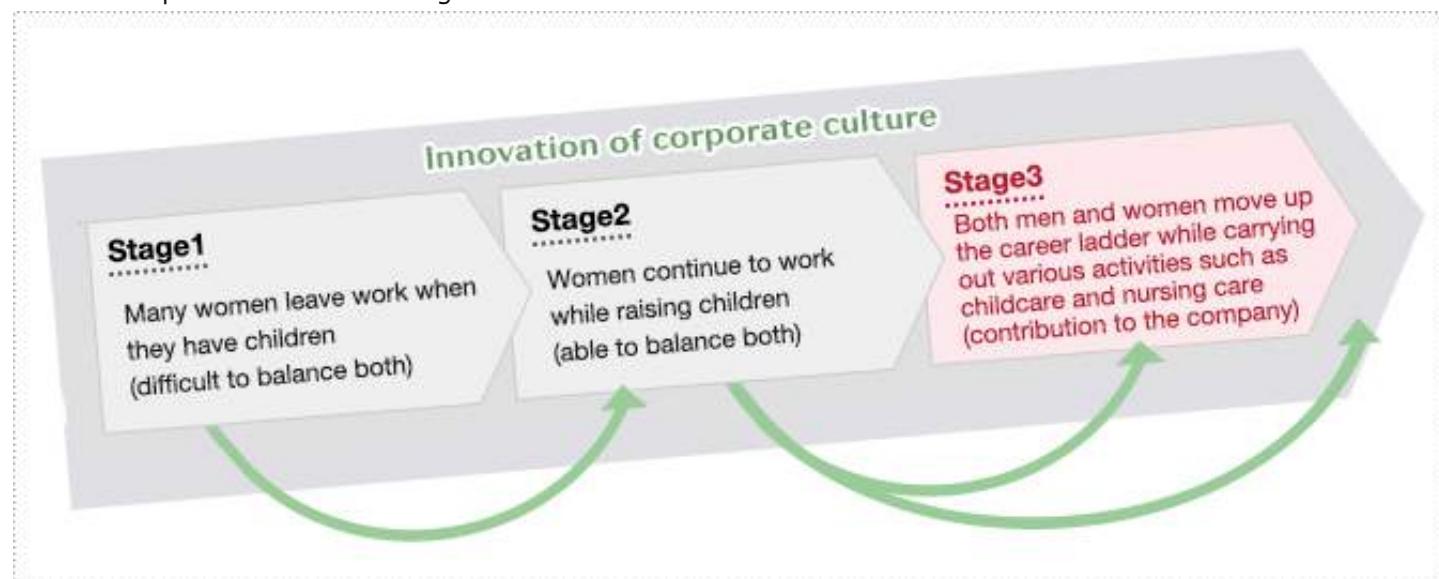
Shiseido actively promotes gender equality as part of the management strategies to establish the organizational culture that continues to enhance employees' vitality and improve results, with the aim of "enhancing corporate trust of employees, who are major stakeholders in the company". At the same time, efforts are made to "enhance the level of company recognition externally through advanced initiatives that are unique to Shiseido." In Phase 3 of the "Gender Equality Action Plan" which was implemented from FY2010 to FY2012, based on the activity theme to "firmly establish a corporate culture in which female leaders are continuously promoted," Shiseido has devised and promoted specific action plans emphasizing the two key issues of "strengthening the

appointment and promotion of female leaders and human resources development" and "reviewing how employees work to improve productivity".

As a result, we were able to cultivate career awareness among female employees. The ratio of female leaders has improved by approximately 8% as of April, 2014, compared to FY2009. With the "review how employees work", the number of employees working long hours has reduced, and the overtime work has been reduced by half through the implementation of switching off lights in all offices, Leaving Office On Time Day, etc. We have been able to make a certain level of results.

Starting in FY2013, we will have been aiming to respond to the remaining issues in Phase 3 of the "Gender Equality Action Plan" and promote activity enhancement with the aim of further improving the productivity by working with people with disabilities and foreign people.

#### <Three Steps for Women Taking Active Roles>



The Career Support Forum was held in 2012 continuously in order to realize the theme of activity to "firmly establish a corporate culture in which female leaders are continuously promoted," established under Phase 3 of the Gender Equality Action Plan, as well as to disseminate information internally. This forum enables female employees to take initiatives to consider developing careers on their own with the aim of gaining independence and professional awareness. The program is comprised of various sessions including a message from top management, a lecture by an external instructor under the theme of time management and sharing experiences of female employees in managerial positions. Such forums were held at the head office, research centers, factories. Comments received included "the forum provided an opportunity to air thoughts about developing one's own career and improving operational efficiency" and "I got more positive ideas about career development through transfers."



Career Support Forum

## Ratio of Female Managers

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

\*Reference: Ratio of females in managerial positions as of April 2014: 26.8%

\*Results as of April 1 of each year



## Employment of Individuals With Disabilities

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

The rate of employment of developmentally challenged individuals among all employees in the overall domestic Shiseido Group for fiscal 2014 was 2.02%, surpassing the statutory employment rate of 2.0%.

## Employment of Foreign Personnel

In addition to overseas subsidiaries, the Shiseido head office also has been employing diverse personnel regardless of nationality. We are hiring foreign personnel at the head office while adhering to the immigration

control system, including resident status considerations, and subjecting them, regardless of nationality, to the same employment regulations after they join the company as the Japanese employees.

## Post-retirement Reemployment System

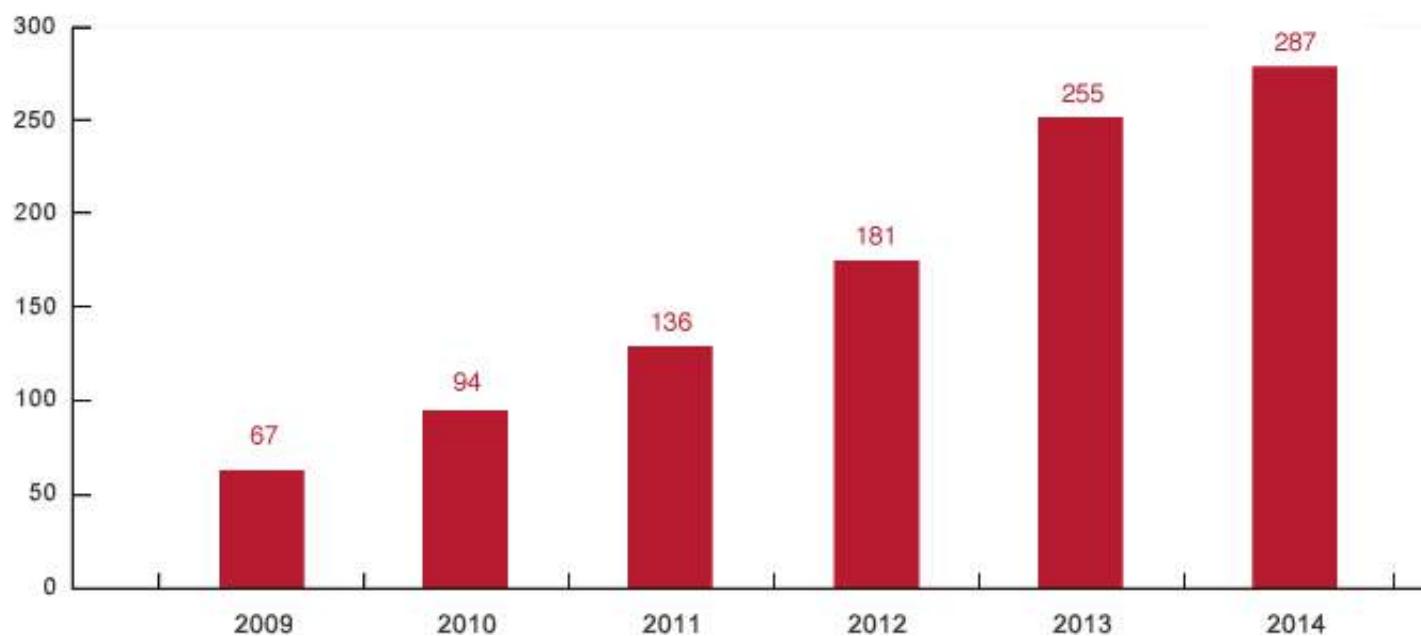
Shiseido has been introducing a post-retirement reemployment system since FY2006 aimed at developing an energetic corporate culture and establishing an environment in which middle-aged and older employees who have grown within Shiseido can continue to work as long as they have the motivation and ability to do so. According to the revision of the law, we have been reemploying all employees who wish to work since FY2013 (\*). By utilizing the post-retirement reemployment system, Shiseido pursues initiatives for middle-aged and older employees to hand down techniques and know-how to the next generation employees, particularly in research, development, production, sales, and other relevant fields.

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

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

\*Results as of April 1 of each year

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



## Employment of Fixed-term Employees

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

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

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

## Employment of Temporary Employees

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

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

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

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

## Realize a rewarding workplace

### Realize a rewarding workplace

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

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

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

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

- 1. Spread knowledge of the labor-management agreement

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

- 2. Promotion of activities to review how employees work

From FY2011, Shiseido established the guidelines (key performance indicator (KPI) and goals related to working hours) for reviewing how employees work and is currently promoting activities to review

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

In FY2013, Shiseido is making efforts to further reduce long working hours at each workplace with the aim of enhancing these activities.

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

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

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

### ■ 4. Verification of actual status of overtime work between employer and employees

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

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

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

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

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

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

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

We also award individuals/offices every year.

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

## 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 and measures helping employees balance work with childcare and nursing care. Shiseido has been promoting original initiatives to develop an environment in which employees can work with a sense of assurance. Specifically, such initiatives include the establishment and operation of the "Kangaroom Shiodome" daycare facility located within a business site, a paid childcare leave system within a limited period of two weeks to encourage male employees to take childcare leave, and introduction of the Kangaroo Staff System(\*1) for Beauty Consultants to take time off from work for childcare.

Employees' use of leave and shorter working hour systems related to childcare and nursing care is increasing every year. As of FY2013, the number of employees who used the childcare leave system/took time off for childcare is as follows: 1,507 employees (including 5 male employees) used the childcare leave (including Short-term paid parental leave), 1,829 employees (including 7 male employees) took time off to care for their children, 26 employees (including 0 male employees) took nursing care leave, and 14 employees (including 2 male employees) took time off for nursing care.

### (※1) Kangaroo Staff Program (Japan)

Shiseido introduced the "Kangaroo Staff Program" in 2006 to support evening storefront activities by having temporary workers take the place of Beauty Consultants (BCs) engaged in customer service activities so that the BCs could take time off to care for their children.

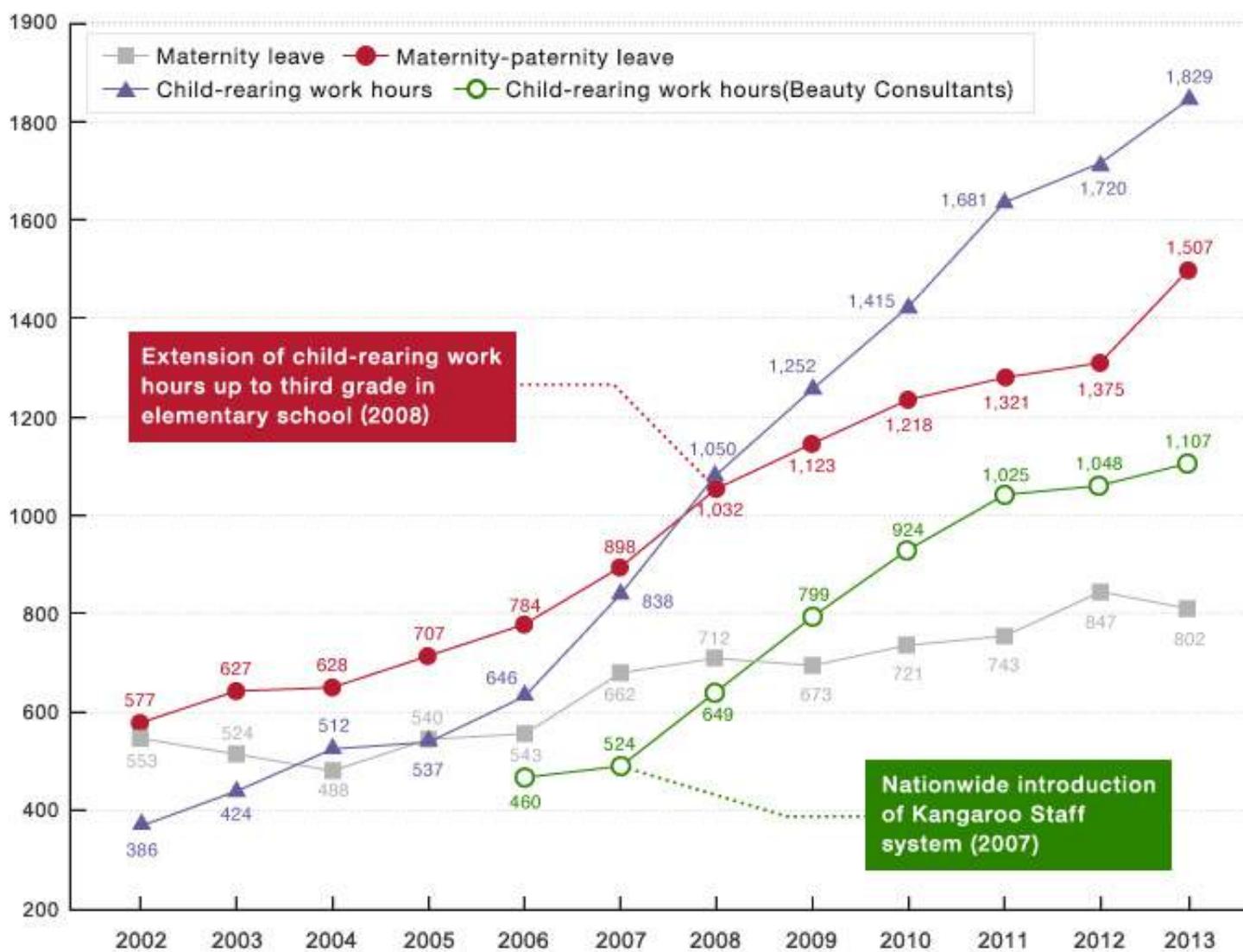
This program has enabled us to create a workplace environment that allows BCs who had difficulty balancing the competing demands of work and childcare to have children with peace of mind, since they would be able to care for the children while working to advance Shiseido's "100% customer-oriented" philosophy. When the program was first introduced, approximately 600 Kangaroo Staff members provided support for about 500 BCs who took time off to care for their children. In recent years, the Kangaroo Staff program has expanded to more than 1,600 Kangaroo staff providing such support for more than 1,000 BCs taking time off to care for their children.

### Comment from employee who used Kangaroo Staff program

Kaori Tanaka,  
Key Account Sales Department II, Shiseido Sales Co., Ltd.

Using the Kangaroo Staff program enabled me to enhance awareness to carry out work according to plan. Also, it allowed me to spend more time on childcare, for the sake of the mental security of my child. I am grateful for this program which helps raise one's motivation to work.

I appreciate the support and cooperation of the Kangaroo staff and everyone around me which enabled me to work and perform childcare every day. I am carrying out my daily activities with the attitude that I should work in such a way that will contribute to the Company so that such systems will be passed on to fellow BCs.



※ Years ended March.

※ 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.

※ The targeted number of people is 24,609 as of April 1, 2014 (7,110 BCs).

※ Number of employees who used the childcare leave and took time off to care for their children is a cumulative total.

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

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

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

Guidelines governing transfers of employees with childcare and nursing care responsibilities	2008	A system of rules that prevents transfers of employees that would require them to move while taking time off for childcare or nursing care.
Spousal accompaniment for childcare	2008	A system by which employees with childcare responsibilities (e.g., with children up to the third grade in elementary school) may request to accompany their spouse who is transferred within Japan.
Leave to accompany spouse when transferred overseas	2008	A system by which the company allows up to three years of leave so that employees can accompany spouses who are transferred overseas.
Encourage fathers whose infants are less than 8 weeks old to take paternity leave	2010	A system by which the company allows fathers who acquired paternity leave within 8 weeks after their spouses gave birth may take paternity leave again.
Cafeteria system for Child education support	2014	A system by which employees can receive support for outgoing expenses spent on child education, such as cramming schools, correspondence studies, enrichment classes, etc. for children.

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

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

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

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



### Shiseido Company Limited's Phase 4 General Business Owner Action Plans For the period from July 26, 2013 to December 31, 2015

No.	Goals	Time, Actions
1	Host events that are themed on and promote work-life balance.	<From June 2013> Develop content; seek participants. <Sept. 2013> Run event.

2	Implement measures to reduce overtime work.	<From FY2013> Enact a Labor Hours Guideline and manage its progress.
3	Run events that target male employees during the child-care stage, aiming to correct work-first notions and preconceptions of gender roles.	<From Aug. 2013> Develop content; seek participants. <Jan. 2014> Run event.
4	Run annual Family Day events where children get to visit their parent's company. Aim to help children develop their own views on vocation and create active communication in the home and workplace. (Consider holding the event not only at the headquarters office, as in the past, but at other offices as well.)	<From every June> Develop content; seek participants. <Every August> Run event.

Shiseido Sales Co., Ltd. Limited's Phase 4 General Business Owner Action Plans For the period from December 1, 2013 to December 31, 2015

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

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

Shiseido Co. Ltd. was selected as one of the "Diversity Management Selection 100" by the Ministry of Economy, Trade and Industry in FY2013. They select and recognize a total of 100 companies in Diversity Management Selection 100 project "that achieve certain results, such as the creation of innovation and improvement of productivity by utilizing various human resources to the fullest." Shiseido Co. Ltd. was evaluated for 3 items of "women, foreign people, and people with disabilities."



## Personnel affairs and fair evaluation

### Promotion Structure of Fair Evaluation and Work Conditions

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

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

#### ■ Rules for Evaluation and Work Conditions

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

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

#### ■ Guidelines for Evaluation and Work Conditions

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

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

Moreover, as a means of enhancing fairness and satisfaction of evaluation, the Group is also improving and expanding opportunities for training and offering feedback to personnel in managerial positions. Specifically, we are enhancing the skills of assessors on various occasions by means such as management training and newly appointed assessor training. Additionally, with the implementation of the 360-degree feedback program for managers, Shiseido is working to enhance the management abilities of managers by encouraging them to recognize their strengths and points to be improved in respective work behaviors through results of 360-degree observation from supervisors, colleagues and subordinates.

## Structure for Listening to Employee Opinions

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

This survey was initiated as part of management reforms being promoted throughout the Shiseido Group. Shiseido must tackle a multitude of issues in order to promote such reforms, and employees are constantly expected to "change their awareness and actions." As these reforms proceed, various concerns may arise such as a gap between employees in terms of their awareness and efforts or motivation for undertaking such efforts may decline due to a sense of placing a heavier burden on employees. This in turn may reduce the speed of realizing Shiseido's vision. Consequently, the survey results are used so that the members of top management can take the initiative in listening to employees' opinions, clarifying current issues and utilizing the information to develop specific actions toward solving any concerns or problems.

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

Shiseido established the in-house Shiseido Consultation Office in 2000 and the Shiseido External Consultation Office, which is outside the Company, in 2002, thereby addressing various matters such as inquiries and 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." Such distinction of corporate culture endures today as the Company reflected in the "Shared Education" Declaration launched in 2006. The declaration seeks to cultivate people by linking workers' self-realization to the growth of the company.

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

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

We have defined specific code of conduct - the "Core Traits" - to practice the Shiseido group corporate philosophy "Our Mission, Values and Way", which was stipulated in 2011. "Core Traits" clarifies "Our Values" and "Our Way"

that each and every employee should be aware of as code of conduct in order to realize "Our Mission". We will develop human resources that can practice the "Core Traits" in order to further enhance Shiseido's characteristics to become a strong corporate group.

## Ecole Shiseido

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

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

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

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

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

Externally outside of Japan, "the Shiseido Regional Leadership Program (SRLP)" started in 2011, promoting human resources development in respective regions. From now on, targeting mainly local subsidiaries' managers and head office employees, talent management initiatives on a global scale, are launched, accelerating to train and utilize talent in respective groups.



the Shiseido Regional Leadership Program

## Support to develop employees' career track

In April in 2011, "the Career Design Center" was established as an organization to support development of employees' independent career. In "the Career Design Center", professionally trained employees are deployed, helping provide

services to support employees' careers from the time they join the company to the time they retire through various means including individual career counseling and seminars.

While employees receive such support, they also independently develop their careers utilizing "job challenge system (in-house job challenge system)" to which employees apply to be a candidate, and "free agent system" by which employees can challenge to get certain post if they want and other systems. Shiseido is also providing information for employees to review their careers and is introducing seminars and specific past cases corresponding to each employee in addition to introduction of "the Career Design Center" at in-house portal site. As a company, Shiseido tries to face with each career in each employee and is supporting each employee to make feel rewarded in one's work so that employees could be motivated to play their roles in respective fields in respective life.



Career Design Book

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

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

In such an initiative, the seminars are providing opportunity for employees to reflect upon how they should build up their remaining job careers in the latter half in a company, and what is one's own strength, and weakness as well as what they want to achieve in future after looking back each career track. The seminar is promoting for participants to review their life planning from the viewpoint of life long careers (their roles and way of living in their respective life including their job careers). Shiseido held such seminars 7 times with total 338 participants including BCs in addition to management positions and comprehensive positions since 2012.

#### The Career Design Seminars



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



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



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

## Safety and health of employees

### Health Management Policy

Shiseido is pursuing companywide personal development as it strives to achieve its vision of filling the Company's organization with interesting and talented people. It is of paramount importance that each and every employee be able to work in a fresh and lively manner, healthy in body and spirit, and we believe that healthy living is the foundation of personal development. That is why Shiseido has established its basic health management policy to protect the invaluable health of each and every employee and supports their physical and emotional wellness.

