

Shiseido CSR

[Shiseido's Corporate Social Responsibility]

Although the target period for the information included in this back number is mainly FY2015 (from April 1, 2015 to March 31, 2016), part of the information also includes contents prior to/after the said period.

[CONTENTS]

○ What is Shiseido CSR?	1
○ Top Commitment	4
○ Shiseido's major CSR activities	5
○ Woman and Beauty	9
● SHISEIDO LIFE QUALITY MAKEUP	9
● Public Beauty Seminars	11
● Supporting Women's Activities	13
● Initiatives for Children	15
○ Environment	16
● Environmental policy	16
● Environmental management	19
● Responding to Environmental Risks	20
● Environmental targets and results	22
● Product initiatives	29
● Production initiatives	38
● Initiatives in research, procurement, distribution, and sales	43
● Initiatives to conserve biodiversity	46
● Environmental communication	54
○ Organizational Governance	64
● Corporate Governance	64
● Compliance	133
○ Human Rights	136
● Policy Related to Respect for Human Rights and Discrimination	135
● Promotion System	136
● Human Rights Enlightenment (Education)	136
● Points of Contact for Employee Inquiries	137
○ Labor Practices	138
● Basic policy regarding personnel affairs	138
● Diversity & Inclusion	139
● Realize a rewarding workplace	145
● Personnel affairs and fair evaluation	151
● Utilization and development of human resources	152
● Safety and health of employees	153
● Employment and Labor	156
● Good Relationship with labor union	158
○ Fair Business Practices	159
● Fair Competition and Comprehensive Transactions	159
● Protection of Intellectual Properties	161
● Information Security Management	162

○ Consumer Issues	163
● Promotion of Safe and Reliable Manufacturing	163
● Activities to Enhance Customer Satisfaction	168
● Initiatives in Response to Animal Testing and Alternative Methods	177
○ Participation in Community and Development	178
● Employee-led social contribution activities	178
● Disaster support activities	186
○ Empowerment of rural Bangladesh women	187
○ Shiseido Aid Initiatives in the Wake of the Great East Japan Earthquake	192
○ Engagement with stakeholders	202
○ Outside Evaluations /Awards	203
○ Activity Results Data	205
● Social Activity-Related Data	205
● Personnel Related Data	207
● Environmental Activity-performance Data	217
○ Editorial Policy/GRI Guidelines Index	231

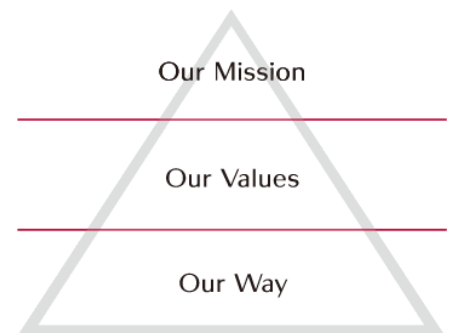
What is Shiseido CSR?

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

Basic Concept of Shiseido CSR

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

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



Initiatives Related to the United Nations Global Compact

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

As a specific example of our initiatives in this area, in March 2006 we adopted the "Shiseido Group Supplier Code of Conduct [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 endorsed "the Women's Empowerment Principles": a set of practical guidelines collaboratively developed by UN Women and the United Nations Global Compact, and deliberated at the international conference



Network Japan
WE SUPPORT



www.wepprinciples.org

Shiseido signed "the Women's Empowerment Principles (WEPs)"

with a multi-stakeholder for companies and private entities to promote women's empowerment in an enterprise and a local community.



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



Letter of certification

Overall Image of CSR activities

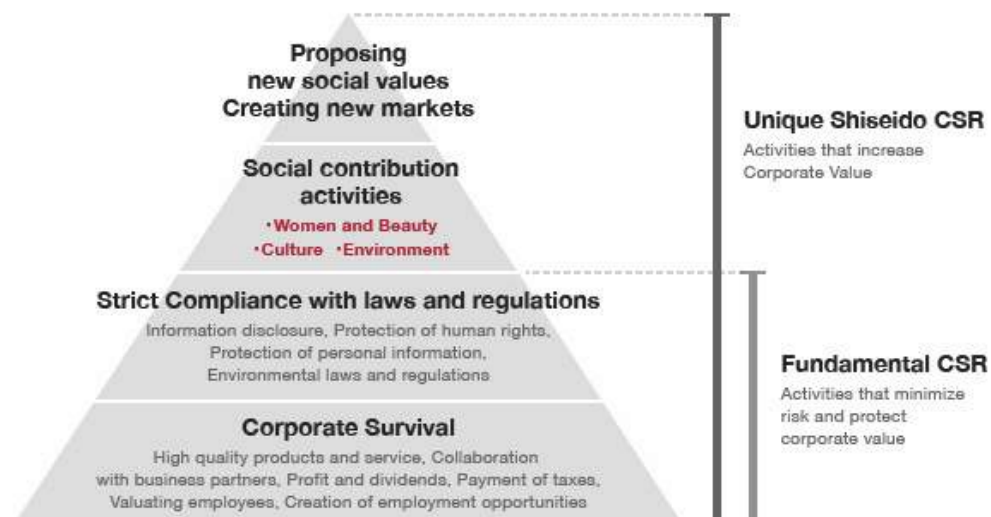
Shiseido's CSR activities are promoted with the focus on the following 2 domains.

Fundamental CSR

Minimize risks and comply with the laws and regulations to protect the corporate value, swiftly resolve issues that endanger the survival of the company.

Unique Shiseido CSR

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



CSR Committee

The CSR Committee covers all potential areas in which the Shiseido Group is required to carry out its social responsibilities.

Comprehending social demands/expectations as well as examining the direction of CSR activities, we have understood and evaluated possible risks in management strategies and operating business activities, and taken necessary measures.

A total of three meetings were held in fiscal 2015 to deliberate measurements and assessments concerning significant risks and compliant issues, as well as the creation of a policy to realize social sustainability by Shiseido.

Due to transition to a new organization, the CSR Committee was dissolved by the end of FY2015, and the "Compliance Committee" was established in FY2016. A "Compliance Meeting" will be established in each regional headquarters.

Fiscal 2015 CSR Committee members

- Chairperson : President & CEO (Representative Director)
- Members : 1 external director, 2 internal directors, 3 corporate officers in charge of individual businesses,
1 department director of Corporate Strategy Department, 1 representative of SHISEIDO Labor Union,
1 outside member, 2 internal corporate auditors (observers)

Important Themes

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



Top Commitment

Striving to Serve as a Life-long Partner for People around the World

“Inspiring a life of beauty and culture” is the corporate mission for the Shiseido Group business operations. In other words, we aim to serve as a life-long partner for people around the world to help them achieve greater beauty and spiritual fulfillment through our cutting-edge products and services.

In pursuit of our mission, we formulated a mid- to long-term strategy, VISION 2020, to become a company that will earn the affection of our stakeholders 100 years into the future, and began implementing the strategy in FY2015. We have positioned the first three years of the strategy as a period for rebuilding our business foundations. We are therefore currently concentrating our efforts on enhancing our brand value by increasing investment in marketing and innovations, reinforcing our global business infrastructure, and advancing structural reforms that will enable us to fund further investment. In FY2015, the first year of the period, sales in Japan grew sharply due to brand innovation, demonstrating the solid outcome of our strategy.



With “Think global, Act local” as our motto, starting January 2016 we have delegated considerable authority to our six regional headquarters worldwide to establish an organizational structure that facilitates consumer-oriented activities. In addition, to take our mission of inspiring a life of beauty and culture a step further, at the end of FY2018 we will begin operations of the Global Innovation Center - an R&D facility in Yokohama, an urban open laboratory where direct input from consumers can be obtained.

Furthermore, we are establishing a new global supply chain management base in Osaka that will dually function as a plant and a logistics hub, with operations commencing in 2020. Thus we will ensure swift delivery of high quality products to consumers within and outside Japan. Such measures exemplify our efforts to buttress our business infrastructure from a mid- to long-term perspective.

The Shiseido Group’s products are sold in about 120 countries around the world. We are striving for the support and appreciation by consumers and societies worldwide, giving back to society a variety of tangible and intangible values we have fostered in fields beyond our business. Our ultimate goal is to realize a sustainable society where people can enjoy happiness through beauty.

In September 2004 Shiseido signed the UN Global Compact, aiming to thrive 100 years into the future, and to establish and develop an ever-lasting sustainable global community by instilling a high sense of ethics and mission in each and every Group employee. We look forward to the continued support of our stakeholders.

Masahiko UOTANI
Shiseido Group CEO
April 2016

With its mission of "inspiring a life of beauty and culture," Shiseido strives to "realize a sustainable society where people can enjoy happiness through beauty."

Environmental conservation

Power of makeup for everyone

Makeup has the power to help and uplift people who are bravely going forward. Shiseido is promoting initiatives to deliver the power of makeup to everyone.



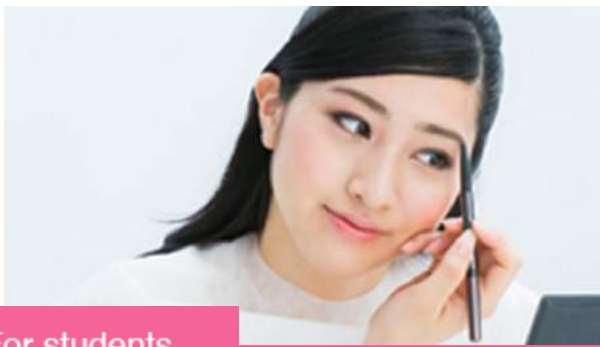
For people with serious skin concerns

We provide advice about makeup techniques to cover serious concerns such as skin discoloration and scars. We also help people whose appearance has been affected by cancer treatment.



For senior citizens

Wearing makeup stimulates the brain and gives a refreshing change. Also, the process of makeup is a good exercise for the body. We have developed a "cosmetic therapy" for senior citizens demonstrating the uplifting power of makeup.



For students, new recruits, office and service workers

We offer lessons on makeup appropriate for new recruits and students looking for a job, as well as on makeup for office and service workers. We share skincare methods and other skills that are both useful and healthy.



For persons with disabilities

We offer beauty lessons at special schools and facilities for persons with disabilities. Beauty lessons are also provided for visually impaired people using braille displays or voice guidance.

Together with society

Shiseido is taking steps for a better society.



Empowerment of rural Bangladesh women

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



Disaster relief activities

Shiseido uses its resources to help disaster victims to come back to their normal lifestyles.



Supporting female researchers

Every year, we present grants to 10 female natural science researchers. We hope that they can continue their research unaffected by childbirth, childcare or nursing care. The grant can be used for a wide variety of purposes, like hiring a research assistant or a babysitter during a business trip.



Toward a rewarding working environment

We are implementing various measures for a better work-life balance and increased productivity of our employees: reviewing work practices, eliminating long working hours, and diversifying working styles.

Environmental conservation

We engage in a variety of environmental conservation activities to realize a "sustainable society where people and the earth exist in a beautiful harmony"



Developing refill products

Shiseido has already developed over 700 refill products. We are set on increasing the number by year 2020.



Conserving biodiversity

All Shiseido products derive from the bounty of the Earth. To pass down this finite bounty to the next generations, we treat it with care and take a proactive approach to the conservation of biodiversity.

Women and Beauty

Shiseido Group supports all women to become healthy and beautiful.

A typical example of such support is the measures to improve Quality of Life (QOL) through cosmetics and beauty. We are promoting "SHISEIDO LIFE QUALITY MAKEUP," which solves problems concerning appearance utilizing our unique cover makeup techniques, and "Public Beauty Seminars" in which you can experience the "Power of Makeup" responding to various need of the society and the times.

(We used to call those two activities the "SHISEIDO LIFE QUALITY BEAUTY PROGRAM"; however, we are not going to use this title and will

introduce each activity separately.)

We are going to support women's ways of living from all angles, such as support for women's independence/social participation (e.g. support for female researchers, female junior high school and high school students' career selection, parental care and female athletes) as well as providing beauty information to children and families.

SHISEIDO LIFE QUALITY MAKEUP

Shiseido provides free makeup advice in a program called "SHISEIDO LIFE QUALITY MAKEUP" proposing solutions with cosmetics to various skin problems such as appearance/beauty concern of birthmarks, dark spots, vitiligo, skin irregularities (scars, etc.), side effect of cancer treatment (e.g. changes of skin color such as darkening, hair loss of eyebrows and eyelashes) and scares after operations (removal of tumor, etc.)

There are more than 380 business partners and medical institutions in Japan that sympathize with these activities and have received the training at the "SHISEIDO LIFE QUALITY BEAUTY CENTER" (Tokyo), as well as overseas activities in China (Shanghai and Hong Kong) and Taiwan (Taipei and Kaosiung). Through these activities, we aim to realize a society where people become happy by improving their Quality of Life (QOL), and supporting their power to be themselves so more people return to active social life.

For Those with Serious Skin Concerns



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

Appearance Care for Those with Cancer For Those Who Have Appearance Concerns Due to Cancer Treatment



*Appearance changes in the photo are due to makeup and CG.

Wig was provided by SVENSON Company Limited

For people with appearance-related concerns caused by cancer treatment(Japanese only)

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

The “Power of Makeup” long nurtured by Shiseido

“Spots Cover” released in 1956 started this story.

It was a foundation that was developed by making use of Shiseido’s unique capabilities with humanitarian purposes for those with keloid scars due to radiation-exposure in Hiroshima and Nagasaki, in order to alleviate their psychological burden.

After World War II, there were many people in Japan who had been burnt in the ravages of war; the foundation was developed with a wide variation of colors so that even men were able to use it. It was an unprecedented product at that time.

This was the original point that led to the current “Perfect Cover Foundation” series and is a product that was developed with “Technology of Light” that Shiseido had developed in its long cosmetic research. It evolved into a foundation that effectively and naturally covers skin color/irregularities, without hiding them with a thick layer of foundation.

Over about 60 years, we have been improving the Quality of Life (QOL) of those who have skin concerns by the “Power of Makeup”. To enrich people’s minds by cosmetics is the “starting point” of Shiseido.

This story is published in “The 100-Year History of Shiseido” (published by Shiseido in 1972).



Spots Cover (1956)



Perfect Cover Foundation (Present day)

technological advances

TOPICS: “Appearance Care Book for Cancer Patients” released

To those undergoing cancer treatment, those who have ended undergoing cancer treatment, those who are going to receive cancer treatment, their families and those concerned:

Cancer patients may feel as if they are losing themselves as they see their appearance change due to the side effects of cancer treatment such as darkening of skin and hair loss of eyebrows and eyelashes, and wish to recover themselves by naturally covering the changes.

We support such wishes with the “Power of Makeup”, ease one’s burden of appearance at a workplace, and increase people who can return to society; we aim to realize a society in which people become happy.



Public Beauty Seminars

Shiseido offers the “SHISEIDO LIFE QUALITY BEAUTY SEMINAR” and the “SHISEIDO CSR BEAUTY SEMINAR” under the public beauty seminars.

“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 for over 60 years, these activities have changed the contents according to the objectives and participants and developed with the hopes of making all customers beautiful.

The “SHISEIDO LIFE QUALITY BEAUTY SEMINAR”, in which we visit, among others, care management offices, facilities for persons with disabilities, schools and companies to give skincare and makeup lessons in order to help the participants feel the “Power of Makeup” and learn how to maintain an appearance appropriate for a member of society, has become part of the “SHISEIDO LIFE QUALITY BUSINESS” since July 2013 and we have conducted sustainable activities to contribute also to the solution of the issues of a super-aged society.

From January 2016, among those activities, the seminar for social welfare projects such as the one for facilities for persons with disabilities, etc. changed its name to the “SHISEIDO CSR BEAUTY SEMINAR” and will develop by clarifying the position of its activities specialized in social contribution.



A scene from the “Appearance Maintenance Class” for the children at children's nursing homes

The above activities and hand-massage activities are provided for free as social contribution activities in China, Germany and the U.S., etc.



Seminar at a medical facility in Germany

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

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

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

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

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

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

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

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

Scene from the “makeup service”



What is the SHISEIDO CSR BEAUTY SEMINAR?

An appearance maintenance class for social welfare projects as activities specializing in social contribution is called the SHISEIDO CSR BEAUTY SEMINAR “Social Contribution – Appearance Maintenance Class”.

The class is for special-needs schools, facilities for persons with disabilities, orphanages and living assistance homes for mothers and children.

We assist those who lack mobility and those who have various difficulties, and respond to their wishes to “apply makeup”, “to make a good first impression”, and “to know how to apply makeup and to establish an appearance appropriate for social life”.

At the class, people can enjoy makeup and learn how to maintain their appearance recreationally.

There are two courses for both men and women: “Freshers’ Course” for students and “Beauty Up Course” for adults.



The appearance lecture in a school
for the deaf

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 through 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 to which Shiseido donated funds for its establishment. Its research achievements have been contributing to the development of new cosmetics and aesthetic medicine to help improve quality of life (QOL) for all individuals and have been 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. We sent Shiseido employees specializing in science such as its researchers to schools as "career education" instructors to arouse students' interest in the sciences and the "wide range of future options and possibilities available by selecting science-related courses" by introducing their experience.

In fiscal 2015, we held onsite classes in 3 schools, including KOKUGAKUIN KUGAYAMA JUNIOR HIGH / HIGH SCHOOL, targeting a total of approximately 150 junior high school and high school students and promoted the advantages of selecting science-related courses.

Students who participated told us "I got to know about the wide variety of career choices when selecting science-related courses". It is also a good opportunity for researchers/lecturers to look back at their beginnings.

We will continue collaboration with schools to support female junior high school and high school students to design their future "dreams" and contribute to the development of future human resources in science that support Japan, a world leader in science and technology, by offering social activities unique to Shiseido.



Kokugakuin Kugayama Junior High / High School (The lecture scene)



Kokugakuin Kugayama Junior High / High School (Workshop)

Childcare support

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

Kangaroom Shiodome, a Nursery School Operated by Shiseido

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



Shiseido Running Club

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

Initiatives for Children

■ Activities to Provide Beauty Information to the next Generation

The number of children with skin problems such as rough skin is increasing, caused by their random use of cosmetic products at a younger age. To address this issue, Shiseido is disseminating daily beauty information for children, including face washing and UV-protection methods in an easy-to-understand manner, thereby enabling children to protect healthy skin on their own.

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



The scene of the Shiseido Kodomo Seminar

Environment

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 CO2 emissions at business sites.

Environmental policy

■ Ethos of Shiseido derived from its name

至哉坤元 万物資生

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

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

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

■ Corporate message

This moment. This life. Beautifully.

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

■ Shiseido Eco Policy

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

■ Shiseido Eco Policy

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

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

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

As suggested by the origin of its name, Shiseido has consistently strived to be a good steward of the bounty of the Earth since its founding. Today, this bounty is being lost at a rapid pace, casting into doubt our ability to pass it down to future generations. Shiseido has returned to its roots and reaffirmed the importance of conducting its business while acting as good steward of the Earth's bounty. We have embraced a "new Policy on Biodiversity" that places "the preservation of 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 CO₂ 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, in 2013.

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

■ About Shiseido Earth Care Project

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

In order to continuously promote new beauty while receiving the benefits of the various bounties of the Earth, it is necessary to coexist with and show gratitude to the Earth. As we 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 CO₂ 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.

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

Environmental management

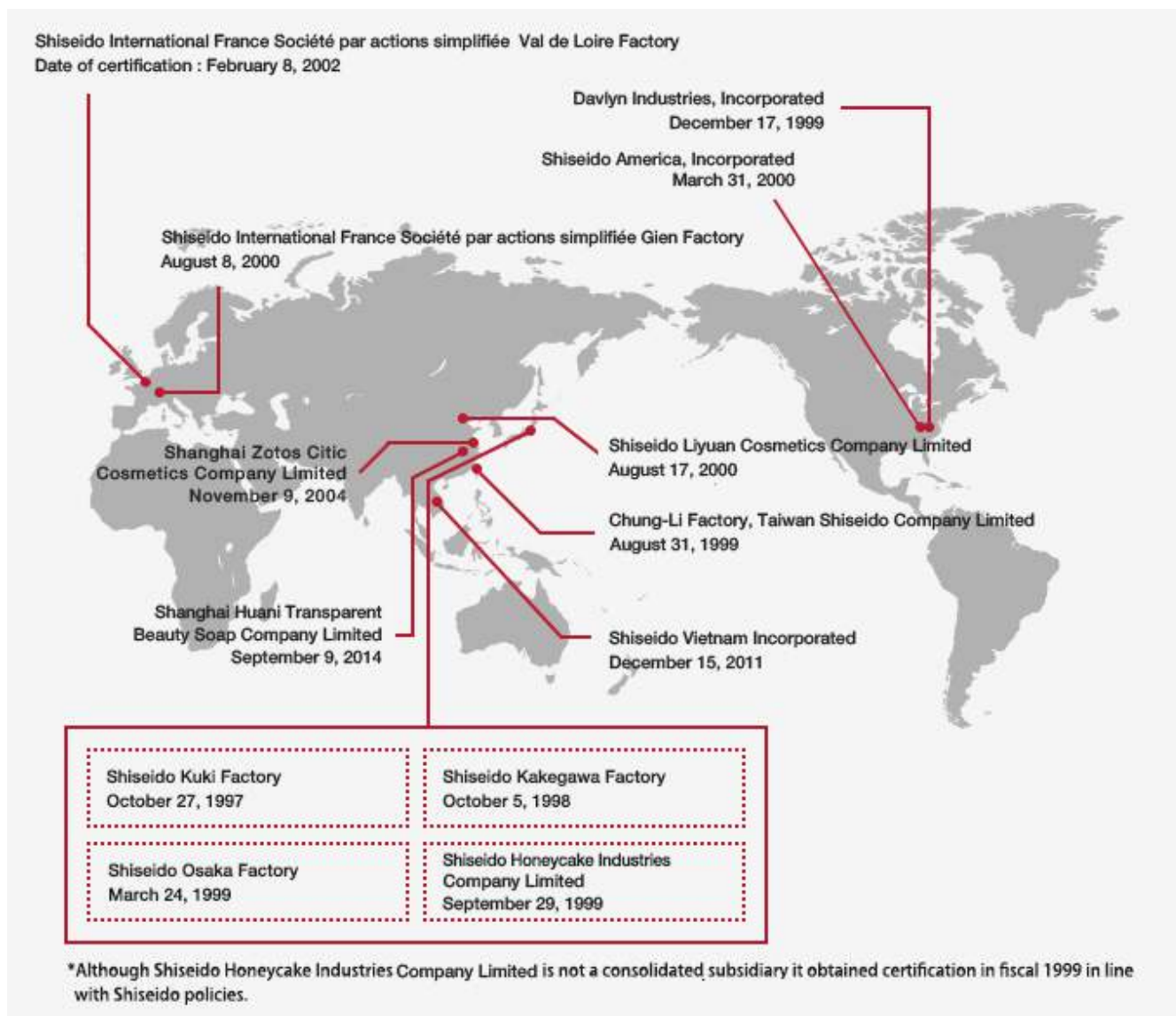
Structures

Shiseido launched the Shiseido Earth Care Project in fiscal 2009 as an environmental project with all employees worldwide as members. In the "CSR Committee" under the direct management of the Board of Directors by fiscal 2015, and in the "Executive Committee" which makes decisions for the execution of operation from fiscal 2016, we share progress in the Company's internal planning of environmental activities, and consider and consult on a variety of environmental issues.

Environmental management according to ISO14001 certification

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

Fiscal 2015 Status of ISO14001 Certification



Responding to Environmental Risks

There is a broad array of risks related to the environment and laws related to this issue are growing stricter every year in respective countries worldwide. Based on these circumstances, Shiseido's Head Office takes the lead in gathering information about new laws, and social trends regarding the environment, analyzing their provisions, disseminating information to the relevant departments and accommodating social needs. Observance of environmental laws and regulations is evaluated in production departments based on ISO14001 standards to ensure thorough compliance. Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations during fiscal 2015. Going forward, Shiseido is committed to managing its operations in an appropriate manner.

Our position on microbeads

Microbeads are tiny plastic particles used in cleansing or exfoliating. The microbeads used in Shiseido products are extremely safe for humans.

Yet, considering some consumers' environmental concerns about microbeads contained in such products as cleansers,

our new cleansing products developed since April 2014 no longer include microbeads.

In the United States, we will completely replace the ingredients complying with the federal law (production: by June 30, 2017; sales at retailers: by June 30, 2018.)

Regarding the existing cleansers in other regions, we will finish the replacement no later than 2018 depending on the characteristics of the products.

We will be replacing ingredients with alternatives promptly in the future regardless of the presence or absence of laws and regulations, should we recognize the need due to environmental risks and such.

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.

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



Industrial waste management training in progress

Management of Chemical Substances

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

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

Correspondence to the PRTR Law

PRTR target substance emissions and transfers

Fiscal 2015 (unit: tons)

Legal No.	Substance Name (legal designation)	Amounts of Emissions			Amounts of Transfers	
		Atmospheric	Public water	Soil	Sewage	Waste
56	Ethylene oxide (20%)	0.0	0.0	0.0	0.0	0.0
71	Ferric chloride	0.0	0.0	0.0	0.0	0.0
207	2,6-di-tert-butyl-4-cresol	0.0	0.0	0.0	0.0	0.0

275	Sodium dodecyl sulfate	0.0	0.0	0.0	0.0	2.3
334	Methyl 4-hydroxybenzoate	0.0	0.0	0.0	0.0	0.0
389	Hexadecyltrimethylammonium chloride	0.0	0.0	0.0	0.0	0.2
405	Boron and boron compounds	0.0	0.0	0.0	0.1	0.0
409	Sodium poly (oxyethylene) dodecyl ether sulfate	0.0	0.0	0.0	0.0	10.3

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

Target Period : April, 2015-December, 2015

Eco Standards

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

Environmental targets and results

The current three-year (2015 to 2017) environmental program commits Shiseido to pursuing "environmental friendliness throughout the product life cycle" and "global initiatives to reduce CO₂" as two pillars.

Environmental targets and results

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

Following the example of the previous 3 years, Shiseido commits to pursuing environmental friendliness throughout the product life cycle and reducing CO₂ emissions worldwide.

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

Global Initiatives to Reduce CO₂ 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 CO₂ 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 CO₂ emissions

To reduce CO₂ emissions worldwide, we endeavor to manage and reduce CO₂ emissions at all facilities, including those located overseas (head offices, research centers [Global Innovation Center], production facilities, sales companies, and affiliates), starting in fiscal 2011.

CO₂ emission reduction targets

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

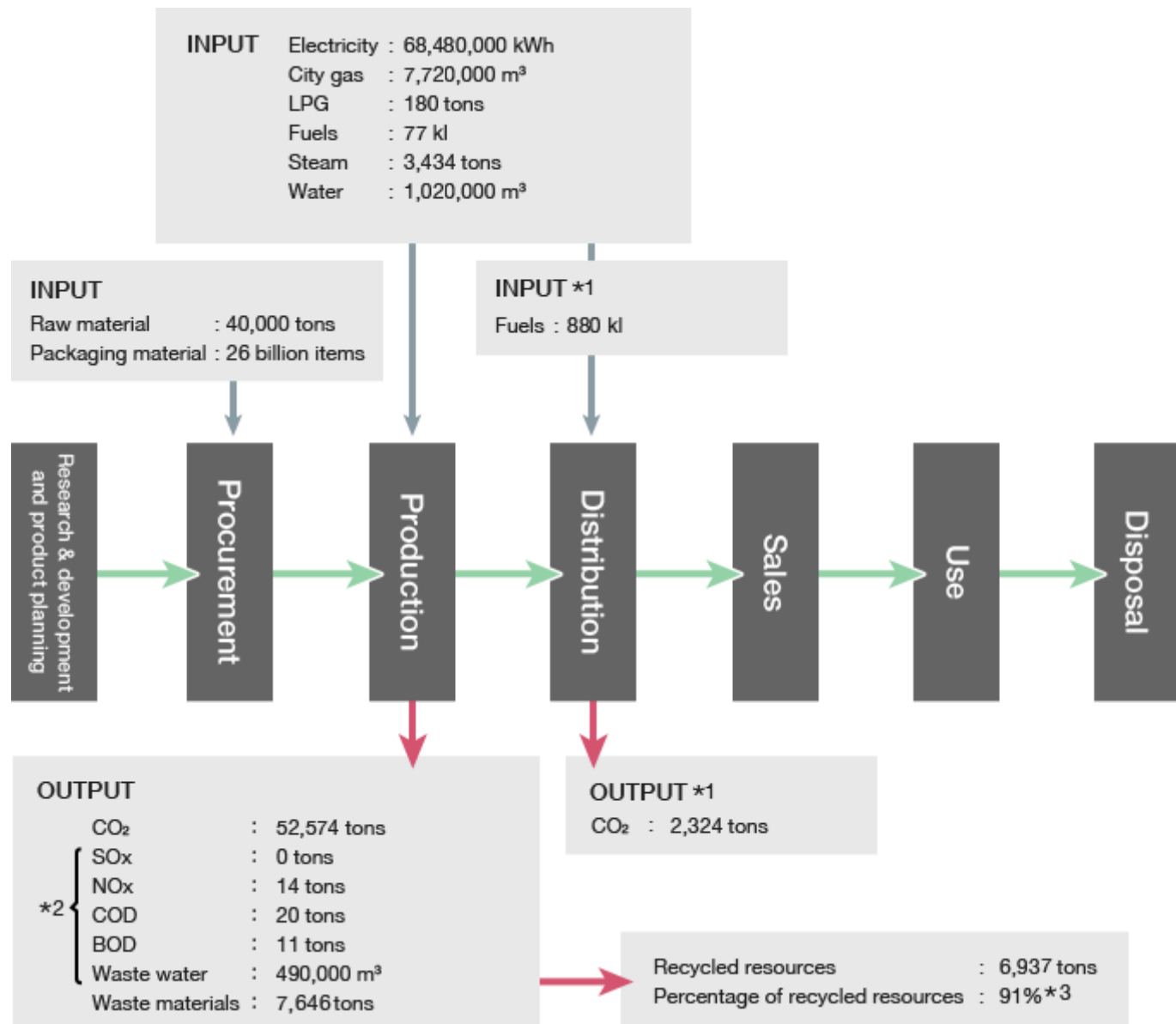
^{*1} BAU ratio : A comparison of the CO₂ emissions that would be expected if particular reduction measures were not implemented ("business as usual," or BAU) and the CO₂ emissions that would be expected if reduction measures are implemented.

^{*2} Excludes facilities from which data has not yet been acquired.

Environmental targets and results

FY2015 environmental impact results

The following are the environmental impact results for Shiseido's fiscal 2015 business activities.



Target Period: April-December, 2015 (Domestic), January-December, 2015 (Overseas)

Target range

*1 Shiseido Company, Limited

*2 Domestic production facilities

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

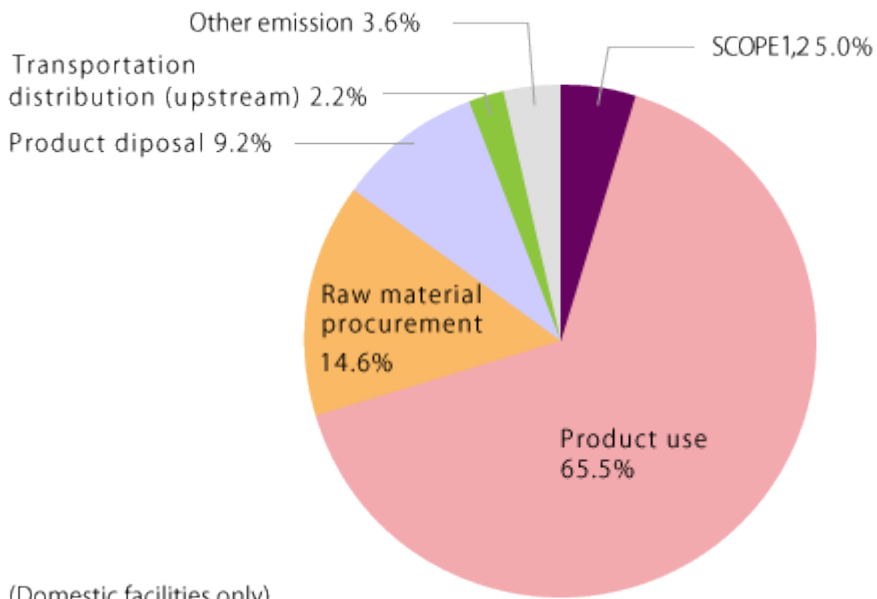
Domestic: Osaka Factory, Kakegawa Factory, Kuki Factory

Overseas: Shiseido International France Société par actions simplifiée Val de Loire Factory, Shiseido Vietnam Incorporated, Shanghai Zotos Clitic Cosmetics Company Limited

CO₂ reduction effect throughout the value chain in FY2015

In order to comprehend the environmental impact throughout the value chain and to effectively reduce CO₂, Shiseido reduced CO₂ 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 FY2015, which are our major initiatives in making environmentally-responsive products, we were able to reduce a total of approximately 7,300 tons of CO₂ emissions, including approximately 2,100 tons in raw material procurement and approximately 5,200 tons in the product disposal phase.



Target Period: April 1, 2015-December 31, 2015

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, 2015 - December 31, 2015 (domestic), January 1, 2015 - December 31, 2015 (overseas)

Scope of Target : Domestic production facilities, overseas production facilities, research centers (Global Innovation Center) in Japan, and Head Office.