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

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

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

### Promotion Structure of Safety and Health

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

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

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

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

## Safety and Health Education for Employees

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

- Preventing lifestyle-related diseases

Shiseido distributes information on the company intranet and issue periodical materials to promote activities to prevent lifestyle-related diseases through transmission of health enlightenment information to all employees and industrial health staff providing individual health instructions, etc. to employees based on the national regional assignment. We have further developed the existing "seminars to prevent lifestyle-related diseases" at position-specific training sessions primarily attended by employees in their 30s and 40s and have been promoting health education with wider targets through e-learning for employees of all generations, etc.

- Discouraging tobacco use

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

- Providing mental healthcare

Shiseido is conducting self-care training for general employees and line-care training for managers mainly at the head office. A program to support employees resuming work is also available for those who have been on long-term leave, helping to smooth their return to work. Measures are also being taken to spread relevant knowledge through manager training so that the program operates appropriately. An internal mental health counseling office is also established and external counseling offices are available for making general health inquiries.

- Supporting women's health

Shiseido is consecutively implementing Health Seminar for Women at its domestic business sites where 77% of employees are women. The seminar aims to increase awareness for managing individual health and explain diseases that are specific to women according to life stages.

- Regular health check (Including a health check for lifestyle-related diseases conducted by health insurance society)

The Company allows employees to individually select certain items besides statutory health check items, thereby raising employees' interest toward their health through regular health checks.

### ■ Interview to prevent long-time work

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

### ■ Measures to prevent new influenza

New influenza-related and other relevant information, including generation status and warning levels, is introduced via the intranet. Shiseido is taking measures to establish employee action standards in accordance with warning levels and enhancing employee recognition.

### ■ Education and increasing awareness about infectious diseases

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.

## Mental Health

Shiseido promote and utilize the "'workplace stress check in 5 minutes' on the 'Kokoro no Mimi', which is a mental health portal website" on the internet run by the Ministry of Health, Labour and Welfare i. to enable employees to check their emotional status or degree of stress. With this system, employees can easily perform the check using their personal computers at home or cell phone terminals when necessary. Additionally, an in-house mental health counseling office is established. It is run by industrial health staff, including specialized counselors, industrial physicians, occupational health nurses and regular nurses, constituting a counseling system that realizes cooperation with workplaces and healthcare. Moreover, in order to provide for emotional care of employees who are concerned about their personal lives besides work, an external cooperative counseling office is also available through the Employee Assistance Program, for a system that can be used 24 hours a day, all year round.

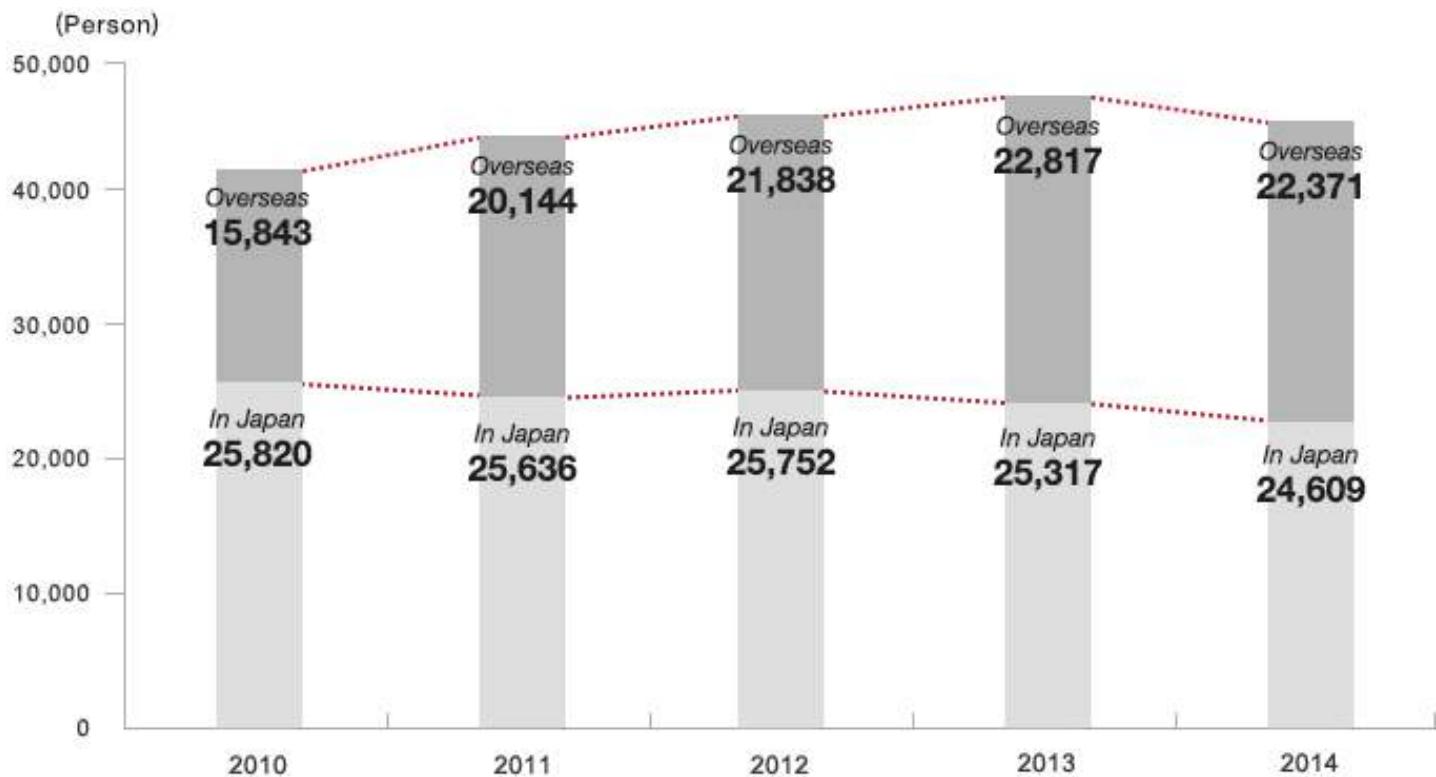
In fiscal 2009, we established a system to support employees returning to work. Since that unified management had not been previously implemented at business sites regarding workplace returnees, this program clarifies the steps for returning to work and also establishes uniform standards (guidelines) for Shiseido Group in Japan.

## 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 April 1, 2014, the number of employees throughout our Group companies totals 47,000, which is 1,100 less than the previous year.

## The number of employees in Shiseido Group companies



\* each figure is based on the data as of the 1st April, the overseas data is based on the number of those who worked under the direct labor contact mutually with local branches and subsidiaries as of the end of December in 2013.

## Wage

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

The basic salary ratios of employees in the domestic Shiseido Group in FY2014 by job category and gender are as follows: Management level: Male100 : Female95; General management: Male100 : Female98; and Beauty staff: Male100 : Female115 (As of April 1, 2014).

## Employee benefits and welfare

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

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

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Shiseido is supporting our employees to advance their business career and design their own life style based on their self-control and responsibility in their work and life, providing them with our various welfare facilities. We have introduced not only systems and measures that support employees to balance work and childcare/nursing care in order to realize work-life balance and various measures, such as housing support including company housing and housing compensation, property accumulation savings, employee shareholding system, consolation payment system, etc., but also the "Cafeteria system (welfare facility plan by selection). The company prepares menus responding to employees' lifestyles and needs, such as "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

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Shiseido contributes to support employees' life planning management.

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

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

## ■ Employment

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

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

Basically, Shiseido introduces regular employment system twice a year in spring and summer, and as far as targeted candidates are concerned, it does not matter whether it would be a new graduate or previous graduate. Meanwhile, the Group companies also employs experienced candidates, targeting those already accumulated their professional career. Offering diversified job opportunities, with an objective of careful adjustment of employees' working conditions, Shiseido tries to organize employment systems. Furthermore, in case that an employee could be significantly affected in their life accompanying with relocation of a new branch or transferring to another office, our labor agreement stipulates that Shiseido should set up a commission consisting of management and labor union members to sincerely settle specific problems based on a discussion between labor and management for immediate solution.

We have decided to "restructure production/R&D sites" in January, 2012, and we are scheduled to close down the Kamakura Factory in March of 2015. The company has explained the situation to employees of Kamakura Factory and have been confirming the intention of each employee through individual interviews and responding to discussions with labor unions.

## Good Relationship with labor union

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

Shiseido Company, Limited and certain Group companies' (including overseas subsidiaries') employees are organized according to labor unions. In Japan, Shiseido's labor union, representing Shiseido Company, Limited, Shiseido Sales Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System (applicable to approximately 11,200 Shiseido Group employees in Japan as of April 1, 2014).

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

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



## Environment

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

## Environmental policy

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Shiseido has pursued its business in a spirit of gratitude for the blessings of the Earth since its founding, living up to the phrase that inspired its name: "Praise the virtues of the great Earth, which nurtures new life and brings forth new values."

Environmental policy

### Significance of environmental initiatives

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#### Ethos of Shiseido derived from its name

# 至哉坤元 万物資生

Our corporate name is derived from one passage in "I Ching," a Chinese classic literature.

This means "Praise the virtues of the great Earth, which nurtures new life and brings forth new values."

Shiseido has proposed new beauty, utilizing various blessings of the Earth. In order to keep proposing beauty to consumers, we need to coexist with the Earth while returning the favor to it.

#### Corporate message

This moment. This life. Beautifully. 

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

Environmental policy

## Shiseido Eco Policy

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

### ■ Shiseido Eco Policy

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

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

## ■ Shiseido's Core Approach to Environmental Activities

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

### ■ Biodiversity at Shiseido

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

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

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

Environmental policy

## About Shiseido Earth Care Project

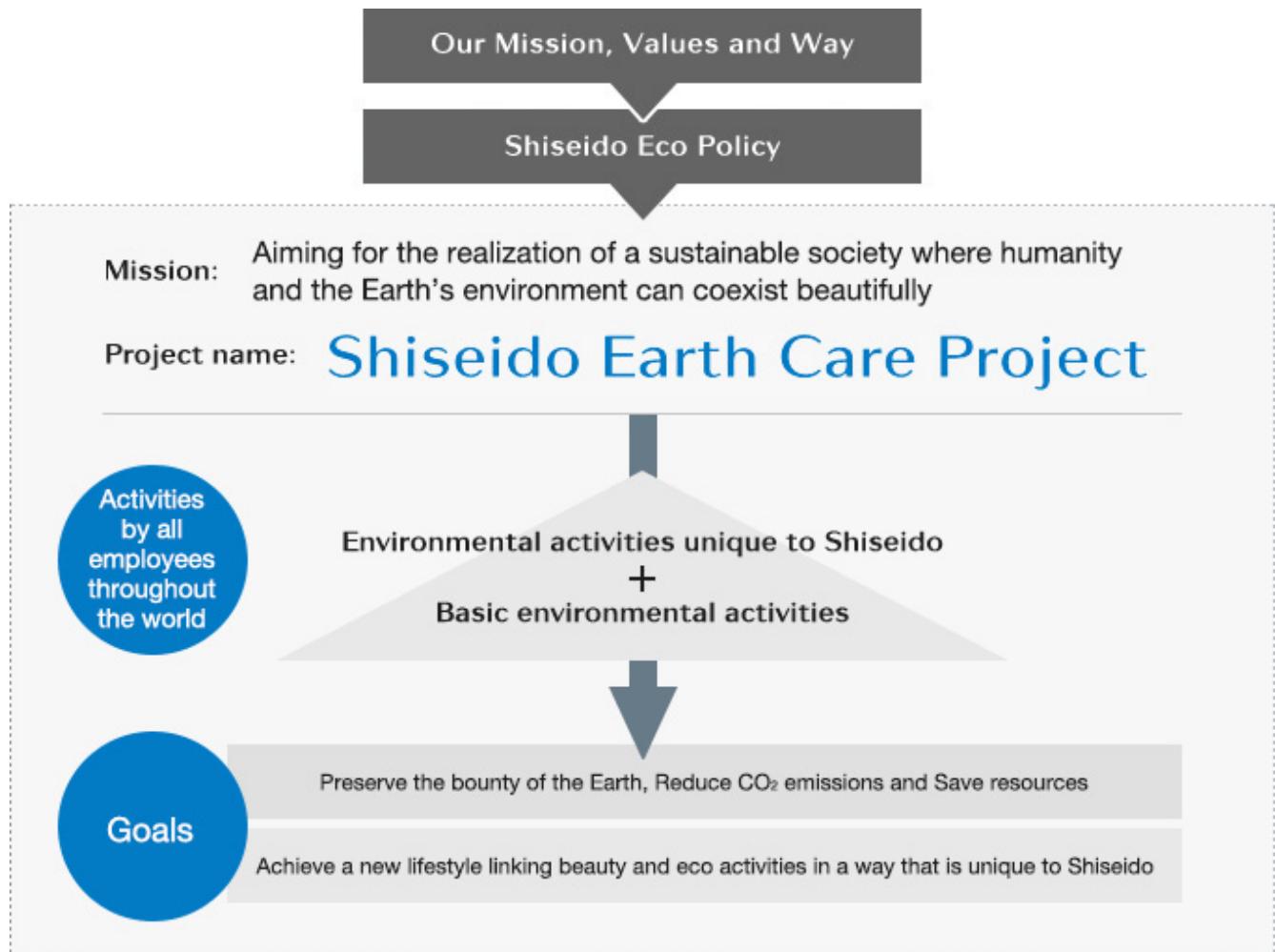
### Mission of Shiseido Earth Care Project

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

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

### Aim of Shiseido Earth Care Project

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



## Symbol mark of the Shiseido Earth Care Project

This ring symbolizes the Earth, recycling, and commitment:

The Earth gives us a rich range of blessings.

Recycling represents a beautiful cycle that continues for eternity.

Commitment links Shiseido with society and with the Earth.



**Shiseido Earth Care Project**

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

Environmental policy

## Environmental Management

### Structures

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

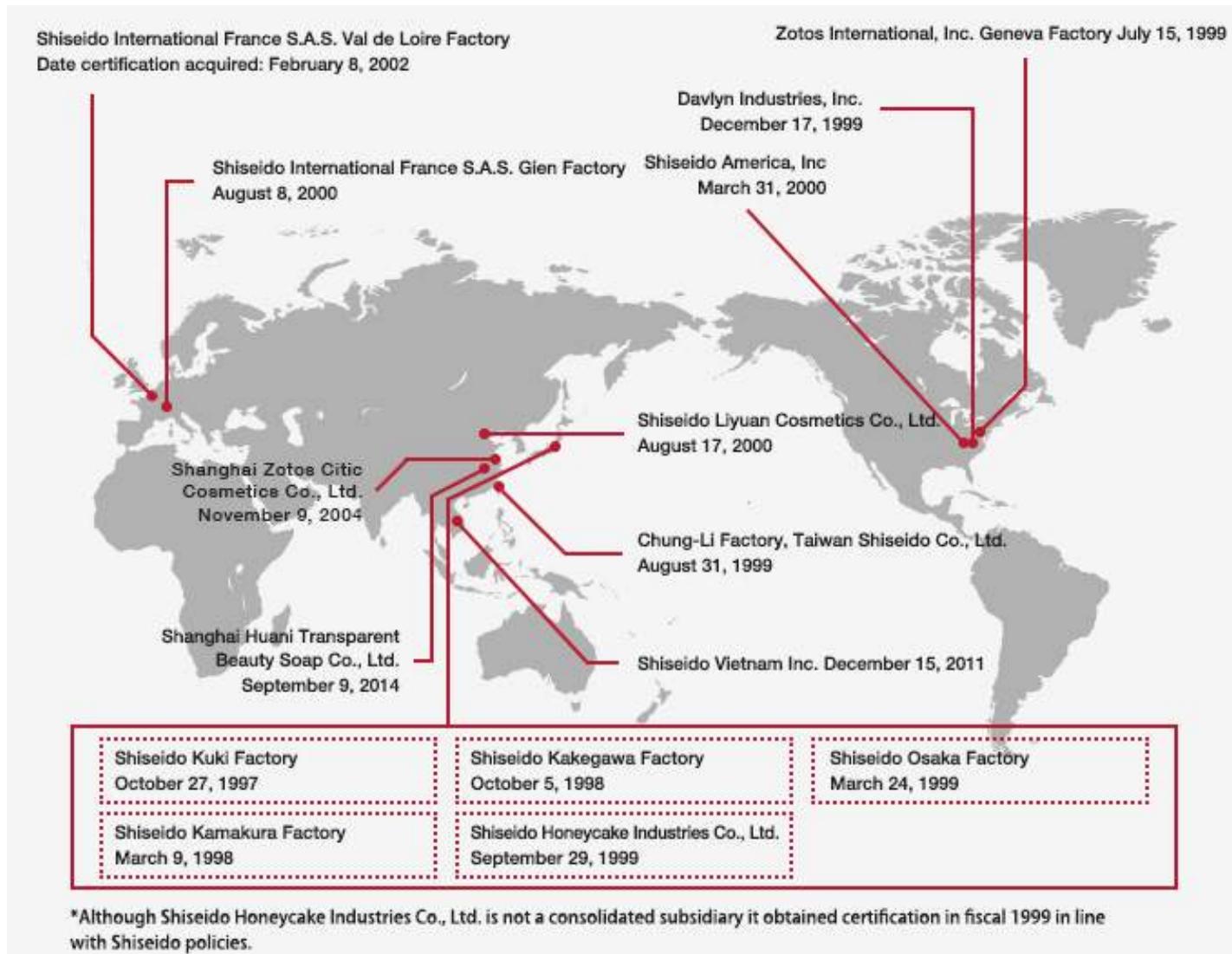
Associated structures



### Environmental management according to ISO14001 certification

ISO 14001 is an international standard governing environmental management that was established in 1996. Since initial certification, the plant has been subject to an ongoing certification process to verify that its environmental management system is maintained and improved through annual inspections and a renewal investigation every three years, both conducted by an outside organization. Production factories of shiseido use a management system based on ISO 14001, and they strive to improve management structures and reduce environmental impacts through the repeated use of the PDCA cycle ("Plan," "Do," "Check," "Act").

## Fiscal 2013 Status of ISO 14001 Certification



## Eco Standards

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

Environmental policy

## Commitment to Society

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

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

## About the Eco-First Program

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



Eco-First Mark

## Shiseido's Eco-First Commitment

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

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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.

## Shiseido held a study session with the Ministry of the Environment as an Eco-First Company

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On January 9 (Thu), 2014, Shiseido held a study session with the Ministry of the Environment and reported the Shiseido Group's initiatives toward the environment. Shiseido was certified as an Eco-First Company in March, 2009, as the top runner of the cosmetics industry by the Ministry of the Environment. We made a commitment for 4 new efforts in May, 2012, and we have been making efforts in environment responsiveness of our products, conservation of the bounty of the Earth, etc.

On the day of the study session, we reported on the progress status on the efforts declared in the "Eco-First Commitment," such as the significance of Shiseido making efforts toward the environment, expansion of the refill lineup for products, and the 3R (Reduce, Reuse, Recycle) initiative for containers/packaging, including the utilization of plant-based polyethylene containers, etc.

In the opinion exchange session after the report, we received many questions from a number of employees of the Ministry of the Environment, including Vice-Minister Yatsu of the Ministry of the Environment and Vice-Minister Shiraishi for Global Environmental Affairs. The study session served us as an opportunity to gain valuable guidance.

Shiseido will continue to make proactive efforts toward the environment while working with the Ministry of the Environment and various stakeholders as an Eco-First Company in the future.



From the left, starting with the 3rd person:  
Vice-Minister Yatsu of the Ministry of the Environment, Corporate Officer Tsunehiko Iwai, and Vice-Minister Shiraishi for Global Environmental Affairs.

## Environmental targets and results

The current three-year (2014-2016) environmental program commits Shiseido to pursuing "environmental friendliness throughout the product life cycle" and "global initiatives to reduce CO<sub>2</sub>" as two pillars.

### Environmental targets and results

## Current three-year (2014 to 2016) environmental policies and targets

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

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

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

## Environmental friendliness throughout the product life cycle

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

We began using sugarcane-derived polyethylene for containers in order to save a finite petroleum resource and reduce CO<sub>2</sub> emissions during disposal and incineration from fiscal 2011. In addition, we are actively working to

increase the environmental friendliness of our products, for example by increasing availability of refill products and using paper manufactured from bagasse, environmentally-considerate paper products, such as bagasse paper\*/FSC-certified paper, etc.

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

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

#### Environmental friendliness product targets

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

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

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

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

##### Fiscal 2020 target

Targeted entity		Target
Domestic	Production facilities	Reduce by 20% compared to fiscal 2009 levels (absolute amount)
	Non-production facilities	Reduce by 14% compared to fiscal 2009 levels (absolute amount)
Overseas	Production facilities	Reduce by 23% (compared to BAU)※1
	Non-production facilities	Reduce by 11% compared to fiscal 2009 levels (absolute amount)※2

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

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

#### Environmental targets and results

## FY2013 environmental targets and results

Shiseido promotes initiatives to manage and reduce CO<sub>2</sub> emissions at all facilities, including those located overseas.

### FY2013 results

In FY2013, we achieved the CO<sub>2</sub> emission reduction targets at all facilities as follows.

In terms of domestic production facilities, although reduction was promoted through internal efforts, the emission factors of purchased electricity were deteriorated. Due to this, the results were slightly under the targets.

Therefore, we achieved the targets with the emission credits.

In terms of overseas, we achieved the targets through utilization of renewable energy with the introduction of solar power generation systems/wind power electricity generation systems, etc. in the U.S. as well as emission credits, etc.