Unit : Millions of yen.

1. Environmental Conservation Costs

Category		Main Initiatives	Investment	Expenses
(1) Costs breakdown by operation			82	247
Breakdown	(1)- 1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	26	56
	(1)- 2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	56	48
	(1)- 3 Resources recycling costs	Waste processing, recycling, wastewater re-use, reducing materials, etc.	0	144
(2)Upstream/downstream costs		Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc.	0	186
(3)Administrative costs		Personnel expenses (excluding R&D) for environmental management	0	474
(4)Research and Development costs		R&D for environmentally friendly products, etc. (including personnel expenses)	0	13
(5)Social contribution costs		Support of environmental groups, disclosure of environmental information, environmental advertising, etc.	0	63
(6)Environmental remediation costs		Environmental remediation costs, etc.	0	0
(7)Other costs			0	2
Total			82	985

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.	59
Cost savings	From energy conservation	78
	Waste-related	23
	From resource conservation	24
	Other	1
Total		185

Product initiatives

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

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

No.098

Using mechanically recycled PET for product containers

In September of 2015, Shiseido started using the PET resin, which was mechanically recycled from collected PET bottles, for containers of *SEA BREEZE*.

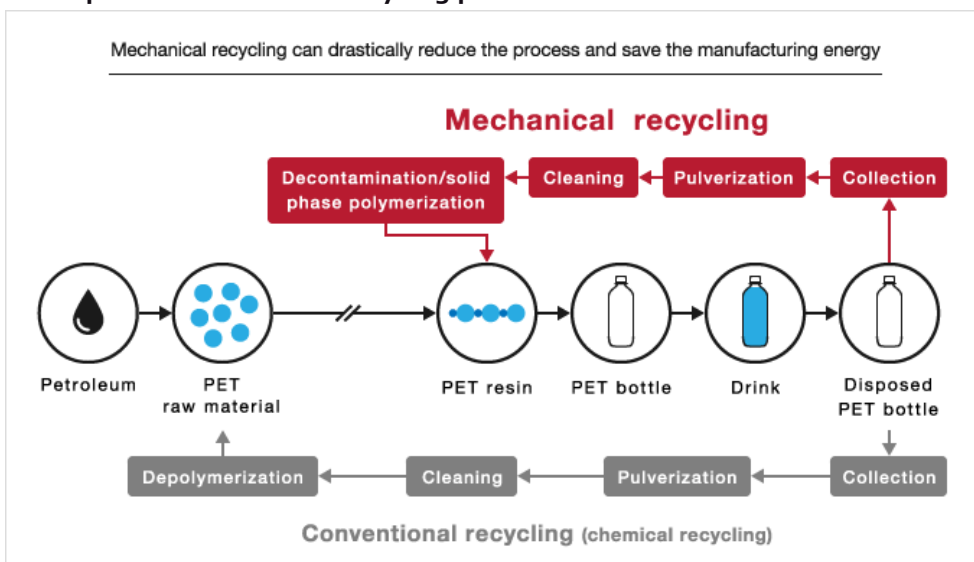
Mechanical recycling has better recycling efficiency compared to the conventional chemical method of recycling PET resin from PET bottles, meaning that this recycling method has less burden on the environment(*). It is already being used for PET bottles for drinks, etc. due to its high quality. We have been successfully able to produce environmentally-friendly containers by resolving the issue that is unique to cosmetics containers, which are complex and thick. Through this initiative, we can reduce not only our petroleum use, which is an exhaustible resource, but also the CO2 emissions by approximately 22 tons per year compared to using virgin PET.

In 2011, Shiseido adopted containers made from sugarcane-derived polyethylene for its product. This was the first time this material was used for cosmetics and daily basic goods in Japan. We will continue promoting further initiatives to design environmentally-friendly products.



SEA BREEZE that began using mechanically recycled PET

*Example of the mechanical recycling process



No.097

Released products containing raw materials with “clear background”, which were grown in our internal plant factory

In recent years, customers' needs toward safety/security, such as traceability, have been growing due to not only the expansion of the natural/organic cosmetics market but also numerous food fraud issues, etc.

In December of 2012, Shiseido established a plant factory, which can efficiently cultivate plants used as raw materials of cosmetics, inside of the Kakegawa Factory (Kakegawa City, Shizuoka Prefecture). In this factory, we have promoted developing safe and secure plant raw materials with “clear background”. In the plant factory, we efficiently grow seedlings while maintaining the optimal environment for various conditions, which are required for plants to grow (such as temperature, watering condition, lighting strength, light exposure duration, and CO2 concentration). “Chamomile” and “Rosemary” seedlings, which were grown in this plant factory, were then grown in an external commissioned farm. We released products containing the plant extract, which was derived from these plants, from a group company Ettusais in June of 2014.



Our internal plant factory

Through these initiatives that allow us to control the harvested amount of raw materials, we can not only avoid supply risks of plant raw materials used in Shiseido but also prevent depletion of raw material plants and reduce the impact on the ecosystem in the production site.

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.

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 lotion and emulsion from “*ELIXIR SUPERIEUR*” and “*ELIXIR WHITE*” product lines in September of



ELIXIR SUPERIEUR



ELIXIR WHITE

2012 as the second initiative.

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

Additionally, *ELIXIR WHITE*, which was renewed in March of 2016, also continues to use paper exterior package and offer refill products.

No.084

Reducing plastic use by making HAKU refills available

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

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

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

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

HAKU melanofocus CR (released in February 2013) and *HAKU* melanofocus 3D (released in February 2016) continuously adopt these environmentally-friendly containers and packaging.



Left: HAKU melanofocus 3D
Right: Refill

No.083

Environmental initiatives associated with the redesign of clé de peau BEAUTÉ Skincare Products

In order to satisfy 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.

By utilizing the skincare renewal in November of 2011 as a good opportunity, we conducted initiatives such as follows:

1. Formulated all skincare items with “sandalwood”, which is fragrance procured from fair trade (*1) sources.
2. Introduced a refill product for la crème (cream) for the first time.
3. Adopted bagasse paper (*2) for exterior packages and package inserts (instructions) of products.

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

clé de peau BEAUTÉ places importance on connections with nature and society and delivers products that take into account the environment as well as product quality.

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

*2 Non-wood paper made from fiber after extracting the sugar content from sugarcane

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



clé de peau BEAUTÉ
la crème n <cream>



la crème n <refill>



Left: Enriched lip luminizer <lip stick>

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



Luminizing face enhancer <Highlighters>

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.

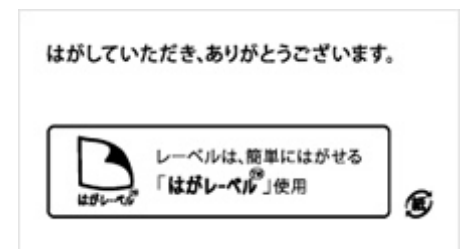
We reduced CO₂ emissions by about 427 tons for one year (Shiseido's estimate).

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



An easily removable label

No.096

3D pouch for clé de peau BEAUTÉ concentré illuminateur lotion and essence

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

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

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

clé de peau BEAUTÉ
concentré illuminateurPouch packs for the containers of
the lotion and essence

No.093

Development of Fullmake Washable Base

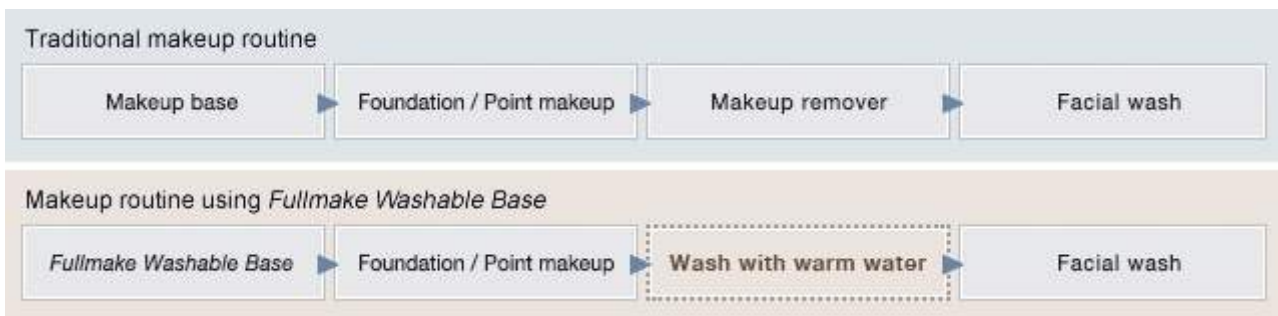
"Fullmake Washable Base," which was released in advance via the Shiseido website "watashi+" online shop in December of 2012 and was released via counters in February of 2013, is the world's first (*1) makeup base that enables users to easily remove the makeup, which is applied over the base, only with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

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



Fullmake Washable Base

- *1 From the database of Mintel Japan, Inc. (Researched by Shiseido)
- *2 Method that evaluates the water consumption throughout a product's life cycle from raw material procurement to production, usage, disposal, and recycling as well as the environmental/social impact due to it in a quantitative manner. This method targets all water used directly as well as indirectly, including cultivation of plants for raw materials, water used in the course of the product's production process, etc.
- *3 Traditional makeup routine and makeup routine using "Fullmake Washable Base"



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

No.055-2

Using polyethylene produced from sugarcane for SUPER MiLD containers

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

Incineration of sugarcane-derived polyethylene involves the release of carbon dioxide (CO₂), which sugarcane absorbs as they grow, so it can be said that there is no difference in the level of CO₂ 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 CO₂ than petroleum-derived polyethylene in their life cycles.

Now approximately 96% of the materials used for the SUPER MiLD bottles (both regular and jumbo sizes) and approximately 34% for refill packs, are sugarcane-derived polyethylene and thus CO₂ 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 it can prevent competition between food usage and plastic usage.



SUPER MiLD



The mark indicates products that use plant-derived plastic, such as sugarcane-derived polyethylene.

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 product reduced the disposal soap by a total



Awafuru Eco Soap

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

Moreover, the product adopts the "*wakuneri*" manufacturing method used for premium facial soap rather than the "*kikaineri*" (machine mixing) manufacturing method generally used for hotel-use soaps. For this reason, while common soaps used at hotels contain no or small amounts of moisturizing ingredients, *the 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 product has both considerable eco appeal and beauty appeal for its gentleness on the environment as well as skin. As a result, Shiseido is already receiving requests from many hotels for introduction of *the product*.



Contains micro air bubbles



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

No.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 CO₂ when they grow healthily, the material also helps reduce CO₂.



Kirei no Susume

(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.



Chou-mei-sou

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 CO₂ emissions by approximately 360 tons annually.



JOICO

Production initiatives

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

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

No.051

Environmental responsiveness in Shiseido America, Inc. East Windsor Factory

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

With this installation, together with the system that was initially installed, the system is expected to generate approximately 2,300 MWh of power on an annual basis. This will cover more than 70% of electricity consumed annually at SAI using solar power generation. In addition, approximately 1,200 tons of CO₂ emissions can be reduced annually by utilizing the solar power generation equipment, ranking the system among the largest installations in the state.

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

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

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



Phase 1 installation (fixed tilt system)



Phase 2 installation (solar tracking system)

Furthermore, East Windsor Factory has also been working on recycling Styrofoam, which is used to protect materials when materials are being delivered, since July of 2012. Although we used to dispose it of as landfill waste, we process it internally and sell it as valuable goods. Through this initiative, we can reduce the waste by approximately 7.5 tons per year and approximately 0.8 tons in CO₂ emissions.

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) that 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 USA.

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

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

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



Wind power generators at the Geneva factory



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 CO₂ 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.

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



ROSARIUM rose body milk RX

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 CO₂ 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 CO₂ 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.

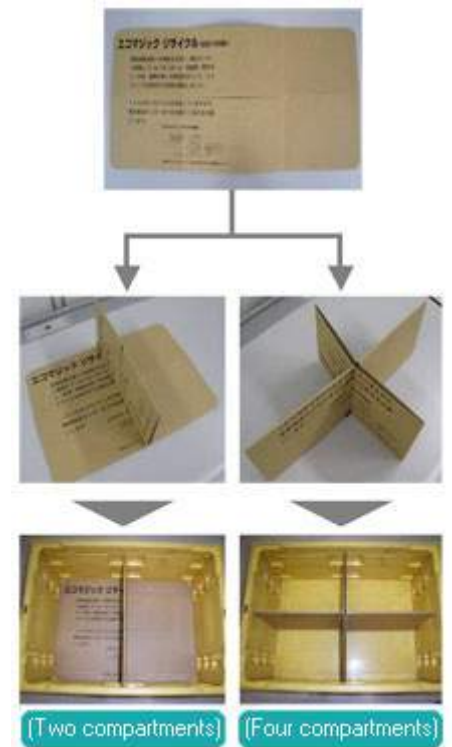
Working with Shiseido distribution partner Hitachi Collabonext Transport System Co., Ltd., the factories developed a standardized

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 back to the factory, allowing their reuse.

Shiseido expects to cut its annual transportation-related CO₂ 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.



A cardboard insert can be flexibly altered

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. The Vietnam factory will grow as these trees planted by the employees grow.



Vietnam Factory



The trees planted within own premises

No.064

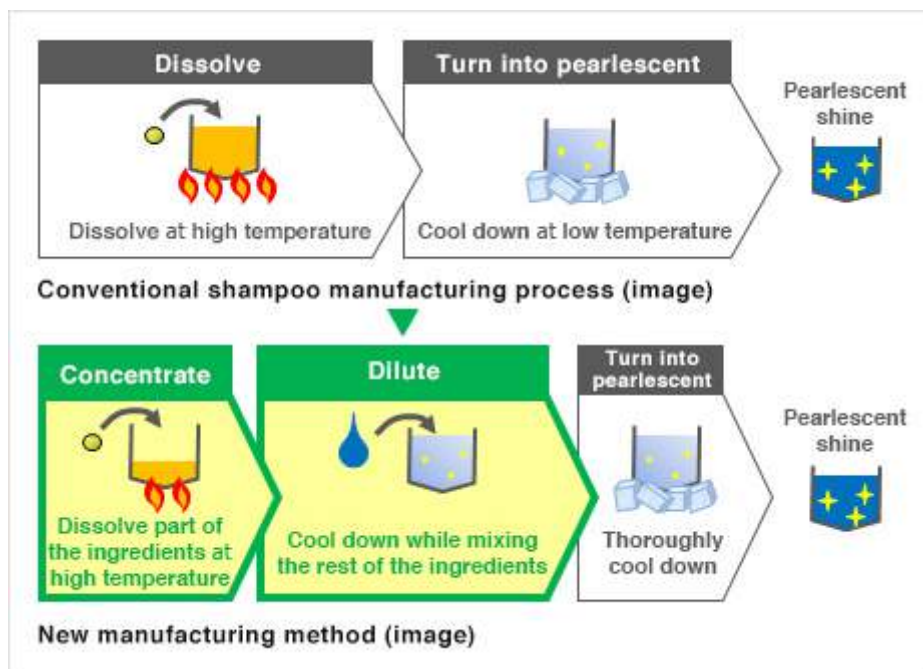
Process for shampoo using minimal energy

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

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

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

With this initiative, we were able to reduce approximately 29 tons of CO₂ emissions per year and reduce the heating/cooling processes, thus leading to the enhancement of productivity.



Initiatives in research, procurement, distribution, and sales

In addition to developing environmental technologies to reduce CO2 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 CO2 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 an adherence to the Shiseido Group Supplier Code of Conduct (which was revised in December 2011). Going forward, we will continue to work with suppliers to take biodiversity into account and contribute to a sustainable society.

In distribution, we are working to reduce CO2 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).

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

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

No.092

Environmental responsiveness in carton for "watashi+" online shop

Shiseido website "watashi+" online shop, which was launched in April of 2012, carries approximately 2,600 products that are sold via counters. In order to deliver products, which are sold via counters, in the form of mail order, we needed strong outer packaging and many cushioning materials. However, in order to respond to the customer feedback "There are too many cushioning materials per product" regarding mail order in general, we worked on developing shipping boxes with considerations to business partners and the environment. We developed 5 sizes of the transport box lineup according to the size of products to be delivered. Furthermore, we newly developed a paper divider that freely expands and contracts to change the shape according to the product's size and form. One sheet of this divider can respond to all products, and we can now reduce the vibrations and friction during transportation to deliver them without damaging them. In addition to the environmental contribution effects of CO2 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.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: clé de peau BEAUTÉ

Right: HAKU Melanofocus 3D

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.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 CO₂.

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 CO₂ emissions, thereby enabling a significant reduction compared with conventional incineration processing.



No.058

Starting Delivery Using 10-Sided Cardboard Boxes

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

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

The reduction in the amount of cardboard materials used and greater delivery efficiency have enabled Shiseido to save resources and reduce CO₂ emissions by more than 800 tons annually. In this way, Shiseido promotes comprehensive environmental activities encompassing all processes from manufacturing to shipping and delivery.



Initiatives to conserve biodiversity

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

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

No.033-2

Volunteers Plant Mangrove Trees in Thailand

Shiseido (Thailand) Co., Ltd. has been continuing with its mangrove planting activity throughout Thailand since fiscal 2008.

On September 13, 2016, 52 local employees planted approximately 500 trees in a mangrove forest of the Quartermaster Department Royal Thai Army (QMRTA) in Samutprakarn Province near Bangkok. The event was held under the support of the Foundation for Environmental Education for Sustainable Development (FEED), a nonprofit organization registered in Thailand, and an organization affiliated with the World Wide Fund for Nature, Thailand (WWF Thailand).

We also learned at the Environmental Study Center on Natural Resource Preservation how important it is to protect natural resources and how to effectively utilize sustainable energy. It turned out to be a day of great learnings.

Participants shared their voices, such as, "We realized that to raise even one tree takes strong commitment to create and preserve the beautiful nature of Thailand and its future."

Shiseido (Thailand) Co., Ltd. will continue with its environmental conservation activity with the hopes of handing down the beautiful natural environment to the future generations.



Taking a commemorative photo of all the participants



Planting each tree carefully

No.070

Tree-planting and conservation activities in Shiseido Tsubaki Forest

Shiseido signed on to Wakayama Prefecture's "Corporate Forest" project in February of 2009 and started 10-year-long forest conservation activities in Tsubaki, Shirahama-cho, Nishimuro-gun, Wakayama Prefecture. We have planted a total of approximately 3,880 Japanese camellia (*Camellia japonica* L.) trees between 2009, in which "Shiseido Tsubaki Forest" was born, and 2016.

In May 2016, a total of approximately 100 volunteers, including Shiseido employees in the Kinki region and their family members, joined our 7th year's activities. On the day of the activities, under the instructions of



Planting of the camellia seedlings

people from the Wakayama prefectural government office, Shirahama town office, and the local forest union, we engaged in the planting of the camellia seedlings, cutting down undergrowth in the area where trees were planted previously, and the preparation of the areas where tree-planting is scheduled for next year and beyond. We also experienced camellia oil extraction and enjoyed nature observation sessions by forest instructors. Participating employees shared their experiences, such as "It gave me a nice memory as I could join various activities in forests where I usually have no chance to visit" and "I had a very nice sweat. Next time, I would definitely like to plant trees where we did the preparation this time."

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.



Preparation



Nature observation sessions



Volunteer activity

No.053

Shiseido implemented the 9th 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. In the 9th activity implemented in April of 2016, a total of 60 persons, including volunteer employees and staff from the Shiseido Group, planted oriental arborvitae with all members.

The participating employees shared their opinions, such as "I came to Lanzhou for the first time, but I engaged in a very rewarding activity", "I communicated with employees from other areas of the Shiseido Group, and it became a very precious experience", etc.

108,000 trees have been planted in 9 years from 2008 to April 2016, and its fixation ratio is about 95%, which is equivalent to green development of waste land 11 times the size of Tokyo Dome (0.047km²).

The initiative seeks to contribute to Chinese society, including by deepening the bonds of friendship between Japan and China, protecting the environment by preventing desertification and reducing CO₂, and creating opportunities for local employment.

Location	Lanzhou City, Gansu Province, China
Planting area	Approx. 53.4 ha
Number of trees	Approx. 108,000 (April 2008 to April 2016)
Program duration	Approx. 10 years



Tree-planting activity

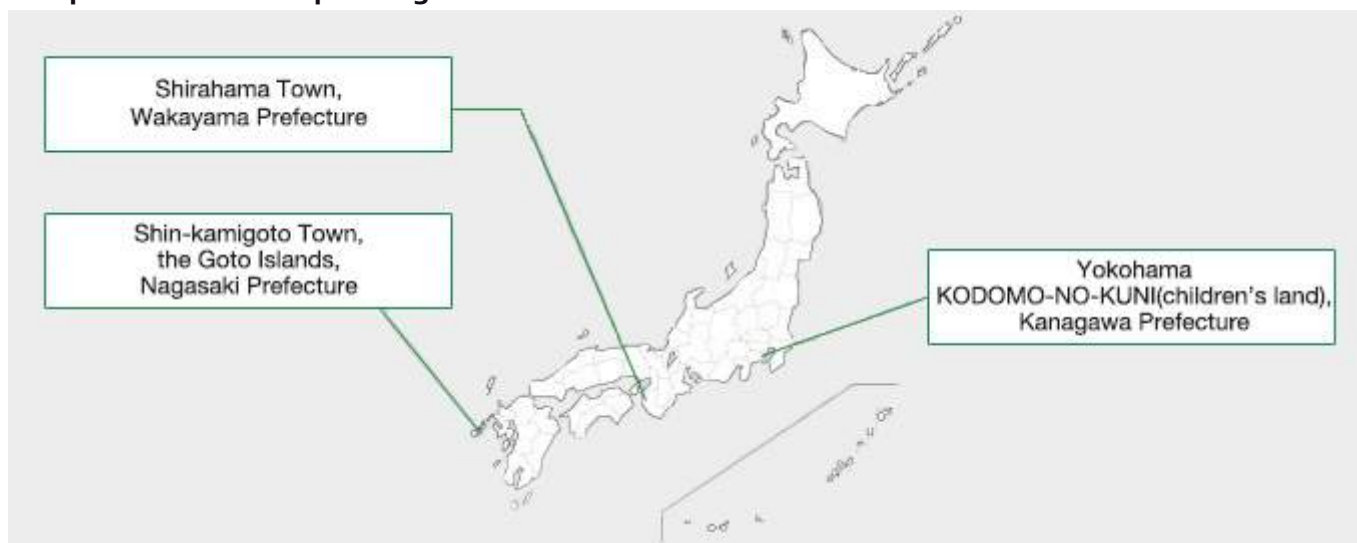


Volunteer employees and staff

Camellia planting and conservation volunteer activities

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

The place of camellia planting and conservation volunteer activities



No.089

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

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

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

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

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

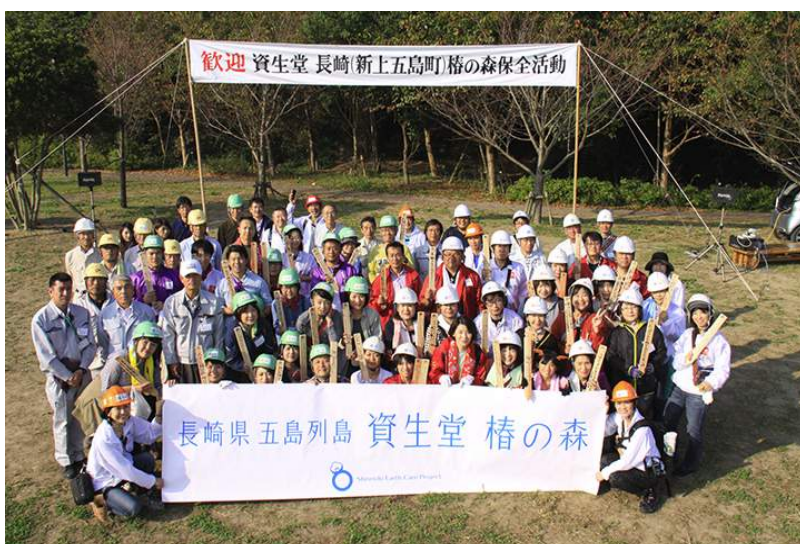
Shiseido will continue promoting environmental conservation activities that are integrated with our business activities for raw material production sites in cooperation with local residents.



Planting the camellia



Cleaning the beach with local volunteers



Group photo with all of the participants

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

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

"The Forest of Camellia Tree" in KODOMO-NO-KUNI was donated by Shiseido in 1972 as a 100th anniversary commemoration project after buying the camellia collection of Mr. Choka Adachi, who was the founder of the Adachi-style flower arrangement. There are currently approximately 7,000 trees of approximately 650 varieties, including sasanqua, in the massive forest covering 15,000m². It is also well-known as a famous spot for camellia.

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

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



Pruning work



Volunteer employees

No.095

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

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

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

We are also removing the alien plant "Eichhornia crassipes", which is overgrown along Tabaru River, which is a major river on the island. It was originally introduced to purify water, but it is overgrown now so much that it covers to the water surface, presenting a risk that it would make it difficult for the native animals and plants to live. Therefore, we removed approximately 50 two-ton trucks worth of Eichhornia crassipes in May of 2014 with the aim of gaining back the

original environment. Thanks to this work, light now shines through the water, and algae grow on the riverbed. The work has led to environmental improvement, as seen in the example of a number of aquatic organisms being observed. Shiseido will continue promoting the activities to protect the rich natural environment to lead to the future along with the people of Yonaguni Island.

* Yonaguni Itonami Network

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



Yonakama Zukan



Removing work of "Eichhornia crassipes" along Tabaru River

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

No.094

Environmental responsiveness of Shiseido Ginza Building

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

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

The investigation results showed that the Ginza district had a small animal population with a small number of types of animals. On the other hand, it was confirmed that in the neighboring large greens such as Hibiya Park and Hamarikyu, there was a large animal population and they are breeding and foraging. From these results, we found that if we had green space on the rooftop of the new headquarters building, that could be a stopping point for birds and insects, thus we could contribute to the biodiversity-friendly community development.

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

We have also reduced approximately 30% of CO₂ 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.



Shisei Garden

No.069

Research on KODA

Shiseido has discovered through conducting joint research*1 with Sumitomo Forestry Co., Ltd. that KODA (α -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 Ankokuron 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.



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

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

- *1 Joint research project ("Enhancement of CO₂ sinks by improvement of afforestation technology in tropical forests") funded by the Environment Research & Technology Development Fund administered by the Ministry of the Environment
- *2 Joint research project ("Development of flower initiation control technology of fruit trees using KODA") supported by a grant-in-aid from the Research and Development Program for New Bio-industry Initiatives

Environmental communication

Awards

clé de peau BEAUTÉ la crème n wins award at "Japan Packaging Contest 2016"

In August 2016, clé de peau BEAUTÉ la crème n received the "Accessible Design Packaging Award"*¹ at the "Japan Packaging Contest 2016"*².

Refills for la crème n, a clé de peau BEAUTÉ cream, were first released in January 2011. In February 2016 the refill package was redesigned using a new refill mechanism developed to make it even easier to refill containers. With the new refill replacement method, the product container's cap is removed and the container is placed on top of the new refill container. Pushing down causes the used refill to pop up so that it can be removed. The new refill container is then lined up and pushed down into the product container, completing the process.

In addition to developing and introducing this new refill mechanism that enables anyone to easily refill containers, its launch also reduced the amount of plastic used by roughly 73% compared with the original product container. Vapor deposition used on the interior of the product container together with the container's polyhedral shape reflect the concept of la crème n: skin radiant from within. Features such as these led to the selection of la crème n as the award winner.

*¹ Award presented for package designs featuring universal design, accessible to the elderly and those with disabilities, and which also improve usability for able-bodied users.

*² "The Japan Packaging Contest" (held by the Japan Packaging Institute) is Japan's largest contest for superior packaging designs and packaging technologies. It presents awards in three categories: the Japan Star awards (12 awards), the Packaging Technology awards (6 awards), and the Packaging Department awards (13 awards). The "Accessible Design Packaging Award" is one of the Packaging Technology awards, and is the second highest award, surpassed only by the Japan Star awards.



clé de peau BEAUTÉ la crème n original container (left) and refill (right)



"Accessible Design Packaging Award" plaque

clé de peau BEAUTÉ SYNACTIF received an award from "Japan Packaging Contest 2015"

In August 2015, clé de peau BEAUTÉ SYNACTIF received the "Cosmetics Packaging Award" that is an award for "Good Packaging" at the "Japan Packaging Contest 2015" (Japan Packaging Institute). The "Japan Packaging Contest" is the biggest contest in Japan to recognize good package designs and packaging technology and has three sections of "Japan Star (12 awards in total)", "Technical Packaging Award (6 awards in total)" and "Good Packaging (13 awards in total)".

Refills for 2 products of the day serum (Hydratant jour and Hydratant jour enrichi) of clé de peau BEAUTÉ SYNACTIF were released at the time of renewal sales in October 2014.

By releasing refills, the amount of used plastic is decreased by about 58%



clé de peau BEAUTÉ SYNACTIF
Hydratant jour: main unit/refills
Hydratant jour enrichi: main unit/refills

Further, by making the refill containers transparent, the remaining content can be checked, and it is easy to detach the container just by turning it 90 degrees; we made these changes on the basis of the various requests and opinions of our customers.

The award was given for its environmental friendliness and ease of use, as well as its beautiful design expressing "clear beauty, full of energy".



"Cosmetics Packaging Award" plaque

Shiseido received a letter of appreciation from KODOMO-NO-KUNI

On Friday, May 8, 2015, KODOMO-NO-KUNI* celebrated its 50th anniversary and gave letters of appreciation to 31 partner organizations and individuals, including Shiseido and the Shiseido Social Welfare Foundation, that have contributed to the development of KODOMO-NO-KUNI.

In 1971, as one of the 100th anniversary commemorative projects, Shiseido bought a collection of camellias owned by Mr. Choka Adachi, the founder of the Adachi-style flower arrangement, and then donated it to KODOMO-NO-KUNI. "The Forest of Camellia Tree" in KODOMO-NO-KUNI originated from that donation. The number of camellia trees has increased from 5,650 to 7,000, made up of approximately 650 varieties. Shiseido has regularly engaged in conservation activities since 2011 to protect "The Forest of Camellia Tree", which has a close connection with Shiseido. A letter of appreciation has been given for the many times we have offered assistance.

Additionally, the Shiseido Social Welfare Foundation received another letter of appreciation for supporting "Child Welfare Institute Marathon Relay Race", "Women's Marathon Relay Race", and "Graduation Farewell Marathon" for children living in welfare institutes in Kanagawa Prefecture, which take place in KODOMO-NO-KUNI during Child Welfare Week.

Shiseido will continue to promote a wide range of environmental and social activities.

*A child welfare facility that was founded on May 5 (Children's Day), 1965 based on money raised across Japan to commemorate the marriage of the Crown Prince (the present Emperor) in 1959. The facility has the aim of helping children, who will create the future, to grow up healthy in compliance with the Child Welfare Act.



KODOMO-NO-KUNI (Yokohama, Japan)



Shiseido and Shiseido Social Welfare Foundation received letters of appreciation.

Awards received

Month/Year	Award	Organizer	Reason for award
April 2000	Minister for Environment Award of the 9th Grand Prize for the Global Environment Awards	The Fuji Sankei Group	Continuous environment improvement activities based on Shiseido Global Eco Standard
April 2002	Minister of Education, Culture, Sports, Science and Technology Award of the 11th Grand Prize for the Global Environment Awards	The Fuji Sankei Group	Establishment of a recycling system for used glass bottles for cosmetic products
February 2004	Encouragement Award for Environmental Reporting of the 8th Environmental Communication Awards	Ministry of Environment and the Global Environmental Forum	The contents of the CSR Reports
June 2009	Logistics Award of the Japan Packaging Contest 2009	The Japan Packaging Institute	Resource-saving packaging with 10-sided cardboard boxes
May 2010	The 18th Chemical/Biotechnology Prize	The Chemical/Bio Tsukuba Foundation	Research on the "Discovery and Development of the Physiological Effects of KODA (α -Ketol-OctadecaDienoic Acid)"
June 2010	Cosmetics Packaging Award of the Japan Packaging Contest 2010	The Japan Packaging Institute	Use of polylactic acid containers for <i>URARA</i> hair cleansing products.
June 2010	Cosmetics Packaging Award of the Japan Packaging Contest 2010	The Japan Packaging Institute	Reduction of CO ₂ emissions by introducing <i>Soka Mocka</i> compressed cotton balls to improve the volumetric efficiency during transportation and storage
December 2010	"The 2010 New Jersey Governor's Environmental Excellence Awards" Clean Air Section	The state of New Jersey (USA)	Introduction of a photovoltaic power system at Shiseido America, Inc.
June 2011	Cosmetics Packaging Award of the Japan Packaging Contest 2011	The Japan Packaging Institute	Reduction of plastic use by adopting refill containers for <i>ELIXIR WHITE Reset Brightenist Cream</i>
June 2011	Appropriate Packaging Award of the Japan Packaging Contest 2011	The Japan Packaging Institute	Reduction of plastic use by adopting refill containers for <i>HAKU Melano Focus W</i>
September 2011	1st Biomass Product Popularization and Promotion Achievement Award	Japan Society of Biomass Industries	Adoption of cosmetic containers made from sugarcane-derived polyethylene
October 2011	Good Design Award 2011	The Japan Institute of Design Promotion	Environmentally friendly container designs of <i>clé de peau BEAUTÉ</i> and <i>HAKU Melano Focus W</i> products

February 2012	2nd Kanagawa Global Warming Prevention Award (Greenhouse Gas Reduction Technology Development Category)	Kanagawa Prefecture	Development of low-energy emulsion manufacturing process
February 2012	Award of Excellence (Environmental TV Commercial Category) of the 15th Environmental Communication Awards	Ministry of the Environment and the Earth, Human and Environment Forum	Corporate commercial, "Finger Energy version"
April 2012	The Japan Federation of Printing Industries Chairman's Award of Japan Packaging Competition 2012 (JPC Exhibition)	The Japan Federation of Printing Industries	Adoption of containers made from sugarcane-derived polyethylene for its <i>SUPER MILD</i> products
April 2012	Japan Business Federation Chairman Award of the 21st Grand Prize for the Global Environment Awards	The Fuji Sankei Group	Use of camellia oil produced in the Goto Islands in its products and planting and conservation of Japanese camellia trees, whose seeds are used to make the oil
June 2012	President of Japan Marketing Association Award of the Japan Packaging Contest 2012	The Japan Packaging Institute	Adoption of containers made from sugarcane-derived polyethylene for its <i>SUPER MILD</i> products
September 2012	2012 Green Power Leadership Award	United States Environmental Protection Agency	Introduction of two large wind turbine generator systems at ZOTOS International, Inc.
December 2012	2012 Environment Minister's Award for Global Warming Prevention Activity	Ministry of the Environment	Development of low-energy emulsion manufacturing process
February 2013	Award of excellence (Industrial Use Category) of the 2012 Cogeneration Grand Prix	The Advanced Cogeneration and Energy Utilization Center Japan	Energy-saving activity through the introduction of a highly-efficient warm water utilization system at Kuki factory
August 2013	Transport Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Development of shipping boxes for "watashi+" online shop
August 2013	Appropriate Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Adoption of refill containers made from sugarcane-derived polyethylene for <i>ELIXIR SUPERIEUR</i> , <i>ELIXIR WHITE</i> products
August 2013	Toiletry Packaging Award of the Japan Packaging Contest 2013	Japan Packaging Institute	Adoption of refill containers made from sugarcane-derived polyethylene for <i>Shiseido Medicated Hand soap</i>

November 2013	CDP "Climate Disclosure Leadership Index"	CDP	Selected as an excellent company in the study regarding information disclosure on climate change conducted with 500 Japanese companies
August 2014	Japan Package Design Association Award of the Japan Packaging Contest 2014	Japan Packaging Institute	Environmentally friendly container designs of <i>clé de peau BEAUTÉ concentré illuminateur</i>
October 2014	CDP "Climate Performance Leadership Index"	CDP	Selected as an excellent company for its activities to reduce GHG emissions and mitigate climate change risks based on CDP's survey on climate change response conducted with 500 Japanese companies
December 2014	"LCA Society of Japan Encouragement Award" of 11th LCA Society of Japan	LCA Society of Japan	Sales activities of "Awafuru Eco Soap", which is an amenity for hotels with considerations for the environment.
August 2015	Cosmetics Packaging Award of the Japan Packaging Contest 2015	Japan Packaging Institute	Reduction of plastic use by adopting refill containers for two <i>clé de peau BEAUTÉ SYNACTIF</i> serums for daytime use
August 2016	Accessible Design Packaging Award of the Japan Packaging Contest 2016	Japan Packaging Institute	Development of new <i>refill</i> replacement mechanism for <i>clé de peau BEAUTÉ la crème n</i>

Commitment to Society

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

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

About the Eco-First Program

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



Eco-First Mark

Shiseido's Eco-First Commitment

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

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

Exhibitions

Shiseido participated in "Eco-Products Exhibition 2015"

From December 10 (Thursday) through 12 (Saturday), 2015, Shiseido participated in the "Eco-Products Exhibition 2015", one of the largest environment protection exhibitions in Japan.

In 2015, in its 17th exhibition, 700 companies and organizations from Japan and overseas exhibited their products, and a total of approximately 170,000 consumers visited during the 3-day exhibition period. Approximately 9,500 consumers visited the Shiseido booth, where we introduced the environmental responsiveness of Shiseido products.



Shiseido booth

The Shiseido booth was designed with the themes of "making full use of resources" and "using resources while conserving them". In the "making full use of resources" section, refill products (refills/replacements) from various brands were introduced. The utilization of plant-derived plastic and bagasse paper was also explained using panels. The beauty drink "The Collagen" series has adopted the "Haga label (easy-to-remove labels)", and our booth provided an opportunity for visitors to experience Haga labels.



Exhibition of Chou-meï-sou

Visitors voiced their opinions and said that they understood how Shiseido products were made with both resource saving and the ease of use in mind and enjoyed a rare opportunity to see the raw materials of cosmetics.

Shiseido will continue to promote environmental activities in pursuit of sustainable business operations.



The state of the event

Shiseido exhibited its products at the Water Day FESTIVAL hosted by the Ministry of the Environment

On August 1 (Saturday) and 2 (Sunday), 2015, Shiseido had a booth at the Water Day FESTIVAL held in AEON MALL Makuhari New City in Chiba. This event has been held on August 1, Water Day, since last year to make the public fully aware of the importance of water resources and conservation of water.

During the event, approximately 30 businesses and organizations gave presentations on their products and services on the theme of "Water Style", a new way of harnessing water suggested by the Ministry of the Environment.

Under the concept of "Active Life WITH Water Style", Shiseido aimed to make life surrounded by water more familiar, fun, and comfortable by giving visitors an opportunity to experience "SEA BREEZE Deo & Water".

Shiseido will continue to ensure the sustainable use of water as well as highlight the importance of water for customers.



The state of the event

Other activities

Cooperation with Stakeholders

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

We have also joined the "Keidanren Nature Conservation Fund", and we observed mangrove plantations and forests with other member companies in fiscal 2014 with the aim of understanding the reality of the natural environment in Thailand and Cambodia. In fiscal 2015, we participated in Earthwatch Institute-Japan's "East Japan Post Tsunami Monitoring Project Butterfly Research in Islands" to assess changes in vegetation caused by earthquakes and tsunami and impacts on the diversity of butterflies.

In order to materialize our aim of a sustainable society, we will continue to promote our initiatives in cooperation with a broad range of stakeholders.



Lecture in a seminar



Observing a mangrove plantation in Thailand



Earthwatch Institute-Japan's Butterfly Research in Islands

Environmental Education in Collaboration with the Local Community

▪ Environmental Study Session Held in Shiseido Ginza Building's Roof Garden

On Wednesday, October 5, and Monday, October 24, 2016, 25 nursery school students and four second graders from nearby schools were invited to take part in environmental study sessions in the "Shisei Garden※" on the roof of the Shiseido Ginza Building.

The nursery school students observed the plants, walked around the garden, plucked leaves that they liked, and observed differences between them, such as their colors, shapes, and smells. The elementary school students, who visited as part of a field trip, enjoyed various new experiences, such as taking seeds from a cotton tree, cutting a piece of sugar cane with scissors and tasting it, and crushing camellia seeds with a hammer, placing them in an oil mill and extracting their own camellia seed oil.

The nursery school students were surprised at the existence of a roof garden in Ginza, saying that they thought it was really interesting having a place with so many plants in the middle of the city, and that they wanted to see even more leaves. The elementary school students said they enjoyed the feel of the cotton from the cotton tree, which they touched for the first time, and that they were surprised that oil could be extracted from seeds. The event served as an excellent opportunity for them to learn about biodiversity and the relationship between nature and their day-to-day lives.

Shiseido is planning to continue environmental education in close collaboration with the community.

※ The zone was made available on the roof of the Shiseido Ginza Building in Chuo-ku, Tokyo (completed in the fall of 2013) for cultivating plants used as the raw materials for cosmetics, and is utilized as a place of study where Shiseido employees can feel the importance of the earth's blessings. (The place is not open to the public.)



Walking around the garden



Plucking leaves



Observing cotton



Extracting oil

▪ Environmental study session held at Kakegawa Factory

Every year, the Shiseido Kakegawa Factory in Kakegawa City, Shizuoka Prefecture offers elementary students a hands-on environmental class in alliance with Kakegawa City. On Wednesday, August 3, 2016, which marked the fifth anniversary of the event, 11 elementary students in grades 3 to 5 and 2 guardians attended the class.

In this environmental class, after being introduced to the environmental initiatives of Shiseido and the Kakegawa Factory, they learned about ultraviolet rays, made ultraviolet sensor gel, and used the gel to perform experiments. Ultraviolet sensor gel consists of a liquid which changes color when exposed to ultraviolet light combined with gel manufactured at the Kakegawa Factory. Participants confirmed that when irradiated with an ultraviolet light generator the gel's color changed.

The participating children said that they enjoyed making the ultraviolet sensor gel, liked touring the factory, and learned that the factory was involved in thorough recycling activities.

The Shiseido Kakegawa Factory will continue to provide environmental education in collaboration with the local community.



Students are introduced to Shiseido's environmental initiatives



Making ultraviolet sensor gel

Environmental initiatives in General Meetings of Shareholders

Shiseido promotes environmental activities in all of its business activity processes with the aim of realizing a sustainable society, in which people and the Earth coexist beautifully.

Following the example of last year, we acquired the certification for the "Carbon Offsetting Scheme" (came in effect on May 17, 2012) by the Ministry of the Environment again in the 116th Ordinary General Meeting of Shareholders, which was held on March 25 (Fri) of 2016, with the aim of supporting CO₂ emission reduction.

"Carbon offset" refers to activities to attempt offsetting the CO₂, which cannot be completely removed through internal efforts, by purchasing credits created through CO₂ emission reduction/absorption activities. We offer our support by selecting initiatives involving renewable energy and CO₂ absorption activities through forest conservation among the credits that are available for purchase in the "carbon offset" program. In addition, the entire CO₂ *, which is emitted by General Meetings of Shareholders, is cancelled out.

Furthermore, we promote environmentally conscious initiatives throughout General Meetings of Shareholders through such efforts as using FSC certified paper for invitations sent to shareholders.

* Energy used to print out invitations, energy used in venues, and CO₂ emitted to transport shareholders and management, etc.



Certificate number: CO2-0196

Certificate holder: Shiseido Co., Ltd.



Notice of convocation

Organizational Governance

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

Corporate Governance

Shiseido sets out “to inspire a life of beauty and culture” as the corporate mission, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission”. Shiseido addresses the strengthening of our corporate governance system without interruption.

Corporate Governance

Corporate Governance Policy

The Shiseido Group including the Company sets out “to inspire a life of beauty and culture” as the corporate mission, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission”.

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, “consumers”, “business partners”, “employees”, “shareholders”, and “society and the Earth”. In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

Corporate Governance

Management and Execution Structure

Meetings for Board of Directors and Corporate Executive Officers are involved

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

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

Through the adoption of a corporate officer system, we separate the supervisory functions of the Board of Directors from the business execution functions of corporate officers. The Company sets up the Executive Committee, in which corporate officers study and discuss about important business execution from various aspects before the final decisions, and the meetings for development of medium-term/annual plans, in which corporate officers develop and resolve business plans and brand strategies. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating of business execution. President & CEO chairs these two Committees. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee. The term of office of directors and corporate officers is one year.

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

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

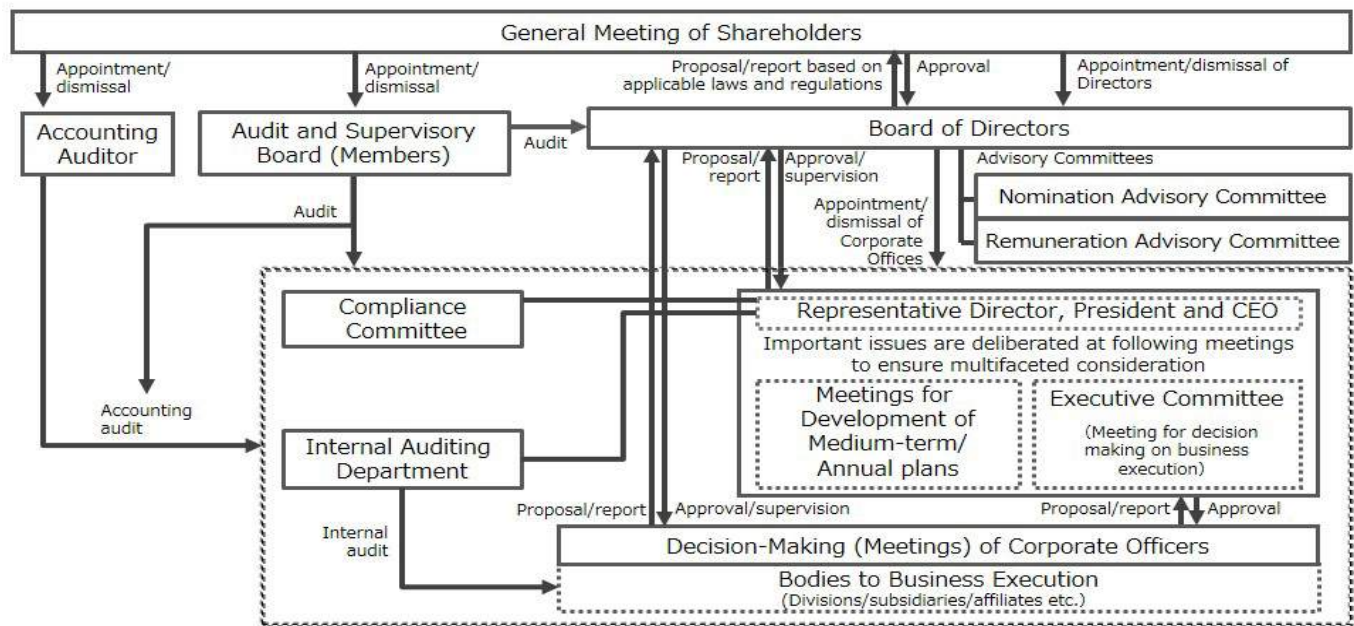
(As of January 1, 2016)

Advisory Committees to the Board of Directors

To promote transparency and objectivity in management, Shiseido established two committees to play an advisory role to the Board of Directors: the Nomination Advisory Committee, which makes reports to the Board of Directors on matters including the selection of candidates for directors and corporate officers and their promotions and demotions, and the Remuneration Advisory Committee, which makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. Both committees are chaired by external directors to maintain objectivity.

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

The Remuneration Advisory Committee discusses about annual bonuses for directors and corporate officers. Additionally, in FY2015, the Remuneration Advisory Committee reviewed the new remuneration system for the FY2016 and 2017.



Corporate Governance

Audit Structure

Internal Audit

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

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

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

Shiseido's Audit & Supervisory Board consists of two standing members and three highly independent external members. They monitor the legality and appropriateness of directors' performance by attending Board of Directors meetings and other important meetings. Additionally, three audit & supervisory board members(external) offer advices, proposals and views from an independent perspective, based on their abundant experience and insight in their respective fields. Representative directors and audit & supervisory board members meet regularly to exchange opinions on actions that will resolve corporate governance issues. The Company maintains a framework to ensure that audit & supervisory board members discharge their duties effectively, such as setting up a supporting group for audit & supervisory board members.

Accounting Audits

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

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

(As of the end of March, 2016)

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	5 years
	Ryoji Fujii, Designated Limited Liability Partner	3 years
	Takashi Kawakami, Designated Limited Liability Partner	6 years

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

Mutual Cooperation among Internal Audits, Audit & Supervisory Board Members' Audits, and Accounting Audits

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

Corporate Governance

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

The Company regards the directors, audit & supervisory board members and corporate officers remuneration policy as an important matter for the corporate governance. Thus the directors, audit & supervisory board members and corporate officers remuneration policy of the Company is designed at the Remuneration Advisory Committee chaired by external directors based on the following basic philosophy, while incorporating objective points of views.

[Basic philosophy of the directors, audit & supervisory board members and corporate officers remuneration policy]

The directors, audit & supervisory board members and corporate officers remuneration policy shall:

1. contribute to realizing corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium- to long-term business strategy, and designed to strongly motivate directors, audit & supervisory board members and corporate officers eligible for remuneration to bring medium- to long-term growth;
4. have a mechanism incorporated to prevent overemphasis on a short-term views and wrongdoing; and
5. be designed to transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.

The remuneration of the directors, audit & supervisory board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration

such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

Directors, audit & supervisory board members and corporate officers remuneration policy aligned to the Three-Year Plan of FY 2015 through FY 2017

The Company positions the three years from FY 2015 through FY 2017 to be the period for reconstructing its business foundation to enable accelerated growth in the three years from FY 2018 through FY 2020. Accordingly, the directors, audit & supervisory board members and corporate officers remuneration policy for the three years from FY 2015 to FY 2017 is designed to motivate directors, audit & supervisory board members and corporate officers to implement drastic reformation as leader of the transformation.

The Company assumes to require some time before the result of reconstructing the business foundation becomes reflected in business performance data such as consolidated business performance and the relevant business performance under their supervision. In addition, some challenges to be resolved may require actions that may cause negative impact to the business performance data on a short-term, optimization of market inventory level, for example. To achieve a long-term growth, however, this process is unavoidable as those issues need to be resolved. From the point of view to provide incentives for directors, audit & supervisory board members and corporate officers to strategically resolve those challenges from a long-term growth perspective, the Company has adopted the mechanism of individual performance evaluation for both basic remuneration and performance-linked remuneration (evaluation on the level of achievement against the strategic target).

Because this current directors, audit & supervisory board members and corporate officers remuneration policy is designed specifically to ensure successful restructuring of the business platform, the Company will review the policy again for FY 2018 and beyond.

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

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

Note:

1. In this model, the basic remuneration amount is the median in the applicable role grade, and the achievement rate related to performance-linked remuneration is 100%.

2. The proportion of remunerations for representative directors and directors are the same.
3. Because different remuneration tables will be applied depending on the role grade of respective directors and corporate officers, proportions of remunerations by remuneration type will vary even within a same rank.
4. Directors who serve as the chairman of the Board shall be provided with a fixed amount of remuneration separately, which is not, however, included in the table.

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

	Basic Remuneration	Bonuses	Long-Term Incentive (Stock Option)	Total
Directors (8 persons)	145	68	28	242
External Directors among Directors (4 persons)	29	—	—	29
Audit & Supervisory Board Members (6 persons)	73	—	—	73
Audit & Supervisory Board Members (External) among Audit & Supervisory Board Members (3 persons)	27	—	—	27
Total	218	68	28	315

(millions of yen)

Notes:

1. Effective from the fiscal year under review, the Company has changed its fiscal year-end from March 31 to December 31; the amounts of remuneration for the fiscal year under review therefore cover the nine months from April 1 to December 31, 2015.
2. Basic remuneration for directors has the ceiling amount of ¥30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
3. The above amount of basic remuneration includes ¥5 million as basic remuneration for fiscal 2015 that one subsidiary of the Company paid through the Company to one director of the Company who served concurrently as the director of said subsidiaries.
4. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
5. In addition to the above payments, there are other remuneration, etc. of ¥2 million recorded for the fiscal year ended December 31, 2015 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 2 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 December 2015

	Basic remuneration	Bonuses	Long-term incentive (Stock option)	Total
Masahiko Uotani, Representative Director	61	46	11	119
Toru Sakai, Representative Director	23	11	5	40

(millions of yen)

Notes:

1. Effective from the fiscal year under review, the Company has changed its fiscal year-end from March 31 to December 31; the amounts of remuneration for the fiscal year under review therefore cover the nine months from April 1 to December 31, 2015.
2. The above amount of basic remuneration includes ¥5 million as basic remuneration for fiscal 2015 that one subsidiary paid through the Company to Mr. Toru Sakai, representative director, who served concurrently as the director of said subsidiaries.
3. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
4. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 2 through 3).

Remuneration, etc. to the Accounting Auditor

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2015	178
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	239

(Millions of yen)

Note:

In the audit contract between the Company and its accounting auditors, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in "Remuneration paid for services rendered as accounting auditors for the fiscal year ended December 2015" above.

Reason for Audit and Supervisory Board to Have Agreed to Remuneration, etc. to the Accounting Auditor

The Audit and Supervisory Board of the Company reviewed the status of performance of duties and basis for the calculation of the estimated amount of remuneration in the previous fiscal year as well as the validity of both descriptions in the audit plan prepared by the Accounting Auditor during the fiscal year and the estimated amount of remuneration, using the "Practical Guidelines for Cooperation with Accounting Auditors" released by Japan Corporate Auditors Association as a guide, and by way of necessary documents obtained from Directors, internal relevant departments and Accounting Auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the Accounting Auditor was appropriate, and expressed agreement that specified in Article 399, Paragraphs 1 and 2 of the Companies Act.

Corporate Governance Report

Last Update: April, 4, 2016

Shiseido Company, Limited.

President and CEO, Representative Director: Masahiko Uotani

Contact: +81-3-6218-5530

Securities Code: 4911

<http://www.shiseidogroup.com/>

The corporate governance of Shiseido Company, Limited (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Shiseido Group including the Company sets out “to inspire a life of beauty and culture” as the corporate mission, and defines the corporate governance as our “platform to realize sustainable growth through fulfilling the corporate mission”.

The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, “consumers”, “business partners”, “employees”, “shareholders”, and “society and the Earth”. In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

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

<Supplementary Principle 3.2.1: Evaluation of External Accounting Auditor by the Audit & Supervisory Board>, which was disclosed as a non-compliance matter in the Corporate Governance Report dated July 31, 2015, was removed from this Clause in the said report disclosed as of December 31, 2015 owing to the establishment of “Guidelines for Deliberation on the Appointment, Reappointment, Dismissal, or Non-reappointment of Accounting Auditor” by the audit & supervisory board at its meeting held in November 2015.

In addition, <Principle 4.8: Approach concerning the Ratio of External Directors at the Board of Directors and the Roadmap for the Implementation> and <Supplementary Principle 4.11.3: Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors>, which were disclosed as non-compliance matters in the Corporate Governance Report dated December 25, 2015, have been removed from this Clause in this report disclosed as of March 7, 2016 owing to the actions taken after much deliberation at the Board of Directors, etc. of the Company during the period from July to December 2015.

As of March 7, 2016, the Company has implemented each Principle of the Corporate Governance Code.

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

The actions taken by the Company with regard to <Supplementary Principle 3.2.1: Evaluation of External Accounting Auditor by the Audit & Supervisory Board>, <Principle 4.8: Approach concerning the Ratio of External Directors at the Board of Directors and the Roadmap for the Implementation> and <Supplementary Principle 4.11.3: Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors> are summarized and newly disclosed in this Clause. Furthermore, to help readers have a better understanding of the Company's corporate governance in a structured manner, the Company has changed the order of information disclosure about each Principle and has updated some of the information. Items newly disclosed or updated are marked with a circle in front of the numbering.

Initiatives for the Company's corporate governance are disclosed in convocation notices of general meetings of shareholders, annual securities reports, annual reports and others, in addition to this report.

Descriptions of the items disclosed based on each Principle of the Corporate Governance Code are as follows:

1. The Company's corporate philosophy, corporate strategies and business plans <Principle 3.1: Proactive Provision of Information>
 The Company's corporate philosophy, corporate strategies and business plans are contained and disclosed in the Company's Notice of Convocation of the 116th Ordinary General Meeting of Shareholders (pages 20 to 25).
http://www.shiseidogroup.com/ir/shareholder/e1606shm/pdf/shm_0000.pdf
 In addition, the Company's corporate mission, "Our Mission," "Our Values" which defines a frame of mind that must be shared by each and every employee of the Shiseido Group in order to realize the mission, and "Our Way" and the "Shiseido Ethical Conduct Standards," both of which set out the standards of conduct for each and every employee of the Shiseido Group, are also stated in 2. of "Other" of this report.
- 2. Basic Policy on Corporate Governance <Principle 3.1: Proactive Provision of Information>
 The basic stance and basic policy on the Company's corporate governance are shown in 1. of "Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" in this report. In addition, reasons why we adopted the current corporate governance system are shown in 3. of the "Status of Management Structure for Management Decision-Making, Operational Execution and Supervising, and Other Corporate Governance Systems" in this report.
- 3. Separation of monitoring and execution functions <Supplementary Principle 4.1.1: Summary of Scope of Matters Delegated from the Board of Directors to the Management>
 The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation on the Board of Directors. Such matters consists of items relating to the general meeting of shareholders, personnel/organization, account settlement stock/bonds, and stock acquisition rights, corporate property, etc., business management and others of the Shiseido Group, that are matters provided in the Companies Act and other laws and regulations, and any other important matters equivalent thereof. Meanwhile, with the aim of clarifying the allocation of responsibility for the business management and accelerating decision making by delegation of authority, the Company introduced a corporate officer system in 2001. Authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that President and CEO can make decisions after deliberation at the Executive Committee, Meetings for Development of Medium-term/Annual Plans, and other meeting bodies.
 After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors.
- 4. Diversity of Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience and Skills, and Diversity and Size of the Board of Directors as a Whole>
 The Company believes that the Board of Directors of the Company should be composed of directors with various viewpoints and backgrounds, on top of multilateral sophisticated skills, for effective supervision over the execution of business as well as decision-making on critical matters. Furthermore, the Company

believes that audit & supervisory board members should have the same diversity and sophisticated skills as the directors as they have a duty to attend meetings of the Board of Directors and state opinions as necessary.

When considering the diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc., to stress not only diversity of these attributes, but also diversity in terms of tasks including professional knowledge and experiences in various fields related to the business management. In addition, the Company has set a certain maximum term of office for external directors and external audit & supervisory board members in order to reflect their views, which are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & external supervisory board members to newly-appointed external directors and audit & external supervisory board members to ensure appropriate transition.

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

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company established its view on the ratio of external directors at the Board of Directors.

In the Company's articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors and audit & supervisory board members, high priority is given to independence. Our basic principle is that candidates of external directors and audit & supervisory board members are required to meet the Company's independence criteria as well as possess high independence in mental attitude.

6. Criteria for Independence of "External Directors and Audit & Supervisory Board Members" <Principle 4.9: Independence Standards Aimed at Securing Effective Independence of Persons Who Will Become Independent Directors>

The Company established criteria for independence of external directors in 2012, which are included in the convocation notices of general meeting of shareholders and the like for disclosure. Specific descriptions can be found in the Notice of Convocation of the 116th Ordinary General Meeting of Shareholders of the Company (pages 39 to 41), and [Independent Directors] in 1. Organizational Composition and Operation of "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in this report.

http://www.shiseidogroup.com/ir/shareholder/e1606shm/pdf/shm_0000.pdf

7. Policies and Procedures in Appointing the Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information>

In nominating candidates for directors and audit & supervisory board members and appointing corporate officers, it is a policy of the Company to nominate or appoint appropriate persons who are able to fulfill their duties and responsibility, fully taking into consideration their personality and intellectuality and the like regardless of gender, age and nationality. In addition, the Company also takes into consideration "the importance of roles to fulfill in response to entrustment on management by shareholders" for candidates for directors, and "the importance of audit and functions of audit & supervisory board members for the corporate management" for candidates for audit & supervisory board members, in nominating them respectively.

Nomination of candidates for directors and appointment of corporate officers are determined upon resolution by the Board of Directors after the Company receives a report from the Nomination Advisory Committee chaired by an external director on whether or not the candidates are adequate. In addition to

following the procedure, appointment of President and CEO is further carefully reviewed by the Nomination Advisory Committee. The candidate for President and CEO is selected from both inside and outside of the Company without excluding all sorts of possibilities from the standpoint of realizing the corporate philosophy and corporate strategies of the Company, and is bound to be subject to deliberation at the Nomination Advisory Committee chaired by an external director and a special working group established by the Chair of the Committee, starting from this selecting stage.

For nomination of candidates for audit & supervisory board members, the representative directors select candidates, and the Company receives a report from the Nomination Advisory Committee on whether or not the candidates are adequate. Then the Board of Directors determines the nomination of candidates for audit & supervisory board members upon receiving consent of the audit & supervisory board on submitting a proposal for the election to the ordinary general meeting of shareholders.

○8. Explanations with Respect to the reasons for Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors <Principle 3.1: Proactive Provision of Information>

With respect to all candidates for directors and audit & supervisory board members, the Company has clarified “Reasons for Nomination of the Candidate” in relevant proposals for the election of the Notice of Convocation of the Ordinary General Meeting of Shareholders (Reference Document). The “Reasons for Nomination of the Candidates” for seven directors and one audit & supervisory board member proposed for election at the 116th Ordinary General Meeting of Shareholders are shown below. In addition, reasons for nomination for election of four auditors & supervisory board members other than one member identified above out of five members in the office of the audit & supervisory board members as of the conclusion of the 116th Ordinary General Meeting of Shareholders are also shown below.

[Directors]

Masahiko Uotani:

Mr. Masahiko Uotani has a proven track record in business management and is particularly highly regarded within the marketing field. As a result of this and other factors, the Company invited him to become President and CEO, and in April 2014 he assumed that office. Following his appointment as a director of the Company at the 114th ordinary general meeting of shareholders held on June 25 that year, he was selected as representative director by the Board of Directors and since then has undertaken the mandate given by our shareholders to steer the Company’s management. In fiscal 2015, the Company initiated VISION 2020, the medium- to long-term strategy, and he continuously exerted his sophisticated marketing capabilities and leadership. For the Company to become a “Japanese company that leads the world’s beauty industry,” he concentrated on reconstructing the business foundation. Embracing a mindset of “Think Global, Act Local (conduct activities in a manner closely linked to regional locations and onsite, while thinking from a global perspective),” he created a new global organization to commence full-fledged operations in January 2016, transferring responsibility and authority to the regions. Due to these facts the Board of Directors has continuously selected him as a candidate for director. (The 116th Ordinary General Meeting of Shareholders)

Tsunehiko Iwai:

Mr. Tsunehiko Iwai has actively made statements at the Board of Directors as director of the Company and performed appropriately, determining important managerial events and matters and supervising business execution. Since assuming the office of corporate officer, he has served as officer responsible for quality management, technical planning, pharmaceuticals affairs, CSR, environmental affairs, and frontier science business. Thereafter, he served as officer with overall responsibility for research and development, SCM (Supply Chain Management) and technical strategy, and strove to reinforce R&D by leading innovations in product development to cooperate with and be fused with marketing. He also, as a member of CSR Committee of the Company, has actively made statements at the meetings of the Committee. Due to these facts the Board of Directors has continuously selected him as a candidate for director. (The 116th Ordinary General Meeting of Shareholders)

Toru Sakai:

Mr. Toru Sakai has actively made statements at the Board of Directors as director of the Company and performed appropriately, determining important managerial events and matters and supervising business execution. He has ample business experience in overall supply chain operations including production, purchasing and logistics, and after assuming the office of corporate officer he planned companywide management strategies and implemented structural reforms as General Manager of the Corporate Planning Department. From fiscal 2013 he took responsibility for the domestic cosmetics business, taking charge of the planning and implementation of its business strategies. From fiscal 2015, having overall responsibility for the Japan region he took the lead ahead of overseas regions in efforts to create and operate new organizations fusing sales and marketing. Also, as a member of the Company's Remuneration Advisory Committee, Nomination Advisory Committee and CSR Committee, he attended the meetings of these committees and actively expressed opinions.

Due to these facts the Board of Directors has continuously selected him as a candidate for director. (The 116th Ordinary General Meeting of Shareholders)

Yoko Ishikura:

Ms. Yoko Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a member of the Company's Remuneration Advisory Committee and Nomination Advisory Committee, she attended the meetings of these committees and actively expressed opinions.

Ms. Ishikura has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that she would be able to achieve adequately the role of external director. Accordingly, the Board of Directors has decided to continuously select her as a candidate for external director. (The 116th Ordinary General Meeting of Shareholders)

Shoichiro Iwata:

Mr. Shoichiro Iwata has reflected his view as an active operator of the different business and industry free from the conventional framework on the management of the Company and he has actively made statements at the Board of Directors. Mr. Iwata performed appropriately as external director including supervising business execution. He also, as the Chairman of Remuneration Advisory Committee and the member of Nomination Advisory Committee of the Company, has actively made statements at the meetings of these Committees. In his appointment, it will have been more than 10 years since he assumed his current position at the 106th ordinary general meeting of shareholders on June 29, 2006. However, taking into account the Company's current situation and the fact that he maintains a high degree of independence from the Company, the Board of Directors has continuously selected him as a candidate for external director. (The 116th Ordinary General Meeting of Shareholders)

Kanoko Oishi:

Ms. Kanoko Oishi has many years of experience in managing businesses in Japan and overseas. Currently, she is primarily involved in efforts to transform the healthcare industry from the patient's point of view. In addition, she has accumulated experience as an external director in multiple companies. Leveraging this experience and knowledge, in addition to supervising management as an external director, the Company is of an opinion that she would contribute to management from a consumer-oriented perspective that extends beyond the conventional framework, thereby helping to enhance the corporate value of the Company.