#### Fiscal 2013 target

Targeted entity		Target	Result
Domestic	Production facilities	Reduce by 15% compared to fiscal 2009 levels (absolute amount)	Achieved *3
	Non-production facilities	Reduce by 5% compared to fiscal 2009 levels (absolute amount)	Achieved
Overseas	Production facilities	Reduce by 20% (compared to BAU) *1	Achieved
	Non-production facilities	Reduce by 4% compared to fiscal 2009 levels (absolute amount) *2	Achieved *3

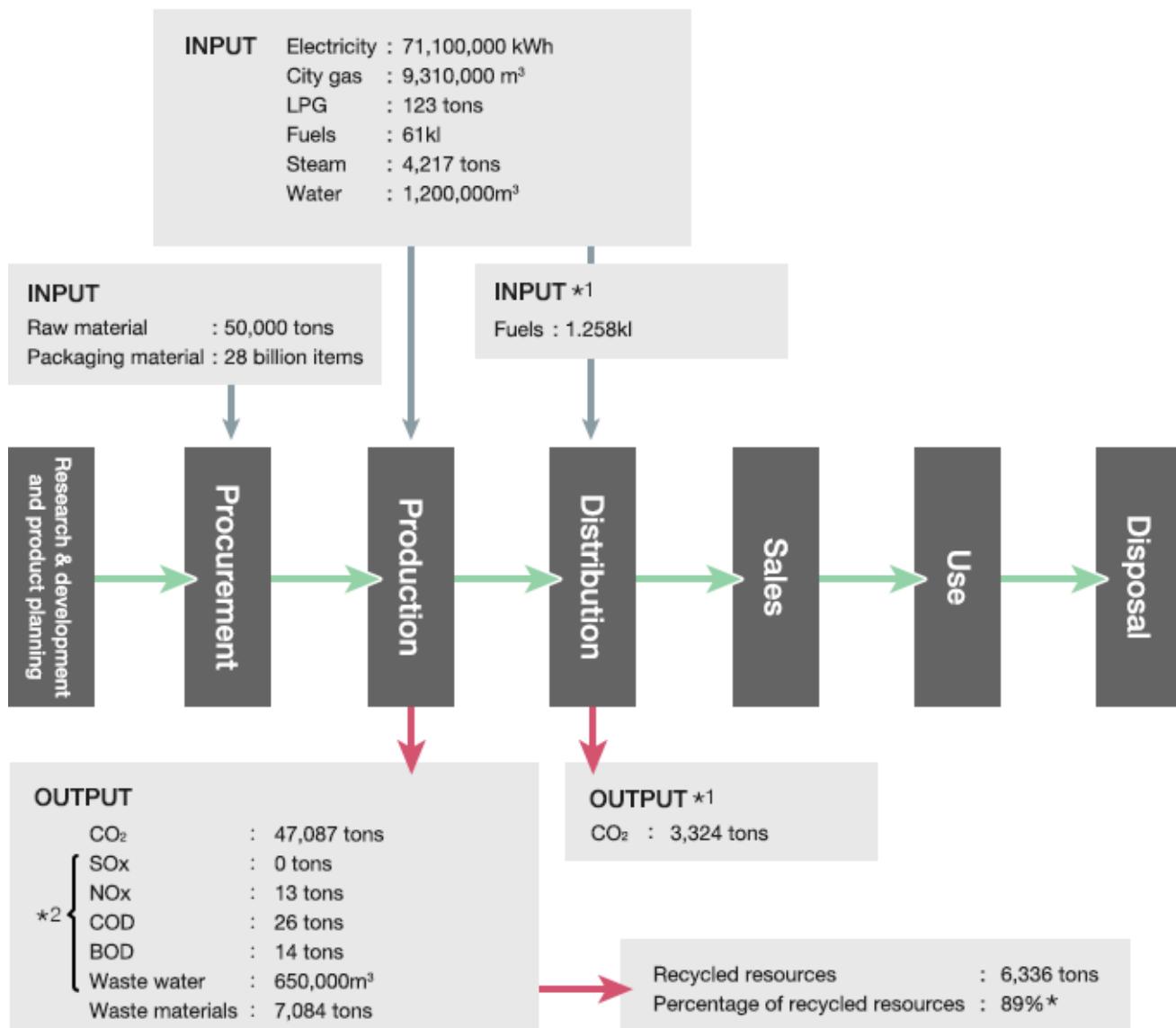
\*1 BAU ratio : A comparison of the CO<sub>2</sub> emissions that would be expected if particular reduction measures were not implemented ("business as usual," or BAU) and the CO<sub>2</sub> emissions that would be expected if reduction measures are implemented.

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

\*3 Includes emission credits

## FY2013 environmental targets and results

The following are the environmental impact results for Shiseido's fiscal 2013 business activities.



### Target range

\*1 Shiseido Company, Limited

\*2 Domestic production facilities

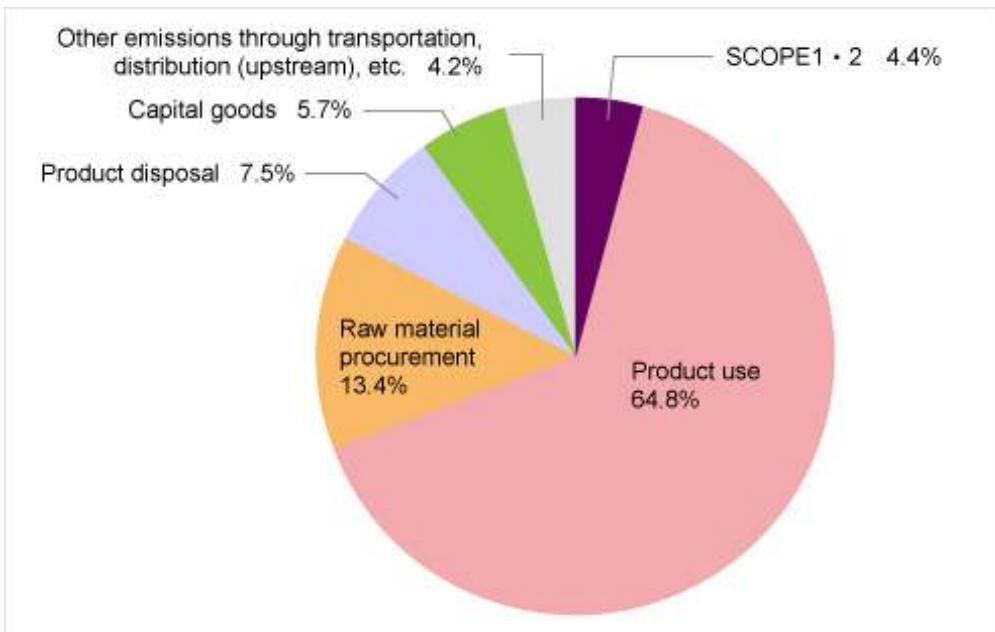
\* The following production facilities have achieved zero-emissions with a 100% waste recycling rate.

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

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

## CO<sub>2</sub> reduction effect throughout the value chain in FY2013

In order to comprehend the environmental impact throughout the value chain and to effectively reduce CO<sub>2</sub>, Shiseido reduced CO<sub>2</sub> emissions throughout the value chain based on the "GHG Protocol Scope 3 Standard." In terms of the emission reduction effect through refill product lineup and utilization of sugarcane-derived polyethylene in FY2013, which are our major initiatives in making environmentally-responsive products, we were able to reduce a total of approximately 16,500 tons of CO<sub>2</sub> emissions, including approximately 9,000 tons in raw material procurement and approximately 7,500 tons in the product disposal phase.



※SCOPE1: Direct emissions from facilities

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

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

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

## Environmental targets and results

# Environmental Accounting

## Basis for environmental accounting calculations

Target Period : April 1, 2013 - March 31, 2014

Scope of Target : Domestic production facilities, overseas production facilities, research centers in Japan, and Head Office.

Unit : Millions of yen.

### 1. Environmental Conservation Costs

Category	Main Initiatives	Investment	Expenses
(1) Costs breakdown by operation		366	238
Breakdown	(1)- 1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	171
	(1)- 2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	192
	(1)- 3 Resources recycling costs	Waste Processing, recycling, wastewater re-use, reducing materials, etc.	3
			187

(2)Upstream/downstream costs	Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement product recycling, etc.	0	258
(3)Administrative costs	Personnel expenses (excluding R&D) for environmental management	0	532
(4)Research and Development costs	R&D for environmentally friendly products, etc. (including personnel expenses)	0	71
(5)Social contribution costs	Support of environmental groups, disclosure of environmental information, environmental advertising, etc.	0	86
(6)Environmental remediation costs	Environmental remediation costs, etc.	0	0
(7)Other costs		0	0
Total		366	1,185

## 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.	30
Cost savings	From energy conservation	63
	Waste-related	8
	From Resource conservation	39
	Other	0
Total		140

## Product initiatives

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

## ■ Mark indicated on products

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

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



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

No.093

## Development of ***Fullmake Washable Base***

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

Due to the fact that users don't require cleansing agent when using this product, Shiseido calculated the environmental impact reduction rate throughout makeup routine from makeup base to cleanser. Specifically, we tried to calculate the water consumption amount throughout the product's life cycle by using the water footprint (\*3) method by comparing the traditional makeup routine and makeup routine (\*2) using this product. As a result, we can reduce approximately 1.6L (\*4) in water consumption amount per makeup routine. When you convert this to one bottle (35g) of this product, the calculation shows that we can reduce approximately 90L of water.



*Fullmake Washable Base*

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

\*2 Traditional makeup routine and makeup routine using "*Fullmake Washable Base*"

### Traditional makeup routine



### Makeup routine using *Fullmake Washable Base*



\*3 Method that evaluates the water consumption throughout a product's life cycle from raw material procurement to production, usage, disposal, and recycling as well as the environmental/social impact due to it in a quantitative manner. This method targets all water used directly as well as indirectly, including cultivation of plants for raw materials, water used in the course of the product's production process, etc.

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

## No.055-2

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

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

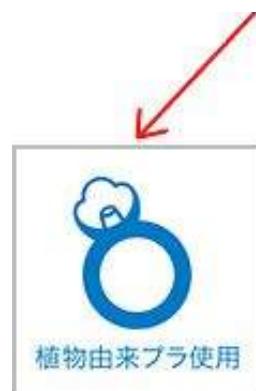
Incineration of sugarcane-derived polyethylene involves the release of carbon dioxide (CO<sub>2</sub>), which sugarcanes absorb as they grow, so it can be said that there is no difference in the level of CO<sub>2</sub> in the atmosphere when this material is incinerated. Because of this and other reasons,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

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

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



***SUPER MiLD***



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

## No.073

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

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

As the first initiative, we changed the plastic product outer box to a paper outer box for " *ELIXIR SUPERIEUR RETINO VITAL* , " which was released in September of 2009 as highly functional special

care, and "ELIXIR WHITE," which was released in February of 2010. Since then, we have also switched to a paper outer box for "ELIXIR SUPERIEUR" since September of 2010. Furthermore, we use bagasse paper in paper boxes for some of the products.

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

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

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

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

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



ELIXIR SUPERIEUR



ELIXIR WHITE

## No.084

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

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

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

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



Left: HAKU melanofocus CR

Right: Refill

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

No.083

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

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

We have conducted forward-looking initiatives such as follows.

1. Formulated with some fragrances such as sandalwood procured from fair trade(\*1) sources.
2. Deployed first refill products for *la crème* (cream).
3. Adopted bagasse paper(\*2) for exterior packages and package inserts (instructions) of products (non-wood paper made from fiber after extracting the sugar content from sugarcane).

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

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

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

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

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



Clé de Peau Beauté  
*la crème* <cream>



*la crème* <refill>



Left: *Enriched lip luminizer <lip stick>*

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



*Luminizing face enhancer <Highlighters>*

## No.088

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

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

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

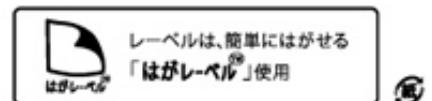
Consumers also indicated that they did not want others to know what they were drinking and that they wanted to remove the labels before disposing of the bottles, but the labels were difficult to peel off.

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



*Pure White W and The Collagen*

はがしていただき、ありがとうございます。



An easily removable label

## No.075

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

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

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

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

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

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

#### (3) 100% recyclability

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

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



Kirei no Susume



Chou-meisou

No.079

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

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

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

*Awafuru Eco Soap* (hereinafter, "the product") contains micro air bubbles that cause it to form lather and dissolve quickly for easier consumption. As a result, soap remains are reduced, making it possible to reduce waste significantly. From its practical usage testing, the Shiseido Research Center learned that the volume of remains for disposal of the new type of soap compared with Shiseido conventional soap was about 90% less for the 10g soap bars and about 67% less for the 18g soap bars. According to Shiseido estimate, the new soap reduced the disposal soap by a



Awafuru Eco Soap

total of 12.4 tons for one year. Also, the inclusion of air bubbles helps to reduce not only waste but also the amount of raw materials used by approximately 30% without reducing soap size.

Moreover, the product adopts the " wakuneru " 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, the product provides a luxurious feel that other hotel-use soaps cannot match for washing the face and other parts of the body. (Patent pending for respective technological processes and formula)

The 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.



Contains micro air bubbles



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

No.065

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

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

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



JOICO

## Production initiatives

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

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

No.082

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

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

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

Operation of these wind power generators can cover approximately 30% of the annual electricity consumption at the Geneva factory.

Furthermore, the Geneva factory has already begun promoting the "carbon offset\*" program. With the operation of these wind power generators, the Geneva factory will become a "zero CO<sub>2</sub> emission factory."

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



Wind power generators at the Geneva factory



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

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

No.078

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

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

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

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

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



Solar-powered lighting (rooftop)



Solar-powered lighting (image)



Solar-powered lighting  
(inside storage facility)

#### No.074

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

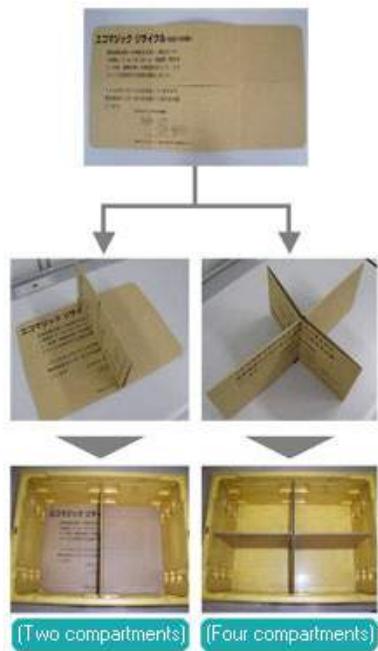
Shiseido's Osaka Factory and Kakegawa Factory have developed a new environmentally friendly protective material for transporting products. The facilities began using the new material in April 2010.

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

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

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

Best of all, they can be folded up into a compact size and shipped



A cardboard insert can be flexibly altered

back to the factory, allowing their reuse.

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

## No.072

### Environmentally Responsive Vietnam Factory

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

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

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

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



Vietnam Factory



The trees planted within own premises

## No.051

### Environmental responsiveness in Shiseido America, Inc. East Windsor Factory

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

With this installation, together with the system that was initially installed, the system is expected to generate approximately 23,000 MWh of power on an annual basis. This will cover more than 70% of electricity consumed annually at SAI using solar power generation. In addition, approximately 1,200 tons of CO<sub>2</sub> emissions can be reduced annually by utilizing the solar power generation equipment, ranking the system among the largest installations in the state.

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

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

Date operational :	May 2007 (phase 1) and August 2010 (phase 2)
Annual capacity :	Approx. 23,000 MWh
CO <sub>2</sub> emissions reduction :	Approx. 1,200 tons/year

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



Phase 1 installation (fixed tilt system)



Phase 2 installation (solar tracking system)

## No.067

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

The conventional process of manufacturing emulsions generally has entailed cooling after heating and emulsifying all ingredients.

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

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

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



ROSARIUM rose body milk RX

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

No.064

## Development of Manufacturing Process for Shampoo Using Minimal Energy

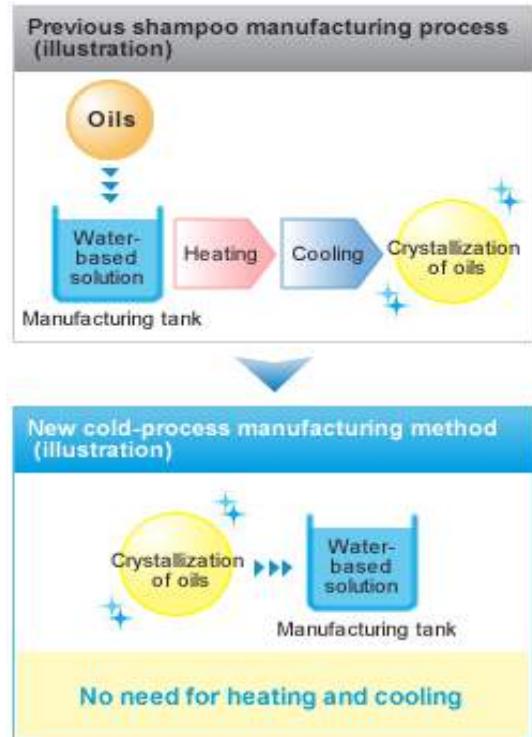
The Kuki Factory has successfully developed a manufacturing process using minimal energy by reviewing the shampoo manufacturing process.

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

In the currently developed manufacturing method using minimal energy, the order and timing of putting crystallized oil content procured from raw material manufacturers, water and cleansing ingredients into tanks were reviewed, thereby eliminating the process of heating and cooling.

With this development, a reduction in CO<sub>2</sub> emissions and manufacturing time can be realized. Further, CO<sub>2</sub> emissions are expected to be reduced by approximately 500 tons annually when all shampoo products produced at the Kuki Factory are switched to this process.

The process is already being adopted for certain professional-use shampoo products for hair and beauty salons, and Shiseido plans to consecutively expand the process for other products in the future.



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

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

In procurement, we strive to use raw materials that do not increase atmospheric concentrations of CO<sub>2</sub> at the time of disposal or incineration, for example through joint research into sugarcane-derived polyethylene, and we work closely with our business partners to develop environmentally friendly technologies. In March 2006, we began verifying suppliers' agreement with and adherence to the Shiseido Group Supplier Code of Conduct (which was revised in May 2010). Going forward, we will continue to work with suppliers to take biodiversity into account and contribute to a sustainable society.

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

Sales initiatives, we strive for transitioning to LED lighting at stores and developing environmentally friendly

promotional tools for use in stores. We introduced a sales vehicle-sharing system in fiscal 2009, and in fiscal 2010 we purchased 10 electric automobiles.

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

## No.092

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

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

We developed 5 sizes of the transport box lineup according to the size of products to be delivered. Furthermore, we newly developed a paper divider that freely expands and contracts to change the shape according to the product's size and form. One sheet of this divider can respond to all products, and we can now reduce the vibrations and friction during transportation to deliver them without damaging them.

In addition to the environmental contribution effects of CO<sub>2</sub> emission reduction and resource conservation, another advantage is that we can easily open the boxes, which are sealed without using packing tape, by lifting the tab on the box lid.

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



Transport boxes with the fun design that is unique to cosmetics



Paper divider inspired by cake box dividers

## No.058

### Starting Delivery Using 10-Sided Cardboard Boxes

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

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



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

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

### No.085

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

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

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

Until now, there has been little or no progress in promoting the use of bagasse paper due to product quality and procurement cost issues. Working together with business partners, Shiseido has now established new routes overseas for procuring bagasse pulp made using more eco-friendly manufacturing processes.

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



Process of making bagasse paper (image)



Exterior product packaging made of bagasse paper

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

Center: *Clé de Peau BEAUTÉ*

Right: *HAKU Melanofocus CR*

### No.063

## Switch to Plant-Based Fermented Alcohol

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

No.080

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

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

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

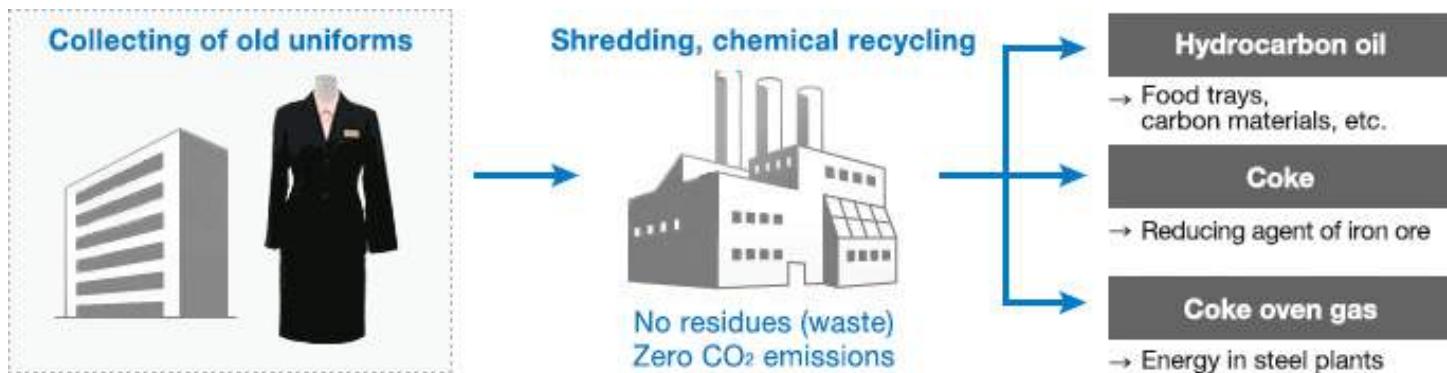


Eco Mark stamp (enlarged image)

No.061

## Eco Processing of Beauty Consultant Uniforms

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



## Initiatives to conserve biodiversity

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

## Initiatives for the issue of palm oil

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



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



The wild orangutan that inhabit the rainforest



The employee listening to the description of the oil palm

## Environmental responsiveness of Shiseido Ginza Building

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

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



Shisei Garden

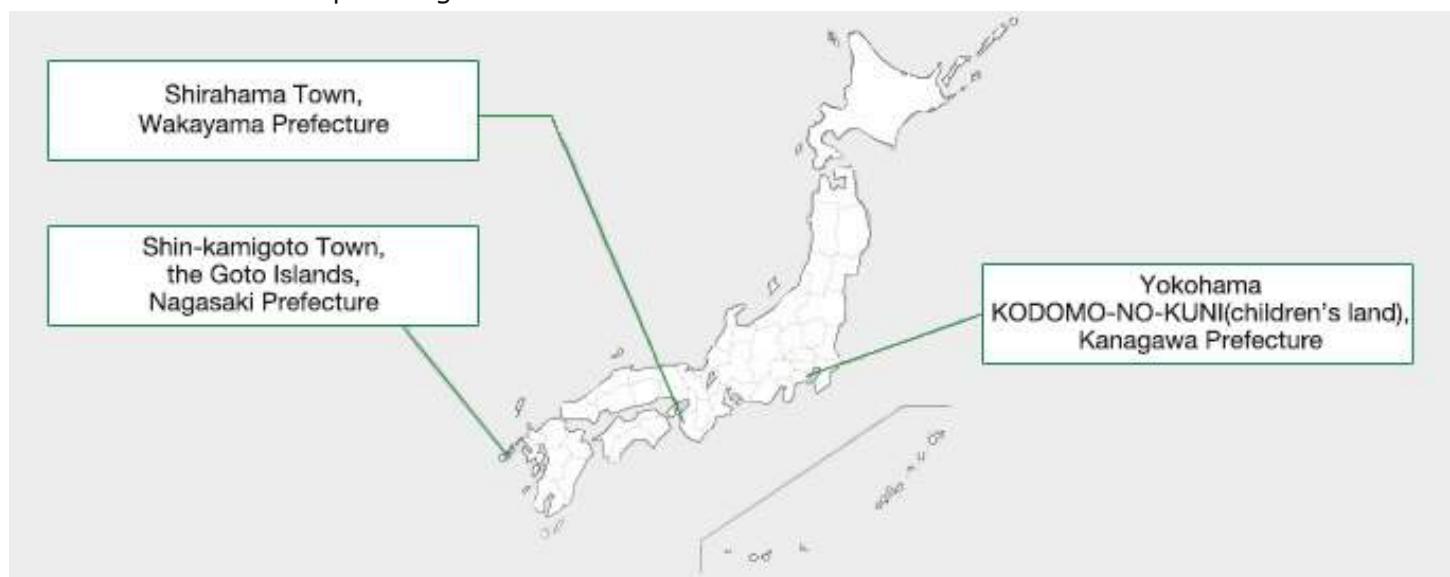
"Garden" on the rooftop in which plants used as cosmetics raw materials are grown, and we utilize the area for employees to truly feel and learn the importance of the bounty of the Earth.