For the reasons stated above, the Company is of an opinion that she would be able to achieve adequately the role of external director. Accordingly, the Board of Directors has newly selected her as a candidate for external director. (The 116th Ordinary General Meeting of Shareholders)

Tatsuo Uemura:

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

He has not participated in management of companies other than as external director and audit &

supervisory board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external director. In his appointment, it will have been more than 10 years since he assumed his current position at the 106th ordinary general meeting of shareholders on June 29, 2006. However, taking into account the Company's current situation and the fact that he maintains a high degree of independence from the Company, the Board of Directors has continuously selected him as a candidate for external director. (The 116th Ordinary General Meeting of Shareholders)

[Audit & Supervisory Board Members]

Yoshinori Nishimura:

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

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

Kyoko Okada:

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

Akio Harada:

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

Nobuo Otsuka:

Mr. Nobuo Otsuka has ample knowledge and strong intellect as a doctor, as well as long experience in managing a medical corporation offering thoroughly patient-oriented services unbound by conventional modes of hospital operation. In these respects, he is fulfilling the function of audit & supervisory board member well, for example by actively making statements as external audit & supervisory board member of the Company.

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

Eiko Tsujiyama:

Ms. Eiko Tsujiyama is a professor of the School of Commerce and the Graduate School of Commerce of Waseda University and an expert in finance, accounting and tax issues qualified as certified public accountant. Ms. Tsujiyama currently holds the office of external director and external audit & supervisory board member for several companies and has affluent experience and a high level of knowledge.

Ms. Tsujiyama has not participated in management of companies other than as external director and audit & supervisory board member. For the reasons stated above, however, the Company is of an opinion that she would be able to achieve adequately the role of external audit & supervisory board member. Accordingly, the Board of Directors has continuously selected her as a candidate for external audit & supervisory board member. (The 116th Ordinary General Meeting of Shareholders)

○9. Succession Plan and Training for Directors, Audit and Supervisory Board Members and Corporate Officers <Supplementary Principle 4.14.2: Training Policy for Directors and Audit & Supervisory Board Members>

The Company believes that it is important to have a succession plan for not only President and CEO as leader steering business management, but also for external directors and external audit & supervisory board members who play key roles in supervising functions over the business management. The Company has reviewed the succession plan that includes control of term of office and clarification of requirements for candidates for successors, not only during the time immediately before the replacement but continuously at the Nomination Advisory Committee as a matter that needs to be paid attention to at all times.

The Company also believes in addition to appointing personnel having credentials required to serve as directors, audit & supervisory board members and corporate officers, it is also important to provide them with necessary training and information. The Company provides candidates for new directors and candidates for new audit and supervisory board members with training with regard to legal and statutory authorities and obligations, etc. utilizing training programs provided by external institutions as necessary. In addition, when a new external director or external audit & supervisory board member is scheduled to come on board, the Company provides training regarding the industry the Company operates business in, the history, business overview, strategy, etc. of the Company.

Furthermore, for directors who execute business and corporate officers, the Company holds an in-house executive program, as well as utilizing training at external institutions, in order to develop leadership capabilities to an even higher level. In respect of the cultivation of the next generation of management, executives who are corporate officer candidates are provided with training programs to nurture their leadership abilities and management skills required for top management officers.

10. Important Position at Other Organizations Concurrently Assumed by Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.2: Concurrent Posts Assumed by Directors and Audit & Supervisory Board Members>

Matters concerning important positions at other organizations concurrently assumed by directors and audit & supervisory board members of the Company are shown in the Notice of Convocation of the 116th Ordinary General Meeting of Shareholders of the Company (page 50, pages 99 to 108, pages 110 to 111).

Also, the important positions at other organizations concurrently assumed by external directors and external audit & supervisory board members and relationships between organizations and the Company are shown in the Notice of Convocation of the 116th Ordinary General Meeting of Shareholders of the Company (pages 51 to 54, pages 110 to 111).

http://www.shiseidogroup.com/ir/shareholder/e1606shm/pdf/shm_0000.pdf

○11. Information Exchange between External Directors and External Audit & Supervisory Board Members <Supplementary Principle 4.4.1: Coordination between the Audit & Supervisory Board Members and Audit & Supervisory Board, and External Directors, Supplementary Principle 4.8.1 and 2: Establishment of Framework for Information Exchange among Independent Directors/Establishment of Framework for Communication with Various Corporate Bodies>

The Company has elected a total of six external directors and audit & external supervisory board members: three external directors and three external audit & supervisory board members with high degree of independence. To ensure that external directors and external audit & supervisory board members can fully play their expected roles, the Company has provided them with training with regard to the industry the Company belongs to, history, business overview and strategies and the like of the

Company at the time they newly assume office, and the materials for meetings of the Board of Directors in advance. In addition to the “Board of Directors Member Meeting” consisting of all directors and audit & supervisory board members that has been held as necessary for information exchange and discussions, beginning in April 2016, the Company will provide external directors with opportunities to share information with the audit & supervisory board by allowing them to attend some of the audit & supervisory board meetings. While the Company strives to promote information exchange and sharing as described, the Company has not held a meeting consisting of independent external directors only or has not appointed a lead independent external director from among them.

With changes in the environment of the Company in the future, the Company will flexibly take an action when it deems necessary to hold a regular meeting consisting of only independent external directors and independent external audit & supervisory board members.

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

In 2015, the Company conducted an evaluation concerning effectiveness of the Board of Directors with the aim of identifying issues and improvements required to enhance effectiveness of the Board of Directors. The evaluation was conducted by having all directors and audit & supervisory board members complete anonymous questionnaire on comprehensive self-evaluation and self-analysis about the structure and operation of the Board of Directors as well as by interviewing individual directors and audit & supervisory board members to delve into their concerns on specific matters. In order to ensure that the candid opinions from interviewees are collected and analyzed objectively, the Company outsourced the services of collecting questionnaire, conducting interviews, and analyzing the overall results to an external organization.

The result of the evaluation and analyses indicated some positive aspects of the Board of Directors of the Company, including that the members of Board have frank and vigorous discussions and share a common culture to seriously take the opinions of and issues raised by external directors and external audit & supervisory board members. On the other hand, the result also indicated that there is room for improvement of the role and function of the Board of Directors in order to accommodate itself to the ongoing transformation toward the achievement of “VISION 2020”, the medium- to long-term strategy. The Board of Directors deliberated this issue and confirmed that it will undertake the following actions to enhance its effectiveness.

A) Integration of Corporate Governance and Corporate Strategies

- Establishing “Corporate Governance Guidelines” that embodies the Company’s corporate governance in a structured manner that will contribute to realizing the corporate philosophy, medium- and long-term business strategies, and others
- Organizing information disclosure in accordance with the Corporate Governance Guidelines

B) Enhancing the function of the Board of Directors as a monitoring board

- Focusing on important matters by screening the issues to be deliberated at the Board of Directors
- Enhancing provision of information to external directors
- Clarifying the function and authority of the Nomination Advisory Committee and the Remuneration Advisory Committee
- Continuing implementation of assessment of the effectiveness of the Board of Directors
- Continuously ensuring and expanding task diversity in the appointment of directors
- Continuing review concerning the succession plan for President and CEO, taking into account the Company’s current situation
- Continuing review concerning the succession plan for external directors, taking into account the Company’s current situation

○13. Policies and Procedures in Determining the Remuneration of the Senior Management and Directors by the Board of Directors <Principle 3.1: Proactive Provision of Information>

The directors, audit & supervisory board members and corporate officers remuneration policy of the Company is established by the Remuneration Advisory Committee, which is chaired by an external director and includes external professionals as the Committee members, to maintain objectivity and high

transparency. Remuneration to directors, audit & supervisory board members and corporate officers of the Company consists of a basic remuneration and a performance-linked remuneration that fluctuates depending on the achievement of management targets and share price. The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th Ordinary General Meeting of Shareholders was held.

More details on the directors, audit & supervisory board members and corporate officers remuneration policy are shown for disclosure on the Notice of Convocation of the 116th Ordinary General Meeting of Shareholders of the Company (pages 58 to 61).

http://www.shiseidogroup.com/ir/shareholder/e1606shm/pdf/shm_0000.pdf

14. Fundamental Approach to Capital Policy <Principle 1.3: Fundamental Approach to Capital Policy>

The Company endeavors to maintain its shareholders' equity at a certain level in order to invest promptly and decisively when considered necessary in order to ensure sustainable growth. In addition, the Company regards free cash flow and the cash conversion cycle as important, and practices management focused on ensuring capital efficiency by improving its management of cash flows and its balance sheet.

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

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

15. The Company's Policy with Regard to Strategic Stockholdings <Principle 1.4: Policy with Regard to Strategic Stockholdings and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings>

The Company conducts strategic stockholdings in accordance with the policy below, and keeps such stockholdings at the minimum level necessary.

- In line with good corporate governance, the Company avoids being an inert stockholder in its strategic stockholdings.
- The Company takes dividends and other returns into consideration and holds stocks only if they offer business benefits such as facilitating operations.
- The Company regularly reviews its stockholdings, primarily from the perspective of business benefits and other advantages, and mainly curtails its holdings of stocks that have become less necessary.

16. The Company's Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings <Principle 1.4: Policy with Regard to Strategic Stockholdings and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings>

When exercising its voting rights with regard to shares of strategic stockholdings, the Company confirms whether the proposed item of business would lead to impairment of shareholder value. It then considers the situation of an investee company and other factors to determine its approval or disapproval before exercising its voting rights.

If the Company wishes to confirm the intent of an item of business, etc., it will discuss the matter with the investee company if necessary.

17. Framework for Confirmation of Transactions with Related Parties <Principle 1.7: Framework for Confirmation of Transactions with Related Parties >

The Company investigates and specifies related parties that carry the possibility of having an impact on

the Company's financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms the existence of transactions with the said related parties and the importance of the said transactions, and, if there are transactions to be disclosed, carries out disclosure accordingly.

The existence of related parties, the existence of transactions with related parties, the contents of transactions and other such information, are reported to the Board of Directors in advance of disclosure, and a review is conducted based on the criteria for judgment of importance stipulated in the "Guidance on Accounting Standard for Related Party Disclosures."

18. Communication with Investors <Principle 5.1: Policies concerning the Measures and Organizational Structures Aimed at Promoting Constructive Dialogue with Shareholders>

The Company established the Disclosure Policy, consisting of "Basic Policy on Information Disclosure," "Standards for Information Disclosure," "Method of Information Disclosure," "Quiet Periods," and "Forward-Looking Statements" in 2006. The Policy is published on the website of the Company.

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

Currently, the Company is aggressively implementing the initiatives described in 1. and 2. of "Implementation of Measures for Shareholders and Other Stakeholders" in this report, based on the Disclosure Policy, with the aim of appropriately providing both institutional investors (shareholders) and individual investors (shareholders) with information.

As we believe that the Company is expected to make further improvements in these various activities, from the standpoint of "promoting constructive dialogue," we are currently studying this point. We will inform you of results of the study in a timely manner.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
----------------------------	---------------

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,470,300	7.63
JP MORGAN CHASE BANK 380055	27,325,628	6.84
Mizuho Bank, Ltd.	21,226,732	5.31
Japan Trustee Services Bank, Ltd (Trust Account)	16,501,800	4.13
Shiseido Employees' Stockholding	7,762,632	1.94
THE BANK OF NEW YORK MELLON SA/NV 10	6,012,487	1.50
BNYM TREATY DTT 15	5,998,516	1.50
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

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

None.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

N/A

5. Other Special Circumstances which may have Material Impact on Corporate Governance

None.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
-------------------	-------------------------------------

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	7
Number of External Directors	4
Number of Independent Directors	4

External Directors' Relationship with the Company (1)

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

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoko Ishikura	○	<p>With regard to Ms. Yoko Ishikura, none of the relationship classification stated above (classification “a” – classification “k”) applies to her.</p> <p>Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Outside Director, Nissin Food Holdings Co., Ltd. • Outside Director, Lifenet Insurance Company • Outside Director, Sojitz Corporation • Professor Emeritus, Hitotsubashi University <p>The Company considers not only the independence against the Company, but also other various viewpoints such as “Principal Occupation” when it estimates the importance of Ms. Ishikura’s “Important Position of Other Organizations Concurrently Assumed.”</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Ms. Ishikura has a high level of knowledge in international corporate strategy, based on which she has actively made statements at meetings of the Board of Directors. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a member of the Company’s Remuneration Advisory Committee and Nomination Advisory Committee, she attended the meetings of these committees and actively expressed opinions.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></p> <p>Ms. Ishikura maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Ms. Ishikura has fulfilled the Criteria in full. Hence Ms. Ishikura has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company</p>

			<p>other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
Shoichiro Iwata	○	<p>Mr. Shoichiro Iwata concurrently assumes the office of President & Chief Executive Officer of ASKUL Corporation ("ASKUL"). With regard to Mr. Iwata, the relationship classification "h" applies to him at present. The relationship classification "i" applied to him in the past.</p> <p>The Company purchases stationeries, etc. from ASKUL and the payment for such purchases represented less than 0.1% of the total amount of the cost of sales and the selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015. Transaction value is minimal for the Company. Such sales represented less than 0.1% of the net sales of ASKUL for the fiscal year ended May 31, 2014. Transaction value is minimal for ASKUL.</p> <p>The Shiseido Group purchase stationeries, etc. from ASKUL Group, and the payment to the ASKUL Group represented less than 0.1% of the total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal year ended March 31, 2015. Transaction value is minimal for Shiseido Group. Such sales represented approximately 0.1% of the consolidated net sales of ASKUL Group for the fiscal year ended May 31, 2014.</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Mr. Iwata has been appointed external director in order to reflect his views to the management of the Company, which views are free from the Company's established structure as an incumbent management executive.</p> <p>Mr. Iwata has voiced necessary views from an independent perspective, in addition to serving as the head of the Remuneration Committee and compiling proposals on the remuneration system for directors and audit & supervisory board members.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></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;</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</p>

		<p>Transaction value is minimal for ASKUL Group.</p> <p>The Shiseido Group sells cosmetics, etc. to the ASKUL Group and such sales to the ASKUL Group by the Shiseido Group represented less than 0.1% of the consolidated net sales of the Company for the fiscal year ended March 31, 2015. Transaction value is minimal for the Shiseido Group. Purchases of cosmetics, etc. by the ASKUL Group from the Shiseido Group represented approximately 0.1% of ASKUL's consolidated cost of sales for the fiscal year ended May 31, 2014. Transaction value is minimal for the ASKUL Group.</p> <p>ASKUL sells cosmetics, etc. and has a relationship with the Company consisting of transactions in competition. Consequently, the contents and maximum amounts of transactions between the Company and ASKUL Corporation are approved in advance at the Board of Directors along with matters pertaining to transactions with conflicts of interest, and the results are reported to the Board of Directors following the end of the business year of ASKUL Corporation.</p> <p>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.</p> <p>In these conditions, the transactions in competition have no impact on interests of shareholders.</p> <p>Mr. Iwata's "Important Position of Other Organizations</p>	<p>sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
--	--	--	--

		<p>Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • President & Chief Executive Officer of ASKUL Corporation <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>	
Kanoko Oishi	○	<p>With regard to Ms. Kanoko Oishi, none of the relationship classification stated above (classification “a” – classification “k”) applies to him.</p> <p>Ms. Oishi’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • CEO, MEDIVA Inc. • CEO, Seeds 1 Co., Ltd. • Outside Director, Ezaki Glico Co., Ltd. • External Board Member, Santen Pharmaceutical Co., Ltd. • External Director, Suruga Bank Ltd. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as “Principal Occupation” when it estimates the importance of Mr. Uemura’s “Important Position of Other Organizations Concurrently Assumed.”</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Ms. Oishi has many years of experience in managing businesses in Japan and overseas. Currently, she is primarily involved in efforts to transform the healthcare industry from the patient’s point of view. In addition, she has accumulated experience as an external director in multiple companies. We believe that Ms. Oishi can help to enhance the Company’s corporate value by leveraging this experience and knowledge, in addition to supervising management as an external director.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></p> <p>Ms. Oishi maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of “External Directors.” Ms. Oishi has fulfilled the Criteria in full. Hence Ms. Oishi has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent director.</p> <p>(1) Corporate officer, etc. of a parent company or sister company; (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.</p>

			<p>thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
Tatsuo Uemura	○	<p>With regard to Mr. Tatsuo Uemura, none of the relationship classification stated above (classification "a" – classification "k") applies to him.</p> <p>Mr. Uemura's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Professor, School of Law, Waseda University <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Uemura's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external director and roles and functions in the Company></p> <p>Mr. Uemura has been appointed external director to reflect his legal knowledge to the management of the Company, as well as his knowledge and experiences in the area of capital market and corporate governance.</p> <p>Mr. Uemura has voiced necessary views from an independent perspective, in addition to serving as the head of the Nomination Advisory Committee and compiling proposals on the selection of candidates for directors and executive officers.</p> <p><Status of meeting the standards for the independent directors and reason for appointing as independent director></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;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the</p>

			Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
--	--	--	---

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

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Remuneration Advisory Committee
All Committee Members	6	7
Full-time Members	0	0
Inside Directors	2	2
External Directors	4	4
Outside Experts	0	1
Other	0	0
Chairperson	External Director	External Director

Supplementary Explanation

<Nomination Advisory Committee>

The Nomination Advisory Committee makes reports to the Board of Directors on matters including the selection of candidates for directors and corporate officers and their promotions and demotions. The Nomination Advisory Committee had three meetings in fiscal 2015. In addition to reporting on the selections of candidates for directors and audit & supervisory board members and appointment of corporate officers, the committee carried out activities including discussing promotions, recruitments, retirements and appointments from outside of corporate officers.

<Remuneration Advisory Committee>

The Remuneration Advisory Committee makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. Remuneration Advisory Committee had seven meetings in fiscal 2015 and reviewed issues including bonuses for the Company's individual directors and corporate officers for fiscal 2015 and a remuneration system for fiscal 2016 and fiscal 2017.

[Audit & Supervisory Board Members (*Kansayaku*)]

Establishment of Audit & Supervisory Board (<i>Kansayaku</i> Board)	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	The Company doesn't set a ceiling on the number of corporate auditors
Number of <i>Kansayaku</i>	5

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The audit & supervisory board members receive reports on audit plans for audit system and schedule from the accounting auditors, and opinions are exchanged. The audit & supervisory board members receive reports on audit results and its method from accounting auditors throughout the fiscal year.

The audit & supervisory board members receive reports on audit plans and the results of audits and surveys from the Internal Auditing Department, and opinions are exchanged on necessary commitments.

In addition, representative directors and audit & supervisory board members periodically hold meeting for exchanging opinions.

Appointment of External <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	3
Number of Independent <i>Kansayaku</i>	3

External *Kansayaku*'s Relationship with the Company (1)

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

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*

- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- m. Others

External *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Akio Harada	○	<p>With regard to Mr. Akio Harada, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <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"> • External Director of Seiko Holdings Corporation • Outside Director of Sumitomo Corporation • External Director of Yamazaki Baking Co., Ltd. • Representative director of Young Men's Christian Association at the University of Tokyo, public interest incorporated foundation • Representative director of Japan Criminal Policy Society, general incorporated foundation • Representative director of International Civil and Commercial Law Centre 	<p><Reasons for appointing as an external member of audit & supervisory board and roles and functions in the Company></p> <p>Mr. Harada has been appointed audit & supervisory board member (external) in order to ensure objectivity and neutrality of auditing by audit & supervisory board members, based on his experiences and knowledge in legal field.</p> <p>Mr. Harada has expressed necessary views from an independent perspective.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor></p> <p>Mr. 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; (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</p>

		<p>Foundation, public interest incorporated foundation</p> <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>(excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company’s subsidiary</p>
Nobuo Otsuka	○	<p>With regard to Mr. Nobuo Otsuka, none of the relationship classification stated above (classification “a” – classification “m”) applies to him.</p> <p>Mr. Otsuka’s “Important Position of Other Organizations Concurrently Assumed” stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> Chairman of Keiseikai Hospital Group <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><Reasons for appointing as an external member of audit & supervisory board and roles and functions in the Company></p> <p>Mr. Otsuka has been appointed audit & supervisory board member (external) in order to ensure objectivity and neutrality of auditing by audit & supervisory board members, based on his experiences and knowledge as management executive of a medical corporation.</p> <p>Mr. Otsuka has expressed necessary views from an independent perspective.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor></p> <p>Mr. 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) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>
Eiko Tsujiyama	○	<p>With regard to Dr. Eiko Tsujiyama, none of the relationship classification stated above (classification "a" – classification "m") applies to her.</p> <p>Dr. Tsujiyama's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • Professor, School of Commerce and the Graduate School of Commerce, Waseda University • Outside Corporate Auditor of Mitsubishi Corporation • Outside Director of ORIX Corporation • Outside Corporate Auditor of Lawson, Inc. • Outside Corporate Auditor of NTT DoCoMo, Inc. <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Dr. Tsujiyama's "Important Position of Other Organizations Concurrently Assumed."</p>	<p><Reasons for appointing as an external member of audit & supervisory board and roles and functions in the Company></p> <p>Dr. Tsujiyama has been appointed audit & supervisory board member (external) in order to ensure objectivity and neutrality of auditing by audit & supervisory board members, based on her experiences and knowledge as management executive of a medical corporation.</p> <p><Status of meeting the standards for the independent auditors and reason for appointing as independent auditor></p> <p>Dr. Tsujiyama maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Dr. Tsujiyama has fulfilled the Criteria in full. Hence Dr. Tsujiyama has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <p>(1) Corporate officer, etc. of a parent company or sister company;</p> <p>(2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof;</p> <p>(3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations;</p> <p>(4) A principle shareholder of the Company;</p> <p>(5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below</p> <p>(a) person described in items (1) through (4);</p> <p>(b) A corporate officer of the Company or the Company's subsidiary</p>

[Independent Directors/*Kansayaku*]Number of Independent Directors/*Kansayaku*

7

Matters relating to Independent Directors/*Kansayaku*

The Company establishes its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” (the “Criteria”) and “Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”), which is contingent upon the Criteria. In this report, some of the descriptions about the relationships between the Company and other organizations in which external directors/audit & supervisory board members concurrently assume important position are omitted according to the Insignificance Criteria.

 <Criteria for Independence of External Directors/Audit & Supervisory Board Members>

Shiseido Company, Limited (the “Company”) deems an external director and audit & supervisory board member (collectively the “External Director”) or a candidate for the External Director to have sufficient independence against the Company in the event that all the following requirements are fulfilled upon the Company’s research to the practically possible and reasonable extent.

1. He/She is not nor has been an executive personⁱ of the Company or an affiliated companyⁱⁱ (collectively the “Shiseido Group”);
 In the case of an audit & supervisory board members (external), in addition to the above, he/she has not been a non-executive director nor accounting advisor (in the case of accounting advisor being an artificial person, a staff in charge of the duty) of the Shiseido Group.
2. He/She does not fall under any of the following items for the current fiscal year and the last nine (9) fiscal years (all these fiscal years being referred to as the “Relevant Fiscal Years”):
 - 1) A counterparty which has transactions principally with the Shiseido Groupⁱⁱⁱ, or its executive person (including a person having once been executive officer for the Relevant Fiscal Years. The same is applicable to Items 2) to 4) of this Clause below);
 - 2) A principal counterparty of the Shiseido Group^{iv}, or its executive person;
 - 3) A large shareholder who holds or has held directly or indirectly 10% or more of the voting rights of the Company in the Relevant Fiscal Years or its executive person;
 - 4) An executive person of a company of which the Shiseido Group holds or has held directly or indirectly 10% or more of the total voting rights in the Relevant Fiscal Years;
 - 5) A consultant, accounting professional or legal professional who has been paid a large amount of money or other assets^v in addition to the External Director’s remunerations in the Relevant Fiscal Years. In addition, in the event that the accounting professional or legal professional is an organization such as artificial person or association, a person who belongs to such organization (including a person who has once belonged to such organization in the Relevant Fiscal Years. The same is applicable to Items 6 and 7 below of this Clause) is included.
 - 6) A person/organization who received donation of a large amount of money or other assets^v 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^{vi} among executive persons of the Shiseido Group;
 - 2) Non-executive director of a company in the Shiseido Group;
 - 3) A person falling under any of Items 1) to 4) of Clause 2; provided, however, that with respect to these executive persons, applicable only to the important person^{vi}.

- 4) A person falling under any of Items 5) to 7) of Clause 2; provided, however, that with respect to a person belonging to the organization, applicable only to the important persons^{vii}.
4. Any of the following situations that could be deemed as “Cross-Assumption of Offices of Directors, etc.” is not applicable:
- 1) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, external director, corporate auditor or the office equivalent thereto^{viii} of a company other than the Company, in Japan or overseas (the “Subject Company”), an executive person, an external director, corporate auditor (excluding the aforesaid External Director or candidate for the External Director) or person in the office equivalent thereto of the Shiseido Group assumes director (including an external director), executive officer, corporate auditor (including external corporate auditor), executive officer or person in the position equivalent thereto^{viii} of the Subject Company.
 - 2) In the event that the External Director of the Company or a candidate for the External Director of the Company currently assumes the office of an executive person, director, officer or the office equivalent to director or officer of an artificial person or other organization (other than a company) (the “Subject Organization”), an executive person, an external director, corporate auditor (excluding aforesaid executive officer or candidate for External Director) or person in the office equivalent thereto of the Shiseido Group assumes the office of director, officer or person in the position equivalent thereto^{ix} of the Subject Organization.
5. In addition to Clauses 1 to 4, there exist no circumstances in which duties imposed on an independent External Director are reasonably deemed not to be achieved.
6. It is presently expected that any event or matter stated in Clauses 1 to 5 would not occur or exist hereafter.

Note:

- i. An “affiliated company” means the affiliated company stated in Article 2, Paragraph 3, Item 22 of the Ordinance on Company Accounting.
- ii. An “executive person” means an executive director, executive officer, corporate officer, staff executing business of a company divided into interest (mochibun kaisha) (in the event of the staff being a artificial person, a person to discharge duties stated in Article 598, Paragraph 1 of the Companies Act), a person executing business of artificial person or organization other than a company and an employed person (an employee, etc.) of a artificial person or organization including a company.
- iii. A “counterparty which has transactions principally with the Shiseido Group” means a person/organization falling under any of the following items:
 - 1) The counterparty or the counter party group (a consolidated group to which the company that has direct transactions with the Shiseido Group belongs to) (collectively the “counterparty”) which provides or provided products or services to the Shiseido Group and the aggregate amount of transactions between the counterparty and the Shiseido Group exceeds Yen10 million per fiscal year, and which exceeds 2% of consolidated net sales of the counterparty (or if the counterparty does not prepare consolidated financial statement, non-consolidated net sales of the counterparty) for the Relevant Fiscal Years.
 - 2) The counterparty group to which the Shiseido Group is or was indebted to the counterparty group and the aggregate amount of indebtedness of the Shiseido Group exceeds Yen10 million as at the end of each fiscal year, and which exceeds 2% of consolidated total assets (or if the counterparty does not prepare consolidated financial statement, non-consolidated total assets of the counterparty) of the counterparty for the Relevant Fiscal Years.
- iv. A “principal counterparty of the Shiseido Group” means a person/organization falling under any of the following items:
 - 1) The counterparty to which the Shiseido Group provides or provided products or services and the aggregate amount of transactions between the counterparty and the Shiseido Group exceeds ¥10 million per fiscal year, and which exceeds 2% of consolidated net sales of the Shiseido Group for the Relevant Fiscal Years.
 - 2) The counterparty to which the Company Group has account-receivable, advance and account due (collectively “account-receivable”) and the aggregate amount of the account-receivable of the Shiseido Group exceeds Yen10 million as at the end of each fiscal year, and which exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.

- 3) A financial institution group (to which the direct lender belongs) from which the Shiseido Group borrows or borrowed and the aggregate amount of the borrowing exceeds 2% of consolidated total assets of the Shiseido Group as at the end of the Relevant Fiscal Years.
- v. A “large amount of money or other assets” means in excess of Yen 10 million per fiscal year.
- vi. An “important person” from among executive persons means a director (excluding external director), an executive officer, corporate officer, and employed person in the office of senior management not lower than general manager.
- vii. An “important person” from among persons “belonging to the organization” stated in 5) and 7) in Clause 2 above means an officer such as certified public accountants belonging to audit corporation or accounting firm, lawyer (including so as to call associates) belonging to law firm, director and supervisor belonging to a judicial foundation, incorporated association, incorporated school and other artificial persons (collectively “Various Artificial Person”) In the event that an organization to which a person belongs is not any of audit corporation, accounting firm, law firm and Various Artificial Person, a person who is deemed objectively and reasonably important equivalent to the persons stated above in this note by the organization.
- viii. An “office of an executive person, external director, corporate auditor or the position equivalent thereto” includes the positions such as “Counselor”, “Advisor”, etc. assumed by retired director, retired corporate auditor, retired executive officer or retired corporate officer enabling them to give advice to the Company, in addition to an executive person defined in Note ii above, non-executive director (including external director), and corporate auditor (including external corporate auditor).
- ix. The “office of director or person in the position equivalent thereto” includes the positions such as “Counselor”, “Advisor”, etc. assumed by retired director, retired councilor or retired supervisor enabling them to give advice to the subject organization, in addition to director, councilor or supervisor.

 < Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents >

Shiseido Company, Limited (the “Company”) establishes its own rules of “Insignificance Criteria for Omission of Description about Relationships between the Company and the External Directors/Audit & Supervisory Board Members in the Notification/Disclosure Documents” (the “Insignificance Criteria”) in accordance with its own rules of “Criteria for Independence of External Directors/Audit & Supervisory Board Members” as described below. This Insignificance Criteria defines monetary amount standards by which the Company deems an external director and audit & supervisory board member (collectively the “External Director”) or a candidate for the External Director to axiomatically have sufficient independence against the Company and it is allowed to omit detailed descriptions in the notification documents and disclosure documents (collectively the “Notification Documents”.) Descriptions about the independence of the External Directors in the Notification Documents are made according to this Insignificance Criteria and, in principle, some of the descriptions about the relationships between the Company and other organizations in which External Directors concurrently assume important position to be omitted according to this Insignificance Criteria. In addition, the “Relevant Fiscal Years” in this Insignificance Criteria means “the current fiscal year and the last nine (9) fiscal years.”

1. Descriptions on “A principal counterparty of the Shiseido Group, or its executive person” and “A counterparty which has transactions principally with the Shiseido Group, or its executive person ”

The Company shall omit descriptions about the transactional relationships if all of transaction amount specified in the following 1) through 5) are smaller than Yen 10 million per year in the Relevant Fiscal Years.

- 1) Total amount of transactions of providing products or services from a counterparty group to the Shiseido Group in each Relevant Fiscal Years
- 2) Shiseido Group’s total unpaid amount to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years
- 3) Total amount of transactions of providing products or services from Shiseido Group to a counterparty group in each Relevant Fiscal Years
- 4) Shiseido Group’s total amount of trade receivable to a counterparty group at the end of each fiscal year of the Relevant Fiscal Years

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]

Incentive Policies for Directors

Introduced Performance-linked Remuneration and Stock Options

Supplementary Explanation

The Company regards the directors, audit & supervisory board members and corporate officers remuneration policy as an important matter for the corporate governance. Thus the directors, audit & supervisory board members and corporate officers remuneration policy of the Company is designed at the Remuneration Advisory Committee chaired by external directors based on the following basic philosophy, while incorporating objective points of views.

< Basic philosophy of the directors, audit & supervisory board members and corporate officers remuneration policy>

1. contribute to realizing corporate mission;
2. be designed to provide the amount of remuneration commensurate with the Company's capability to secure and maintain superior personnel;
3. be designed to reflect the Company's medium- to long-term business strategy, and designed to strongly motivate directors, audit & supervisory board members and corporate officers eligible for remuneration to bring medium- to long-term growth;
4. have a mechanism incorporated to prevent overemphasis on a short-term views and wrongdoing; and
5. be designed to transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.

The remuneration of the directors, audit & supervisory board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

Recipients of Stock Options

Inside Directors and others (Corporate Officers)

Supplementary Explanation

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

[Director Remuneration]

Disclosure of Individual Directors' Remuneration

Selected Directors

Supplementary Explanation

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

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

Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2015
(millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Directors (8 persons)	145	68	28	242
External directors (4 persons)	29	-	-	29
Audit & Supervisory Board Members (6 persons)	73	-	-	73
External members (3 persons)	27	-	-	27
Total	218	68	28	315

Notes:

1. Effective from the fiscal year under review, the Company has changed its fiscal year-end from March 31 to December 31; the amounts of remuneration for the fiscal year under review therefore cover the nine months from April 1 to December 31, 2015.
2. Basic remuneration for directors has the ceiling amount of ¥30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
3. The above amount of basic remuneration includes ¥5 million as basic remuneration for fiscal 2015 that one subsidiary of the Company paid through the Company to one director of the Company who served concurrently as the director of said subsidiaries.
4. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
5. In addition to the above payments, there are other remuneration, etc. of ¥2 million recorded for the fiscal year ended December 31, 2015 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 2 through 5).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds 100 million yen, by type of remuneration for Fiscal 2015
(millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Masahiko Uotani, Representative Director	61	46	11	119
Toru Sakai, Representative Director	23	11	5	40

Notes:

1. Effective from the fiscal year under review, the Company has changed its fiscal year-end from March 31 to December 31; the amounts of remuneration for the fiscal year under review therefore cover the nine months from April 1 to December 31, 2015.
2. The above amount of basic remuneration includes ¥5 million as basic remuneration for fiscal 2015 that one subsidiary paid through the Company to Mr. Toru Sakai, representative director, who served concurrently as the director of said subsidiaries.
3. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
4. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 2 through 3).