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

## Camellia planting and conservation volunteer activities

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

The Place of Camellia planting and conservation volunteer activities



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

No.089

Conducted the 4th camellia planting and conservation volunteer activity in the Goto Islands, Nagasaki Prefecture, where an ingredient for "TSUBAKI" is produced

We conducted the 4th camellia planting and conservation volunteer activity in the Goto Islands, Nagasaki Prefecture on November 8 (Sat) and 9 (Sun), 2014. The Goto Islands in Nagasaki Prefecture is the place which produces camellia oil contained in the hair care brand "TSUBAKI." In Shiseido, employee volunteers started the camellia planting and conservation activities in the place where the ingredient for our product is produced in 2011.

On the day, the weather was not very fine and sometimes we had light rain. But total of 51 employees and their family members participated and planted 70 Japanese camellia seedlings with the support of municipal and prefectural governments' staff as well as those from forest cooperatives. After that, we cut vines and grasses from the places where we had planted trees in the past. Furthermore, we "improved stairs" in the place where we planted trees for the first time. The selected team consisting of muscular participants repaired the stairs, which were almost broken, while receiving the instruction from the forest cooperative people. Although it was only for a short time, we were able to experience the meaning of "planting trees with our own hands and conserving the mountain with our own hands" on the day.

We will be able to take camellia oil from the Japanese camellia seedlings, which we have planted in the past, 10 years later, and the oil will be contained in "TSUBAKI." We will continue to promote this environmental activity combined with business in the future as well while learning the importance of conserving and raising the Earth's bounty through this activity.



Planting from the heart



Improved the collapsed stairs



Commemorative photo with all of the participants

No.070

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

Shiseido signed to participate in Wakayama Prefecture's "Corporate Forest" project in February of 2009 and started 10-year-long forest conservation activities in Tsubaki, Shirahama-cho, Nishimuro District, Wakayama Prefecture. We have planted a total of approximately 3,450 Japanese camellia trees between 2009, in which "Shiseido Tsubaki Forest" was born, and 2012.

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

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



Clearing away the undergrowth



Camellia oil extraction experience



5th volunteer activity

We promoted camellia conservation volunteer activities for the 3rd time in the "The Forest of Camellia Tree" in KODOMO-NO-KUNI, Yokohama.

On February 22 (Sat), 2014, we promoted camellia conservation volunteer activities for the 3rd time in the "The Forest of Camellia Tree" in KODOMO-NO-KUNI, Yokohama.

"The Forest of Camellia Tree" in KODOMO-NO-KUNI (operation organization: Kodomo-no-kuni Association) was donated by Shiseido in 1972 as a 100th anniversary commemoration project after buying the camellia collection of Mr. Choka Adachi, who was the founder of the

Adachi-style flower arrangement. There are currently approximately 7,000 trees of approximately 650 varieties, including sasanqua, in the massive forest covering 15,000m<sup>2</sup>. It is also well-known as a famous spot for camellia.

On this third time for us to promote the activities, a total of 18 people, including employees and family members, participated and promoted maintenance work and cleaning activities in tour routes in preparation for the "Camellia Festival," which was held between March 21 and 23 in the "The Forest of Camellia Tree."

There were already several types of camellia flowers blooming in the park, which still had some snow. Participants promoted the activities, enjoying the beautiful flowers, in the piercing cold. Participating employees shared their voices, such as "We would like to participate in the conservation activities again so that camellia in this forest can continue to bloom with vitality in the future," etc.

Shiseido will continue to promote the activities in KODOMO-NO-KUNI, Yokohama, as opportunities for employees around the Kanto area to actually experience the importance of the bounty of the Earth and joy of communicating with nature in the future.



Yellow camellia "Camellia chrysanthia" was blooming in the greenhouse



The commemorative group photograph

## No.053

### Shiseido implemented the 7th tree-planting activity in Gansu, China

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

The total number of trees that we have planted for 6 years until 2013 is approximately 80,000 trees and the rate of their taking root and growing is over 90%.

In the 7th activity implemented in April of 2014, a total of 66 persons, including volunteer employees from the Shiseido Group in China and Japan, government officials and clients from Gansu, participated.

The participated employees provided comments such as "I've heard this program is 10-year plan, but I hope we will continue it as long as possible," "I hope more volunteers from our company will take part in this activity next year," and "I think it is very meaningful to continue the tree planting activity every year".

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

Location	Lanzhou city, Gansu Province, China
Planting area	Approx. 42.7 ha
No. of trees	Approx. 80,000 (April 2008, to December 2013)
Program duration	Approx. 10 years



Trees planted in the 1st activity in 2008



Volunteers from China and Japan

No.033-2

## Volunteers Plant Mangrove Trees in Thailand

Shiseido Thailand Co., Ltd., a sales company of the Shiseido Group, offered cooperation with the mangrove rehabilitation project hosted by Bangkok, Thailand in 2008, and planted approximately 2,600 trees along with the elementary school located next to the mangrove forest. 40 local employees participated in the activities in August of 2014, which was our 6th time to promote the activities. We planted approximately 500 trees at the Mangrove Conservation Center in Samut Songkhram Province located approximately 90km southwest of Bangkok.

When the participants got on small boats and moved to the tree-planting location, they found themselves in a muddy field as deep as their waist. We planted each tree with care while battling with the sticky mud. Employees who participated in the activities shared voices, such as "I learned a lot about mangroves," "I'm so glad to be able to promote activities to conserve the global environment while cooperating with everyone else. I want to go again next year," and "Even if the efforts are small, they lead to the future through persistence. I want to continue promoting these activities for the future." It turned out to be a day that encouraged the participants to think about the beautiful nature and future of Thailand.

Plants in the mangroves grow as much as 1m a year under good conditions and actively absorb CO<sub>2</sub> from the atmosphere, meaning that we can expect global warming prevention effects. Mangrove forests are also called "Cradles of Life" due to the fact that diverse organisms gather to form rich ecosystems.

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



Commemorative photo with all of the participants



Ready to sail on the boat



Tree planting activities in the sticky mud

## No.069 Research on KODA

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

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

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

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

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

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



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

## Other initiatives

Since fiscal 2010, Shiseido has been supporting the activities of the non-profit organization Earthwatch Japan by participating as a volunteer in a variety of field research projects both in Japan and overseas. We also joined the Japan Business Initiative for Biodiversity (JBIB) in fiscal 2011. In addition to continuing to examine potential solutions to biodiversity-related issues by actively participating in these groups' meetings and workshops, we will pursue opportunities to cooperate with a broad range of stakeholders.



The mudflats biological research after the Great East Japan Earthquake (Miyagi, Japan)



Dormouse biological research (Kiyosato, Japan)



Coral reef research (Okinawa, Japan)

## Responding to Environmental Risks

There is a broad array of risks related to the environment and laws related to this issue are growing stricter every year in respective countries worldwide. Based on these circumstances, Shiseido's Head Office takes the lead in gathering information about new environmental laws, analyzing their provisions, disseminating information to the relevant departments and ensuring thorough compliance. Observance of environmental laws and regulations is evaluated in production departments based on ISO 14001 standards to ensure thorough compliance.

Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations during fiscal 2013. Going forward, Shiseido is committed to managing its operations in an appropriate manner.

### Thorough Management of Industrial Waste

While waste producers are being held accountable with regard to the illegal disposal of industrial waste, Shiseido is promoting optimal management to address this issue centering on industrial waste, which is a position created at all domestic worksites. Additionally, initiatives are being undertaken to practice thorough compliance by carrying out evaluations including environmental laws and regulations in production departments based on ISO 14001 standards.



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

### Correspondence to the PRTR Law

**PRTR target substance emissions and transfers** Fiscal 2013 (unit: tons)

Legal No.	Substance name (legal designation)	Amounts of Emissions			Amounts of Transfers	
		Atmospheric	Public water	Soil	Sewage	Waste
13	Acetonitrile	0.0	0.0	0.0	0.0	2.2

56	Ethylene oxide	0.0	0.0	0.0	0.0	0.0
71	Ferric chloride	0.0	0.0	0.0	0.0	0.0
127	Chloroform	0.0	0.0	0.0	0.0	3.1
207	Ditertiary butyl 4-cresol	0.0	0.0	0.0	0.0	0.0
275	Lithium dodecyl sulfate	0.0	0.0	0.0	0.0	4.0
300	Toluene	0.0	0.0	0.0	0.0	0.9
334	Methyl-4 p-hydroxybenzoate	0.0	0.0	0.0	0.0	0.0
389	Hexadecyltrimethylammonium Chloride	0.0	0.0	0.0	0.0	0.1
409	Sodium poly (oxyethylene) dodecyl ether sulfonate	0.0	0.0	0.0	0.0	17.5

Scope of Data : Shiseido Company, Limited (Kamakura, Kakegawa, Osaka, Kuki factories and Research Center), Shiseido Irica Technology Inc. The above chemicals are PRTR Specified Class I Chemical Substances and are reported when a single facility annually handles one ton or more.  
 (Specified Class I Designated Chemical Substances are reported when 0.5 tons or more are handled.)  
 Released amount Transferred amount

## Environmental communication

### Awards

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

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



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

### Awards received

Month/Year	Award	Organizer	Reason for award
April 2000	Minister for Environment Award of the 9th Grand Prize for the Global Environment Awards	The Fuji Sankai 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-Octadeca Dienoic Acid)
June 2010	Cosmetics Packaging Award of the Japan Packaging Contest 2010	The Japan Packaging Institute	Use of polylactic acid containers for URARA hair cleansing 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 Soka Mocka 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 (U.S.)	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>Cle de Peau BEAUTE</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
September 2012	2012 Green Power Leadership Award	United States Environmental Protection Agency	Introduction of two large wind turbine generator systems at ZOTOS International
December 2012	2012 Environment Minister's Award for Global Warming Prevention Activity	Ministry of the Environment	Development of low-energy emulsion manufacturing process
February 2013	Award of excellence (Industrial Use Category) of the 2012 Cogeneration Grand Prix	The Advanced Cogeneration and Energy Utilization Center Japan	Energy-saving activity through the introduction of a highly-efficient warm water utilization system at Kuki factory
August 2013	Transport Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Development of shipping boxes for "watashi+" online shop
August 2013	Appropriate Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Adoption of refill containers made from sugarcane-derived polyethylene for <i>ELIXIR SUPERIEUR, 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</i> <i>illuminating concentrate</i>
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## Exhibitions

### Shiseido exhibited its products at "Eco-Products Exhibition 2013"

From December 12 (Thu) - 14 (Sat), 2013, Shiseido exhibited its products at "Eco-Products Exhibition 2013" (venue: Tokyo Big Sight), which is one of the largest environment protection exhibitions in Japan. This year in its 15th exhibition, 750 companies/organizations exhibited their products, and 169,076 consumers visited.

At the Shiseido booth, we introduced our environmental responsiveness, which we promote throughout products' life cycles from raw material procurement/production/distribution to product usage/disposal with the theme of "It's the Ecology for Beauty" which is the goal for Shiseido Earth Care Project.

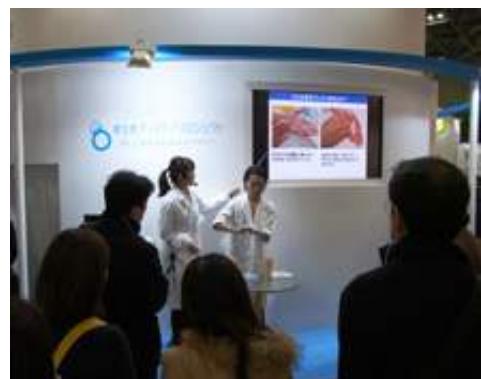
At the center of the Shiseido booth, which was named "forest of circulation," we exhibited an object of the "Shiseido Earth Care Project" symbol mark, which was created with product boxes using bagasse paper as a symbol of "circulation." This object expressed the possibilities of creating new beauty and values from sugarcane residue to bagasse paper, from bagasse paper to product packages, and from product packages to the object.

In the neighboring stage, we also performed demonstrations of cleansing, which not only makes users beautiful but also leads to water conservation, and also gave a presentation with videos regarding the makeup base "Fullmake Washable Base," which enables users to remove makeup, which is applied over the base, with hot water. Consumers who visited the event shared their voices, such as "We learned for the first time today that employees actually promote environmental activities at raw material production sites. They are important activities."

Shiseido will continue to promote environment responsiveness of products throughout their life cycles in the future.



Shiseido booth "forest of circulation"



"Eco with cleansing!" demonstration

## Other activities

### Environment-themed advertisements

Shiseido introduces its efforts to protect the environment through TV commercials and magazine advertisements

- TV commercial "Refill version", "Finger energy version"
- Magazine advertisement "Shiseido's environment protection activities version (January 2010 to January 2011)"

## Fair Business Practices

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

### Fair Competition and Comprehensive Transactions

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#### Policy for Fair Transactions

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

Shiseido purchases ingredients and perfumes used in the manufacture of cosmetics, packaging, promotional sales materials, and other products from outside companies. We view all suppliers as partners in the creation of new value and consider mutual understanding, including in the promotion of CSR activities, to be of the greatest importance.

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

In order to address changes of the times and social requirements, with regard to Shiseido's concept of procurement, Shiseido considers it important to promote manufacturing along with business partners by gaining their understanding with a sincere approach to society. As a means of expanding the circle of "creating a beautiful lifestyle culture at the global level," Shiseido clearly stated that the Company aims to achieve growth together with its business partners while promoting "coexistence with society" via procurement activities and practicing "new value creation" also from the perspective of procurement. Since the understanding and cooperation of business partners is indispensable in promoting CSR initiatives, and in order to address social requirements in the future, Shiseido considers it important that our business partners show greater understanding toward Shiseido's concept of CSR and promote manufacturing together with a sincere stance for society.

To this end, domestic procurement departments are holding annual briefing sessions of purchasing activity policy and section meetings of purchasing activity policy sessions, which are held by respective fields such as raw materials, fragrance and materials, with our business partners. These sessions are held with the aim of strengthening the partnership with our business partners, in which Shiseido's idea of corporate social responsibility (CSR) is communicated while reaffirming that the respective parties will work together in this endeavor.

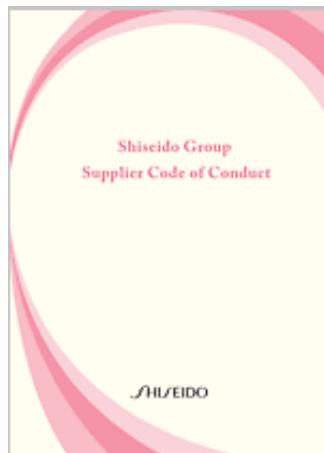
In fiscal 2014, approximately 140 companies of business partners participated in these sessions in May in which Shiseido conveyed the Company's aspirations regarding the environment and CSR in greater detail and asked for continued cooperation from partners.

#### Shiseido Group Supplier Code of Conduct

Shiseido aims to realize "We cultivate relationships with people, we appreciate genuine, meaningful values, we create beauty, we create wellness" and works on researching, developing, manufacturing, and sales of "high

quality, secure, and safe" superior products and services that gain customer satisfaction. We consider every business partner a "partner who will create new value with Shiseido" with the aim of sustainable development with mutual understanding of highly ethical standards. Triggered by the participation in the United Nations Global Compact, we have established the "Shiseido Group Supplier Code of Conduct" in 2006 that clearly stipulates the standards that are relevant to "Human Rights," "Legal Compliance," "Labor Practices," "Protection of Intellectual Property and Maintenance Confidentiality," "Protection of the Environment," and "Fair Operating Practices." We revised this Code of Conduct in December, 2011, by incorporating the New Shiseido Group Corporate Philosophy "Our Mission, Values and Way" and the concept of "ISO26000," which is the world's first international standard on social responsibilities. As of March, 2014, the said standard has been introduced to major business partners, which cover 99% of our purchasing dealings, by the procurement department that procures raw materials in Shiseido's major factories in Japan, and we have concluded "memorandums of understanding regarding compliance with Supplier Code of Conduct" with the business partners. We have also concluded agreements with over 1,000 business partners outside of Japan.

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



## Environmentally-friendly Raw Material Procurement

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

## Protection of Intellectual Properties

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

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

## Information Security Management

### Policy Related to Information Security

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

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

Shiseido deeply recognizes the importance of individuals' information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Accordingly, we endeavor to steadily take action by establishing the individuals' information protection policy. Additionally, we are certified to use the Privacy Mark by the Japan Information Processing Development Corporation (JIPDEC) as a business that has established and improved the "Personal Information Protection Management Systems" in accordance with JIS Q 15001 and appropriately handle individuals' information.



## Consumer Issues

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

### Promotion of Reliable and Safe Manufacturing

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#### ■ Establishment of Unique Product Safety Standards

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



Sensory testing of cosmetics



#### ■ Safety, Backed Up by Data

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

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

## Total Reassurance and Safety Management of Chemical Substances

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

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Shiseido manages chemical substances used in products and containers based on the international goal of "minimizing adverse effects that the manufacturing and use of chemical substances have on human health and the environment by 2020," as adopted at the 2002 World Summit on Sustainable Development (WSSD). Shiseido collects information about chemical substance safety and trends in the regulation of chemical substances in Europe, the Americas, Asia, Japan, and other regions. This data is evaluated based on the latest scientific knowledge and put to use in order to ensure safety by evaluating the effects of chemical substances used for products on people or the environment.

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

### Complying with the European REACH Regulation

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

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

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

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

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

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

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

## System for Stable Supply of High Quality Products

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

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

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

\*1 HACCP : HACCP is a method of food sanitation control developed to ensure the safety of space food in the United States in the 1960s.

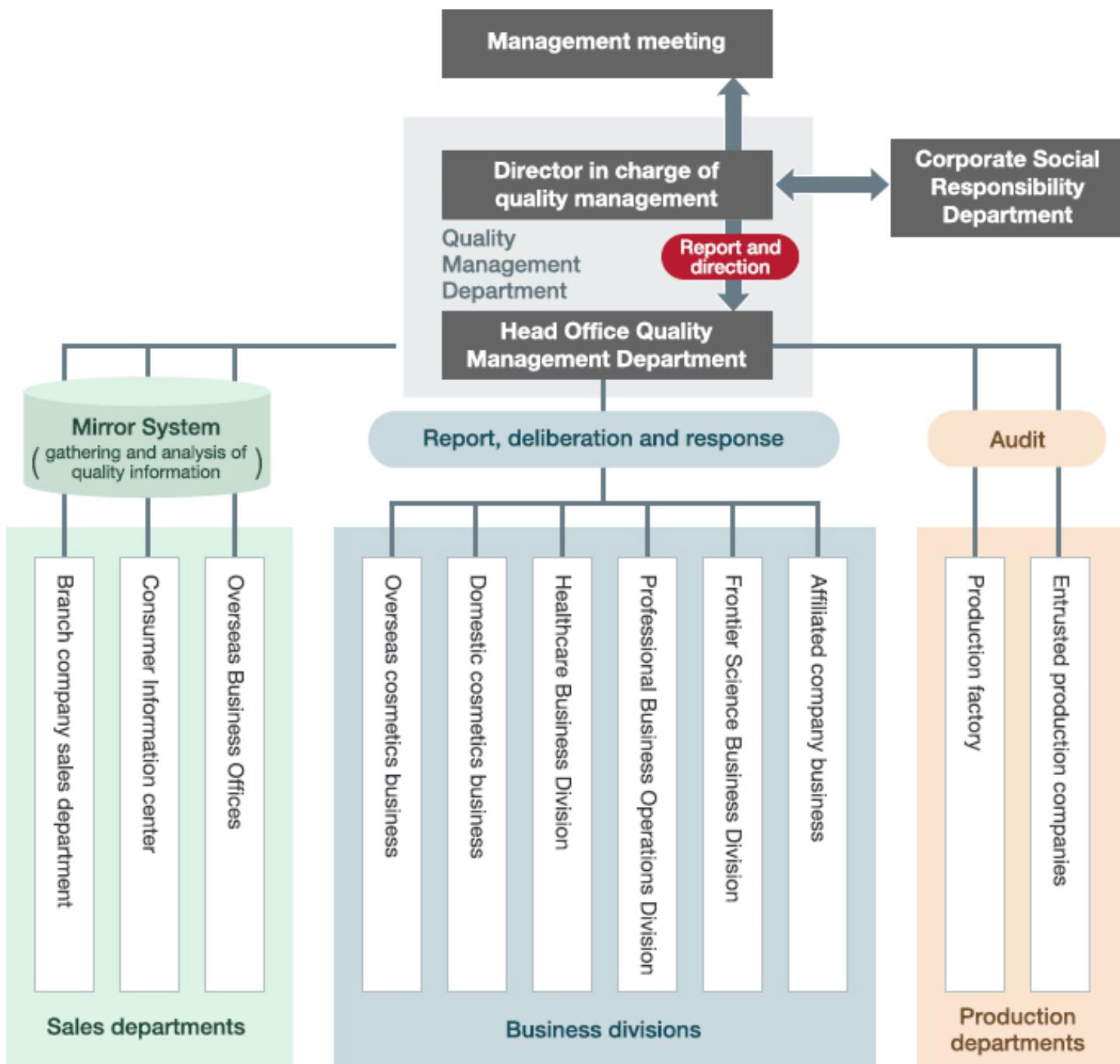
\*2 GMP : Good Manufacturing Practice (GMP) is a quality control standard applied to pharmaceuticals that was established by the Minister of Health, Labour and Welfare based on the Pharmaceutical Affairs Law.