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

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

<Basic principle on determining remuneration amounts and calculation method>

The remuneration of the directors, audit & supervisory board members and corporate officers comprises basic remuneration and performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th ordinary general meeting of shareholders was held.

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

(Overview)

The Company positions the three years from fiscal 2015 through fiscal 2017 to be the period for reconstructing its business foundation to enable accelerated growth in the three years from fiscal 2018 through fiscal 2020. Accordingly, the directors, audit & supervisory board members and corporate officers remuneration policy for the three years from fiscal 2015 to fiscal 2017 is designed to motivate directors, audit & supervisory board members and corporate officers to implement drastic reformation as leader of the transformation.

The Company assumes to require some time before the result of reconstructing the business foundation becomes reflected in business performance data such as consolidated business performance and the relevant business performance under their supervision. In addition, some challenges to be resolved may require actions that may cause negative impact to the business performance data on a short-term, optimization of market inventory level, for example. To achieve a long-term growth, however, this process is unavoidable as those issues need to be resolved. From the point of view to provide incentives for directors, audit & supervisory board members and corporate officers to strategically resolve those challenges from a long-term growth perspective, the Company has adopted the mechanism of individual performance evaluation for both basic remuneration and performance-linked remuneration (evaluation on the level of achievement against the strategic target).

Because this current directors, audit & supervisory board members and corporate officers remuneration policy is designed specifically to ensure successful restructuring of the business platform, the Company will review the policy again for fiscal 2018 and beyond.

(Basic remuneration)

The Company designs to set basic remunerations in accordance with the role grades, which is set based on size and level of responsibility that respective officers are in charge, as well as the impact to business management of the group. In addition, within a same grade, an increase of the amount is allowed within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with their achievements of respective directors, audit & supervisory board members and corporate officers.

For external directors and audit & supervisory board members, the Company shall not pay the basic remuneration that has a certain allowance for increase, but pay the fixed remuneration which is fixed at a certain amount only in the same manner as in the past.

(Performance-linked remuneration)

The performance-linked remuneration consists of an "annual bonus" provided based on annual business performance, and "stock options as long-term incentive-type remuneration," designed to motivate the directors and corporate officers to manage business operation while being more conscious about the Company's performance and share price from the perspectives of not only a single-year but also a medium to

long term. In addition, the Company has ensured that the both remunerations are designed to further motivate them to resolve strategic challenges from a long-term perspective by adding the part of evaluation based on evaluation of personal performance.

(Annual bonus)

The Company has set evaluation items for the annual bonus linked to performance in accordance with the scope respective directors and corporate officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating income as common performance indicators across directors and corporate officers. We set the individual performance evaluation of all directors and corporate officers in order to add the level of achievement against the strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

(Long-term incentive stock options)

Of the performance-linked remuneration, the Company imposes terms and conditions regarding performance on stock compensation-type stock options as long-term incentive-type remuneration on two occasions when the stock acquisition rights are allotted and the exercise period of the stock acquisition rights allotted starts.

When actually allotting the stock acquisition rights after obtaining an approval for the maximum number of stock acquisition rights to be allotted at the general meeting of shareholders, the Company shall increase or decrease the number of stock acquisition rights to be granted ranging from 0 to the maximum number by using the evaluation indicators for annual bonuses for the immediately preceding fiscal year. In addition, we have introduced a mechanism that when the stock acquisition right exercise period starts, the exercisable number of stock acquisition rights may be determined according to the consolidated performance and other track records up to the immediately preceding fiscal year in the range of 30% to 100% of the allotted number, and thereby strengthen it to functions as incentives for improving medium- to long-term business performance and achieving the targets.

Detailed descriptions of the remuneration of the directors, audit & supervisory board members and corporate officers remuneration policy are shown in the Notice of Convocations of the 116th Ordinary General Meeting of Shareholders of the Company (pages 58 to 61)

http://www.shiseidogroup.com/ir/shareholder/e1606shm/pdf/shm_0000.pdf

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

<External Directors>

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

<External Members of Audit & Supervisory Board Members>

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

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

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

(Board of directors and directors)

Composed of seven members including four external directors and chaired by the president & CEO, the Board of Directors is small and able to make decisions quickly. The Board of Directors meets at least once a month to discuss all significant matters.

To obtain an outside point of view and further strengthen the Board of Directors' supervisory function in regard to business execution, Shiseido appointed two highly independent external directors from the fiscal 2006. With the addition of one more independent external director in fiscal 2011, and one more in fiscal 2016, Shiseido appointed four highly independent external directors.

In addition, one out of three directors aside from the external directors has built careers outside of Shiseido, ensuring diversity among the directors.

The term of office of directors is one year.

(Corporate officers and meetings for corporate officers are involved)

Through the adoption of a corporate officer system, we separate the supervisory functions of the Board of Directors from the business execution functions of corporate officers. The Company sets up the Executive Committee, in which corporate officers study and discuss about important business execution from various aspects before the final decisions, and the meetings for development of medium-term/annual plans, in which corporate officers develop and resolve business plans and brand strategies. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating of business execution. The President & CEO chairs these two Committees. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee.

The term of office of corporate officers is one year.

(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 Nomination Advisory Committee, which evaluates and nominates candidates for directors and corporate executive officers, and the Remuneration Advisory Committee, charged with setting executive remuneration. Both committees are chaired by external directors to maintain objectivity.

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.

The Remuneration Advisory Committee makes reports to the Board of Directors regarding the remuneration system for directors as well as evaluation of their performance. The Remuneration Advisory Committee reviewed a remuneration system for fiscal 2016 and fiscal 2017.

<Diversity of directors and audit & supervisory board members>

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

When considering the diversity, it is a policy of the Company to appoint appropriate persons based on their personality and insight irrespective of gender, age, and nationality, etc., to stress not only diversity of these attributes, but also diversity in terms of tasks including professional knowledge and experiences in various fields related to the business management. In addition, the Company has set a certain maximum term of office for external directors and external audit & supervisory board members in order to reflect their views, which

are free from the Company's existing structure, to the management of the Company, and by allowing a handover period from long-serving external directors and audit & external supervisory board members to newly-appointed external directors and audit & external supervisory board members to ensure appropriate transition.

<Ratio of external directors at the board of directors>

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company established its view on the ratio of external directors at the Board of Directors.

In the Company's articles of incorporation, the maximum number of board members is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors is elected such that they are able to appropriately supervise the management.

For external directors, the number is set at three or above to allow such members a certain degree of influence within the board. In addition, the Company has established the target of electing half or more of its directors from outside.

For selecting external directors and audit & supervisory board members, high priority is given to independence. Our basic principle is that candidates of external directors and audit & supervisory board members are required to meet the Company's independence criteria as well as possess high independence in mental attitude.

<Actual composition of directors and audit & supervisory board members>

Of seven directors who are currently in office as of March 31, 2016, four directors (57.1%) are highly independent external directors who meet the criteria for independence of the external directors and audit & supervisory board members of the Company. The other three directors who serve concurrently as corporate officers include one with career background as a management outside the Shiseido Group, and two with career background in the Shiseido Group. The directors include two females (28.6%).

Of five audit & supervisory board members, three members (60.0%) are highly independent external audit & supervisory board members and two are full-time members with career background in the Shiseido Group. The members include two female (40.0%).

Of the total twelve directors and audit & supervisory board members, seven members (58.3%) are highly independent external directors or external audit & supervisory board members, and four members (33.3%) 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	5 years
The same as the above	Ryoji Fujii, Designated Limited Liability Partner	3 years
The same as the above	Takashi Kawakami, Designated Limited Liability Partner	6 years

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

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

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

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

The Compliance Committee, reporting directly to the President and CEO, is established. The committee is headed by the Executive Vice President and comprises members elected companywide. The Committee reports important issues figured out through the Committee's activities to the Board of Directors along with its results of activities.

The Compliance Committee establishes systems to promote the Shiseido Group's compliance and risk management. In addition, the Committee develops and executes the Shiseido Group's sustainability strategy aiming for the Shiseido Group's coexistence and co-prosperity with society and the Earth. These missions of the Committee are directly linked to business execution.

3. Reasons for Adoption of Current Corporate Governance System

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

Effective January 2016, the Shiseido Group has launched full-scale operations of a new matrix-type organizational system with five brand businesses and six regions combined. Under the new organizational system, the Company as the global headquarters is responsible for supervising the overall group and providing necessary support, and is promoting localization of responsibility and authority by delegating many of the authorities that used to be retained by the Company to respective regional head office of Japan, China, Asia, the Americas, EMEA, and travel retail. The Board of Directors held repeated discussions throughout fiscal 2015 with regard to an ideal state of the Company's corporate governance system that includes

composition and operation of the Board of Directors under the new management structure as the premise. As a result, the Board of Directors concluded adopting the “monitoring board-type” would be appropriate to ensure sufficiently effective supervisory functions over the overall Shiseido Group, and resolved to implement the “monitoring board-type corporate governance” while leveraging advantages of the company with the audit & supervisory board system.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Shiseido makes every effort to distribute a convocation notice about 3 weeks prior to a general meeting of shareholders. For the 116th Ordinary General Meeting of Shareholders, the convocation of notice was distributed on March 3, 2016, 22 days prior to the Meeting. The Company disclosed the notice of convocations on its website before the date of mailing in light of earliest possible information service (Japanese: on February 24, English translation: on March 2.)
Scheduling AGMs Avoiding the Peak Day	In accordance with the change of the fiscal year-end of the Company, we held the 116th Ordinary General Meeting of Shareholders on March 25, 2016. The date is 5 days (3 business days) prior to the most concentrated date for AGMs of the Japanese companies whose fiscal year-end is December 31.
Allowing Electronic Exercise of Voting Rights	Since the 103rd Ordinary General Meeting of Shareholders in 2003, the Company has introduced the measure of exercising voting rights via website.
Participation in Electronic Voting Platform	Since the 106th Ordinary General Meeting of Shareholders in 2006, the Company has taken part in the Electronic Voting Platform operated and managed by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the convocation of notice is prepared, distributed to foreign shareholders to the maximum extent, and posted on the Tokyo Stock Exchange's website as well as the Company's website.
Other	Starting from June 2008, the Company started disclosing the results of the exercise of voting rights. Starting from 2010, the Company disclosed the result of the exercise of voting rights on the Tokyo Stock Exchange's website, the Company's website, and the extraordinary reports through EDINET of the Financial Services Agency of Japan. 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.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Established the Disclosure Policy, consisting of “Basic Policy on Information Disclosure”, “Standards for Information Disclosure”, “Method of Information Disclosure”, “Quiet Periods”, “Forward-Looking Statements” in 2006. The Policy is published on the website of the Company. http://www.shiseidogroup.com/ir/disclosure/policy/
Regular Investor Briefings for Individual Investors	Hold presentation meetings presented by CEO or other corporate officers, and these presentations are distributed via the Internet. In addition, the Company started the “Individual Shareholders Meeting”, a regular meeting for exchanging opinions concerning shareholder relations of the Company with its individual shareholders (1st round: held in Osaka on February 9, 2012, 2nd round: held in Nagoya on September 7, 2012, 3rd round: held in Fukuoka on February 8, 2013, 4th round: held in Kobe on September 6, 2013, 5th round: held in Saitama on February 6, 2014, 6th round: held in Nagoya on September 12, 2014, 7th round: held in Sapporo on February 20, 2015, 8th round: held in Yokohama on September 29, 2015)
Regular Investor Briefings for Analysts and Institutional Investors	Hold meetings twice a year when the Company announces about financial statements of full-year and the second Quarter.
Regular Investor Briefings for Overseas Investors	Hold meetings individually mainly in countries in North America, Europe and Asia.
Posting of IR Materials on Website	The following statutory and non-statutory reports and materials are posted on the Company's website: 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. http://www.shiseidogroup.com/ir/library/ In addition, we post Japanese and English version of movies of 2Q and 4Q financial results announcement meeting. Movies of financial results presentation and QA sessions are posted. http://www.shiseidogroup.com/ir/library/acc/
Establishment of Department and/or Manager in Charge of IR	Department in charge: Investor Relations Department Corporate Officer etc. in charge: Norio Tadakawa, Corporate Officer, CFO Mihoko Nagai, Vice President, Corporate Communications Person in charge to contact: Tetsuaki Shiraiwa, Department Director of Investor Relations Department
Other	Hold joint-meeting with and individually calling on domestic and foreign investors, in series, in addition to Financial Results Briefings (twice a year.)

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>Towards the realization of the Shiseido Group Corporate Philosophy "Our Mission, Values and Way", the Company established "Our Mission," which sets out the raison d'être, that is core to the Group. "Our Values" defines the value that must be held and share to realize "Our Mission." In addition, the Company established "Our Way" and "Shiseido Group Standards of Business Conduct and Ethics."</p> <p>"Our Way" defines what corporate actions should be taken in relation to stakeholders (customers, business partners, employees, shareholders, and society and the Earth) and sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conducts with highest ethical standards.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The 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 (http://www.shiseidogroup.com/csr/) have been edited according to the following policies;</p> <ul style="list-style-type: none"> - We introduce each activity according to the 7 core subjects of ISO26000 (Social Responsibility). - We have simplified the contents of reports on each page to make them easier to read. - We have also focused on overseas activities in order to enhance the Group's reports. - We disclose social responsibility/human resources result reports in lists. - Target period for the information included in this website is mainly for Fiscal 2014 (from April 1, 2014 to March 31, 2015). However, part of the information may be from prior to the said period or more recent than the period. - We have edited the website by using the United Nations Global Compact, Sustainability Reporting Guidelines G4 of GRI (Global Reporting Initiative), and ISO26000 (Social Responsibility) for reference. - The scope includes Shiseido Co. Ltd. and 92 Shiseido Group companies (subsidiaries) as of March 31, 2015. Notes have been added to data outside of the above scope.

Other	<p>< Diversity in employees ></p> <p>Employees, who work for the Shiseido Group in various countries and regions worldwide, have diverse attributes, including nationality, gender, age, employment status and developmental challenges, as well as values and viewpoints, and we are promoting diversity on a global level. Since 90 percent of the Shiseido Group's customers are women, we focus on providing new products and services based on our understandings of women's values and current lifestyles. Our female employees, who account for approximately 80 percent of all the employees, must therefore play a central role in management and business activities.</p> <p>(as of the end of December 2015)</p> <ul style="list-style-type: none"> - Ratios of female employees in the Shiseido Group worldwide: 84.5% - Ratios of female leaders* in the Shiseido Group worldwide: 50.6% - Ratios of female employees in the Shiseido Group in Japan: 83.1% - Ratios of female leaders* in the Shiseido Group in Japan: 28.5% <p>* Ratio of female leaders: Ratio of females in managers with subordinates.</p> <p>The Company has declared that it is targeting a ratio of having female employees make up 30% its domestic leadership in the fiscal 2016, in advance of the government's stated goal (in 2020). We believe that the important thing is not to make a goal of achieving numerical targets, but to nurture human resources equally, whether they are males or females, on the premise of promoting talented employees to positions of leadership. Therefore, we will continue seeking to foster a corporate climate that produces female leaders on a regular basis.</p> <p>Specific efforts regarding gender equality, including support measures for the balancing of work and child-raising/at-home care of elderly family members, are described on our corporate website.</p> <p>http://www.shiseidogroup.com/csr/labor/diversity.html http://www.shiseidogroup.com/csr/labor/working.html</p>
-------	---

IV. Matters Related to the Internal Control System

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

The Company's Basic Policy regarding Internal Control Systems as of December 31, 2015 is as follows:

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

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

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

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

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

The "Compliance Committee," directly reporting to the President & CEO, shall be responsible for improving the quality of the Company by enhancing legitimate and fair corporate activities of the group, and risk management. The committee shall propose and report the plans and activities to the Board of Directors.

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

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

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

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

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

The Company adopted a corporate executive officer system to actualize smooth and highly efficient corporate management, wherein functions of directors, who are responsible for decision-making and

overseeing execution of business, are separated from those of corporate officers, who are responsible for business execution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Basic Views on Eliminating Anti-Social Forces

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
None.	

2. Other Matters Concerning to Corporate Governance System

<p>The internal system for ensuring the timely disclosure of our corporate information is described below.</p> <p>To put into practice what we call Our Mission “We cultivate relationships with people, We appreciate genuine, meaningful values, We inspire a life of beauty and culture,” it sets out our raison d’être that is core to the Shiseido Group, the Company defines the values that must be held and shared by each and every employee of the Shiseido Group, which we call Our Values (*1), and also has a code of conduct in relation to stakeholders of all types (customers, business partners, shareholders, employees, and society and the Earth), which we call Our way. (*2)</p> <p>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.</p> <p>We also have the "Shiseido Disclosure Policy," (*3) which we established as a policy on the disclosure of management information to investors, etc.</p> <p>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.</p> <p>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:</p> <p>1. Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information</p> <p>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</p>
--

rules that reflect laws and regulations and listing rules and makes a judgment on a case-by-case basis whether or not a certain fact is a material fact.

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

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

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

2. The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters

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

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

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

(*1)

Our Values

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

(*2)

Our Way

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

[With Consumers]

1. We consistently strive to research, develop, manufacture and sell safe and excellent products and services that deliver true satisfaction from the standpoint of consumers.

1) We always place the highest priority on quality and safety to ensure the confidence of consumers. Moreover, we comply with our own stringent internal standards in addition to external regulations, and carry out safety assessments.

2) We provide information that consumers need in a timely and appropriate manner. Furthermore, we clearly and accurately present and carefully explain information that consumers need when selecting products and services.

3) We produce ethical, creative and appealing advertising that wins the support of consumers and helps them in selecting products and services.

2. We sincerely strive to enhance satisfaction and trust at all points of contact with consumers.
 - 1) We always treat consumers with a sense of appreciation and the spirit of OMOTENASHI.
 - 2) We handle consumer complaints sincerely and promptly.
 - 3) We take consumer feedback seriously, and use it to improve and develop products and services.
 3. We continually strive to increase the value of all of the Shiseido Group's brands.
 - 1) We earn trust and increase the value of the Shiseido Group's brands by thinking together with consumers about how we can help them achieve beauty and well-being. We also strive to increase brand value at stores and other points of consumer contact.
 - 2) We manage intellectual property, which increases the value of the Shiseido Group's brands, to prevent infringement. We also respect the intellectual property rights of others.
- [With Business Partners]
1. We select business partners properly, and engage in fair, transparent and free competition and appropriate business transactions.
 - 1) We choose our clients, suppliers, outsourcing vendors and other business partners on the basis of their efforts to respect human rights, comply with laws, protect the environment and address social issues, as well as considerations such as quality and price.
 - 2) We do not engage in unfair price fixing, collusion, dumping or any other actions that hinder free competition.
 2. We do not provide or accept gifts or entertainment that may cause suspicion regarding our fairness.
 - 1) We do not give or accept money or gifts in the course of our work with our business partners. Exceptions are seasonal and courtesy gifts given as a matter of custom, provided that such gifts are within socially acceptable limits.
 - 2) We also keep meals and entertainment with our business partners within socially acceptable limits only.
 3. We respect all of our business partners who share our aims, and work together with them toward sustained growth.
 - 1) We maintain equitable relationships with our business partners, and do not apply coercive pressure.
 - 2) We share our stance regarding fulfillment of social responsibility, including respect for human rights, compliance with laws and protection of the environment, with our business partners and encourage them to take their own voluntary initiatives.
 - 3) We cooperate with our business partners in working to enhance the value of the Shiseido Group's brands.
- [With Employees]
1. We respect the character and individuality of everyone in the work place, in all their diversity, and strive to develop and grow together.
 - 1) We never engage in or tolerate discrimination on any basis including, but not limited to, race, color, gender, age, language, property, nationality or national origin, religion, ethnic or social origin, political or other opinion, disability, health status and sexual orientation, nor do we engage in or tolerate moral harassment, including sexual harassment and abuse of power.
 - 2) We work together with our co-workers to fulfill our potential in our jobs.
 - 3) We strive to maintain a dialogue with our co-workers, and are committed to their growth as well as our own.
 - 4) We strive to conduct fair evaluations.
 2. We work conscientiously and maintain a clear distinction between professional and private matters.
 - 1) We properly manage confidential and personal information to prevent it from being leaked or lost, and do not use such information improperly.
 - 2) We do not engage in businesses that compete with the Shiseido Group's products or services, or in any other actions that could negatively affect the Shiseido Group's business operations.
 - 3) We do not use our authority or position to obtain personal entertainment or goods, and do not solicit cooperation in personal activities or provide favors to third parties.
 3. We strive to create a safe, healthy work environment and enhance employees' comfort and sense of fulfillment.
 - 1) We seek to make work environments safe, clean and healthy.

- 2) We strive to maintain and manage our physical and mental health, and to maintain an appropriate work/life balance.

[With Shareholders]

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

[With Society and the Earth]

1. We abide by the laws of each country and region in which we operate, and maintain sound ethical behavior as well as respect human rights.
 - 1) We abide by the laws and respect the history, culture, customs and other aspects of each country and region in which we operate.
 - 2) We respect international laws including treaties. We never engage in human rights violations such as child labor or forced labor.
 - 3) We do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations.
 - 4) We strictly maintain fairness and a high level of transparency in our relationships with national and local government entities and officials, political parties and politicians.
2. We promote environmental initiatives in line with our own stringent standards, and consider biodiversity as we aim for a sustainable society in which humanity and the Earth coexist beautifully.
 - 1) We strive to mitigate climate change through efforts such as reducing emissions of CO₂ and other greenhouse gases (GHG). We also manage chemical substances properly to prevent air, water and soil pollution.
 - 2) We strive to minimize waste in our business processes and in use by consumers, with emphasis on the 3Rs: reduce, reuse and recycle.
 - 3) We work to develop new products and services that bring out the beauty of consumers and are also eco-friendly.
 - 4) We proactively develop new technologies to balance environmental initiatives with our business activities.
3. We engage in a broad dialogue with society and strive to cooperate in solving social challenges.
 - 1) We strive to meet the expectations of global society through various activities, such as using the power of cosmetics to lift people's spirits and improve their quality of life, furthering the advancement of women, promoting the arts and culture, and conducting environmental activities.
 - 2) We work to deepen our interaction with communities where our affiliates are located and contribute to their development, thereby fulfilling our responsibility as a good corporate citizen.

 (*3)

Shiseido Disclosure Policy

I. Basic Policy on Information Disclosure

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

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

II. Standards for Information Disclosure

1. Timely Disclosure of Material Information

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

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

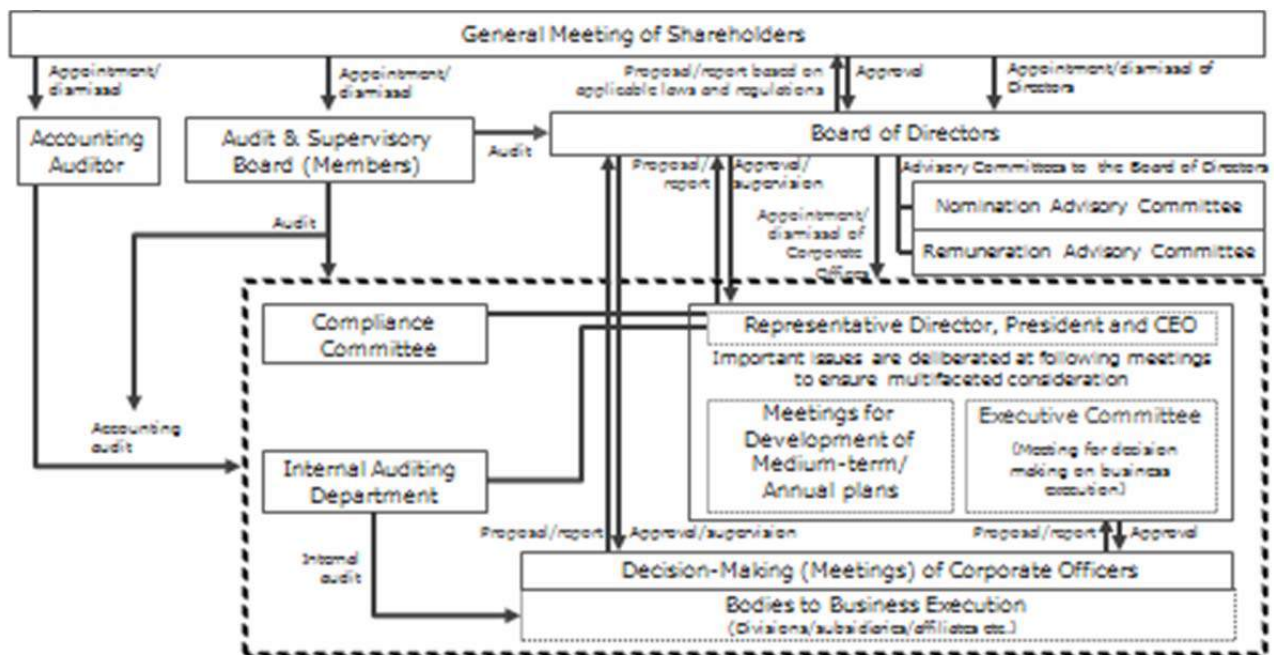
To prevent leaks of financial results before the announcement and to assure fairness, Shiseido observes a quiet period before the announcement of business results. The quiet period is from the day after the closing date※ to the date on which earnings are announced each quarter. During the quiet period, we do not answer inquiries or make any comments on business results. Should it prove necessary to make timely disclosure during the quiet period, Shiseido will do so under the rules on timely disclosure.

*The closing date of the fiscal year was March 31 but is December 31 from fiscal 2015.

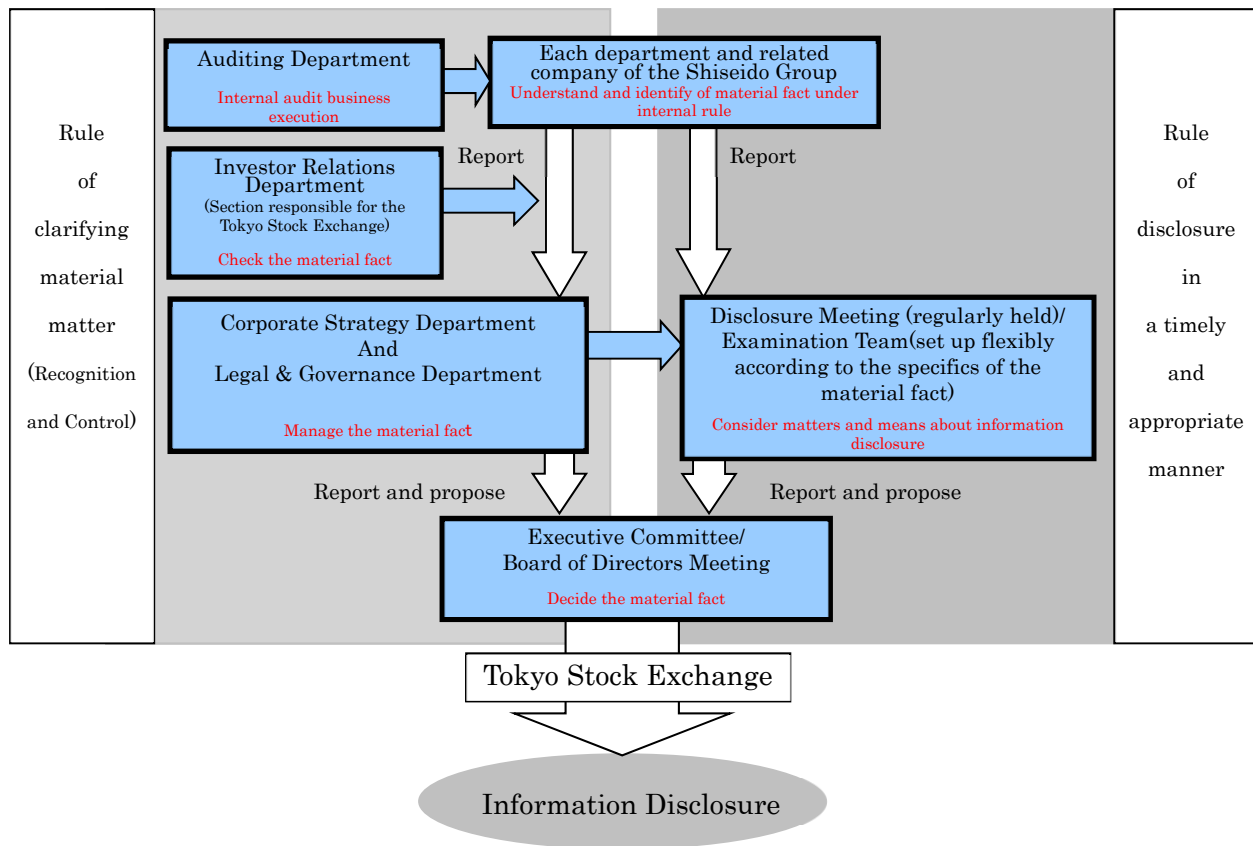
V. Forward-Looking Statements

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.

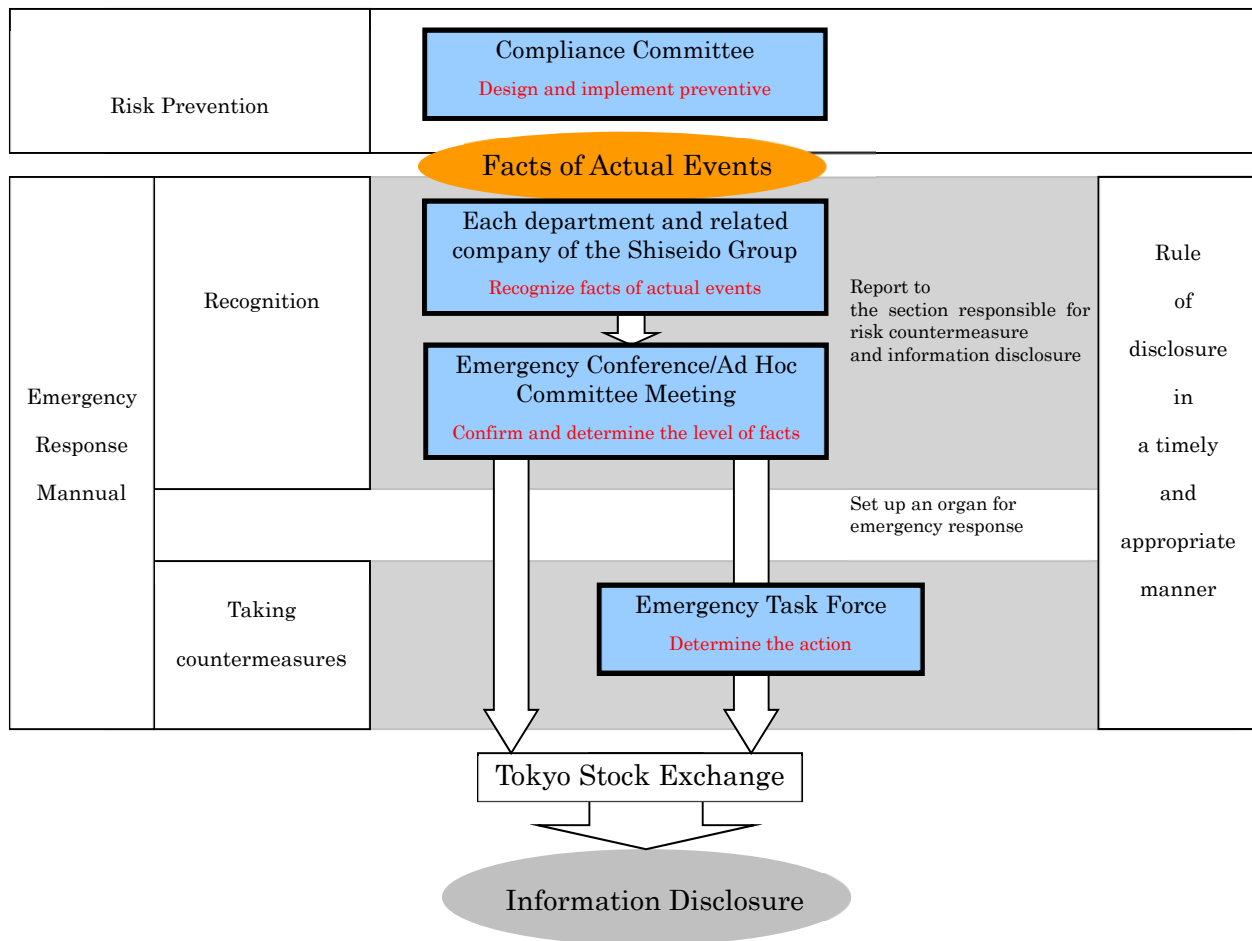
<The Company's Corporate Governance Framework>



<The Company's System for Information Disclosure of Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information>



<The Company's System for Information Disclosure of Facts of Actual Events Such as Incidents, Accidents and Disasters>



Corporate Governance

Internal Control Systems of the Company

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 Apr. 1, 2016)

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 and CEO of the Company [incumbent] Chairman of CSR Committee of the Company</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 Chief Officer of International Business Division of the Company</p> <p>Apr. 2015 Responsible for Global Business of the Company Responsible for Corporate Communication of the Company[incumbent]</p> <p>Jan. 2016 Responsible for Corporate Strategy, Internal Audit, Global Cosmetics and Personal Care Brands of the Company[incumbent]</p>

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

<p>Yoko Ishikura (March 19, 1949)</p>	<p>May 1980 Jun. 1985 Jul. 1985 Apr. 1992 Mar. 1996 Apr. 2000 Feb. 2001 Apr. 2004 Oct. 2005 Jun. 2006 Jan. 2008 Jun. 2010 Apr. 2011 Apr. 2012 Jun. 2012 Jun. 2014 Jun. 2015</p>	<p>Obtained an MBA from Darden School of Business, Virginia University Obtained a DBA from Harvard Business School Joined McKinsey & Company Inc. Japan Office Professor, School of International Politics, Economics and Communication, Aoyama Gakuin University Director (part-time), Avon Products Inc. Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Member of the Central Education Council Director (part-time), Vodafone Holdings K.K. Outside Director (part-time) of Japan Post Vice President, the Science Council of Japan Outside Director, Mitsui O.S.K. Lines, Ltd. Member (part-time) of the Council for Science and Technology Policy Outside Director, Nissin Food Holdings Co., Ltd. [incumbent] Outside Director, Fujitsu Limited Professor, Graduate School of Media Design, Keio University Professor Emeritus, Hitotsubashi University [incumbent] Outside Director, Lifenet Insurance Company [incumbent] Outside Director, Sojitz Corporation [incumbent] External Director of the Company [incumbent]</p>
<p>Shoichiro Iwata (August 14, 1950)</p>	<p>Mar. 1973 Mar. 1986 May 1992 Nov. 1995 Mar. 1997 May 2000 Jun. 2006 Jul.2015</p>	<p>Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation) Joined Plus Corporation Deputy General Manager of Product Development Division Head of ASKUL Business Project, Sales Division of Plus Corporation Manager of ASKUL Business Division, Plus Corporation President of ASKUL Corporation [incumbent] Chief Executive Officer of ASKUL Corporation [incumbent] External Director of the Company [incumbent] Chairman of Remuneration Advisory Committee of the Company [incumbent] External Director of Minnano Wedding Co.,Ltd.[incumbent]</p>
<p>Kanoko Oishi (March 24, 1961)</p>	<p>Apr. 1983 Aug. 1987 Jun. 1988 Nov. 1988 Jun. 2000 Jul. 2000 Aug. 2001 Aug. 2002 Aug. 2004 Jun. 2010 Jun. 2015 Mar. 2016</p>	<p>Joined Nippon Life Insurance Company McKinsey & Company, Inc. (New York Office) Obtained an MBA from Harvard Business School McKinsey & Company, Inc. (Tokyo Office) CEO, Mediva Inc. [incumbent] CEO, Seinan MEDIVA Co., Ltd. (Currently Seeds 1 Co., Ltd.) [incumbent] Outside Auditor, ASKUL Corporation Outside Director, ASKUL Corporation COO of Platanus Medical Corp [incumbent] Outside Director, Astellas Pharma Inc. Outside Director, Ezaki Glico Co., Ltd. [incumbent] External Board Member, Santen Pharmaceutical Co., Ltd. [incumbent] External Director, Suruga Bank Ltd. [incumbent] External Director of the Company [incumbent]</p>

Tatsuo Uemura (April 19, 1948)	Apr. 1977	Lecturer, Faculty of Law, The University of Kitakyushu
	Apr. 1979	Associate Professor, Faculty of Law, The University of Kitakyushu
	Apr. 1981	Associate Professor, School of Law, Senshu University
	Apr. 1986	Professor, School of Law, Senshu University
	Apr. 1990	Professor, College of Law and Politics, Rikkyo University
	Apr. 1997	Professor, School of Law, Waseda University [incumbent]
	Oct. 2003	Director, Center of Excellence - Waseda Institute for Corporation Law and Society
		Professor, Waseda Law School
	Jun. 2004	External Director, JASDAQ Securities Exchange, Inc.
	Jun. 2006	External Director of the Company [incumbent]
		Chairman of Nomination Advisory Committee of the Company [incumbent]
	Sep. 2006	Dean of Faculty of Law and the School of Law, Waseda University
	Jul. 2008	Director, Global Center of Excellence - Waseda Institute for Corporation Law and Society [incumbent]
	Mar. 2012	Member of the Board of Governors of Japan Broadcasting Corporation (NHK)
		Auditor of the Audit Committee of NHK
	Jul. 2013	Acting Chairman of the Board of Governors of NHK

Notes:

- Ms. Yoko Ishikura, Mr. Shoichiro Iwata, Ms. Kanoko Oishi and Mr. Tatsuo Uemura are external directors as provided in Item 15 of Article 2 of the Companies Act of Japan.
- Shiseido Company, Limited ("the Company") designates Ms. Yoko Ishikura, Mr. Shoichiro Iwata, Ms. Kanoko Oishi and Mr. Tatsuo Uemura as independent directors provided in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
- Ms. Yoko Ishikura concurrently holds the office of Outside Director of Sojitz Corporation ("Sojitz"), 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
Outsourcing business, etc.	Sojitz 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 Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
			Less than 0.1%	Operating revenues of Sojitz Corporation on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for Sojitz Group.

- 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 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 Company for the fiscal period ended December 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, 2015	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 period ended December 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, 2015	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 less than 0.1% of the consolidated net sales of the Company, and in the fiscal year ended May 31, 2015, ASKUL Corporation's net sales of cosmetics, etc. accounted for approximately 0.1% of its total sales.					Transactions in competition with organization where position is concurrently assumed have no impact on interests of shareholders

5. Ms. Kanoko Oishi concurrently holds the office of Outside Director of Ezaki Glico Co., Ltd. ("Ezaki Glico"), 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
Snacks, etc. (mail order)	Ezaki Glico 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 Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
			Less than 0.1%	Operating revenues of Ezaki Glico Co., Ltd. on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for Ezaki Glico Group.

Audit & Supervisory Board Members

(As of Mar. 25, 2016)

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 Jan. 2011 Apr. 2012 Apr. 2013 Jun. 2013 Mar. 2014	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 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]

<p>Nobuo Otsuka (January 10, 1942)</p>	<p>May 1967 May 1968 Feb. 1980 Nov. 1988 Feb. 2001 Jun. 2007 Apr. 2010</p>	<p>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]</p>
<p>Eiko Tsujiyama (December 11, 1947)</p>	<p>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</p>	<p>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 and the Graduate School of Commerce, Waseda University [incumbent] Outside Corporate Auditor, Mitsubishi Corporation [incumbent] Outside Director, ORIX Corporation [incumbent] Dean of the Graduate School of Commerce, Waseda University Outside Corporate Auditor, Lawson, Inc. [incumbent] Outside Audit & Supervisory Board Member, NTT DOCOMO, INC. [incumbent] Audit & Supervisory Board Member (External) of the Company [incumbent]</p>

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.
3. Mr. Akio Harada concurrently holds the office of External Director of Seiko Holdings Corporation, Outside Director of Sumitomo Corporation, and External Director of Yamazaki Baking Co.,Ltd. with which the Company has the following transactions:

Concurrent Position at Other Organization	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
External Director of Seiko Holdings Corporation	Commissioning of the development of systems, etc.	Seiko 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 Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Consolidated net sales of Seiko Holdings Corporation for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the Seiko Group.
	Cosmetics, etc.	Shiseido Group	Seiko Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Consolidated cost of sales of Seiko Holdings Corporation for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the Seiko Group.
Outside Director of Sumitomo Corporation	Commissioning of the development of systems, raw materials, etc.	Sumitomo Corporation Group	Shiseido Group	Approx. 0.1%	Total amount of the consolidated cost of sales and the consolidated selling, general and administrative expenses of the Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total revenues of Sumitomo Corporation on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the Sumitomo Corporation Group.
	Cosmetics, etc.	Shiseido Group	Sumitomo Corporation Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total cost of sales of Sumitomo Corporation on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the Sumitomo Corporation Group.
External Director of Yamazaki Baking Co., Ltd.	Cosmetics, etc.	Shiseido Group	Yamazaki Baking Group	Less than 0.1%	Consolidated net sales of the Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Consolidated cost of sales of Yamazaki Baking Co., Ltd. for the third quarter of the fiscal year ended December 31, 2015	Transaction value is minimal for the Yamazaki Baking Group.

4. Ms. Eiko Tsujiyama concurrently holds the office of Outside Corporate Auditor of Mitsubishi Corporation, Outside Director of ORIX Corporation, Outside Corporate Auditor of Lawson, Inc., and Outside Audit & Supervisory Board Member of NTT DOCOMO, INC. with which the Company has the following transactions:

Concurrent Position at Other Organization	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
Outside Corporate Auditor of Mitsubishi Corporation	Manufacturing equipment, etc.	Mitsubishi Corporation 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 Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Revenues of Mitsubishi Corporation on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the Mitsubishi Corporation Group.
	Cosmetics, etc.	Shiseido Group	Mitsubishi Corporation Group	Approx. 0.2%	Consolidated net sales of the Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Cost of revenues of Mitsubishi Corporation on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the Mitsubishi Corporation Group.
Outside Director of ORIX Corporation	Automobile rental, etc.	ORIX 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 Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total amount of operating revenues of ORIX Corporation on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the ORIX Group.
Outside Corporate Auditor of Lawson, Inc.	Raw materials, chemical, etc.	Lawson 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 Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Consolidated net sales of Lawson, Inc. for the third quarter of the fiscal year ended February 29, 2016	Transaction value is minimal for the Lawson Group.
	Cosmetics, etc.	Shiseido Group	Lawson Group	Approx. 0.1%	Consolidated net sales of the Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Approx. 0.7%	Consolidated cost of sales of Lawson, Inc. for the third quarter of the fiscal year ended February 29, 2016	Transaction value is minimal for the Lawson Group.

Outside Audit & Supervisory Board Member of NTT DOCOMO, INC.	Telecommunication services, etc.	NTT DOCOMO 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 Company for the fiscal period ended December 31, 2015	Transaction value is minimal for the Shiseido Group.
				Less than 0.1%	Total amount of operating revenues of the NTT DOCOMO, INC. on a consolidated basis for the third quarter of the fiscal year ending March 31, 2016	Transaction value is minimal for the NTT DOCOMO Group.

Corporate Officers

(As of July 1, 2016)

	Name	Title
Corporate Executive Officer	Yoichi Shimatani	【Chief Research and Development Officer】
Corporate Officer	Jun Aoki	【Chief People Officer, Department Director, Human Resources Department】 Responsible for China Business Innovation Project, Executive and External Relations
Corporate Officer	Jean-Philippe Charrier	【President, Shiseido Asia Pacific Pte. Ltd.】 Responsible for Asia Pacific Region
Corporate Officer	Kentaro Fujiwara	【Chairman and President, Shiseido China Co., Ltd.】
Corporate Officer	Takahiro Hayashi	【Chief Creative Officer】 Responsible for Advertising and Design, Corporate Culture
Corporate Officer	Katharina Höhne	【Senior Vice President, Global Professional Business】
Corporate Officer	Masaya Hosaka	【Chief Technical Strategy Officer, Chief Quality Officer】 Responsible for Technical Strategy, Regulatory Strategy, Quality Management, Frontier Science Business
Corporate Officer	Mitsuru Kameyama	【Chief Information Officer, Department Director, Global Information and Communication Technology Department】
Corporate Officer	Yasushi Kushida	【Chief Supply Chain Officer】 【Chairman, Shanghai Zotos Citic Cosmetics Co., Ltd.】
Corporate Officer	Yoshiaki Okabe	【Brand Director, SHISEIDO Brand Unit Global Prestige Brands】
Corporate Officer	Yoshihiro Shiojima	【Chief Legal and Governance Officer】 Responsible for Compliance, Sustainability Strategy
Corporate Officer	Mikiko Soejima	【Chief Beauty Officer】 【Chief Beauty Officer, Shiseido Japan Co., Ltd.】 Responsible for Beauty Creation, Consumer Information, Japan Region

Corporate Officer	Shigekazu Sugiyama	【Senior Vice President, Cosmetics Brands, Shiseido Japan Co., Ltd.】 Responsible for Cosmetics Brands, Japan Business 【President and Representative Director, Shiseido FITIT Co., Ltd.】
Corporate Officer	Norio Tadakawa	【Chief Finance Officer】 Responsible for Finance, Corporate Planning
Corporate Officer	Mari Tamura	【Senior Vice President, Global Prestige Brands】

Compliance

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

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

Ensuring priority issues of Compliance

Shiseido Group Compliance Initiatives

The Shiseido Group is committed to complying with laws and regulations and internal rules, as well as to pursuing fair business practices with higher ethical standards in the development of the Group's global business.

The Shiseido Group has instated the following three commitments to focus on in order to fulfil the Group's social responsibility on a higher level, and declare group-wide compliance as follows.

1. Safeguarding of Personal Information as per the Importance of Protecting Customer Privacy

In an environment where information spreads instantaneously along with the growth of the Internet, it has become all the more important to safeguard personal information in order to protect customer privacy. The Shiseido Group will properly manage and never improperly use personal information, including customer data.

2. Proper Business Conduct Based on Fair, Transparent, and Free Competition (Prevention of Bribery and Cartels)

Bribery and cartels, which can impede fair competition, are strictly restricted under the laws of each country. In order to achieve fair, transparent, and free competition, 1) the Shiseido Group will not offer or receive entertainment and gifts that are suspected to be in effort to obtain illicit gains, regardless of whether or not the business is with government officials, and 2) the Group will also not engage in any cartel activities or any activities that give the appearance of participating in a cartel when conducting business.

3. Cooperation in the Supply Chain (CSR Procurement)

In order to contribute to sustainable growth in society, simply working from within the company is not enough—it is critical to cooperate within the supply chain itself. The Shiseido Group will maintain equitable relationships with our business partners in the procurement of products and raw materials, and will share and promote with our business partners activities that lead to the actualization of social responsibility such as respect for human rights, legal compliance, and environmental conservation.

Furthermore, we have also established the following rules as specified rules of the declaration of the three commitments listed above in regards to matters that all must comply with and handle.

"Compliance Rules Regarding Protection of Personal Information"

"Compliance Rules Regarding Prevention of Bribery"

"Compliance Rules Regarding Prevention of Cartels"

"Shiseido Group Supplier Code of Conduct"

We, at the Shiseido Group, persistently commit ourselves to compliance by requesting that all employees of the Group fully understand the above.

October 2015



Compliance

Enhancement of corporate ethics

(1) Enhancement of corporate ethics in workplaces

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

(2) Training for all employees (Once a year)

Human rights enlightenment and corporate ethics training is conducted for all employees at all business locations of the Shiseido Group in Japan, 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.

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 (Once a year)

The position-specific training is conducted according to respective positions in addition to training for all employees.

Compliance

Whistle-blowing system

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

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

The 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 231 (domestic) inquiries in FY2015.

Approximately 70% of the inquiries received in FY2015 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.

Human Rights

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

Policy Related to Respect for Human Rights and Discrimination

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

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

Promotion System

Domestic 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 (Shiseido Japan Human Resource Department).

Also, the head office, factories, Global Innovation Center, domestic affiliated companies have established the Human Rights Enlightenment Promotion Committee under the Human Rights Enlightenment Council for annual training.

Human Rights Enlightenment (Education)

Shiseido Human Rights Basic Policy is internally disclosed via the intranet of the Compliance 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, LGBT 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 (91% participation rate for fiscal 2015) and a workshop for new employees are conducted once a year. Moreover, fiscal year policy is confirmed and annual regular meetings on various subjects, such as training implementation plans, are carried out in National Human Rights Enlightenment Promotion Committee Training, which is for Human Rights Enlightenment Promotion Committee members from respective business sites nationwide.

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

To address harassment, we once held e-Learning for all Group employees in fiscal 2015 with the aim of raising awareness to eliminate harassment and will continue to organize such events.

Points of Contact for Employee Inquiries

In response to the Whistleblower Protection Act, which took effect in April 2006, and in order to internally resolve misconduct in the unlikely event of such occurrence and before such an issue would become more serious, Shiseido is working toward more widespread recognition of two points of contact: the in-house Shiseido Consultation Office and the telephone counseling service which is operated by the Japan Industrial Counselors Association. Relevant information is distributed in various ways such as through manager training and pamphlet distribution to all employees.

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

The Shiseido Consultation Office welcomes individuals seeking advice on a wide range of topics relating to the Company's business and operations in general, and is trying to quickly resolve employees' inquiries. In fiscal 2015, a total of 171 inquiries was received, contributing to a cumulative total of 2,584 inquiries since the establishment of facilities in April 2000.

Note: Results for FY2015 are for 9 months between April and December.

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

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

Basic policy regarding personnel affairs

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

Based on these basic policies, Shiseido and domestic Group companies individually establish personnel affairs regulations, including employment regulations, in accordance with domestic laws and regulations. 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.

As part of initiatives to realize “VISION 2020”, Shiseido has established the working principle “BIG WIN 5”, through which we aim to change the actions of all Shiseido employees within and outside of Japan, as well as “Organization/Human Resources Principles” to set the ideal state of Shiseido organization and human resources since 2015.

In the future, we will reform our human resource activities and create human resources that continuously take on challenges and human resources that create customer values, based on these principles. Through these initiatives, we will “strengthen the Company through human efforts and create an organization that overcomes competitors”.

〈Working principle “BIG WIN 5”〉



〈Organization & HR Principles〉

Shiseido will enhance our organizational capability especially in key professional skills and competencies, to lead creation of consumer values by converging knowledge and skills both internal and external.

Shiseido will encourage proactive individual growth and development by exploiting one's full potential.

Shiseido will establish ambitious growth targets across all teams and will deliver its commitment.

Shiseido will inspire innovation through fusion and assimilation of diversity in cultures and values as a true global organization.

Shiseido will empower leaders who take actions and lead by example, and who encourage challenges of teams, by supporting them closely in order to respond to the change of the business environment.

Diversity & Inclusion

Support Measures for Women's Activities

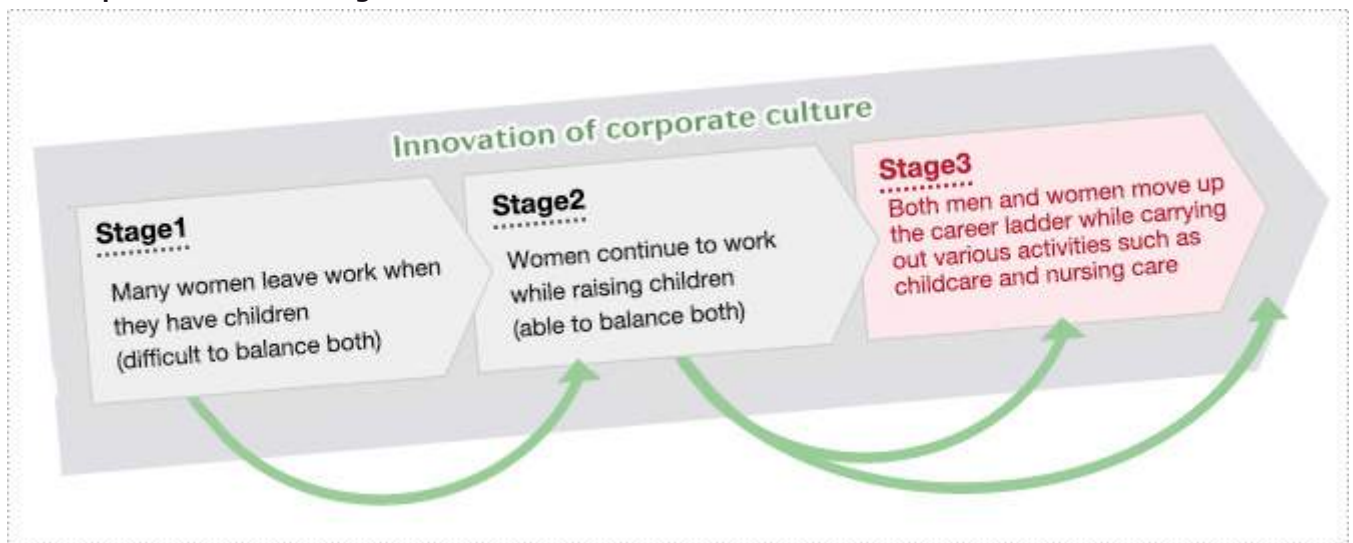
Shiseido actively promotes gender equality as part of the management strategies to establish the organizational culture that continues to enhance employees' vitality and improve results, with the aim of "enhancing corporate trust of employees, who are major stakeholders in the company". At the same time, efforts are made to "enhance the level of company recognition externally through advanced initiatives that are unique to Shiseido." In fiscal 2005–2012, we formulated the "Gender Equality Action Plan" and promoted the "cultivation of the corporate culture", in which we pursued a reform in awareness and actions to enable women to take active roles. We also worked on "strengthening the appointment and promotion of female leaders and human resources development" with the assumption of employing skilled employees. At the same time, we also worked on "reviewing how employees work to improve productivity" as a company-wide initiative in order to correct long-hour labor, which keeps women from taking active roles, and to realize employees' work-life balance.

As a result, we were able to cultivate career awareness among female employees. The ratio of female leaders has reached 27.0% as of January of 2016, and it has significantly improved compared to before the plan formulation. With the "review of how employees work", the number of employees working long hours has reduced, and the overtime work has been reduced by half through the implementation of switching off lights in all offices, Go Home On Time Day, etc. We have been able to reach certain results.

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

Note: Female leader ratio in overseas offices: 64.5%

<Three Steps for Women Taking Active Roles>



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

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

In November of 2015, we held a seminar with the themes of efficient workstyle and development of subordinates, targeting leaders. In December, we held "Career Navi Lunch" as a place to share role models within the Company. Through these initiatives, we continuously promote reform of employee awareness and establish good corporate culture.



Career Support Forum

TOPICS : Tops in Overall Ranking for Three Straight Years in "100 Best Companies Where Women Play Active Part"

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

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

Shiseido has been promoting various initiatives since 1990 with the aim of becoming a company in which women continue to take active roles through corporate culture reform/reform of employee awareness, by establishing internal systems, such as child care leaves/child care time system, and others, prior to the law and establishing child care facilities within affiliates as part of the initiatives to support people to balance work and child care. From 2004, we have been dealing with enabling women to take active roles as a corporate strategy. Through Stage 1 - "Many women leave work when they have children" and Stage 2 - "women continue to work while raising children", we are currently aiming to become a company that enables a situation of Stage 3 - "both men and women move up the career ladder while carrying out various activities such as childcare and nursing care". These continuous initiatives were evaluated as indicators of a leading company that focuses on creating an environment where both men and women would be able to play an active role and led to a double award in "overall ranking" and "diversity penetrance".

To achieve our mid- to long-term strategy "VISION 2020", we will work on developing a prototype of corporate infrastructure. Furthermore, to actualize our vision "a global winner as a global beauty company from Japan", we will focus on the management with emphasis on diversities. Shiseido will further evolve to "the best company that is a great place to work" for anyone.



Tops in Overall Ranking for Three Straight Years in "100 Best Companies Where Women Play Active Part"
A commendation ceremony(May 2016)

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

Shiseido received the “Minister of State for Special Missions Prize” in “Advanced Corporation Awards for the Promotion of Women”, which was newly established by the Gender Equality Bureau of the Cabinet Office in fiscal 2014.

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

Shiseido has been promoting various initiatives since 1990 with the aim of becoming a company in which women continue to take active roles through corporate culture reform/reform of employee awareness, etc. by establishing internal systems, such as child care leaves/child care time system, prior to the law and establishing child care facilities within affiliates, etc. as part of the initiatives to support people to balance work and child care.

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

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

Note: Domestic female leader ratio: 27.0% as of January, 2016



Commemorative photo at the awarding ceremony (front row, left: Corporate Executive Officer Sekine) (January, 2015)

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.

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



Employment of 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 2015 was 1.96%.

Employment of Foreign Personnel

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

Post-retirement Reemployment System

Shiseido has been introducing a post-retirement reemployment system since FY2006 aimed at developing an energetic corporate culture and establishing an environment in which middle-aged and older employees who have grown within Shiseido can continue to work as long as they have the motivation and ability to do so.

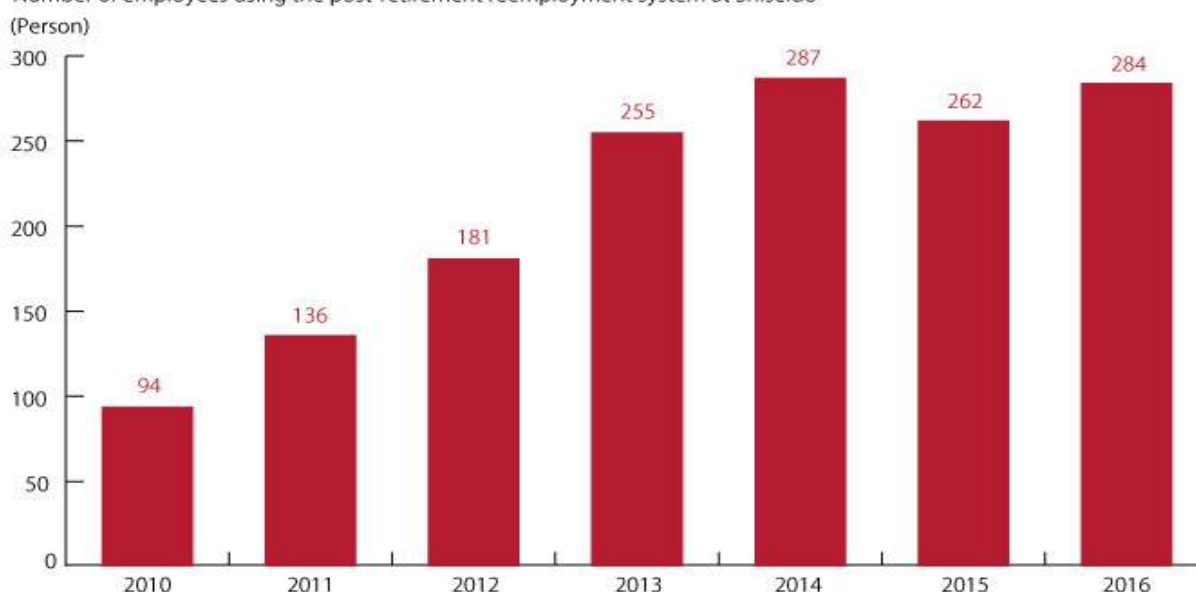
According to the revision of the law, we have been reemploying all employees who wish to work since FY2013*. By utilizing the post-retirement reemployment system, Shiseido pursues initiatives for middle-aged and older employees to hand down techniques and know-how to the next generation employees, particularly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

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

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

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

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

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

Employment of Temporary Employees

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

With regard to the employment of temporary employees at Shiseido Group, we are implementing various measures such as concluding agreements with employment agencies, development and management of registers, and appointment of

personnel in charge of management, all of which is based on the Worker Dispatch Law policy related to measures that should be established regarding employment agencies and other relevant laws and regulations.

Shiseido 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 workplace in which each and every employee can feel rewarded.

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

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

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

1. Spread knowledge of the labor-management agreement

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

2. Promotion of activities to review how employees work

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

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

3. Promotion of measures to switch off office lights and Go Home On Time Day

Since FY2009 lights at the head office were switched off at 10 p.m. This measure was extended to all domestic business sites*, including affiliated companies, since FY2010.

Furthermore, since FY2011 the HQ office has been making efforts to switch off lights at 20:00 and promote the Go Home On Time Day once a month.

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

Teleworking has been introduced in the headquarters, GIC, Shiseido Japan Co., Ltd. and some affiliates since January 2016. (Qualified workers and jobs differ by company.) As a measure of reviewing how to work, this system could be used by all employees, as well as those who are raising their children or taking care of their families.

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

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

Additionally, 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 GIC.

Support for Balancing Work with Childcare and Nursing care

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

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

Employees' use of leave and shorter working hour systems related to childcare and nursing care is increasing every year. As of FY2015, the number of employees who used the childcare leave system/took time off for childcare is as follows: 1,354 employees (including 4 male employees) used the childcare leave (including Short-term paid parental leave), 1,990 employees (including 2 male employees) took time off to care for their children, 19 employees (including 1 male employee) took nursing care leave, and 10 employees (including 1 male employee) took time off for nursing care.

Note: Results for FY2015 are for 9 months between April and December.

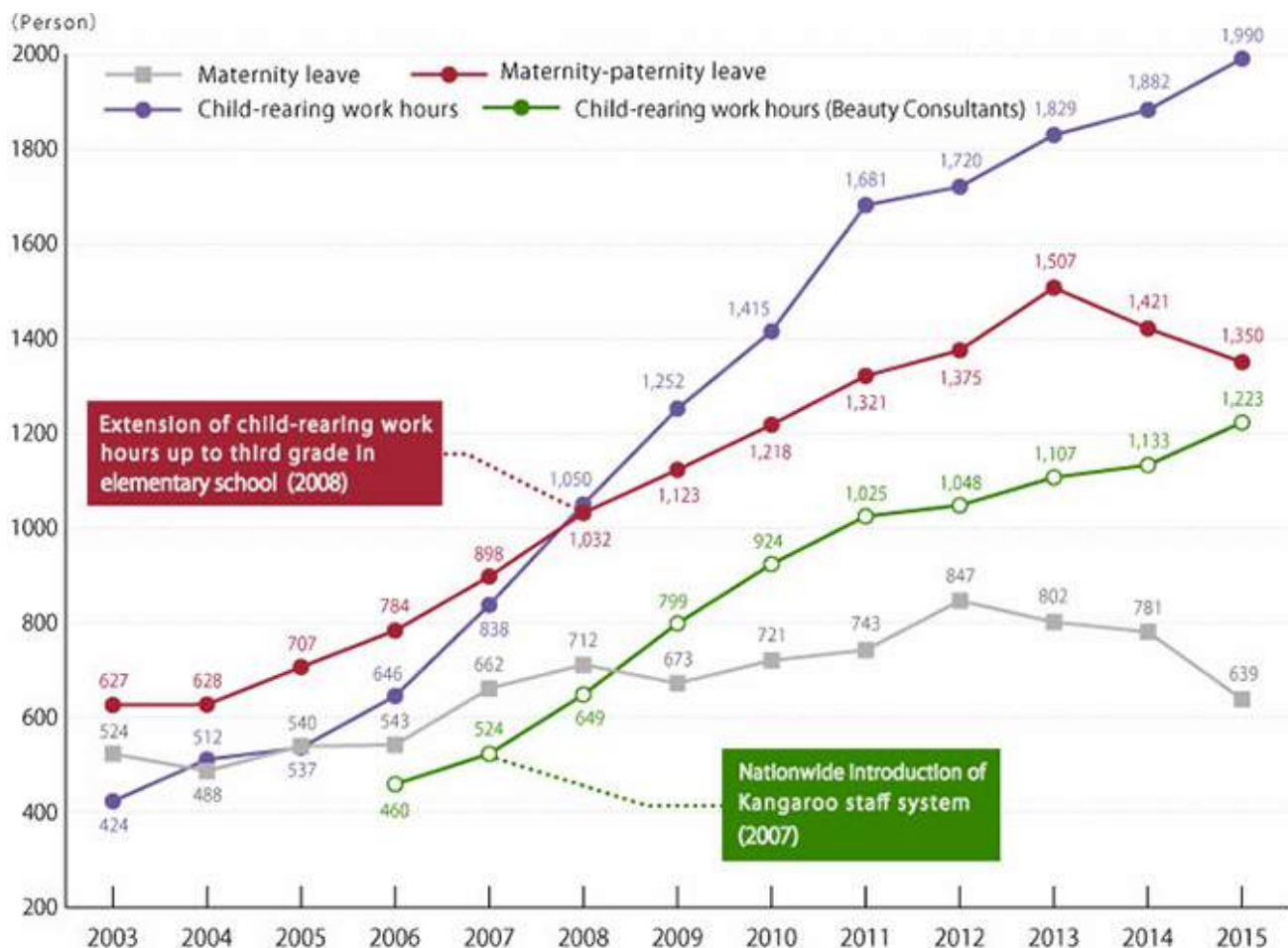
Moreover, as a part of activities aimed at becoming a company where both men and women can advance in their careers while raising children or nursing care for family members, we are also promoting reforms to the way BCs work. In implementing these reforms, we solicited feedback from BCs to ascertain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

* Kangaroo Staff System (Japan)

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

This program has enabled us to create a workplace environment that allows BCs who had difficulty balancing the competing demands of work and childcare to have children with peace of mind, since they would be able to care for the children while working to advance Shiseido's "100% customer-oriented" philosophy. When the program was first introduced, approximately 600 Kangaroo Staff members provided support for about 500 BCs who took time off to care for their children. In recent years, the Kangaroo Staff program has expanded to more than 1,700 Kangaroo staff providing such support for more than 1,000 BCs taking time off to care for their children.

Number of employees who used child care system in the domestic Shiseido Group



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

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

Note3: The targeted number of people is 23,272 as of January 1, 2016 (6,609 BCs).

Note4: Number of employees who used the childcare leave and took time off to care for their children is a cumulative total.