## Response to Product Accidents

In order to promote research, development, manufacture and sales of safe products that will achieve customer satisfaction, Shiseido clarifies where the authority and responsibility lie in terms of quality assurance, including product planning, manufacturing, sales and imports, and product accident prevention. At the same time, obligations to report accidents are in statutory form, thereby strengthening and comprehensively promoting quality assurance and product accident prevention activities at Shiseido and the Group companies.

In the unlikely event of a quality accident and/or product liability accident involving the Company's products, a department that receives information is expected to immediately report the case to the Quality Management Department, Business Division and Corporate Social Responsibility Department. The Corporate Social Responsibility Department will establish the response level in accordance with the degree of severity and decide on the accident response methods. The Quality Management Department will investigate the cause and the Business Division will promote various initiatives, including responses.

## Response to Product Accidents



## Appropriate Provision of Product Information

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

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

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Details that should be indicated on cosmetics are stipulated under the Pharmaceutical Affairs Law (statutory labeling). At the same time, aspects of advertising are restricted under the Standards for Fair Advertising Practices of Drugs, Quasi-drugs, Cosmetics and Medical Devices (Notification from the Director-General of the Pharmaceutical Affairs Bureau, Ministry of Health and Welfare, October 9, 1980). Based on these standards, the Japan Cosmetic Industry Association (JCIA) industry organization has established Appropriate Advertising Guidelines including Cosmetics as self-imposed industry standards that clarify relevant examples and explanations.

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

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

## Implementation of Study Sessions Related to Advertising and Labeling

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At Shiseido, we implemented the Statutory Labeling Seminar and Advertising Appeal Seminar in fiscal 2013 which were attended by a total of about 200 employees.

We also discussed the subject in the quality-related e-learning that we conducted for Shiseido Sales Co., Ltd. (Hosted by International Business Planning Department, participated by approximately 2,500 people)

## Activities to Enhance Customer Satisfaction

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Based on Our Way, which is denoted under the Group's corporate philosophy of "Our Mission, Values and Way," Shiseido aims to help customers and society. Products and services with values generating customer satisfaction will be created by uniting the hardware of cosmetics and the software of various information and beauty methods that accompany the hardware. To this end, Shiseido is also promoting various initiatives in terms of counseling and services to address customers' beauty and health needs.

### Activities to Enhance Customer Satisfaction

## A Structure that Reflects Customer Feedback

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In order to realize 'Customer first strategy' manufacturing, Shiseido is promoting initiatives to internally report back the valuable feedback, including consultations and requests received from customers, and utilize it for product development and service enhancement. By quickly detecting changes in customers or society and

reflecting these changes in corporate activities, Shiseido is gathering and analyzing customer feedback information and working to share information throughout the company. In doing so, we are requesting that relevant departments respond to develop and revamp products, beauty information and service with the aim of becoming 'Customer first strategy'. The Shiseido Consumer Information Center is responsible for taking the central role regarding such initiatives.

## Customer services – action policy

The Shiseido Consumer Information Center, which was established in 1968, offers sincere response to inquiries and consultations from customers and transmits information that can be further utilized by customers. We also started the "watashi+" service that connects the website and stores in 2012 and newly established the "watashi+ support center." We aim to promote proactive communication with customers.

### **Customer Service Code of Conduct**

To materialize our corporate message, "This moment. This life. Beautifully", we will actively work to support our customers' endeavor to attain external beauty.

We strive to respond timely and accurately in good faith to our customers' requests.

We strive to attain customer satisfaction, and we always remind ourselves to treat our customers with gratitude and the Shiseido spirit of *Owatenashi* (hospitality).

We will work to support the lifetime relationship between our customers and Shiseido by applying our customers' feedbacks to our product creation process and attentive service.

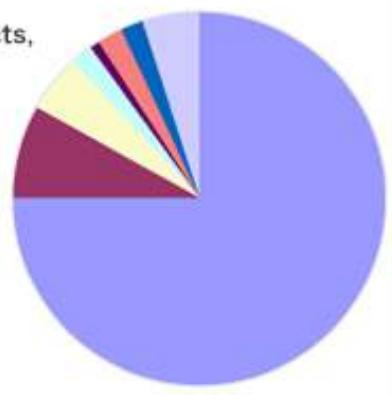
## Gathering and Sharing Customer Feedback

In Japan, Shiseido gathers customer feedback in various ways. Approximately 110,000 opinions and inquiries (about our products [76%], about our shops of our products [8%]) are directed annually to the Consumer Information Center via toll-free numbers, e-mail and letters, and about 90,000 customers provided feedback to Beauty Consultants that they came into contact with at the storefronts, and voices from SNS (Social Networking Service) such as Twitter. Afterwards, Shiseido fosters an environment for managing such information using a system and people to conduct analysis on a case-by-case basis.

Shiseido employees share customer feedback via the intranet in order to refine products and create value that further satisfies customers.

Furthermore, we also devote ourselves to Collaborative Nurturing (Learning) activities with the aim of gaining a deep understanding of customers' feelings, which they feel in daily lives with cosmetics, and their backgrounds and to develop products and services that can further help customers. This enables us to consider things from customers' perspectives by being exposed to their true voices, presenting opportunities for us to review our operations.

- Product information/effects, usage, ingredients
- Information of stores carrying products
- Samples and pamphlets
- Corporate activities
- Beauty consultation
- Customer services
- Social trends
- Other





"Customer feedback" seminar at a factory



"Customer feedback" information utilization training for sales personnel



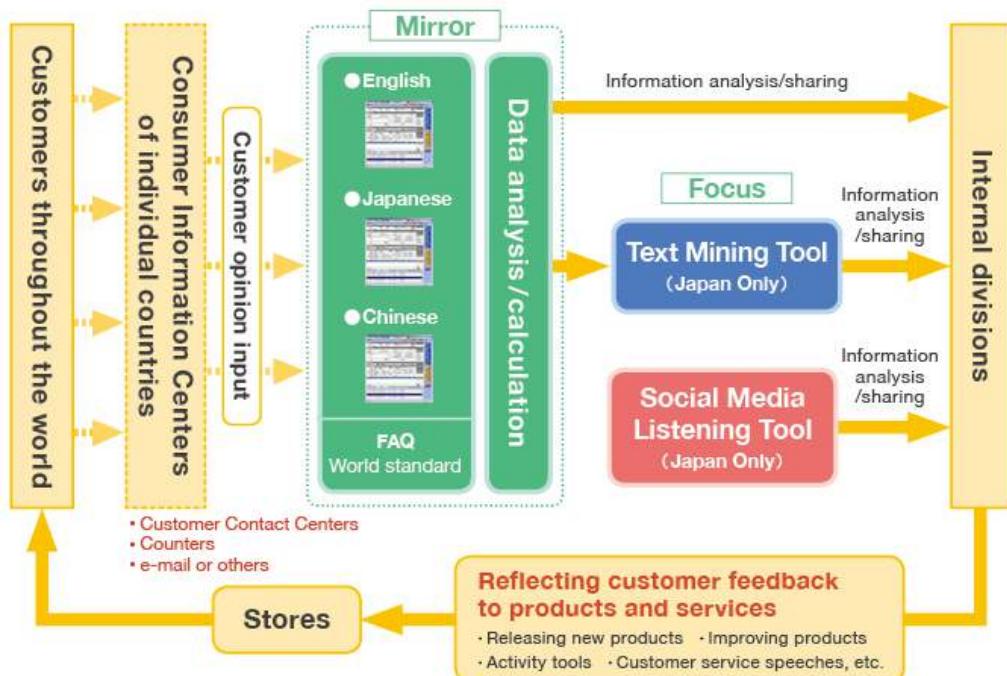
## System to support the foundation to utilize customer services and customer feedback information

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

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

*\*Mirror:* The name reflects our hope to review/show the reality of Shiseido's activities on the "mirror" through customer feedback.

### System to gather/utilize customer feedback information



**TOPICS:** The Shiseido Consumer Information Center was awarded three stars, the top rating, in the "Quality (Telephone) Ranking Monitoring" sponsored by HDI for two consecutive years

The Shiseido Consumer Information Center has been awarded three stars, the top rating, for the second consecutive year in the 2014 Customer Service Center assessment sponsored by HID-Japan\*. HDI-Japan is the Japanese subsidiary of the Help Desk Institute (HDI), the largest organization in the customer support service industry.

The Shiseido Consumer Information Center representatives' specialized expertise in providing wholehearted service and extra care in putting themselves in the customer's shoes have enabled the center to attain such high acclaim.

Moreover, Shiseido established a help desk for older women, "Kirameki Ms. Beauty Consultation Room" (within the Consumer Information Center) in March 2013 as part of the evolution of "providing service from customer's point of view." The help desk is staffed by experienced beauty advisors who can provide advice on a wide range of issues, including products and beauty related information.

As the front-line in the "customer-focused perspective" of our business activities, the Shiseido Consumer Information Center will continue to give full and sincere attention to our customers and further improve our services so that customers will trust us and use Shiseido products.

\*HDI (Help Desk Institute)

HDI is the world's biggest international organization for the support service industry, in which approximately 50,000 members belong worldwide. As many as 90% of the top 500 companies in the world, which are listed in the U.S. financial magazine "Fortune," are members of HDI. HDI possesses 100 chapters worldwide. Several hundred companies are members of HDI-Japan, which is the Japanese chapter.



Awarded three stars in the 2014 Quality (Telephone) Ranking Monitoring



Director of the Consumer Information Center  
Iyoda and a customer service representative receive the Award Certificate from HDI



Strengthen the provision of customer service from the customer's point of view



Establishment of the "Kirameki Ms. Beauty Consultation Room", staffed by experienced beauty advisors

## Product Manufacturing that Reflects Customer Feedback

### ***clé de peau BEAUTÉ the cream intensive eye contour cream***

In response to the customer feedback saying "It is difficult to open the container because my hand slips when I try to open the container after using serum or emulsion," we modified the container to give it contours so that it is less likely to slip.



**clé de peau BEAUTÉ**  
the cream intensive eye contour cream

### ***MAQuillage TRUE CHEEK***

We utilized the brush-integrated blush form that enables users to freely control the color according to their preference just by twisting the brush holder like a dial. Immediately after the release, we received the feedback saying that they "don't know how to store the brush." The method to store the brush was originally only included in the printed insert, but we added the information regarding how to store the brush on the outer box as well as the product itself in order to communicate the convenience of the brush to customers.



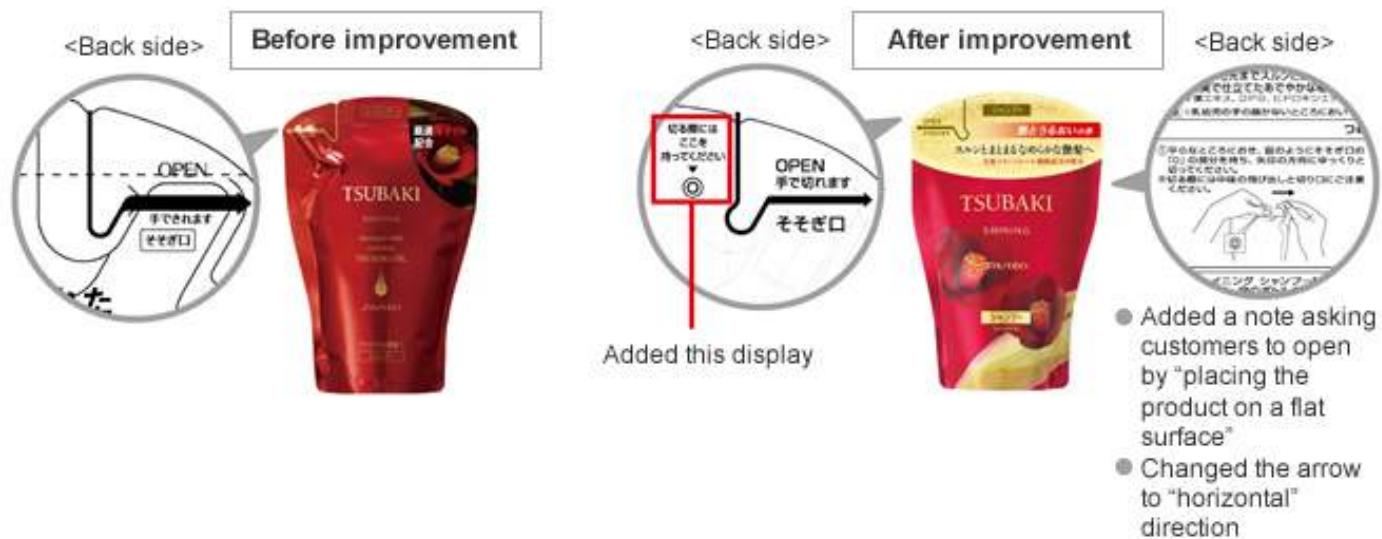
## MAQuillAGE TIP & BRUSH (FOR EYE SHADOW) MAQuillAGE SPONGE PUFF (FOR LIQUID FOUNDATION)

Makeup tools are sold in sets with products in order to fully utilize product characteristics. In response to customers' request saying "We want to be able to separately purchase them as replacements" regarding the special chip and special sponge attached to 2 MAQuillAGE products, we started separately selling them.



## TSUBAKI SHAMPOO REFILL TSUBAKI CONDITIONER REFILL

In response to the opinions "it is hard to open" and "it tore vertically" regarding the mouth of the refill product, we changed the specifications so that it is easier to open. We also improved the display on how to open the product so that it is easier to understand.



## Activities to Enhance Customer Satisfaction

### Customer Satisfaction

Beauty Consultants (BCs) have major roles in responding to customer needs at the storefronts and introducing products and beauty information according to each and every customer's skin and cosmetic lifestyle. Since 1988, Shiseido has been first in the industry to introduce an in-house BC proficiency exam system certified by the Minister of Health, Labour and Welfare. The system relating to beauty knowledge and techniques was aimed at enhancing the quality of counseling activities as the group engaged in professional beauty service. Also, Shiseido has incorporated the "customer satisfaction from degree of response" criteria in activity evaluation of BCs as a means of realizing "Customer First Strategy". Customer feedback is reported to BCs on a monthly basis, leading to further improvements in response level and customer satisfaction by reviewing activities and recognizing issues.

Overseas, Shiseido has also been working on counseling innovation to expand the number of regular users by maximizing customer satisfaction. Specifically, in addition to developing and introducing Customer Satisfaction Flow with the objective of enhancing skincare consultation capability, Shiseido also distributed the *SHISEIDO Beauty Consultant Omotenashi Credo*, which is an action indicator for Beauty Consultants worldwide to realize the spirit of hospitality at the storefronts, and is utilizing it in daily activities.

### **TOPICS : SHISEIDO Global Beauty Consultants Contest**

Shiseido held the "3rd Global Beauty Consultants contest," in which Beauty Consultants who are active in 89 countries and regions worldwide, including Japan, compete their beauty techniques that they cultivate every day and the enhancement in their customer service skills through the "spirit of Omotenashi," at the hotel Grand Pacific Le Daiba in July, 2012. We have been holding the contest once every 4 years since 2004. The total number of participants in this contest was approximately 20,300, and 32 BCs (16 from Japan and 16 from overseas) who were selected after passing preliminary contests demonstrated their beauty techniques, proposal capabilities, and Omotenashi,. In this contest, 2 male Beauty Consultants from Japan and Hong Kong participated for the first time in the history of the contest, attracting attention in the venue.

The contest was held with the following 2 objectives for Beauty Consultants who communicate with customers in stores. One is to review and refine their daily beauty techniques and customer services through the contest and to improve skills as beauty professionals. The objective of the contest is not to compete for ranking but to create opportunities for BCs to improve their daily counter activities. The other objective is to realize the Customer-First Strategy that all employees promote. The objective of the contest is to consider and take actions for what one can do to accompany customers' feelings and make them happy and what kind of customer-first that one can do.

Ms. Zhu Jing (Shiseido China Co., Ltd.), who won the Grand Prix Award in Category B (for BCs with more than 3 years of experience in Shiseido) stated her renewed resolution, saying "This award was given to me not only because of my own efforts but also because of the support of many people. I hope to communicate the many realizations that I have gained through the contest to my colleagues, mutually progress, and practice the kind of counter activities that can communicate the spirit of Shiseido's '*Omotenashi*'."



Grand Prix Award: Ms. Zhu Jing  
(Shiseido China Co., Ltd.)

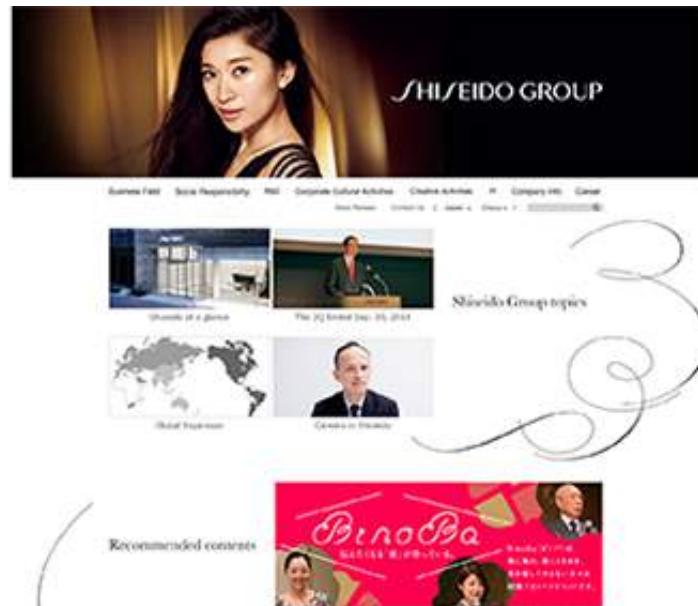


Scene from the skincare section competition

## Activities to Enhance Customer Satisfaction

**Education and Services for Customers****Shiseido Website**

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



Shiseido group website



watashi+ (Japanese Only)

**Listener's Cafe (Japanese only)**

Provides the audio equivalents of content such as beauty information and basic cosmetics knowledge for visually challenged individuals.

**Beauty Club for Kids (Japanese only)**

Provides daily beauty information for children, including face washing and UV-protection methods in an easy-to-understand manner, thereby enabling children to become familiar with suitable ways to treat their skin and maintain beautiful skin for many years.



## Activities to Enhance Customer Satisfaction

### Universal Design Initiatives

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

Shiseido adopted the Shiseido Universal Design Guidelines in 2005 based on expert theory and legislation, and crafted to reflect the characteristics of our products. The guidelines span 6 principles and 14 provisions and describe a product development process in which all product planning and design departments share information. A key point during the formulation of the guidelines was to precisely identify what kind of customers used actual products, as well as how they used them and in what circumstances. It was also important to imagine as many such situations as possible.

For example, the principle requiring that it be obvious how to use the product includes an "intuitive design" checkbox indicating that users should intuitively understand where to hold the container and twist in order to open it. Designs that take such considerations into account are defined as easy-to-use designs. Conversely, a design that contravenes the user's intuition by having a non-functional design element that looks like a button that should be pressed to open the container would be a difficult-to-use design. In fall 2008, we launched *ELIXIR PRIOR* for customers aged 60 and over. During the development of the container, designers met many times with customers in the target age group to solicit feedback on what they found inconvenient about their daily makeup routine and to give them an opportunity to handle the actual container. The requests and concerns that emerged from those meetings were incorporated into the design as shown in the photograph on the right.

Shiseido will continue to value customers' perspectives in product development.



A space between the bottle and cap provides a finger-hold, making it easier to open the product.



We incorporated enlarged item names like "lotion", which had been displayed in English on the front of the product as design elements, into easily visible positions on the back of the product. Moreover, the product seals are also easy to peel off.

### 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).

## Participation in Community and Development

Toward 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."

The Mirai Tsubaki Activities are social contribution activities which employees of the entire Shiseido group have been promoting as part of their operation since 2012, which was the 140th anniversary of the company. We will return our gratitude to customers and society that have always supported Shiseido by practicing activities formulated/planned by employees themselves.

The "Social Contribution Club" creates opportunities for employees who "want to do something to help society" to participate in society by offering activity programs that they can choose according to individual environments and schedules.

#### Mirai Tsubaki Activities

130 offices throughout the world promoted 700 activities by FY2013.

Employees who have participated in the activities have shared their comments, such as "I was able to truly experience the feeling of contributing to the community and society and communicate my gratitude" and "Connections between employees have been enhanced through activities, and ties were created." Shiseido will continue to promote Mirai Tsubaki Activities in the future to sustain ties with customers and society for a long time.