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

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

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

Childcare support center	2006	Medical office staff at the head office provide support centering on health issues, including various concerns or questions related to pregnancy, birth and child-rearing.
Maternity wear	2006	A system in which maternity wear is provided for BCs.
Kangaroo Staff system	2007	A system by which alternative staff relieve BCs taking time off for childcare.
Guidelines governing transfers of employees with childcare and nursing care responsibilities	2008	A system of rules that prevents transfers of employees that would require them to move while taking time off for childcare or nursing care.
Spousal accompaniment for childcare	2008	A system by which employees with childcare responsibilities (e.g., with children up to the third grade in elementary school) may request to accompany their spouse who is transferred within Japan.
Leave to accompany spouse when transferred overseas	2008	A system by which the company allows up to three years of leave so that employees can accompany spouses who are transferred overseas.
Encourage fathers whose infants are less than 8 weeks old to take paternity leave	2010	A system by which the company allows fathers who acquired paternity leave within 8 weeks after their spouses gave birth may take paternity leave again.
Cafeteria system for Child education support	2014	A system by which employees can receive support for outgoing expenses spent on child education, such as cramming schools, correspondence studies, enrichment classes, etc. for children.

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

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

As part of the initiatives, we promote a number of measures to support female employees' further activities as well as to support employees, who are involved with childcare, so that they can balance work and childcare.

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



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

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

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

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

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

Target: Domestic Shiseido Group

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

Numerical goal: 30% female leader ratio within the domestic Shiseido Group within FY2016

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

Domestic Shiseido Group, which is the target of the action plan, includes Shiseido Company, Limited and Shiseido Japan Co., Ltd., Shiseido Parlour Co., Ltd., IPSA Co., Ltd., FT Shiseido Co., Ltd., and Japan Retail Innovation Co., Ltd.

Work Improvement Proposal System (Chie-Tsubaki Proposal System)

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

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

We also award individuals/offices every year.

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

Personnel affairs and fair evaluation

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. Furthermore, Shiseido holds HR briefing sessions twice a year for management-level personnel of the Shiseido Group in Japan, with the aim of deepening their understanding toward our human resources system and its operation.

Structure for Listening to Employee Opinions

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

Note: In FY2015, we conducted the survey not only in Japan but also in part of overseas business sites

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

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

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

Utilization and development of human resources

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.

To develop their capabilities, Shiseido not only encourages voluntary self-betterment in each segment, in which employees are active, but also supports human resources through various opportunities so that they can become professional.

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.

In addition, we established the Marketing Academy in 2014 with the aim of improving the entire company's marketing capabilities. We promote multi-faceted programs within and outside of Japan, targeting young employees, managers, and all employees, etc.

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.

Human resources utilization and development on a global level

As a result of the shift to the matrix organization system, which consists of the horizontal axes of 5 brand businesses and vertical axes of 6 regional headquarters, human resources utilization and development on a global level are becoming more and more important. Due to this, we have started promoting global talent management, in which we fully utilize people's capabilities through a series of processes, such as human resources employment, selection, development, and appointment.

Specifically, we have been promoting various initiatives, such as promotion of mobility between regions on a global level and implementation of the "Leadership Program" in each layer led by the top layer that includes young human resources.

Through these initiatives, we aim to develop human resources capabilities to use appropriate personnel in appropriate positions and to prepare for the future with global perspectives.

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.

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

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

Safety and Health Education for Employees

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

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

■ Preventing lifestyle-related diseases

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

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

■ Providing mental healthcare

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

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

■ Discouraging tobacco use

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

■ Supporting women's health

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

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

■ Interview to prevent long-time work

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

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

■ Others and Overseas

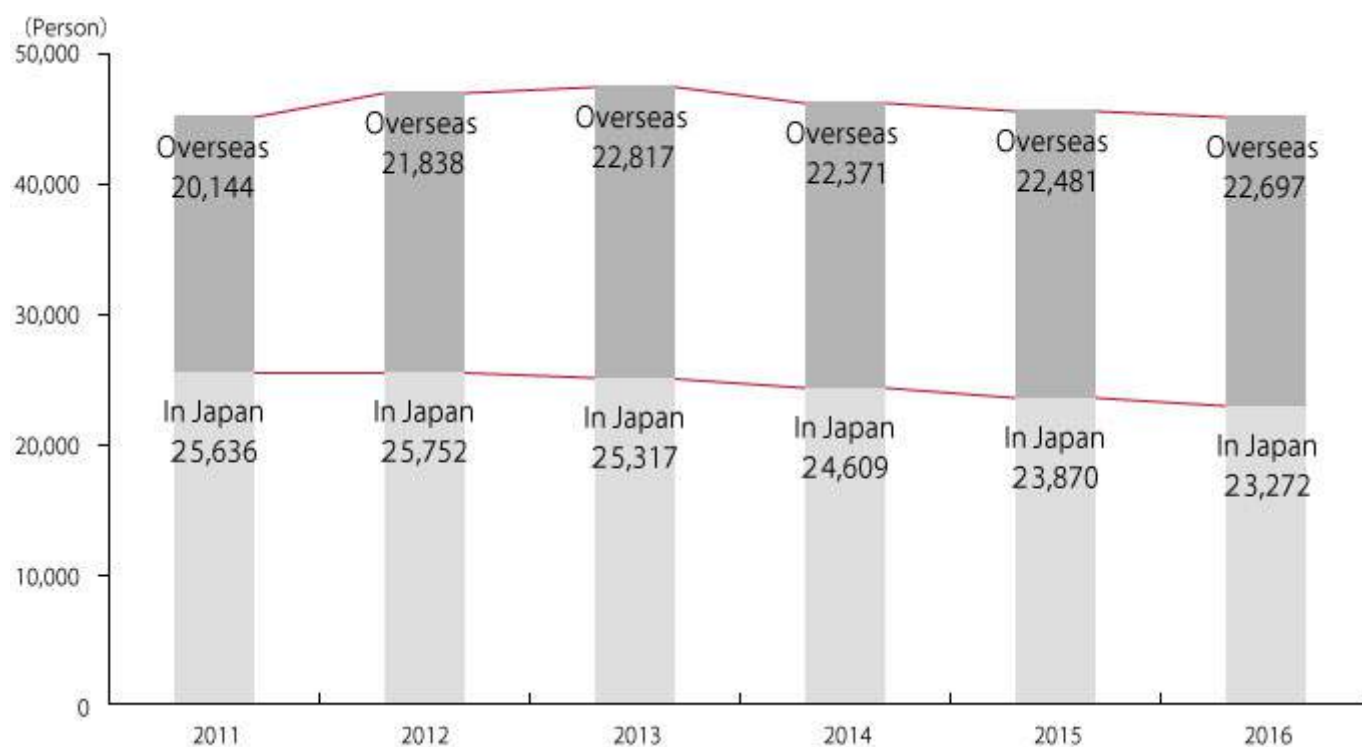
Information calling attention to infectious diseases is posted on the intranet for employees traveling overseas while a booklet on infectious disease prevention is distributed to employees prior to their transfer to work overseas.

Employment and Labor

The Number of Employees

All the domestic and overseas Shiseido Group companies apply diversified employee working conditions in accordance with each business and each specific role expected of each employee, aiming to maintain and improve our competitive strength. As of January 1, 2016, the number of employees throughout our Group companies totals approx. 46,000, which is approx. 400 less than the previous year.

The number of employees in Shiseido Group companies



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

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

Wage

The wage system of Shiseido is 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 FY2016 by job category and gender are as follows: Management level: Male100 : Female98; General management: Male100 : Female100; and Beauty staff: Male100 : Female112 (As of January 1, 2016).

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 keeping our working conditions in good order so that they can be actively engaged in corporate and social activities.

Welfare facilities to support employees to advance their business career and design their own life style

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

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

Life planning support for employees by corporate pension plan

Shiseido contributes to support employees' life planning management.

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

Employees enjoy benefit after selecting a plan between defined contribution pension scheme and allowance for employee retirement benefits. With regards to defined contribution pension scheme, Shiseido helps support our employees to actively practice post retirement life design planning through asset management and investment information periodically provided by Shiseido.

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

Employment

In Shiseido Group Companies, both companies and employees are maximizing their efforts to maintain employment of workers, and our commitment to stabilize the employment certainly complies 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 employ experienced candidates, targeting those who have already accumulated their professional career. Offering diversified job opportunities, with an objective of careful adjustment of employees' working conditions, Shiseido tries to organize employment systems. Furthermore, in case that employees could be significantly affected due to relocation to a new branch or transfer to another office, our labor agreement stipulates that Shiseido should set up a commission consisting of management and labor union members to sincerely discuss and settle specific problems for immediate solution.

Good Relationship with labor union

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

Shiseido Company, Limited and certain Group companies' (including overseas subsidiaries') employees are organized according to labor unions. In Japan, Shiseido's labor union, representing Shiseido Company, Limited, Shiseido Sales Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System (applicable to approximately 10,400 Shiseido Group employees in Japan as of January 1, 2016).

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

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



Fair Business Practices

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

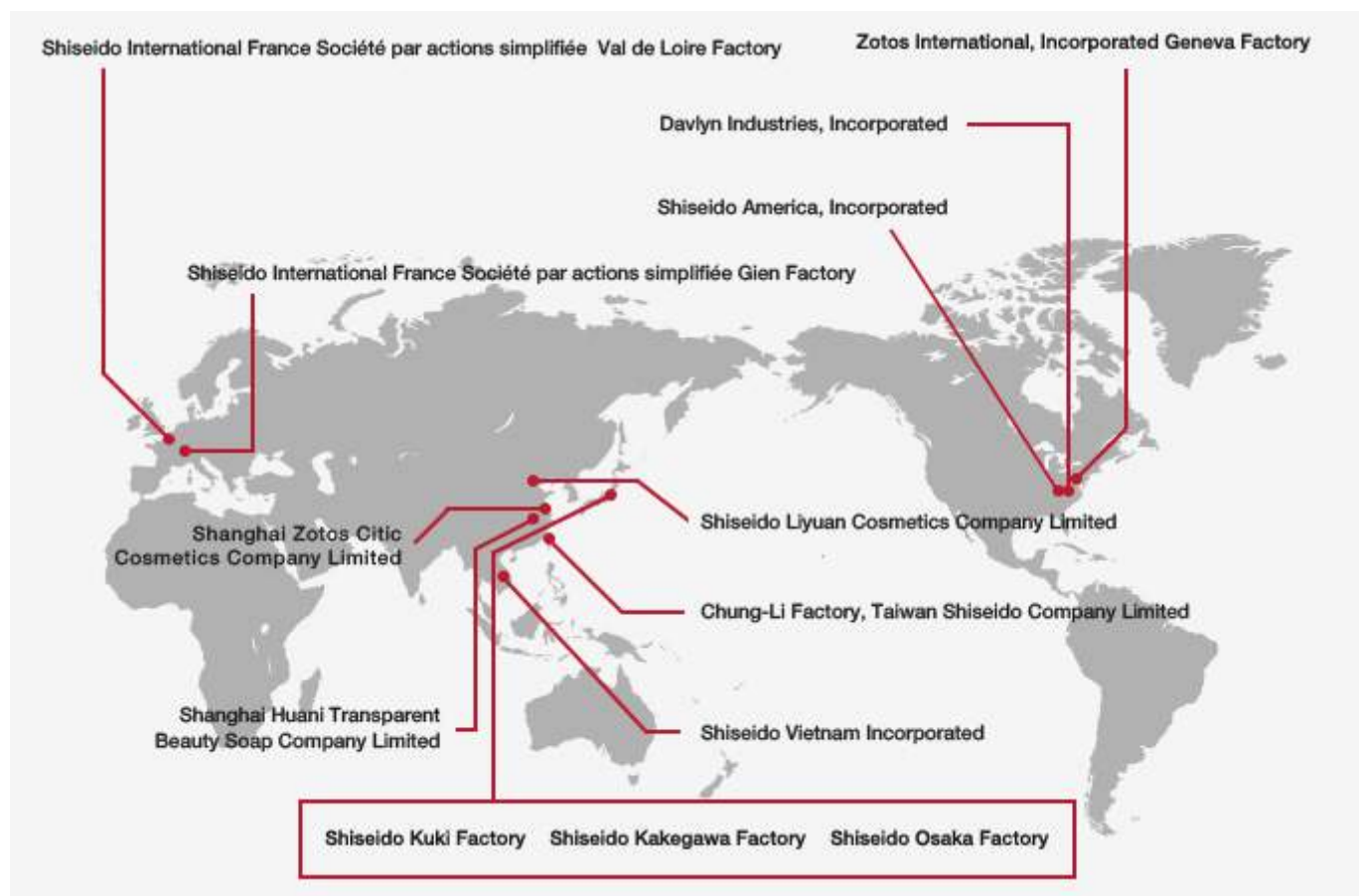
Fair Competition and Comprehensive Transactions

Policy for Fair Transactions

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

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

Manufacturing bases of the Shiseido Group



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

In order to address changes of the times and social requirements, with regard to our concept of procurement, Shiseido considers it important to share information with business partners in a timely and accurate manner. Therefore, with the aim of widely spreading the procurement policy, the procurement departments in Japan and China are holding annual briefing sessions of the purchasing activity policy with business partners. Furthermore, the domestic procurement departments are also holding section meetings of purchasing activity policy sessions, which are held by respective fields such as raw materials, fragrances, materials, and indirect materials, to directly communicate the procurement policy, various tasks, and requests in each field as well as to utilize the sessions to respond to questions and requests from business partners.

In 2015, 137 business partners participated in these sessions held by the domestic procurement departments. 134 business partners began participating in these sessions in China, suggesting further development in the future.

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

Shiseido awards business partners who have contributed to the development of the business and presents them with the First Prize and Prize. This awarding system selects the awardees from the 3 aspects of quality, cost reduction, and technical development. 6 companies received the awards in fiscal 2015.

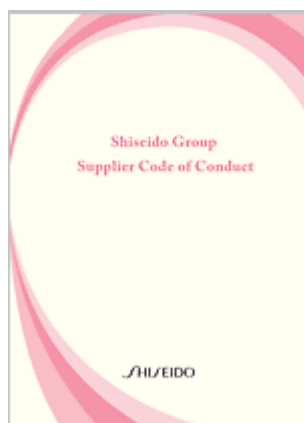
Shiseido Group Supplier Code of Conduct

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. Among the business partners, who are the targets of the Shiseido Group Supplier Code of Conduct, domestic and overseas companies have signed the agreement for the said Code of Conduct. Furthermore, with the aim of comprehending the compliance situation of the Supplier Code of Conduct, we conduct periodical monitoring, such as questionnaires and audits, etc., with business partners.

In the unlikely event that a violation of the "Shiseido Group Supplier Code of Conduct" is identified, Shiseido will strictly request remedial action and implement corrective guidance and support.

In addition, we have established the "Business Partner Hotline" in Japan with the aim of establishing the system to receive opinions and consultation from business partners. (No report was made in fiscal 2015)



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

▪ Transactions Subject to the Shiseido Group Supplier Code of Conduct

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

Environmentally-friendly Raw Material Procurement

In addition to developing environmental technologies to reduce CO₂ 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 CO₂ at the time of disposal or incineration, for example through joint research into sugarcane-derived polyethylene. We work closely with our business partners to develop environmentally friendly technologies through initiatives such as procurement with considerations for biodiversity, etc. in order to contribute to the realization of a sustainable society. Some of the specific initiatives include the utilization of bagasse paper, use of plant-based fermented alcohol, sustainable utilization of palm oil, etc.

Protection of Intellectual Properties

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

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

Information Security Management

I 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.

I Policy Related to the Protection of Individuals' Information

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

Consumer Issues

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

Promotion of Safe and Reliable Manufacturing

The Establishment of the Original Product Safety Guarantee Standard

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



Sensory testing of cosmetics



Safety, Backed Up by Data

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

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

■ Total Reassurance and Safety Management of Chemical Substances

A Basic Approach Based on Health and Environmental Considerations

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

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

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

Complying with the European REACH Regulation

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

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

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

■ 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

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

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 that customers can use regularly and 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.

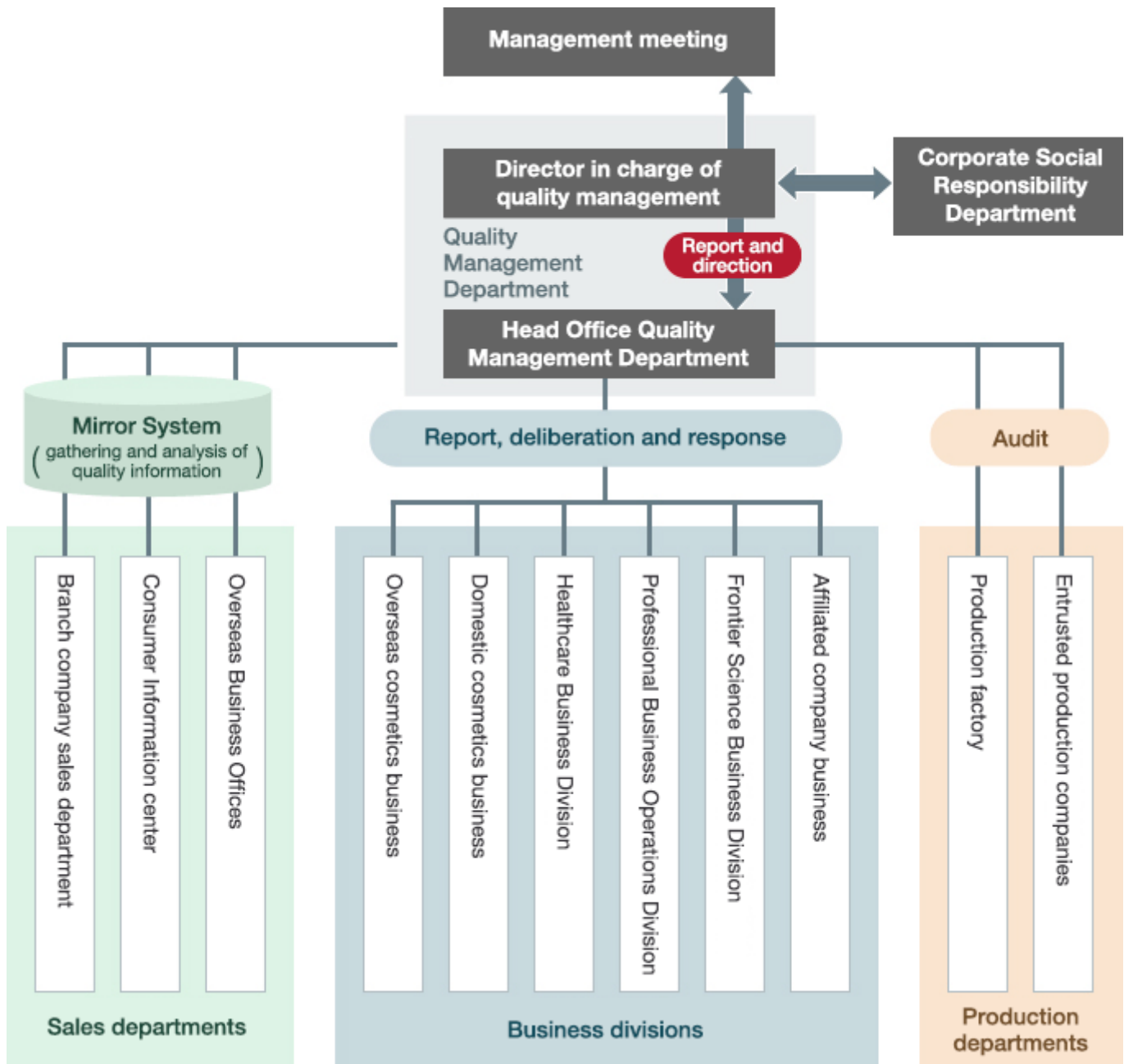
*2 GMP : Good Manufacturing Practice (GMP) is a quality control standard applied to pharmaceuticals that was established by the Minister of Health, Labour and Welfare based on the Pharmaceutical Affairs Law.

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

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

Shiseido held the "Statutory Labeling Seminar" and "Advertising Appeal Seminar" in FY2015, and approximately 100 employees participated each time. We will also hold the same seminars twice in FY2016, once during the first half and once during the second half. (We have already held the one during the first half.)

Activities to Enhance Consumer Satisfaction

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.

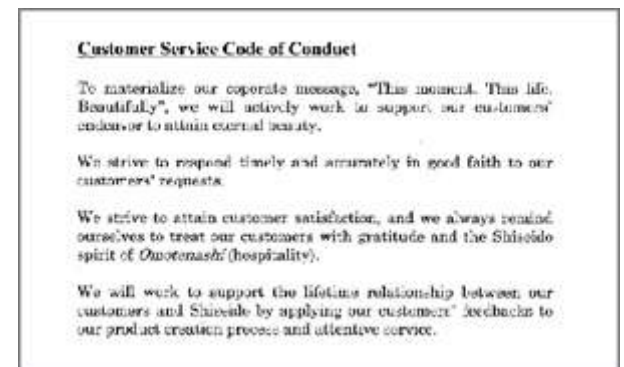
Activities to Enhance Consumer Satisfaction

Reflecting Consumer Feedback

In order to realize Medium-to-Long Term Strategy "VISION 2020" 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 leading to the enhancement of the corporate value through the "customer-focused perspective". The Shiseido Consumer Information Center is responsible for taking the central role regarding such initiatives.

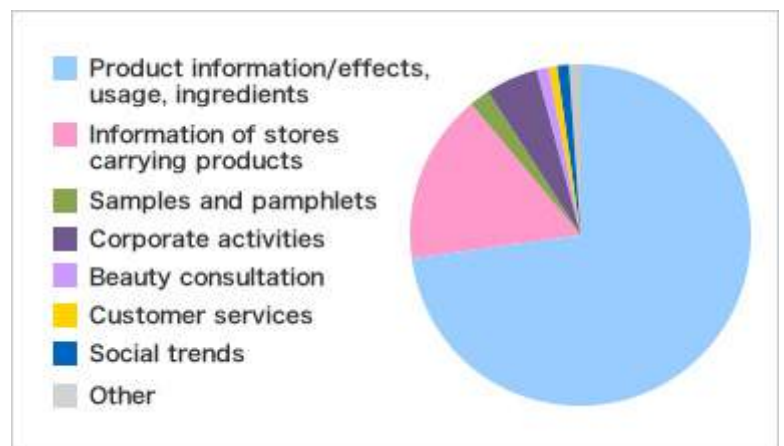
Customer services—action policy

The Shiseido Consumer Information Center, which was established in 1968, offers sincere response to inquiries and consultations from customers and transmits information that can be further utilized 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.



Gathering and sharing customer feedback

In Japan, Shiseido gathers customer feedback in various ways. Approximately 110,000 opinions and inquiries (about our products [73%], about shops carrying our products [16%]) are directed annually to the Consumer Information Center via toll-free numbers, e-mail and letters, and about 110,000 customers provided feedback to Beauty Consultants that they came into contact with at the storefronts, that is not counting customers' 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 promote global Collaborative Nurturing (Learning) activities to gain a deep understanding of customers' feelings, related to daily use of cosmetics and their backgrounds, and to develop products and services that can further help customers. This enables us to consider things from customers' perspective by being exposed to their true voices and presents opportunities to review our operations.



"Customer feedback" seminar at factories in Japan and overseas



Meetings for customer support representatives in Europe, Korea, Beijing, Shanghai, Hong Kong, Taiwan, and Japan

We also make sure to include "customer feedback" time into the training for new employees. Through this training, they learn the fundamental stance to promote work by standing in customers' shoes.



In new employees' training, they use actual products to actually experience "customers' feelings"

System to gather and utilize customer services and customer feedback information

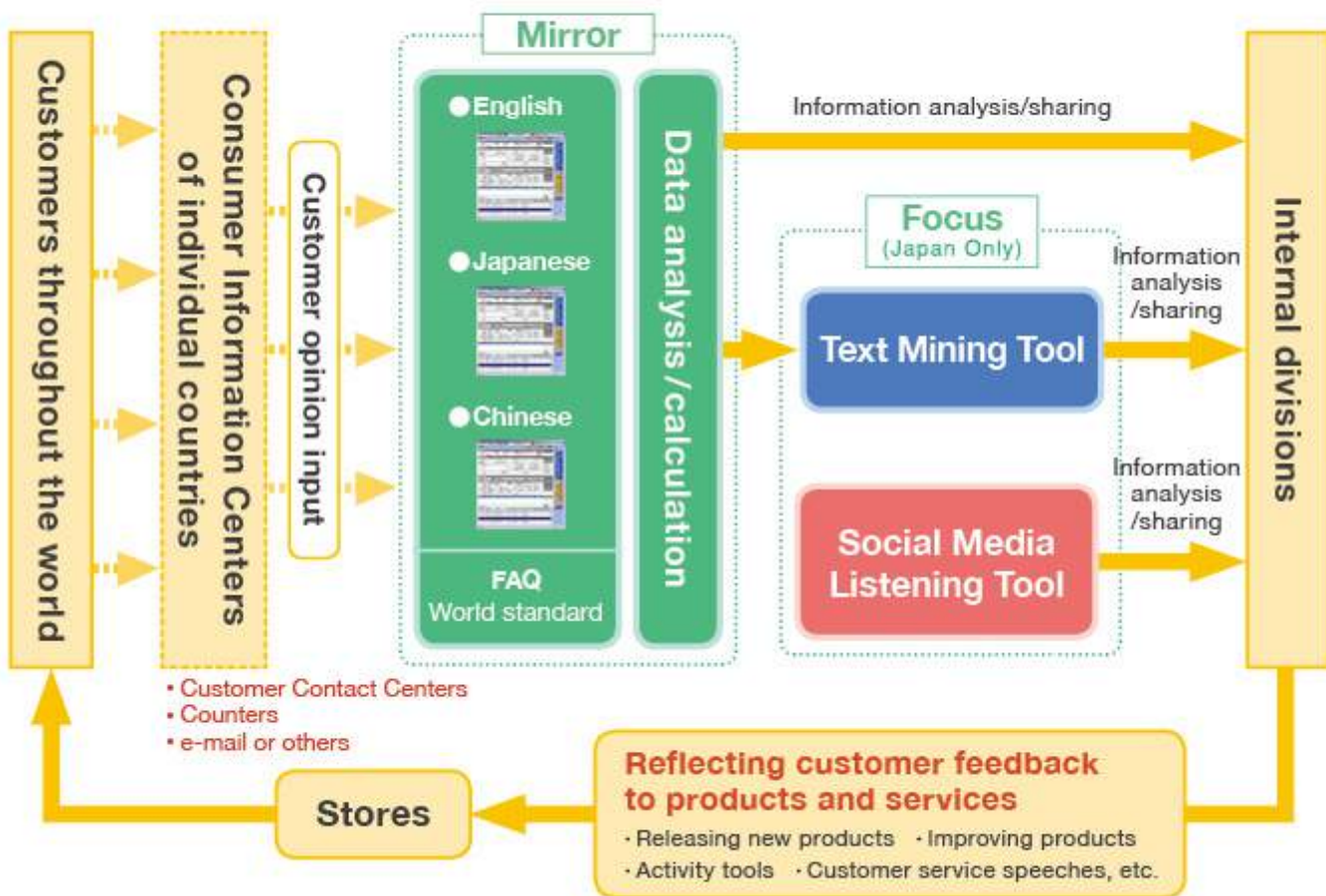
Shiseido has enhanced its customer feedback system, which had been in use since 1996, into one that can share and utilize customer feedback information from all over the world, along with the globalization of the business. This system, named "Mirror*," was introduced within and outside of Japan in 2011. We are taking on the challenge of creating values for the Shiseido Group by enhancing our response to consultations and requests that come to 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." "Mirror" is in operation in 20 countries and regions, including Japan, as of February of 2016.

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 implies our hope to review/reflect the actual state of Shiseido's activities through the "mirror" of 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 three consecutive years

The Shiseido Consumer Information Center has been awarded three stars, the top rating, in the 2015 HDI Benchmarking assessment sponsored by HDI-Japan. HDI-Japan is the Japanese branch of the Help Desk Institute (HDI)*, the world's largest organization in the support service industry with its main operations in the U.S. Shiseido received the top rating in 2013 for the first time in the Japanese cosmetics industry, achieving this distinction for the third year in a row.

"Making One to One affirmative responses from the customer's point of view" and "providing collaborative support services for comfortable use" have been especially highly rated and have led to the third consecutive award.

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 trust us and continue to 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 2015
Quality (Telephone) Ranking Monitoring



Director of the Consumer Information Center
Iyoda and a customer service representative
receive the Award Certificate from HDI

TOPICS : Received the “Top Award” at the Service Hospitality Award* 2015”

Shiseido received the “Top Award”, which is the highest award of the year in the “Service Hospitality Award” hosted by the Japan Institute of Information Technology (commonly referred to as “JIIT”).

This award is presented by the institute to companies that demonstrate exceptional performance, which can be role models for others, by introducing and utilizing measures regarding service hospitality.

Since the establishment of the company, Shiseido has promoted a number of activities with the aim of realizing the mission of “creating a life of beauty & culture”. We have especially been promoting activities to enhance customer satisfaction through IT in recent years.

This award was presented for our innovativeness of realizing “Omotenashi” for customers not only in the psychological aspect but also by utilizing IT, such as “Beauty Tablet” (tablet-type mobile information terminal used at counters to offer customer services), “watashi+ (Japanese Only)” (website), and “Mirror” (system used to collect/analyze customer feedback throughout the world).

Furthermore, we utilize the great range of information, which is accumulated with the use of these IT technologies, not only in the front line of sales but also in our management and marketing activities.

We will continue aiming to further enhance customer satisfaction.

*Service Hospitality Award

This award reviews and is presented to the customer contact point division of companies, institutions, organizations, offices, etc. that are deemed to have contributed to the promotion/development of service hospitality through their contribution toward the business by promoting innovation and advanced initiatives regarding service hospitality for customers and by enhancing customer satisfaction



Service Hospitality Award



Corporate Executive Officer Sekine (left),
Consumer Information Center Director Iyoda (right)
(As of September, 2015)

Product Manufacturing that Reflects Customer Feedback

“MAQuillage” Dramatic Mood Eyes

Developed a new internal package with a film, which indicates the use at a glance

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



“SEA BREEZE” Deo & Water

Enhanced the contents of cautions for better understanding

In response to customer feedback, such as “SEA BREEZE Deo & Water spilled in my bag”, etc., we have enhanced the contents of the caution.



“TSUBAKI” Shampoo/conditioner (refill type)

Enhanced the design for easier differentiation

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



“PRIOR” Color conditioner

Changed the package so that it's easier to open

In response to customer feedback that the “package is hard to open”, we have changed the shrink-film specifications for the color conditioner of the comprehensive brand “PRIOR” for senior women so that it's easier to open.



The whole container is wrapped in film

Only the cap is wrapped in film

Activities to Enhance Consumer Satisfaction

Consumer Satisfaction

Beauty Consultants (BCs) have major roles in responding to customer needs at the counters 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 services.

Overseas, in order to expand the number of regular users by maximizing customer satisfaction, Shiseido has 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.

In order to improve response and suggestion capabilities at the storefronts, Shiseido has developed and is using software, a convergence of its accumulated service know-how and beauty techniques. Shiseido is also using its international software overseas.

In June 2013, approximately 10,000 Beauty Consultants in Japan started to use tablets named the Beauty Tablet. Since July of the same year, application software, which was designed exclusively for the Beauty Tablet, has been installed in order and used at the storefronts. This application software includes four main features. The "Makeup Simulator" allows customers to have a virtual makeup session simply by positioning their face in front of the tablet. They do not have to remove their makeup, and it is as easy as looking into a mirror. The other three features are the "Foundation Finder," which allows customers to select the product that is tailored to them from a wide variety of products, "Skincare Consultation," and "Healthcare".

Shiseido will increase customer satisfaction by using these latest technologies as business tools, arousing customers' interest at the storefronts, and helping them to discover their charm unknown to themselves. In addition, Shiseido will further increase customer satisfaction by entering customers' reviews into the Beauty Tablet and then sending them to related departments in the headquarters on the following day.

Shiseido would like to create opportunities for overseas customers to meet Shiseido products, as well as help them become more beautiful. The Beauty Tablet is equipped with communication sheets in four languages: Simplified Chinese, Traditional Chinese, English and Thai, which are in full use.



Activities to Enhance Consumer Satisfaction

Education and Services for Consumers

Shiseido Website

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



Shiseido group website



watashi+ (Japanese Only)

Providing audio information

We transmit "Listener's Cafe", which uses audio recording to introduce beauty information and basic cosmetics knowledge, etc. in an easy-to-understand manner, to visually challenged individuals 4 times a year in each season.



Website for children

We transmit "Kirei Club for Kids", which introduces daily beauty information including UV-protection methods and cleansing methods in an easy-to-understand manner to children immediately before puberty, when their skin starts to change.



Activities to Enhance Consumer 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.



Skincare dispenser easily dispenses the appropriate amount. We have made it easy to push. It also comes with a cap cover, which can be removed in one step. This prevents users from pushing the dispenser by mistake and also responds to the hygienic aspect.



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

“PRIOR (Japanese Only)”, which was released in 2015, was developed for women in their 50s and over.

To develop the containers and packages, we directly interviewed a number of customers in the target age group in order to repeatedly conduct the study, such as hearing about what they find inconvenient in their daily makeup routine and asking them to actually use the prototype.

We have reflected the requests, which we heard in the course of this process, on the containers and package designs shown in the above photos.

We will continue developing products while focusing on customers' viewpoints.

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

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

Employee-led social contribution activities

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

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

The Social Contribution Club provides activity programs for employees who are hoping to make a contribution to society, according to their various environments and schedules so that they can choose the activity appropriate for them; it is creating opportunities for the employees to contribute to society.