#### Japan

### Continued relaxation activities in the affected area through music and massage

AYURA Laboratories has been continuing to promote activities for those living in temporary housing in Miyako City, Iwate Prefecture, to enjoy beauty and music with musicians as part of the reconstruction support activities after the Great East Japan Earthquake.

AYURA's basic concept for our values is "relaxation through appealing to the 5 senses and release from stress". We thought that we might be able to deliver a moment of relaxation that is unique to AYURA by collaborating with music. We began the activities in 2011, and we have promoted the activities 7 times so far.

It has been 3 years since the quake, but there are still many people living in temporary housing, and they are aging. In addition, these activities have been triggering communication in community gatherings. We truly felt how strongly they wish for us to continue the



"How is it?" communication filled with smiles

activities, as seen in the example of them saying "When will you come next time?", etc.



Mesmerizing sound of the cello and guitar

## For the future earth - Great sense of unification through Arakawa River cleaning activities

We started promoting these activities in 2012 in collaboration with the NPO "Arakawa Clean-aid Forum" in order to work on conserving "water"-related environment as a company that handles beverages. The 3 divisions felt that we lacked communication beyond the borders of organizations despite the close connection in terms of work. Therefore, we have been continuing to promote these activities also with hopes of demonstrating more "organizational capabilities" by using Arakawa River cleaning activities as drivers.



Concentrating on trash picking



Commemorative photo of 107 members with the picked trash

## Discovering new self! - Branding method study sessions for university students -

With the hopes of "making contributions to students who will lead the future Japan and future world," Corporate Planning Department has been hosting sessions, in which university students work on their own branding by using Shiseido's branding process, since FY2012. The FY2013 theme was "our universities." A total of 60 students from 6 universities in Tokyo participated in the session and promoted activities, branding their own universities by pretending to be PR teams.



Scene from a session utilizing a panel



Participants discussing with seriousness

## China

### Tree-Planting Program

We began promoting the 10-year Tree-Planting Program in 2008 in the "plantation base of the Shiseido Group" in Lanzhou city, Gansu Province, China. We have planted approximately 80,000 young trees on a hill of a mountain of 42.7ha in 6 years up to 2013. We are maintaining the growth rate of over 90%, and green areas are certainly spreading.

A total of 66 people including not only Shiseido group employee volunteers from China/Japan but also business partners and government personnel in Gansu Province participated in the 7th Tree-Planting Program on April 18, 2014.

We aim to make this program into efforts that can contribute to the Chinese society by deepening the friendly relationship between Japan and China, conserving the environment by reducing CO<sub>2</sub>, and creating local employment opportunities, etc.



Scene from Tree-Planting

## Asia and Oceania

### We are steadily continuing the activities - Manner improvement activities in subways & park cleaning activities -

Shanghai Zotos Citic Cosmetics Co.,Ltd. regularly promotes volunteer activities in subway stations and cleaning activities in a nearby park.

In FY2013, we promoted each activity 3 times.

With the volunteer activities in subways, we guided passengers and raised awareness for safety/order under the instructions of employees. We cooperated with accident prevention and manner improvement during the morning rush hour, which is extremely busy.

With the cleaning activities in Chuansha Park near the office, we also spent 2 hours to promote the cleaning/beautification activities each time so that visitors to the park, which is visited by many people, can enjoy the park as pleasantly as possible.



Guiding subway users with a flag

We have been steadily continuing both activities to improve the manner in subways, which are part of our lives, and to promote beautification activities in the park, which is a place of relaxation, in order to express our appreciation to the community.

We still have a long way to go before we can raise awareness among the general public, but we promote these steady activities with the hope that our activities would lead to safer and more beautiful city as well as improvement of environmental awareness as much as possible.



Picking up every single piece of trash, thoroughly cleaning the park

## America and Europe

### Corrective makeup session for girls who have vascular malformations anomalies

We organized Internal Competition by all department of Shiseido Cosmetici (Italia) to receive new proposal of Mirai Tsubaki Activity and the winning proposal was presented by Training department.

"Corrective makeup session for girls who have vascular malformations anomalies".

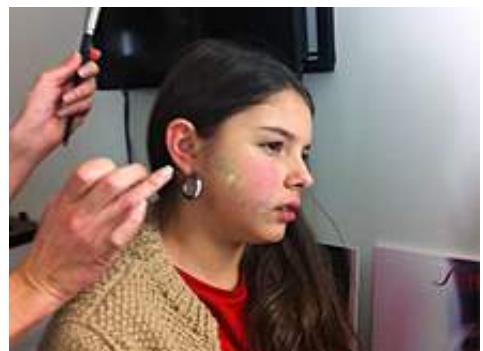
Also this year we continued to organize the second session of activity of corrective make-up for children and teenagers. What we all wanted to achieve for these children was a real << princess day>>.

We didn't want to offer just a cold and sterile corrective make up, we wanted them to feel glamorous and to have fun, just like every other girl wearing a new lipstick or new eye shadow color, or like any other kid playing <<the big girl>> using Mom's make-up.

Therefore, we decided to receive them in our <<ladies recreational area>>: the Make-up Lab in SCI offices.

We hosted 3 children from 7 to 14 years old who have vascular malformation on the face and their doctor Michele Coletti. We agreed with doctor Coletti that we will go on with this collaboration to make these children happier and to improve their quality of life.

The oldest girl was very happy. It was her second time. Her mother told us that she gained self confidence after first time. The other children and parents as well were moved on how this initiative can make a positive difference to children's lives.



Scene from the makeup



Filled with smiles

## "Social Contribution Club" Activities

"Social Contribution Club," which was established in 2005, is a system in which domestic employees can casually participate in social contribution activities. With approaches such as "volunteer work" and "donation," we offer a number of activity programs. We have established various support systems for volunteer activities in order to establish the climate in which "each and every employee possesses a perspective for social issue solution and voluntarily consider and take actions" and to encourage employees' sense of unity to develop and expand their perspectives.

### Camellia Fund

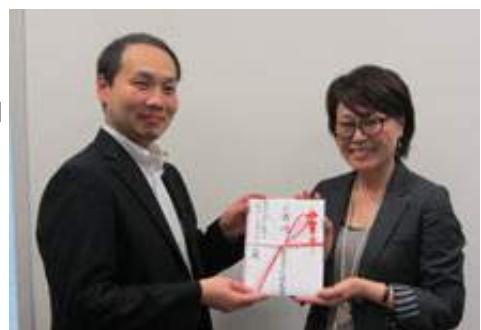
The Camellia Fund, an employee organization designed to encourage social contributions, was founded in 2005. Group employees who share its goals make monthly contributions from their salaries to sound, transparent groups selected from the three standpoints of improvement regarding social issues affecting women, improvement in quality of life through cosmetics and global environmental conservation. Administered by employees who either volunteer or are recommended by their peers, the organization also makes decisions on collecting donations from employees in the event of natural disasters. We have been donating a total of approximately 100 million yen (from fiscal 2005-2013) from employees to recipients since the establishment of the fund.

In June, 2014, donation presentation ceremony of the "Shiseido Camellia Fund" for the fiscal 2013 was held at Shiseido's Shiodome Office. Representatives of respective recipient organizations expressed their appreciation toward the donations.

Steering committee members, who presented the catalogs, directly listened to the details of activities as they held exchanges with personnel from each organization and gained better understanding of each activity. This was a valuable opportunity for them to recognize the issues as issues that are close to them. Participating steering committee members' comments included "I hope to communicate the Camellia Fund, which is the great part of social contribution activities, to employees and make efforts so that it will also impact and activate our business activities", "I hope to aggregate the passion of many employees in the form of 'Camellia Fund' to contribute to society", and "I hope to determine the operation of the precious donations by truly experiencing the activities of recipient parties".



Presentation ceremony of the donations collected via the Camellia Fund for the fiscal 2013.  
Presented by steering committee member to Mr. Arimoto (center) and Ms. Hasegawa (left) of the Japanese National Network of Xeroderma Pigmentosum (XP).



Presentation ceremony of the donations collected via the Camellia Fund for the fiscal 2013.  
Presented by steering committee member to Mr. Hirano (left) of the JAPAN PLATFORM.

	Japan	Overseas
Women	All Japan WOMEN'S SHELTER NETWORK SHISEIDO SOCIAL WELFARE FOUNDATION	Save the Children Japan JAPAN ASSOCIATION FOR UNHCR
Cosmetics	Japanese National Network of Xeroderma Pigmentosum (XP)	Operation Smile Japan
Environment	The NATURE CONSERVATION SOCIETY OF JAPAN	World Wide Fund for Nature (WWF Japan)
Reconstruction assistance	JAPAN PLATFORM	—

**TOPICS:** FY2015 recipient organizations have been selected

On December 2 (Tue), 2014, the 2nd Camellia Fund steering committee meeting (review meeting) was held in Shiodome Office and selected the recipient organizations for FY2015.

In the review meeting, open presentations by the organizations were held and evaluated by the steering committee members and the secretariat based on the "Camellia Fund evaluation criteria."



Hearing the presentations during the review meeting

■List of FY2015 Camellia Fund recipient organizations (10 organizations)■

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

## Other Activities

### Efforts of "TABLE FOR TWO" in all offices with cafeteria facilities

Shiseido has been participating in the "TABLE FOR TWO (TFT hereafter)" activities since 2009. "TFT" refers to a new social contribution activity originating in Japan, which was initiated to resolve the "imbalance of food" between "developed countries with excess food" and "developing countries with a lack of food" and to make people in developed countries and developing countries both healthy. In this program, we set the price for healthy menus with lower calories and better nutritional balance than standard menus by adding 20 yen and donate the 20 yen through TFT to be used for school meals for children in Africa. These school meals not only contribute to children's growth but also offer joy and motivation for children to study.



Certificate of appreciation received from  
TFT secretariat

### Volunteer Activity by Collecting Various Items

Shiseido is implementing activities to support pregnant and parturient women and providing educational assistance for children in developing countries by collecting various items such as used stamps, miswritten postcards, coins and notes. This activity, which was formerly conducted by respective departments, was integrated from 2005 and has expanded into a company-wide initiative. In addition to volunteer activity that enables everyone to easily take part basically at any time anywhere throughout the year, we are also conducting campaigns twice a year.

Collected used stamps are used for various purposes via the Japanese Organization for International Cooperation in Family Planning, including payment of recycled bicycle shipping costs and activities (White Ribbon Campaign) to save lives of mothers and babies in developing countries. Also, miswritten postcards, coins, notes and other items are used for the Darunee Scholarship Fund via the Education for Development Foundation to support children in Thailand, Laos and Cambodia.

### Social Studies Days

Since 1993, Shiseido's Social Studies Days Program has allowed employees to participate in social contribution activities instead of coming to work for up to three days each year. A total of 72 days were utilized under this system in fiscal 2013, in which 63 participants took this time to hone their skills for volunteer and social contribution activities, and to register as volunteers.

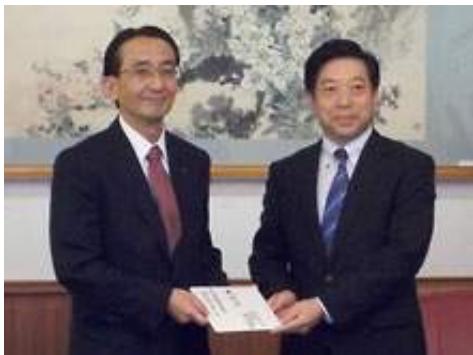
## Disaster support activities

### Great East Japan Earthquake

The Great East Japan Earthquake in March damaged Shiseido's offices and factories, clients and business partners. In accordance with our Business Continuity Plan, immediately after the earthquake, Shiseido established the Headquarters for Emergency Disaster Response at our head office to determine damage and set up an organization to maintain continuous product supply. At the same time, we initiated support activities in affected areas.

### Donation of relief money for the earthquake in Yunnan Province, People's Republic of China

Yunnan Province in the People's Republic of China was struck by a magnitude 6.5 earthquake on August 3 (Sun.), 2014. To help aid the reconstruction efforts, Shiseido donated a total of 5 million yen in relief money. Corporate Officer Shibata visited the Chinese Embassy on August 8 (Fri.) to express his sympathy and hopes for the speedy recovery and reconstruction of the disaster area. There he met with Minister HAN Zhiqiang and presented him with Shiseido's donation. Minister Han told Corporate Officer Shibata about the current situation in Yunnan Province and conveyed his gratitude for Shiseido's financial contribution.



Presenting Minister Han with the donation

Furthermore, Shiseido employee volunteers donated a total of 586,000 yen in relief money (supporters: 1,172 people) through "NPO Japan Platform." This relief money is being used for distributing foods, daily goods, sanitary goods, etc. to the victims as well as temporary tents for classrooms, sets of desk and chair for students, etc. to the schools whose buildings have collapsed or damaged.



Donation at Japan Platform



Letter of appreciation from Japan Platform

## Donation of relief money for Typhoon Haiyan in the Philippines

The typhoon that hit eastern Leyte Island in the Philippines on November 9 (Sat), 2013, caused great damage to the Philippines. In response to this disaster, Shiseido employee volunteers donated relief money totaling 978,000 yen (1,956 supporters) through "Japan Platform". This relief money will be utilized for distribution of relief supplies to affected people, medical support to prevent infectious diseases, and provision of materials for housing reconstruction, etc.



Donation at Japan Platform



Letter of appreciation from Japan Platform

## Activity Results Data

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Data detailing Shiseido's CSR and environmental activities is available.

### Social Activity-Related Data

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Area	Item		Indicator	Unit	FY2012	FY2013	Scope
Women and cosmetics (Beauty)	SHISEIDO LIFE QUALITY BEAUTY PROGRAM	LIFE QUALITY BEAUTY CENTER	Number of countries and regions (Number of facilities (locations)) (*4)	Country, Region (Locations)	3 (5)	3 (5)	Japan and overseas
			Number of users	Person	1,690	1,583	Japan and overseas
		LIFE QUALITY BEAUTY SEMINAR (*1)	Total seminars held	Times	2,206	2,812	Japan and overseas
			Total participants	Person	38,525	49,859	Japan and overseas
	Initiatives for children	Shiseido Kodomo Seminar for juniors (*2)	Number of attendees (*5)	Person (Pair)	1,241	701	Japan
		Parent and child skincare classes			90(45)	29(16)	Japan
	Shiseido Running Club		Running Lesson Number of times held	Times	2	2	Japan
			Outside lecture Number of times held	Times	2	3	Japan
	Shiseido Female Researcher Science Grant		Number of grant recipients	Person	10	10	Japan

Culture	Shiseido Gallery (ginza)	Number of visitors	Person	36,358	42,399	Japan
	Shiseido Corporate Museum (Kakegawa)		Person	23,483	27,970	Japan
	Shiseido Art House (Kakegawa)		Person	27,902	29,576	Japan
Employee Social Contribution	Shiseido Camellia Fund (*3)	Monthly number of pledge Pledge (*6)	Pledge	15,743	17,162	Japan

## (Note)

- \*1 SHISEIDO LIFE QUALITY BEAUTY SEMINAR: In Japan, we integrated the "elderly beauty services", which became a business in 2011, and various beauty seminars for the elderly, persons with disabilities, students, adults, etc. that we have implemented. We have been promoting these activities as the "Shiseido Life Quality Business" since 2013.
- \*2 Shiseido Kodomo Seminar for juniors: Seminar for children reaching early adolescence when their skin goes through changes. Information and instruction about skin and cleanliness as well as proper skincare are provided in the seminar.
- \*3 Shiseido Camellia Fund: Employees make donation from their wages and voluntarily participate in support activities. There are currently nine support groups.
- \*4 Tokyo, Shanghai, Taipei, Kaohsiung; established in Hong Kong in April 2011.
- \*5 For elementary school children in the fifth and sixth grades
- \*6 1 pledge= ¥100: pledge totals for March

## Personnel Related Data

### Number of Shiseido Group Employees

		April 1, 2013 (Ratio)			April 1, 2014 (Ratio)		
		Total	Male	Female	Total	Male	Female
Total		48,134 (100%)	—	—	46,980 (100%)	—	—
	Employees	34,022 (70.7%)	—	—	33,652 (71.6%)	—	—
	Fixed-term contact employee	14,112 (29.3%)	—	—	13,328 (28.4%)	—	—
Shiseido Group (Japan)		25,317 (52.6%)	4,313 (17.0%)	21,004 (83.0%)	24,609 (52.4%)	4,147 (16.9%)	20,462 (83.1%)
	Employees	15,558 (32.3%)	3,552 (22.8%)	12,006 (77.2%)	15,051 (32.0%)	3,404 (22.6%)	11,647 (77.4%)
	Fixed-term contact employee	9,759 (20.3%)	761 (7.8%)	8,998 (92.2%)	9,558 (20.3%)	743 (7.8%)	8,815 (92.2%)

Overseas	22,817 (47.4%)	—	—	22,371 (47.6%)	—	—
Employees	18,464 (38.4%)	—	—	18,601 (39.6%)	—	—
Fixed-term contact employee	4,353 (9.0%)	—	—	3,770 (8.0%)	—	—

※Number of employees in Japan and overseas as of April 1, 2014 and December 31, 2013, respectively.

## Number of Employees by Region

	April 1, 2013 (Ratio)			April 1, 2014 (Ratio)		
	Total	Male	Female	Total	Male	Female
Total	48,134 (100%)	—	—	46,980 (100%)	—	—
Japan	25,317 (52.6%)	4,313 (17.0%)	21,004 (83.0%)	24,609 (52.4%)	4,147 (16.9%)	20,462 (83.1%)
Overseas	22,817 (47.4%)			22,371 (47.6%)		
Europe	3,099 (6.4%)			3,086 (6.6%)		
America	6,260 (13.0%)	/	/	6,161 (13.1%)	/	/
Asia · Oceania	13,458 (28.0%)			13,124 (27.9%)		
China	10,265 (21.3%)			9,538 (20.3%)		
Employees	34,022 (70.7%)	—	—	33,652 (71.6%)	—	—
Japan	15,558 (45.7%)	3,552 (22.8%)	12,006 (77.2%)	15,051 (32.0%)	3,404 (22.6%)	11,647 (77.4%)
Overseas	18,464 (54.3%)			18,601 (55.3%)		
Europe	2,532 (7.4%)			2,535 (7.5%)		
America	3,545 (10.4%)	/	/	3,636 (10.8%)	/	/
Asia · Oceania	12,387 (36.4%)			12,430 (36.9%)		

	China	10,265 (21.3%)			9,538 (20.3%)		
Employees		34,022 (70.7%)	—	—	33,652 (71.6%)	—	—
	Japan	15,558 (45.7%)	3,552 (22.8%)	12,006 (77.2%)	15,051 (32.0%)	3,404 (22.6%)	11,647 (77.4%)
	Overseas	18,464 (54.3%)			18,601 (55.3%)		
	Europe	2,532 (7.4%)			2,535 (7.5%)		
	America	3,545 (10.4%)			3,636 (10.8%)		
	Asia · Oceania	12,387 (36.4%)			12,430 (36.9%)		
	China	9,591 (28.2%)			9,196 (27.3%)		
Fixed-term contact employee		14,112 (29.3%)	—	—	13,328 (39.6%)	—	—
	Japan	9,759 (69.2%)	761 (7.8%)	8,998 (92.2%)	9,558 (71.7%)	743 (7.8%)	8,815 (92.2%)
	Overseas	4,353 (30.8%)			3,770 (28.3%)		
	Europe	567 (4.0%)			551 (4.1%)		
	America	2,715 (19.2%)			2,525 (18.9%)		
	Asia · Oceania	1,071 (7.6%)			694 (5.2%)		
	China	674 (4.8%)			342 (2.6%)		

※Number of employees in Japan and overseas as of April 1, 2014 and December 31, 2013, respectively.

## Ratio of Male and Female Leaders

	April 1, 2013			April 1, 2014		
	Total	Male	Female	Total	Male	Female
Total leaders	2,666	1,405	1,261	2,757	1,388	1,369
Japan	1,068	795	273	1,059	775	284
Overseas	1,598	610	988	1,698	613	1,085
Europe	304	135	169	266	123	143
America	710	214	496	828	225	603
Asia	584	261	323	604	265	339
China	352	166	186	349	160	189
Ratio of leaders	100%	52.7%	47.3%	100%	50.3%	49.7%
Japan	40.0%	74.4%	25.6%	38.4%	73.2%	26.8%
Overseas	60.0%	38.2%	61.8%	61.6%	36.1%	63.9%
Europe	11.4%	44.4%	55.6%	9.6%	46.2%	53.8%
America	26.6%	30.1%	69.9%	30.0%	27.2%	72.8%
Asia	21.9%	44.7%	55.3%	21.9%	43.9%	56.1%
China	13.2%	47.2%	52.8%	12.7%	45.8%	54.2%

※Numbers of leaders in Japan and overseas as of April 1, 2014 and December 31, 2013, respectively.

※Overseas leaders refer to personnel in managerial positions (manager or higher).

## Average service years of employees

	April 1, 2013	April 1, 2014
Overall domestic Group	15.8	16.4
Male	18.0	18.2
Female	15.2	15.9

※All employees (excluded fixed-term contact employee)

## Working hours / Rate of taking paid holidays

	Target	FY2013	FY2014
Total annual hours worked /person	Below previous year	/	/
Shiseido Company Limited		1,869.9	1,869.2
Group employee in Japan		1,806.7	1,812.8
Annual designated hours worked (Japan)	/	1,844.5	1,844.5
Average designated overtime hours worked /person		/	/
Shiseido Company Limited	Below previous year	188.5	186.7
Group employee in Japan		91.3	95.4
Acquisition rate of paid leave/year	60% or over	/	/
Shiseido Company Limited		70.0%	71.9%
Group employee in Japan		49.9%	49.6%

## Entrance pay

Newly employed in April in 2014 : in case a worker's service area is located in Tokyo Metropolitan and 23 districts.

Category	allowance
A person with doctoral course	monthly salary 247,610yen
A person with master's degree	monthly salary 219,800yen
A college(university) graduate	monthly salary 205,740yen
A graduate from a technical college	monthly salary 186,330yen

※In any case, a service area allowance, 9000yen (amount of an allowance is different by one's service area) is included.

## Number of Qualified Personnel for Ecole Shiseido

	FY2012 (Ratio)	FY2013 (Ratio)
Japan	13,343 (52.7%)	12,818 (52.3%)

※Scope comprised of personnel in managerial, general, BC positions (excluding directors)

## Job Turnover Rate

	FY2012	FY2013
Shiseido Group in Japan	2.0%	3.2%
Reason of marriage, maternity, child care	0.23%	0.03%
Shiseido Sales Co., Ltd.	2.2%	3.1%
Reason of marriage, maternity, child care	0.82%	0.80%

※Target of domestic Group personnel in Japan: Managers and general personnel

※Target of Shiseido Sales Co., Ltd.: Beauty Consultants only (excluding fixed-term contact employees)

## Number of employees who used childcare leave and child-rearing work hour systems and number of Kangaroo Staff

	FY2012 (Ratio)	FY2013 (Ratio)
Childcare leave (Including short-term childcare leave)	1,375 (5.43%)	1,507 (5.95%)
Male	12 (0.27%)	5 (0.12%)
Female	1,363 (6.38%)	1,502 (7.15%)
Child-rearing work hours	1,720 (6.79%)	1,829 (7.22%)
Male	5 (0.11%)	7 (0.16%)
Female	1,715 (8.03%)	1,822 (8.67%)
Beauty Consultants taking time off for childcare	1,048	1,106
Male	0	0
Female	1,048	1,106
Kangaroo Staff	1,596	1,635

※Shiseido Group in Japan

※Acquisition rate of childcare leave (work hours)=Number of persons taking childcare leave (work hours)/Number of domestic employees at the beginning of term x 100

※All employees (included fixed-term contact employee)

## Number of employees who used nursing care leave and nursing care work hour systems

	FY2012 (Ratio)	FY2013 (Ratio)
Nursing care leave	27 (0.10%)	29 (0.10%)
Male	1 (0.02%)	0 (0.00%)
Female	26 (0.12%)	29 (0.13%)
Nursing care work hours	14 (0.05%)	14 (0.06%)
Male	1 (0.02%)	2 (0.05%)
Female	13 (0.06%)	12 (0.06%)

※Shiseido Group in Japan

※All employees (included fixed-term contact employee)

※Acquisition rate of nursing care leave (work hours)=Number of persons taking nursing care leave (work hours)/Number of domestic employees at the beginning of term x 100

## Number of employees who used short working hour system

	FY2012 (Ratio)	FY2013 (Ratio)
Japan	1,734 (6.73%)	1,843 (7.49%)
Male	6 (0.14%)	9 (0.21%)
Female	1,728 (8.09%)	1,834 (8.96%)

※Personnel using short working hours refers to those who are acquiring childcare work hours and nursing care work hours.

※All employees (included fixed-term contact employee)

※Shortened work hours systems utilization rate = Number of employees utilizing the shortened work hours systems/number of domestic employees at the beginning of the term x 100

## The reinstatement rate and the stability rate of the work office after one's maternity leave and childcare leave

		2012	2013
The reinstatement rate	Shiseido Group companies in Japan	100%	100%
	Shiseido Sales Co., Ltd.	97.4%	96.9%
The stability rate of the work office	Shiseido Group Companies in Japan	95.4%	98.8%
	Shiseido Sales Co., Ltd.	94.4%	94.4%

※Target persons in Shiseido Group Companies in Japan : managerial personnel · major career path, target persons in Shiseido Sales Co., Ltd.: beauty consultant (excluding contract workers signed under certain periods of time)

※The rate of reinstatement= the number of reinstated employees from their child care leave in current year ÷ the number of employees expected to be reinstated from their child care leave in current year × 100

※The stability rate of the work office=the number of employees enrolled as of the end of March in current year out of the reinstated employees from their child care leave in previous year/the number of the reinstated employees from their child care leave in previous year × 100

## Number of employees who used system of rehired after retirement

	April 1, 2013	April 1, 2014
Shiseido Group employee in Japan	255	287

## Ratio of Physically -challenged employees

	FY2012	FY2013
Shiseido Company Limited	2.76%	2.85%
Shiseido Group in Japan	1.90%	1.85%

※Data as of June 30 of respective years.

## Ratio of Non-Japanese Directors in Overseas Affiliated Companies

	April 1, 2013	April 1, 2014
Overseas Group	43.7%	44.8%

※Non-Japanese directors at the head office who concurrently hold posts at overseas subsidiaries are counted as local directors overseas.

※Directors who are hold positions as directors in multiple companies will also be included.

## Human Rights Enlightenment and Corporate Ethics Training

Target: Domestic Group employees in Japan

	FY2011	FY2012
Training theme	Sexual harassment	Power harassment
Number of times held	1	3
Time (/one occasion)	30 minutes	60 minutes
Participants	22,100 persons	21,700 persons

※Number of participants refers to the number who participate per training (including e-Learning and learning through text materials)

## Number of Work-related Accidents

	FY2012	FY2013
Japan (Company)	34	24
Service is provided in in-house factories・companies under business consignment	13	1
Overseas (Company)	93	104

※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 at business partners on consignment.

## Business accident severity rate

	April 1, 2013	April 1, 2014
Number of work-related accidents	34	24
Accident severity rate	0.019	0.009

※Number of work-related accidents in Shiseido Group in 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 rate (LTIFR) rate

	FY2012	FY2013
LTI	0.173	0.124
LTIFR	0.87	0.62

※Lost time incident rate and lost time injury frequency rate for Shiseido Group in Japan

※Lost time incident (LTI) rate = Number of lost time incidents /Total hours worked × 200,000

※LTIFR rate = Lost time injury frequency rate /Total hours worked × 1,000,000

## Number of Employees per industrial physician and/or industrial healthcare staff

	April 1, 2013	April 1, 2014
Shiseido Company Limited	221.2	210.2
Domestic Group	220.1	208.6

※Definition: One industrial physician per business location to which the physician is appointed. (In cases where a business location is under contract with several full-time industrial physicians and part-time industrial physicians, physicians will all be included in the figure.)

## Number of Labor Union Members and Composition

		April 1, 2013	April 1, 2014
Shiseido Company Limited	Labor union members	2,562	2,479
	Composition (*1)	44.5%	45.4%
	Employees who will be covered by labor law	100%	100%
Shiseido Group in Japan	Labor union members	11,623	11,207
	Composition (*1)	50.0%	45.7%
	Employees who will be covered by labor law	100%	100%

※Data as of April 1 of respective years.

※1. Comparison = Number of Labor Union Members /Number of employees (included managers and fixed-term contact employee) × 100

## Subsidiaries with Labor Unions

	April 1, 2013	April 1, 2014
Japan	18.2%	18.2%
Overseas	34.1%	46.3%

※Includes work council overseas (FY2013)

## Environmental Activity-performance Data

### Domestic

Index		Scope	FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	Production facilities	3,427	3,104	2,988
		Non-production facilities	3,467	3,420	3,316
	City gas (10,000 m <sup>3</sup> )	Production facilities	567	523	559
		Non-production facilities	103	87	103
	LPG (t)	Production facilities	11	9	7
		Non-production facilities	0	0	0
	Fuel (kl)	Production facilities	1	1	0
		Non-production facilities	2,254	2,108	2,029
	Steam (GJ)	Non-production facilities	10,489	9,794	9,475
	Water (10,000 m <sup>3</sup> )	Production facilities	84	76	73
Output	CO <sub>2</sub> (t)	Production facilities	24,609	25,917	24,460
		Non-production facilities	20,928	22,888	20,936
	SOx (t)	Production facilities	0	0	0
			4	14	13
	NOx (t)	Production facilities	79	70	65
	Waste water (10,000 m <sup>3</sup> )		17	15	14
	BOD (t)	Production facilities	29	28	26
	COD (t)		4,189	3,374	3,148
	Waste (t)	Non-production facilities	1,247	1,335	1,271
		Production facilities	100	100	100
	Recycling rate (%)	Production facilities			

## Data by Domestic Production Facility

### Shiseido Kamakura Factory

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	613	589	532
	City gas (10,000m <sup>3</sup> )	67	53	50
	Water (10,000m <sup>3</sup> )	11	9	8
Output	CO <sub>2</sub> (t)	3,788	3,915	3,277
	SOx (t)	0	0	0
	NOx (t)	0	0	0
	Waste water (10,000 m <sup>3</sup> )	9	8	7
	BOD (t)	1	0	0
	COD (t)	1	1	1
	Waste (t)	420	325	328

### Shiseido Osaka Factory

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	711	667	669
	City gas (10,000m <sup>3</sup> )	67	62	63
	Fuel (kl)	1	1	0
	Water (10,000m <sup>3</sup> )	19	18	16
Output	CO <sub>2</sub> (t)	3,508	4,149	4,594
	SOx (t)	0	0	0
	NOx (t)	0	0	0
	Waste water (10,000 m <sup>3</sup> )	19	18	16
	BOD (t)	0	1	0
	COD (t)	3	3	2

	Waste (t)	877	820	827
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## Shiseido Kakegawa Factory

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	1,113	1,061	1,151
	City gas (10,000m <sup>3</sup> )	152	141	152
	Water (10,000m <sup>3</sup> )	23	19	20
Output	CO <sub>2</sub> (t)	7,276	8,184	7,752
	SOx (t)	0	0	0
	NOx (t)	1	1	1
Output	Waste water (10,000 m <sup>3</sup> )	19	17	16
	BOD (t)	4	4	5
	COD (t)	6	5	5
Output	NOx (t)	1	1	1
	Waste water (10,000 m <sup>3</sup> )	19	17	16
	BOD (t)	4	4	5
	COD (t)	6	5	5
	Waste (t)	453	299	394

## Shiseido Kuki Factory

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	991	788	637
	City gas (10,000m <sup>3</sup> )	281	267	293
	LPG (t)	11	9	7
	Water (10,000m <sup>3</sup> )	32	31	29

Output	CO <sub>2</sub> (t)	10,037	9,670	9,188
	SO <sub>x</sub> (t)	0	0	0
	NO <sub>x</sub> (t)	3	13	12
	Waste water (10,000 m <sup>3</sup> )	32	27	25
	BOD (t)	12	10	9
	COD (t)	19	19	17
	Waste (t)	2,440	1,929	1,599

## Overseas

	Index	Scope	FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	Production facilities	4,110	4,103	4,243
		Non-production facilities	691	720	714
	City gas (10,000 m <sup>3</sup> )	Production facilities	354	365	372
		Non-production facilities	24	19	24
	LPG (t)	Production facilities	75	97	116
		Non-production facilities	0	0	0
	Fuel (kl)	Production facilities	60	77	61
		Non-production facilities	1,075	1,147	1,103
	Steam (GJ)	Production facilities	4,006	4,248	4,217
	Water (10,000 m <sup>3</sup> )	Production facilities	46	50	48
Output	CO <sub>2</sub> (t)	Production facilities	25,158	22,175	22,627
		Non-production facilities	4,819	5,005	4,907
	Waste (t)	Production facilities	4,166	4,510	3,936
		Non-production facilities	671	799	980
	Recycling rate (%)	Production facilities	80	83	81

- \* Overseas non-production facilities are main facilities only.
- \* CO<sub>2</sub> : Equals the CO<sub>2</sub> equivalent of the six greenhouse gases.

## Data by Overseas Production Facility

Shiseido America Inc.

East Windsor Factory

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	345	377	407
	City gas (10,000m <sup>3</sup> )	36	35	42
	Water (10,000m <sup>3</sup> )	1	1	1
Output	CO <sub>2</sub> (t)	1,299	1,413	1,753
	Waste (t)	299	306	398

Davlyn Industries, Inc.

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	308	317	369
	City gas (10,000m <sup>3</sup> )	40	35	37
	Water (10,000m <sup>3</sup> )	4	4	3
Output	CO <sub>2</sub> (t)	2,420	1,841	2,003
	Waste (t)	435	447	545

ZOTOS International Inc.

Geneva Factory

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	1,079	939	984
	City gas (10,000m <sup>3</sup> )	151	152	168
	LPG (t)	5	21	21
	Water (10,000m <sup>3</sup> )	16	17	15

Output	CO <sub>2</sub> (t)	3,923	0	0
	Waste (t)	1,847	2,259	1,718

\* Carbon neutrality was achieved through the use of Green Power since 2012 and CO<sub>2</sub> emission offset

#### Shiseido International France S.A.S.

##### Val de Loire Factory

	Index	FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	420	419	417
	City gas (10,000m <sup>3</sup> )	52	58	57
	Fuel (kl)	0	0	1
	Water (10,000m <sup>3</sup> )	3	2	2
Output	CO <sub>2</sub> (t)	1,681	1,827	1,807
	Waste (t)	270	345	258

#### Shiseido International France S.A.S.

##### Gien Factory

	Index	FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	459	441	397
	City gas (10,000m <sup>3</sup> )	30	31	31
	Fuel (kl)	1	1	0
	Water (10,000m <sup>3</sup> )	1	1	1
Output	CO <sub>2</sub> (t)	1,166	1,170	1,142
	Waste (t)	598	490	229

## Shiseido Liyuan Cosmetics Co., Ltd.

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	261	301	277
	City gas (10,000m <sup>3</sup> )	2	2	2
	Steam (t)	4,006	4,248	4,217
	Water (10,000m <sup>3</sup> )	4	4	4
Output	CO <sub>2</sub> (t)	3,981	4,458	4,205
	Waste(t)	132	151	196

## Shanghai Zotos Citic Cosmetics Co., Ltd.

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	486	519	540
	City gas (10,000m <sup>3</sup> )	30	37	28
	Water (10,000m <sup>3</sup> )	9	11	11
Output	CO <sub>2</sub> (t)	5,476	5,965	5,975
	Waste(t)	191	182	256

## Taiwan Shiseido Co., Ltd.

## Chung-Li Factory

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	171	180	187
	City gas (10,000m <sup>3</sup> )	6	7	6
	Fuel (kl)	1	1	1
	Water (10,000m <sup>3</sup> )	2	2	2
Output	CO <sub>2</sub> (t)	1,208	1,296	1,329
	Waste(t)	57	59	56

## Shiseido Vietnam Inc.

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	293	329	419
	LPG (t)	70	76	95
	Water (10,000m <sup>3</sup> )	4	4	6
Output	CO <sub>2</sub> (t)	1,875	2,096	2,662
	Waste(t)	81	88	84

## Shanghai Huani Transparent Beauty Soap Co., Ltd.

Index		FY2011 Results	FY2012 Results	FY2013 Results
Input	Electric power (10,000 kWh)	168	156	125
	Fuel (kl)	58	75	59
	Water (10,000m <sup>3</sup> )	4	4	3
Output	CO <sub>2</sub> (t)	1,836	1,770	1,418
	Waste(t)	25	22	22

## Engagement with stakeholders

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### Stakeholder Dialog

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

Based on this fundamental concept, Shiseido held its Stakeholder Dialog again in 2013 on the themes of "activities that we should promote with focus from the perspective of risk prevention" and "direction of activities in the domain of women, which will be the source of our competitiveness." They exchanged their opinions about current challenges and expectations toward Shiseido viewed from transition in social trend.

In addition, we will utilize these opinions when we formulate future CSR activity plans.

### Third Party Evaluation

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Craig Consulting  
President  
Mitsuo Ogawa

< Shiseido's uniqueness is at the core of CSR >

The Shiseido Social Responsibility site top page shows a number of CSR activity themes that are unique to Shiseido. One of the examples is the Life Quality Beauty Center. These are activities through which professionals offer accurate advice for a number of skin-related concerns, such as bruises, dark spots, vitiligo, etc. These are representative activities that Shiseido has already been promoting for many years. They have been enhancing these activities every year not only through their conventional activities but also through advice for people who have concerns due to side effects of cancer treatment and beauty care for cancer patients, etc. These activities demonstrate Shiseido's willingness to contribute to the overall society as part of "Women and Cosmetics," which is one of their key CSR areas, very well. These activities deserve much appreciation.

Another good example is their initiatives toward the Great East Japan Earthquake. Shiseido has been steadily continuing their "beauty support activities," through which they visit the people living in temporary housing in affected areas and offer makeup and hand massage, since the quake. Their continuity is not the only thing that deserves appreciation. I would also like to highly appreciate the fact that they practice innovations by addressing the local needs. For example, one of the activities that they started last year is the research to mitigate people's emotional and sleep difficulties, etc. with fragrance. There are still people in affected areas who suffer from insomnia due to anxiety. They have started the initiative of trying to contribute to people in affected areas by utilizing one of their strong areas, "aromachology technology," through which they achieve relaxation effects with fragrance.

The reason that these "CSR activities that are unique to Shiseido" deserve appreciation is the fact that they create values for both the society and Shiseido itself by utilizing technologies in their main business. While there are many companies that make efforts to address social issues, mecenat activities and volunteer activities often depend on companies' earning capabilities and people who promote the volunteer work. With such companies, activities may become active for a certain period but do not last very long. This is clearly proven by the fact that many companies discontinue their support for affected areas along with the fading of memories.

However, if they promote activities through technologies of their main business, they can strenuously continue such activities for a long time, as they are related to their main business. With the example of Life Quality Beauty Center, for example, these activities have the social significance of encouraging cancer patients, who are socially vulnerable, and even cheering up the patients' family members. At the same time, Shiseido BCs (Beauty Consultants) can also gain realizations of new techniques and uses for foundation through these activities. This can potentially be utilized in the business by leading to new business areas, such as senior makeup, for example. The aforementioned insomnia measure utilizing the aromachology technology, with which they are promoting demonstration experiments in affected areas, is another good example.

< Suggestion to further link with materiality and the medium-term business plan >

On the other hand, I would like to suggest several issues to help the Shiseido Group further grow on a global level. Last year, I stated that the relationship between CSR activities and the business plan should be stronger because the aim of Shiseido's CSR activities is to "protect and increase Corporate Value" in this article. I also stated that I would like Shiseido to further identify materiality through the analyses of risks and opportunities, etc. for the overall value chain in order to prioritize the items, toward which Shiseido should promote initiatives. I would like Shiseido to continue working on these points. "We create beauty, we create wellness," which is stated in Shiseido's Our Mission, is realized through their relationship with society. Creation of innovations with high social values equals the realization of Our Mission ? Shiseido's existential value, in other words.

In terms of the aspect that is closer to business strategies, advanced CSR companies in Europe and U.S. have enhanced their CSR activities to a quite strategic level, in which they not only limit their CSR activities to the enhancement of brand values but also incorporate them into purchasing decision-making axes in the market. I would like Shiseido to promote their initiative with "We create beauty, we create wellness," which is stated in Our Mission, in a strategic manner, enlighten the market, and inform the world of the innovative management, thus demonstrating how the next generation management should be.

< Suggestion for further participation by the management level >

As part of the premise to enhance the relationship between CSR and the business plan, I would like to suggest that Shiseido further enhances the involvement frequency and the commitment to CSR activities at the management level. Shiseido's CSR Committee is under the direct management of the Board of Directors, but the impression of the management level proactively being involved with the overall CSR is somewhat weak.

For example, I would like to suggest that the top commitment by the president not only discusses the vague response to social issues but also clearly indicates more specific impact on the business, how they will utilize it in their management strategies, and even how their CSR initiatives will affect Shiseido's growth strategies.

In general, more and more companies are producing integrated reports on a global scale. However, how a company discloses financial information and non-financial information ultimately means to backcast how they want to become in the future ? their ideal self. This effort leads to identifying the significance of the current activities. I would very much like to suggest that Shiseido discusses this point on the management level to lead to the disclosure.

< The key is the participation by business divisions >

The key to promote the integration of CSR and the business plan is the participation by business divisions. This is due to the fact that it is the employees in the field in the front line that promote such integrated activities. Business divisions are in the midst of fierce competitions with other companies. Therefore, when they formulate a business plan, they put too much focus only on customers. However, in the current complex market environment, a company cannot escape homogeneous competitions only by focusing on customers. The key is whether or not they can consider their own multi-stakeholders and formulate business strategies. Corporate image is not created only by customers. It is the stakeholders who define the products and services as attractive. How will they involve stakeholders to establish high quality brands? In other words, how can they make business divisions possess the perspective of multi-stakeholders? That is the challenge for the division promoting CSR.

## Editorial Policy

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Shiseido's SOCIAL RESPONSIBILITY website has been edited according to the following policies.

- We introduce each activity according to the 7 core subjects of ISO26000 (Social Responsibility).
- We have simplified the contents of reports on each page to make them easier to read.
- We have also focused on overseas activities in order to enhance the Group's reports.
- We disclose social activity-related data, personnel related data and environmental activity-performance data in lists.
- Target period for the information included in this website is mainly for FY2013 (from April 1, 2013 to March 31, 2014). However, part of the information may be from prior to the said period or more recent than the period.
- We have edited this website by using the United Nations Global Compact, Sustainability Reporting Guidelines G3.1 of GRI (Global Reporting Initiative), and ISO26000 (Social Responsibility) issued in November of 2010 for reference.
- The scope includes Shiseido Co. Ltd. and 94 Shiseido Group companies (subsidiaries) as of March 31, 2014. Notes have been added to data outside of the above scope.

Information on Shiseido's social responsibility in FY2013 is disclosed not only on the "Shiseido SOCIAL RESPONSIBILITY website" but also in the "Annual Report 2014."

## GRI Guidelines Index

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Sustainability Reporting Guidelines G3.1 (Global Reporting Initiative) was used as a reference resource in the compilation of Shiseido CSR 2013.

When this information is included in media other than the Shiseido CSR 2013, the names of those media are included. The balance sheet includes information about United Nations Global Compact principles

### 1. Strategy and Analysis

G3 Disclosure		Description	Contents	GC
1.1		Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	<ul style="list-style-type: none"> <li>▪ Commitment by Management</li> </ul>	
1.2		Description of key impacts, risks, and opportunities.	<ul style="list-style-type: none"> <li>▪ Three Commitments of Shiseido CSR</li> <li>▪ CSR Activities Domain</li> <li>▪ CSR Activity Promotion Structure</li> <li>▪ Shiseido's risk management</li> <li>▪ Annual securities report (Japanese only)</li> <li>▪ Corporate Information</li> </ul>	

## 2. Organizational Profile

G3 Disclosure		Description	Contents	GC
2.1		Name of the organization.	▪ Corporate Information	
2.2		Primary brands, products, and/or services.	▪ Outline of Business	
2.3		Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	▪ Shiseido Group Outline	
2.4		Location of organization's headquarters.	▪ Corporate Information	
2.5		Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	▪ Business Overview	
2.6		Nature of ownership and legal form.	▪ Business Overview	
2.7		Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	▪ Outline of Business	
2.8		Scale of the reporting organization, including : ▪ Number of employees; ▪ Net sales (for private sector organizations) or net revenues (for public sector organizations); ▪ Total capitalization broken down in terms of debt and equity (for private sector organizations); and ▪ Quantity of products or services provided.	▪ Corporate Information ▪ Annual securities report (Japanese only)	
2.9		Significant changes during the reporting period regarding size, structure, or ownership including: ▪ The location of, or changes in operations, including facility openings, closings, and expansions; and	▪ Annual securities report (Japanese only)	

		<ul style="list-style-type: none"> <li>▪ Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).</li> </ul>		
2.10		Awards received in the reporting period.	<ul style="list-style-type: none"> <li>▪ Corporate Profile</li> </ul>	

### 3. Report Parameters

#### Report Profile

G3 Disclosure		Description	Contents	GC
3.1		Reporting period (e.g., fiscal/calendar year) for information provided.	<ul style="list-style-type: none"> <li>▪ Editorial Policy</li> </ul>	
3.2		Date of most recent previous report (if any).	<i>June 2014</i>	
3.3		Reporting cycle (annual, biennial, etc.)	<i>Published annually</i>	
3.4		Contact point for questions regarding the report or its contents.	<ul style="list-style-type: none"> <li>▪ Inquiries about Shiseido CSR</li> </ul>	

#### Report Scope and Boundary

G3 Disclosure		Description	Contents	GC
3.5		Process for defining report content, including: <ul style="list-style-type: none"> <li>▪ Determining materiality;</li> <li>▪ Prioritizing topics within the report; and</li> <li>▪ Identifying stakeholders the organization expects to use the report.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Three Commitments of Shiseido CSR</li> <li>▪ CSR Activities Domain</li> <li>▪ CSR Activity Promotion Structure</li> </ul>	
3.6		Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	<ul style="list-style-type: none"> <li>▪ Editorial Policy</li> </ul>	
3.7		State any specific limitations on the scope or boundary of the report.	<ul style="list-style-type: none"> <li>▪ Editorial Policy</li> </ul>	

3.8		Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	<ul style="list-style-type: none"> <li>▪ Annual securities report (Japanese only)</li> </ul>	
3.9		Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	<ul style="list-style-type: none"> <li>▪ Editorial Policy</li> <li>▪ Activity Results Data</li> </ul>	
3.10		Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	<ul style="list-style-type: none"> <li>▪ Annual securities report (Japanese only)</li> </ul>	
3.11		Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	<ul style="list-style-type: none"> <li>▪ Annual securities report (Japanese only)</li> </ul>	

#### GRI content index

G3 Disclosure		Description	Contents	GC
3.12		Table identifying the location of the Standard Disclosures in the report.	<ul style="list-style-type: none"> <li>▪ GRI Guidelines Index</li> </ul>	

#### Assurance

G3 Disclosure		Description	Contents	GC
3.13		Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Third Party Evaluation	

## 4. Governance, Commitments, and Engagement

### Governance

G3 Disclosure		Description	Contents	GC
4.1		Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	<ul style="list-style-type: none"> <li>▪ Corporate Governance</li> </ul>	
4.2		Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	<ul style="list-style-type: none"> <li>▪ Corporate Governance</li> </ul>	
4.3		For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	<ul style="list-style-type: none"> <li>▪ Corporate Governance</li> <li>▪ Corporate Information</li> </ul>	
4.4		Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	<ul style="list-style-type: none"> <li>▪ Establishment of entities for reporting concerns</li> <li>▪ Structure for Listening to Employee Opinions</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Personnel affairs and fair evaluation</li> <li>▪ Good Relationship with labor union</li> </ul>	
4.5		Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	<ul style="list-style-type: none"> <li>▪ Corporate Governance</li> </ul>	
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided.	<ul style="list-style-type: none"> <li>▪ CSR Activity Promotion Structure</li> <li>▪ Corporate Governance</li> </ul>	

4.7		Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	<ul style="list-style-type: none"> <li>▪ Corporate Governance</li> <li>▪ Corporate Information</li> </ul>	
4.8		Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	<ul style="list-style-type: none"> <li>▪ Corporate Ideals and the Shiseido Way</li> <li>▪ Three Commitments of Shiseido CSR</li> <li>▪ CSR Activities Domain</li> </ul>	
4.9		Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	<ul style="list-style-type: none"> <li>▪ CSR Activities Domain</li> <li>▪ CSR Activity Promotion Structure</li> <li>▪ Initiatives Related to the United Nations Global Compact</li> <li>▪ Commitment to Society</li> </ul>	
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	<ul style="list-style-type: none"> <li>▪ CSR Activity Promotion Structure</li> <li>▪ Corporate Governance</li> </ul>	

### Commitments to External Initiatives

G3 Disclosure		Description	Contents	GC
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization.	<ul style="list-style-type: none"> <li>▪ CSR Activity Promotion Structure</li> </ul>	
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	<ul style="list-style-type: none"> <li>▪ Initiatives Related to the United Nations Global Compact</li> </ul>	
4.13		Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: <ul style="list-style-type: none"> <li>▪ Has positions in governance bodies;</li> </ul>	<ul style="list-style-type: none"> <li>▪ Initiatives Related to the United Nations Global Compact</li> </ul>	

	<ul style="list-style-type: none"> <li>▪ Participates in projects or committees;</li> <li>▪ Provides substantive funding beyond routine membership dues; or</li> <li>▪ Views membership as strategic.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Commitment to Society</li> <li>▪ Initiatives to conserve biodiversity</li> </ul>	
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## Stakeholder Engagement

G3 Disclosure		Description	Contents	GC
4.14		List of stakeholder groups engaged by the organization.	<ul style="list-style-type: none"> <li>▪ Participation in Community and Development</li> <li>▪ Engagement with stakeholders</li> </ul>	
4.15		Basis for identification and selection of stakeholders with whom to engage.	<ul style="list-style-type: none"> <li>▪ Our Way</li> </ul>	
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	<ul style="list-style-type: none"> <li>▪ Participation in Community and Development</li> <li>▪ Engagement with stakeholders</li> <li>▪ CSR and Environmental Activities E-Mail Newsletter Service</li> </ul>	
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	<ul style="list-style-type: none"> <li>▪ Engagement with stakeholders</li> </ul>	

## 5. Management Approach and Performance Indicators

### Economic

G3 Disclosure		Description	Contents	GC
		Disclosure on Management Approach	<ul style="list-style-type: none"> <li>▪ Annual securities report (Japanese only)</li> </ul>	

## aspect: Economic Performance

G3 Disclosure		Description	Contents	GC
EC1	CORE	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	<ul style="list-style-type: none"> <li>▪ Annual securities report (Japanese only)</li> </ul>	
EC2	CORE	Financial implications and other risks and opportunities for the organization's activities due to climate change.	<ul style="list-style-type: none"> <li>▪ Environmental targets and results</li> </ul>	Principle 7
EC3	CORE	Coverage of the organization's defined benefit plan obligations.	<ul style="list-style-type: none"> <li>▪ Life planning support for employees by corporate pension plan</li> </ul>	
EC4	CORE	Significant financial assistance received from government.	NA	

## aspect: Market Presence

G3 Disclosure		Description	Contents	GC
EC5	ADD	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	<ul style="list-style-type: none"> <li>▪ Entrance pay</li> <li>▪ Personnel Related Data</li> </ul>	Principle 1
EC6	CORE	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	<ul style="list-style-type: none"> <li>▪ Fair Competition and Comprehensive Transactions <i>The procurement rate (based on the amount) of China-produced raw materials in factories in China in fiscal year 2013 (January - December) Raw materials: 27% Materials: 95%</i></li> </ul>	
EC7	CORE	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	<ul style="list-style-type: none"> <li>▪ Personnel Related Data</li> </ul>	Principle 6

### aspect: Indirect Economic Impacts

G3 Disclosure		Description	Contents	GC
EC8	CORE	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	<ul style="list-style-type: none"> <li>▪ Participation in Community and Development</li> </ul>	
EC9	ADD	Understanding and describing significant indirect economic impacts, including the extent of impacts.	<ul style="list-style-type: none"> <li>▪ Social Activity-Related Data</li> </ul>	

## Environmental

G3 Disclosure		Description	Contents	GC
		Disclosure on Management Approach	<ul style="list-style-type: none"> <li>▪ Environmental Policy</li> <li>▪ Environmental targets and results</li> </ul>	

### aspect: Materials

G3 Disclosure		Description	Contents	GC
EN1	CORE	Materials used by weight or volume	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8
EN2	CORE	Percentage of materials used that are recycled input materials.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8.9

### aspect: Energy

G3 Disclosure		Description	Contents	GC
EN3	CORE	Direct energy consumption by primary energy source.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8

EN4	CORE	Indirect energy consumption by primary source.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8
EN5	ADD	Energy saved due to conservation and efficiency improvements.	<ul style="list-style-type: none"> <li>▪ Production initiatives</li> </ul>	Principle 8.9
EN6	ADD	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	<ul style="list-style-type: none"> <li>▪ Initiatives in research, procurement, distribution, and sales</li> </ul>	Principle 8.9
EN7	ADD	Initiatives to reduce indirect energy consumption and reductions achieved.	<ul style="list-style-type: none"> <li>▪ Production initiatives</li> </ul>	Principle 8.9

#### aspect: Water

G3 Disclosure		Description	Contents	GC
EN8	CORE	Total water withdrawal by source.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8
EN9	ADD	Water sources significantly affected by withdrawal of water.	NA	Principle 8
EN10	ADD	Percentage and total volume of water recycled and reused.		Principle 8.9

#### aspect: Biodiversity

G3 Disclosure		Description	Contents	GC
EN11	CORE	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	NA	Principle 8
EN12	CORE	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	NA	Principle 8
EN13	ADD	Habitats protected or restored.	NA	Principle 8

EN14	ADD	Strategies, current actions, and future plans for managing impacts on biodiversity.	<ul style="list-style-type: none"> <li>▪ Initiatives to conserve biodiversity</li> </ul>	Principle 8
EN15	ADD	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	NA	Principle 8

### aspect: Emissions, Effluents, and Waste

G3 Disclosure		Description	Contents	GC
EN16	CORE	Total direct and indirect greenhouse gas emissions by weight.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8
EN17	CORE	Other relevant indirect greenhouse gas emissions by weight.	<ul style="list-style-type: none"> <li>▪ product initiatives</li> </ul>	Principle 8
EN18	ADD	Initiatives to reduce greenhouse gas emissions and reductions achieved.	<ul style="list-style-type: none"> <li>▪ Current three-year (2014 to 2016) environmental policies and targets</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 7.8.9
EN19	CORE	Emissions of ozone-depleting substances by weight.	NA	Principle 8
EN20	CORE	NO, SO, and other significant air emissions by type and weight.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8
EN21	CORE	Total water discharge by quality and destination.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8
EN22	CORE	Total weight of waste by type and disposal method.	<ul style="list-style-type: none"> <li>▪ Environmental impact results</li> <li>▪ Environmental Activity-performance Data</li> </ul>	Principle 8
EN23	CORE	Total number and volume of significant spills.	NA	Principle 8
EN24	ADD	Weight of transported, imported, exported, or treated waste deemed hazardous under the	NA	Principle 8

		terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		
EN25	ADD	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	NA	Principle 8

#### aspect: Products and Services

G3 Disclosure		Description	Contents	GC
EN26	CORE	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	" Product initiatives	Principle 7.8.9
EN27	CORE	Percentage of products sold and their packaging materials that are reclaimed by category.	" Product initiatives	Principle 8.9

#### aspect: Compliance

G3 Disclosure		Description	Contents	GC
EN28	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	NA	Principle 8

#### aspect: Transport

G3 Disclosure		Description	Contents	GC
EN29	ADD	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	" Environmental impact results " Initiatives in research, procurement, distribution, and sales	Principle 8

## aspect: Overall

G3 Disclosure		Description	Contents	GC
EN30	ADD	Total environmental protection expenditures and investments by type.	" Environmental Accounting	Principle 7.8.9

**Labor Practices and Decent Work**

G3 Disclosure		Description	Contents	GC
		Disclosure on Management Approach	" Labor Practices	

## aspect: Employment

G3 Disclosure		Description	Contents	GC
LA1	CORE	Total workforce by employment type, employment contract, and region.	" Personnel Related Data	※Principle 6
LA2	CORE	Total number and rate of employee turnover by age group, gender, and region.	" Personnel Related Data	Principle 6
LA3	ADD	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	" Employee benefits and welfare	
LA15	CORE	Return to work and retention rates after parental leave, by gender.	" Giving consideration to how employees work " Personnel Related Data	※Principle 6

## aspect: Labor/Management Relations

G3 Disclosure		Description	Contents	GC
LA4	CORE	Percentage of employees covered by collective bargaining agreements.	" Good Relationship with labor union " Personnel Related Data	Principle 1.3
LA5	CORE	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	" Employment	Principle 3

### aspect: Occupational Health and Safety

G3 Disclosure		Description	Contents	GC
LA6	ADD	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	<ul style="list-style-type: none"> <li>▪ Safety and health of employees</li> <li>▪ Personnel Related Data</li> </ul>	Principle 1
LA7	CORE	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	<ul style="list-style-type: none"> <li>▪ Personnel Related Data</li> </ul>	Principle 1
LA8	CORE	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	<ul style="list-style-type: none"> <li>▪ Safety and health of employees</li> <li>▪ Personnel Related Data</li> </ul>	Principle 1
LA9	ADD	Health and safety topics covered in formal agreements with trade unions.	<ul style="list-style-type: none"> <li>▪ Safety and health of employees</li> </ul>	Principle 1

### aspect: Training and Education

G3 Disclosure		Description	Contents	GC
LA10	CORE	Average hours of training per year per employee by employee category.	<ul style="list-style-type: none"> <li>▪ Personnel Related Data</li> </ul>	※Principle 6
LA11	ADD	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	<ul style="list-style-type: none"> <li>▪ Utilization and development of human resources</li> </ul>	
LA12	ADD	Percentage of employees receiving regular performance and career development reviews.	<ul style="list-style-type: none"> <li>▪ Personnel affairs and fair evaluation</li> </ul>	※Principle 6

## aspect: Diversity and Equal Opportunity

G3 Disclosure		Description	Contents	GC
LA13	CORE	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	<ul style="list-style-type: none"> <li>▪ Basic policy regarding personnel affairs</li> <li>▪ Respect Diversity</li> <li>▪ Personnel Related Data</li> </ul>	Principle 1.6

## aspect: Equal Remuneration for Women and Men

G3 Disclosure		Description	Contents	GC
LA14	CORE	Ratio of basic salary of men to women by employee category.	<ul style="list-style-type: none"> <li>▪ Wage</li> </ul>	Principle 1.6

## Human Rights

G3 Disclosure		Description	Contents	GC
		Disclosure on Management Approach	<ul style="list-style-type: none"> <li>▪ Human Rights</li> </ul>	

## aspect: Investment and Procurement Practices

G3 Disclosure		Description	Contents	GC
HR1	CORE	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	<ul style="list-style-type: none"> <li>▪ Human Rights</li> </ul>	Principle 1.2.3.4.5.6
HR2	CORE	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	<ul style="list-style-type: none"> <li>▪ Fair Competition and Comprehensive Transactions</li> </ul>	Principle 1.2.3.4.5.6
HR3	CORE	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	<ul style="list-style-type: none"> <li>▪ Establishment of corporate ethics</li> <li>▪ Human Rights Enlightenment (Education)</li> <li>▪ Personnel Related Data</li> </ul>	Principle 1.2.3.4.5.6

### aspect: Non-Discrimination

G3 Disclosure		Description	Contents	GC
HR4	CORE	Total number of incidents of discrimination and actions taken.	▪ Human Rights	Principle 1.2.6

### aspect: Freedom of Association and Collective Bargaining

G3 Disclosure		Description	Contents	GC
HR5	CORE	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	NA	Principle 1.2.3

### aspect: Child Labor

G3 Disclosure		Description	Contents	GC
HR6	CORE	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	▪ Policy Related to Respect for Human Rights and Discrimination ▪ Shiseido Group Supplier Code of Conduct	Principle 1.2.5

### aspect: Forced and Compulsory Labor

G3 Disclosure		Description	Contents	GC
HR7	CORE	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	▪ Policy Related to Respect for Human Rights and Discrimination ▪ Shiseido Group Supplier Code of Conduct	Principle 1.2.4

### aspect: Security Practices

G3 Disclosure		Description	Contents	GC
HR8	ADD	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		Principle 1.2

### aspect: Indigenous Rights

G3 Disclosure		Description	Contents	GC
HR9	ADD	Total number of incidents of violations involving rights of indigenous people and actions taken.	NA	Principle 1.2

### aspect: Assessment

G3 Disclosure		Description	Contents	GC
HR10	CORE	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	<ul style="list-style-type: none"> <li>▪ Human Rights <i>Targetting all the business offices inside and outside Japan.</i></li> </ul>	

### aspect: Remediation

G3 Disclosure		Description	Contents	GC
HR11	CORE	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	<ul style="list-style-type: none"> <li>▪ Establishment of entities for reporting concerns</li> <li>▪ Points of Contact for Employee Inquiries</li> <li>▪ Good Relationship with labor union</li> </ul>	※Principle 1.2

## Society

G3 Disclosure		Description	Contents	GC
		Disclosure on Management Approach	<ul style="list-style-type: none"> <li>▪ Participation in Community and Development</li> </ul>	

### aspect: Community

G3 Disclosure		Description	Contents	GC
SO1	CORE	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	<ul style="list-style-type: none"> <li>▪ Employee-led Social contribution activities</li> <li>▪ Social Activity-Related Data</li> </ul>	

SO9	CORE	Operations with significant potential or actual negative impacts on local communities.	NA	
SO10	CORE	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	NA	

## aspect: Corruption

G3 Disclosure		Description	Contents	GC
SO2	CORE	Percentage and total number of business units analyzed for risks related to corruption.	▪ Reporting on Breaches	Principle 10
SO3	CORE	Percentage of employees trained in organization's anti-corruption policies and procedures.	▪ Establishment of corporate ethics	Principle 10
SO4	CORE	Actions taken in response to incidents of corruption.	▪ Reporting on Breaches	Principle 10

## aspect: Public Policy

G3 Disclosure		Description	Contents	GC
SO5	CORE	Public policy positions and participation in public policy development and lobbying.	▪ Initiatives Related to the United Nations Global Compact	Principle 1.2.3.4.5. 6.7.8.9.10
SO6	ADD	Public policy positions and participation in public policy development and lobbying.	<i>Results in fiscal year 2013 "no political contribution"</i> <i>&lt;target areas to cover : Japan&gt;</i>	Principle 10

## aspect: Anti-Competitive Behavior

G3 Disclosure		Description	Contents	GC
SO7	ADD	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	<i>Results in fiscal year 2013 "No legal actions"</i> <i>&lt;target areas to cover : Japan&gt;</i>	

## aspect: Compliance

G3 Disclosure		Description	Contents	GC
SO8	CORE	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	<i>Results in fiscal year 2013 "No sanctions such as penalties and any other actions besides penalties"</i> <i>&lt;target areas to cover : Japan&gt;</i>	

## Product Responsibility

G3 Disclosure		Description	Contents	GC
		Disclosure on Management Approach	" Consumer Issues	

## aspect: Customer Health and Safety

G3 Disclosure		Description	Contents	GC
PR1	CORE	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	" Promotion of Reliable and Safe Manufacturing	Principle 1
PR2	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	<i>Results in fiscal year 2013 "No violations against rules and regulations as well as voluntary codes" (some examples of administrative guidance based on act against Pharmaceutical Affairs Law)</i> <i>&lt;target areas to cover : Japan&gt;</i>	Principle 1

## aspect: Product and Service Labeling

G3 Disclosure		Description	Contents	GC
PR3	CORE	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	" Activities to Enhance Customer Satisfaction	Principle 8

PR4	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	<i>Results in fiscal year 2013: "1" (incident of violation against rules and regulations as well as voluntary codes/"recall &amp; voluntary collection")</i> <i>&lt;Target areas to cover: Japan&gt;</i>	Principle 8
PR5	ADD	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	" Activities to Increase Customer Satisfaction	

## aspect: Marketing Communications

G3 Disclosure		Description	Contents	GC
PR6	CORE	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	" Promotion of Reliable and Safe Manufacturing	
PR7	ADD	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	<i>Results in fiscal year 2013 "No violations against rules and regulations as well as voluntary codes" (some examples of administrative guidance based on act against Unjustifiable Premiums and Misleading Representations and Pharmaceutical Affairs Law)</i> <i>&lt;target areas to cover : Japan&gt;</i>	

## aspect: Customer Privacy

G3 Disclosure		Description	Contents	GC
PR8	ADD	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	<i>Results in fiscal year 2013 "three examples" (incidents of reporting personal information disclosure to a PrivacyMark examining authority)</i> <i>&lt;target to cover: Shiseido Co., Ltd.&gt;</i>	Principle 1

## aspect: Compliance

G3 Disclosure		Description	Contents	GC
PR9	CORE	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	<i>Results in 2013 fiscal year "No penalties against violating rules and regulations"</i> <i>&lt;target areas to cover : Japan&gt;</i>	

NA               : Not applicable, or no significant instances.

Blank column   : Information not disclosed.