Mirai Tsubaki Activities

130 offices throughout the world promoted 979 activities by FY2015.

The employees who participated in the event said, “It is the 5th year of the activity, and we notice the tideland is cleaner than before. We have realized how large an effect continuous actions can make,” “we feel that the members got together more strongly by doing a half day activity and sharing the same experience and feelings”. These words show the activities enhance the bond between the company and local society, as well as between employees.

Shiseido will continue to promote Mirai Tsubaki Activities in the future to sustain ties with customers and society for a long time.

Japan

Easy hair arrangement class for 3rd-grade girl scouts!

Shiseido Professional Brand Unit hosts the “Easy hair arrangement that you can start tomorrow!” class, targeting 3rd-grade girl scouts.

In this event, which was the second time for us to hold the class, 10 employees participated as lecturers. With the theme of “I love being a girl scout!”, we instructed how to do easy hair arrangement to these girls, who are starting to be interested in fashion. Approximately 160 girl scouts participated, and they worked on hair arrangement with interest and seriousness throughout the class.

Employees who participated shared their voices, such as “Hair arrangement, which I thought was easy, was actually difficult when I tried to teach it. I'm glad that we were able to see their happy faces after finishing the arrangement”.



Pin here!



Fulfilled after the lesson

Kan-etsu Clean Day: Cleaning activities by all offices have become a regular event!

Since April of 2012, each of the 8 offices of the Kan-etsu Branch has been promoting cleaning activities for the community, in which we promote our business activities, twice a year in spring and autumn with the aim of expressing our gratitude for the facts that “Shiseido was able to sustainably exist in society” and “we have work that we can promote with passion every day”.

In 2015, a total of 163 employees participated in the activities in spring and autumn, and we promoted the Kan-etsu Clean Day in all of the offices.

When we promoted activities near Omiya Station in Saitama Prefecture, we often heard words like “Thank you for the hard work!” and “Thank you!” from people who walk by and nearby stores. We felt great about promoting the cleaning activities.

Kan-etsu Clean Day has been established as a regular event for Kan-etsu Branch.



Smiles with their achievement!

A number of precious experiences! Volunteer activities at the Japan Guide Dog Association

As part of our support activities for the Japan Guide Dog Association, Research Administration Department of the Research Center works with pamphlet inserts, which are handed to people who participated in street money donation activities and various events, several times a year.

In December of 2015, Bijou, who is a PR dog for the Japan Guide Dog Association, and personnel in charge came to our facility. We worked with pamphlet inserts together.

Many participants were glad to participate, as they shared their voices, such as “It was relaxing” and “We were able to concentrate more than we would have if we had worked alone”.

We also visit the Training Center of the Japan Guide Dog Association near the office to clean the cars used to transport guide dogs and help with grooming the guide dogs, etc.



Concentrating on inserting PR leaflets



Feeling comfortable with brushing

We held a makeup seminar for job-hunting, targeting university students!

IPSA held a makeup seminar for job-hunting, targeting university students.

Although it was done in the limited time of 1 hour, we divided into 3 groups to offer makeup lecture and demonstration. By making sure to have enough time for demonstration, we were able to quickly communicate the contents that students could apply. Many questions were asked by students, and the seminar was filled with great energy. Employees who participated felt a sense of reward, as they said “We were glad to be able to introduce our products while enabling the students to experience the joy of makeup”. The employees also got insights for the next time, as they said “By asking them to fill out a questionnaire before the seminar, we think we will be able to offer accurate advice within a short period of time”. These were productive activities.



Happy lessons full of smiles

Asia and Oceania

Tree-planting activities and community volunteer activities

All 314 employees of Shiseido Malaysia promoted tree-planting activities and volunteer activities in the community as a commemorative project for our 10th anniversary.

In August, we promoted cleaning activities on the beach by picking up trash, broken pieces, and debris. We also planted 350 small seedlings, which are to prevent soil erosion caused by waves, along the coastline near the Malacca Straits in accordance with the instructions provided by the Forestry Department.

Although this was very hard work, we worked up a refreshing sweat in the morning light. We not only strengthened the sense of unity with colleagues but also had a significant to re-acknowledge the importance and responsibility to preserve the community and natural environment for the next generation.



Carefully planting trees one by one



Photographed with all 314 members

America and Europe

"We've been waiting for this seminar!" –Beauty seminar at "Momiji" facility for the elderly–

Shiseido Canada hosts a beauty seminar twice a year in spring and autumn at "Momiji" facility for the elderly.

We visited the facility for the elderly in May and November again in 2015 and promoted activities, such as skincare and makeup.

People at the facility for the elderly were very happy, saying "We've been waiting for this seminar. We are so glad you are here again. You always make us beautiful".



Special care carried out with full smiles



Softly massaging upward

Mirai Tsubaki 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 an opportunity to voluntarily consider and take actions" and to encourage employee-led social contribution activities to develop and expand their perspectives.

Shiseido Camellia Fund

"Shiseido Camellia Fund" is a social contribution activity promoted through donations made by Shiseido Group employees and friends of the Company. Each one donates a small amount of money to support the activities of NPO and NGO that aim to resolve social issues. Shiseido Group employees, who support the cause, participate in this initiative by saving money by the unit of 100 yen from their monthly salary. Friends of the Company, who have retired, participate in the initiative by transferring money by the unit of 1,000 yen.

Volunteer employees as steering committee members promote the Camellia Fund within the Company and collect information regarding support requests and utilization situation of donations by directly visiting various supporting organizations, etc. Every year, they hold a steering



Presentation ceremony of the donations collected via the Camellia Fund in fiscal 2015
Presented by steering committee member to








committee to exchange opinions regarding the manner of operation, select new organizations to support, and assess support contents. Since the establishment in 2005, a total of 230,700,598 yen (2005-2015) has been donated to the organizations which we support through donations.

In addition, we have also delivered a total of 56,368,960 yen to affected areas to help with disasters overseas.

The caring heart of each and every employee becomes one strong force to help society.

Mr. Hashimoto (left), Mr. Takada (second from left) of World Wide Fund for Nature (WWF Japan)

The support contents of FY2016 Camellia Fund

  <p>New start for the female victims of domestic violence All Japan WOMEN'S SHELTER NETWORK (Japanese only)</p>	  <p>Natural restoration of "Akaya Forest" The NATURE CONSERVATION SOCIETY OF JAPAN</p>
  <p>Protecting pregnant women in Zambia Japanese Organization International Cooperation in Family Planning (JOICFP)</p>	  <p>Forest conservation on the valuable Sumatra Island World Wide Fund Nature (WWF Japan)</p>
  <p>Improvement of the health and nutrition of mothers and children in Myanmar Save the Children Japan</p>	  <p>Supporting the lives of children suffering from the refractory disease XP Japanese National Network of Xeroderma Pigmentosum (XP) (Japanese only)</p>
  <p>Supporting children in child protection facilities who want to work with welfare SHISEIDO SOCIAL WELFARE FOUNDATION (Japanese only)</p>	  <p>Support for the reconstruction after the Great East Japan Earthquake and independence of affected people JAPAN PLATFORM (JPF)</p>
  <p>Schools for children in Cambodia JAPAN TEAM OF YOUNG HUMAN POWER (JHP)</p>	 <p>Shiseido Camellia Fund</p>

TOPICS : FY2015 recipient organizations have been selected

On December 2 (Tue), 2014, the 2nd Camellia Fund steering committee meeting (review meeting) was held in Shiodome Office and selected the recipient organizations for FY2015.

In the review meeting, open presentations by the organizations were held and evaluated by the steering committee members and the secretariat based on the "Camellia Fund evaluation criteria."



Presentations during the review meeting

■ **List of FY2015 Camellia Fund recipient organizations (10 organizations)** ■

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

TOPICS : 10th year to support XP patients with Shiseido sunscreen products

In March of 2014, we provided sunscreen products, including the Shiseido brands "ANESSA" and "2e", "SUNMEDIC" sold by the group company Shiseido Pharmaceutical Co., Ltd., and "Avène" sold by PIERRE FABRE JAPON CO., LTD., to 94 xeroderma pigmentosum (XP) patients.

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

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

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

Since 2005, we have been providing products to XP patients who wish to use Shiseido sunscreen products. Ever since then, we have been continuing delivering their desired products through the "Japanese National Network of Xeroderma Pigmentosum (XP)" once a year. 2014 was the 10th year.

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



Thank you message cards from children suffering from XP

Other Activities

Efforts of "TABLE FOR TWO"

Shiseido has been participating in the "TABLE FOR TWO (TFT hereafter)" activities in 3 offices with cafeteria facilities. "TFT" refers to a new social contribution activity originating in Japan, which was initiated to resolve the "imbalance of food" between "developed countries with excess food" and "developing countries with a lack of food" and to make people in both developed and developing countries 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

TOPICS : Deliciously arranging preserved food! Social contribution through "food"

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

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

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

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

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

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



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



Handing out preserved food and recipe souvenirs

Volunteer Activity by Collecting Various Items

Shiseido is implementing activities to support pregnant and parturient women and providing educational assistance for children in developing countries by collecting various items such as used stamps, miswritten postcards, coins and notes. This activity, which was formerly conducted by respective departments, was integrated from 2005 and has expanded into a company-wide initiative. In addition to volunteer activity that enables everyone to easily take part basically at any time anywhere throughout the year, we are also conducting campaigns twice a year.

Collected used stamps are used for various purposes via the Japanese Organization for International Cooperation in Family Planning, including payment of recycled bicycle shipping costs and activities (White Ribbon Campaign) to save lives of mothers and babies in developing countries. Also, miswritten postcards, coins, notes and other items are used for the Darunee Scholarship Fund via the Education for Development Foundation to support children in Thailand, Laos and Cambodia.

Social Studies Days

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

Disaster support activities

■ Donation of relief money for the earthquake in Nepal

Nepal was struck by a magnitude 7.8 earthquake on April 25 (Sat.), 2015.

To help aid the reconstruction efforts, Shiseido employee volunteers donated a total of 1,141,000 yen in relief money (supporters: 2,282 people) through "NGO Japan Platform."

This relief money is being used for distributing foods, daily goods, construction of temporary classrooms and toilets, etc.



Donation at Japan Platform



Letter of appreciation from Japan Platform

Empowerment of rural Bangladesh women

Since FY2011, Shiseido has been promoting the activity for rural Bangladesh women to improve their social status and support their success.

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



Wish to support women and resolve social issues through the “power of beauty”

In order to achieve our mission “to inspire a life of beauty and culture”, Shiseido has been promoting corporate activities for responding to social expectations and issues.

Since the “improvement in women’s social status” has been pointed out as one of the recent international and social issues in addition to poverty and environmental issues, Shiseido signed “Women’s Empowerment Principles (WEPs)” as one of the first Japanese companies.

Furthermore, we considered how we can contribute to the society by making use of the “power of beauty” which is based on Shiseido’s research results, findings and technologies regarding makeup and beauty, that have been accumulated since the foundation of Shiseido, from both tangible and intangible aspects.

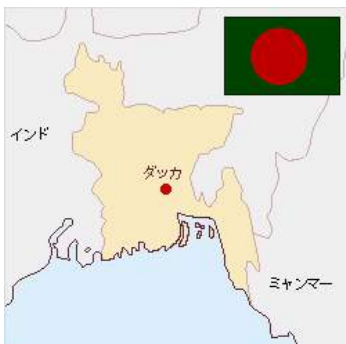
Reason why Bangladesh was selected as this activity place

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

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

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

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



〈Excerpt from the website of Ministry of Foreign Affairs of Japan〉



Photo : Mika Tanimoto /JICA

Start of “South Asia Social Business Project”

We implemented the in-house job challenge system for project members in 2010 and launched the “South Asia Social Business Project” in collaboration with research centers, production/procurement divisions, etc.

Start from living together in the local site

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



Rural area of Bangladesh

From there, various issues caused due to their life, custom, etc. came in sight.

Life/custom

Men have the right to make important decisions in the household
(Family plan, divorce, working, household budget, etc.)



- Cannot feel confident about oneself
- Not good at speaking in front of people
- Cannot take actions voluntarily

Health/nutrition

- Dietary habit of taking plenty of sugar, oil and salt, and a lack of knowledge regarding the effect of this habit on health
- Late night meal



- Unhealthy/sick due to biased nutrition
- Skin troubles such as pimples

Hygiene/beauty

- A lack of correct hygiene and beauty knowledge (Hand washing, effect of UV rays on skin, etc.)
- There are no cosmetics that Islamists can use without worries.



- Unhealthy/sick due to unsanitary living practice
- Skin aging caused due to a lack of appropriate skincare

Development of skincare products with Halal Certification*

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

* It means that the Halal Certification body approves that the target item is manufactured by using the ingredients and manufacturing process which are recognized as legal under the Muslim law and permitted to be used by Muslim.

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

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

Therefore, we achieved the development of the skincare product with Halal Certification "Les DIVAS".



"Les DIVAS"



"Les DIVAS"

- Cleansing foam: 1 type
- Moisturizing gel: 2 types
- Sunscreen: 1 type



Acquisition of Halal
Certification
Shiseido Vietnam Factory



We are reported that the women, who used this product, said "I can use it without any worries because it is Halal-compliant" and "My skin got soft".

Development of original sunscreen technology from this activity

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

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



Women using "Les DIVAS" sunscreen



Hearing by research members



"Perfect UV Protection N"

Progress on workshops by local women (awareness-raising activity)

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

Although this workshop started from a rural village, a total of 2,337 workshops were held in 16 villages in 2014, and a total of 27,547 people attended the workshops.

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



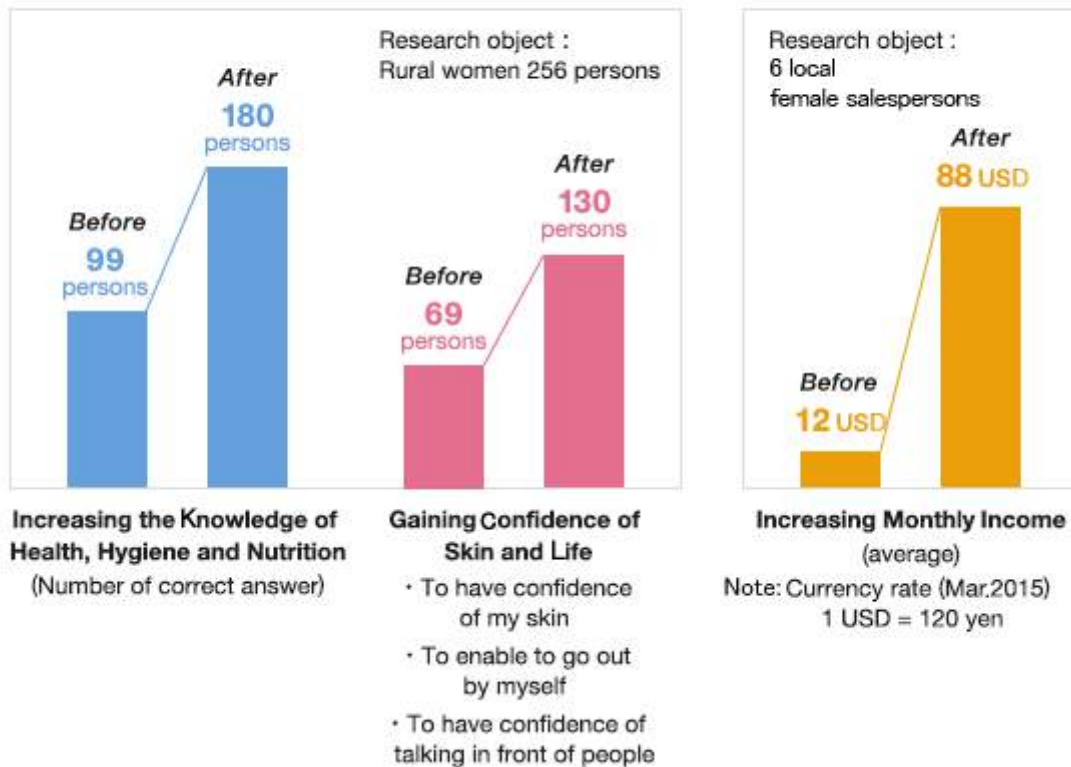
Flip chart show for awareness-raising activity (in Bengali)



Awareness-raising activity (workshop)

Positive impact by this project in the rural villages in Bangladesh

(Period : Jan.2014 to Dec.2015)



Present activities

Since FY2015, we have been conducting awareness-raising activities for approximately 27,000 women working at the garment factories and female students in addition to the conventional activities in the rural areas. They provided the following opinions: "I understood the importance of facial cleansing by making foam", "I want to get more information to make my skin beautiful", and "I want to buy Les DIVAS immediately".

Shiseido will continue to accept the needs of local women and contribute to the resolution of local social issues and improvement in their quality of life.



Demonstration of making foam to female students by Shiseido's employee

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

We would like to express our sympathy for the people affected by the Great East Japan Earthquake.

Shiseido wishes to support affected people right by their sides through beauty support activities and activities that only Shiseido can promote.

■ Concept of reconstruction support

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

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

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

■ Reconstruction support linked by "camellia"

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

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

The reason we started promoting these activities

Reconstruction support linked by "camellia"

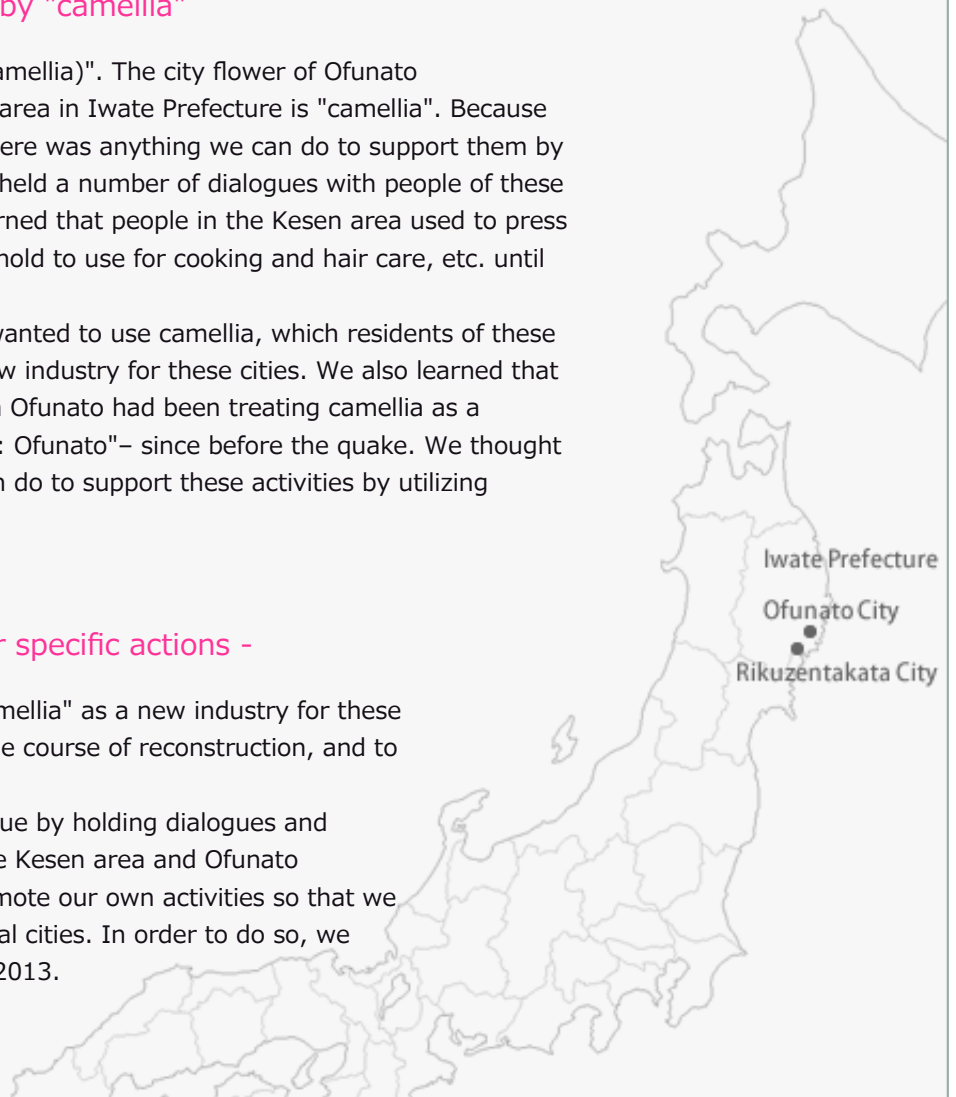
Shiseido's symbol is "Hanatsubaki (camellia)". The city flower of Ofunato City/Rikuzentakata City in the Kesen area in Iwate Prefecture is "camellia". Because of this connection, we wondered if there was anything we can do to support them by using "camellia" as the keyword and held a number of dialogues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

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

Our dream - In preparation for specific actions -

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

We hope to make the dream come true by holding dialogues and generating ideas with residents of the Kesen area and Ofunato City/Rikuzentakata City and also promote our own activities so that we can help the people develop their ideal cities. In order to do so, we promoted the following actions in FY2013.



1. Activities with hopes of industrialization

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

Since FY2014, we have been transporting and planting camellia, which is as old as 30 years old, from Machida in Tokyo with the cooperation of the JAPAN CAMELLIA SOCIETY as a specific means to accelerate the industrialization process. In collaboration with Ofunato City, we have planted approximately 440 nursery trees and 90 mature trees (as of June 2016).

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

On Saturday, June 11, 2016, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural Fukushima-sato Center.

20 employees from Shiseido participated in the event and planted trees together with people from Taiyo-kai, the Ofunato City Office, and the JAPAN CAMELLIA SOCIETY.

(1) Mature camellia tree planting

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

(2) Nursery camellia tree planting

In the hope that the trees will grow well and vigorously, commemorative trees were planted by Ofunato City Mayor Kimiaki Toda, Shiseido Executive Vice President and Representative Director Tsunehiko Iwai, Taiyo-kai Director Noriya Kikawada, and Mr. Kiyohiko Nakamura of the JAPAN CAMELLIA SOCIETY.

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



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



Planting nursery trees on a steep slope



Shiseido staff who participated in the tree planting event



Hosting a camellia tree-planting with hopes of industrialization Event on June 12, 2015

"Camellia seedling planting" held on July 12, 2013

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



Scene from tree-planting



Shiseido employees who participated in the tree-planting activities



After the tree-planting activities

"Tree-planting of mature camellia trees" held on June 28, 2014

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



Scene from tree-planting



Completed line of Camellia trees

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

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

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

(1) Mature camellia tree planting

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

(2) Nursery camellia tree planting

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



Installing poles for protecting nursery trees from deer



Planting mature camellia trees



Shiseido staff who participated in the tree planting event

2. Initiatives for raising awareness of Camellia in Kesen area



Releasing “before bedtime” fragrance with the motif of
“Sanmen Tsubaki” of Ofunato City Released on October 1, 2014

Fragrance soothes our feelings and gives us a sense of relaxation. With the hopes of delivering pleasant sleep with good fragrance to affected people, we worked on developing a product by utilizing Shiseido’s aromachology research. As a result, we have developed a new fragrance for users of all ages regardless of gender to experience a sense of relaxation before bedtime, by combining with the fragrance ingredient of flowers of “Sanmen Tsubaki”, which is 1,400 years old and is the oldest camellia tree in Japan located at “Nakamori Kumano Shrine” in Massaki-cho, Ofunato City. We collaborated with local people to create a new fragrance “Shiseido Relaxing Night Mist”. It was released on October 1 (Wed), 2014, with limited volume via the Shiseido website, and is available at 4 department stores, Isetan Mitsukoshi Ltd.* from March 9 (Wed), 2016. Part of the sales will be utilized in the development of “Ofunato, home of camellia”.

*available through e-commerce and selected stores only.



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



Using Camellia in reconstruction efforts initiatives
Shiseido Parlour launching “Kesen Tsubaki Dressing”
November 10, 2014

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

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

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



Kesen Tsubaki Dressing



"TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)" October 4, 2014

Shiseido held "TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)" at Rias Hall in Ofunato City, Iwate on October 4, 2014, as part of Shiseido's "Using Camellia in reconstruction efforts" initiatives.

The purpose of this event was to let the local young people experience and know the potential of camellia as an industrial and tourism resource.

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

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



Fragrance Seminar



Serving Spiedini with
"Kesen Tsubaki
Dressing"



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



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

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

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



"Hair & Skincare Seminars" for high school students



"Hair & Makeup Show"



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

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

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

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



Menu contest



Camellia oil pressing experience



Food experience venue



Food experience venue reception



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

In addition, we also held an event, in which we experienced harvesting camellia fruits, which will be important in industrialization, in another venue (Goishi District, which is a tourist spot for camellia in Ofunato).

We harvested 54kg fruits with the residents of Goishi District, which is a tourist spot in Ofunato.

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



Fruit harvesting experience



Harvested camellia fruits

In addition, we also held a makeup seminar, which was requested by local residents.

We were able to experience "camellia", which is much more than just flowers, with the local residents on this day.



Beauty seminar



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

3. Activities to grow camellia with the next generation

Activities in Ofunato Municipal Akasaki Junior High School

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

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

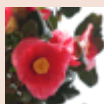
Students are passing down the responsibility to grow the camellia with care while communicating the possibility that this planted camellia may become a seed for a new industry for Ofunato someday.



Haiku Works

The students in the 9th grade have been composing a haiku (Japanese poem in 5-7-5 syllabic form) with the themes of "home of camellia: Ofunato" and "reconstruction of our home" annually since 2012.

And we have organized their haiku works in to a "haiku booklet" as records of steps to reconstruction, and presented to them.



Activities to grow camellia (Video conferences/Tsubaki Journal)

Holding Video conferences

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

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

Akasaki Junior High School "Tsubaki Journal"

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

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

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



Oil Press Event Held on November 17, 2015

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

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

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

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



Oil press experience with a home oil press machine



Tasting "Kesen Tsubaki (camellia) Dressing"



A photo taken with the participating students

4. Reconstruction support market

We have been holding the "reconstruction support market", in which we collect and internally sell products from the Kesen area that we have been supporting, in the Shiseido Shiodome Head Office every year since FY2013. We held the 4th market this year in cooperation with PricewaterhouseCoopers which also has the office in the same Shiodome area as Shiseido.

<Objectives of the market>

For Region	<ul style="list-style-type: none"> • Improvement of the recognition of the Kesen area • Development of new sales channels
For Employees	<ul style="list-style-type: none"> • Opportunity to PR the reconstruction support activities to gain sympathy • Opportunity to realize employees' will to help with reconstruction support



Scene from the reconstruction support market

Engagement with stakeholders

Stakeholder Dialog

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

In fiscal 2014, we considered Shiseido's important themes from the CSR perspective based on the results of the stakeholder hearing, which was taken through questionnaires conducted in fiscal 2013. We also exchanged opinions with multiple experts and specialists and received valuable opinions/advice with the aim of ensuring the validity, objective perspective, and transparency. We will utilize these opinions and advice when we formulate future CSR activity plans.

Outside Evaluations/Awards

SRI Indexes selection status

Being selected as a company included in Socially Responsible Investment (SRI) indexes, which take account of companies that are highly trusted by society in terms of ethics, environment, employment and safety in their operations, signifies that the company is found to have both a high level of social trust and sound financial performance. Shiseido received various evaluations from SRI evaluation institutions of countries worldwide and was selected for inclusion as a constituent company for SRI indexes in Japan and overseas. In this respect, Shiseido will continue to contribute to the development of a sustainable society and be consistently accountable by promoting specific CSR activities that utilize Shiseido's strengths.



FTSE4Good Global Index



ETHIBEL EXCELLENCE



ECPI INDICES



Morningstar Socially Responsible Investment

Furthermore, Shiseido is selected in the "Global Compact 100 stock index" announced by United Nations Global Compact, as well as in the "MSCI Japan Index" (Japan).

Evaluation of other activities

Introduction of representative awards and selection from external organizations in fiscal 2014 and 2015

▪ Golden Peacock Global Award

Shiseido received the "Golden Peacock Global Award for Excellence in Corporate Governance for the year 2014", being evaluated for our initiatives in corporate governance.



▪ 5th consecutive year to be selected as one of the "World's Most Ethical Companies"

We are honored to have been selected as one of the "World's Most Ethical Companies 2016", which were announced by Ethisphere Institute, a US-based think tank specializing in corporate ethics and CSR (Corporate Social Responsibility), etc. This is the fifth consecutive year in which Shiseido has achieved the designation.

- Shiseido receives three stars, the top rating for a Customer Service Center, for three consecutive years

The Shiseido Customer Service Center has been awarded three stars, the top rating, in the Customer Service Center assessment sponsored by HDI-Japan (Japaneses Only) for 3 consecutive years. HDI-Japan is the Japanese branch of the Help Desk Institute (HDI).



- Shiseido receives the first “Award for an Advanced Company in which Women Shine” hosted by the Cabinet Office

Our various initiatives, such as the establishment of internal systems, that we have been promoting for a long time with the aim of becoming a company in which women can continuously be active, have been evaluated.

- Shiseido tops in “100 Best Companies Where Women Play Active Part by Nikkei Woman” for three straight years!

Shiseido topped in the overall best 100 companies in the “Survey on Female Workers’ Workplace Opportunities” ranking, which is conducted by Nikkei Woman and Nikkei Womenomics, for three straight years since FY2014.

Activity Results Data

Data detailing Shiseido's CSR and environmental activities is available.

Social Activity-Related Data

Area	Item	Indicator [Unit]	FY2015/3	FY2015/12	Scope
Woman and Beauty	SHISEIDO LIFE QUALITY BEAUTY CENTER	Number of Countries and Regions (Number of Facilities)(*1) [locations]	3 (5)	-	Japan and Overseas
			-	1	Japan
			-	2 (4)	Overseas
		Number of Users(*2) [person]	1,680	-	Japan and Overseas
			-	400	Japan
			-	689	Overseas
	SHISEIDO LIFE QUALITY BEAUTY SEMINAR	Total Seminar Held(*3) [times]	3,877	-	Japan and Overseas
			-	3,195	Japan
			-	36	Overseas
		Total Participants(*3) [person]	65,555	-	Japan and Overseas
			-	54,678	Japan
			-	1,136	Overseas
	Initiatives for children SHISEIDO Kodomo Seminar for Juniors	Number of Attendees(*4) [person]	791	694	Japan
	SHISEIDO Running Club	Running Lesson Number of Times Held [times]	1	3	Japan
		Outside Lecture Number of Times Held [times]	2	0	Japan

	SHISEIDO Female Researcher Science Grant	Number of Grant Recipients [person]	10	10	Japan
Culture	SHISEIDO Gallery (Ginza)	Number of Visitors [person]	58,494	31,444	Japan
	SHISEIDO Corporate Museum (Kakegawa)		31,408	23,758	Japan
	SHISEIDO Art House (Kakegawa)		36,169	25,555	Japan
Employee Social Contribution	SHISEIDO Camellia Fund	Monthly Number of Pledges(*5) [pledge]	17,016	15,260	Japan

*1 Japan (Tokyo), China (Shanghai/Hong Kong), Taiwan (Taipei/Kaohsiung)

*2 Result from FY2015 ending December is result for 9 months between April, 2015, and December, 2015 for both domestic and overseas values.

*3 Result from FY2015 ending December is result for 9 months between April, 2015, and December, for the domestic value. It is the result for 12 months between January, 2015, and December, for the overseas value.

*4 Targets are 5th/6th grade children

*5 1 Pledge: 100 yen. Result for FY2015 ending March is the result of March. Result for FY2015 ending December is the result of December.

Personnel Related Data

Number of Shiseido Group Employees

		April 1, 2015 (Ratio)			January 1, 2016 (Ratio)		
		Total	Male	Female	Total	Male	Female
Total		46,351 (100%)	—	—	45,969 (100%)	—	—
	Employee	33,686 (72.7%)	—	—	33,616 (73.1%)	—	—
	Fixed-term contact employee	12,665 (27.3%)	—	—	12,353 (26.9%)	—	—
Shiseido Group (Japan)		23,870 (51.5%)	3,964 (16.6%)	19,906 (83.4%)	23,272 (50.6%)	3,948 (17.0%)	19,324 (83.0%)
	Employee	14,576 (31.4%)	3,292 (22.6%)	11,284 (77.4%)	14,094 (30.7%)	3,238 (23.0%)	10,856 (77.0%)
	Fixed-term contact employee	9,294 (20.1%)	672 (7.2%)	8,622 (92.8%)	9,178 (20.0%)	710 (7.7%)	8,468 (92.3%)
Overseas		22,481 (48.5%)	—	—	22,697 (49.4%)	—	—
	Employee	19,110 (41.2%)	—	—	19,522 (42.5%)	—	—
	Fixed-term contact employee	3,371 (7.3%)	—	—	3,175 (6.9%)	—	—

Note: Number of employees in Japan is as of April 1 in 2015 and January 1 in 2016. Number of employees overseas is as of December 31 each year.

Number of Employees by Region

	April 1, 2015 (Ratio)			January 1, 2016 (Ratio)		
	Total	Male	Female	Total	Male	Female
Total	46,351 (100%)	—	—	45,969 (100%)	—	—
Japan	23,870 (51.5%)	3,964 (16.6%)	19,906 (83.4%)	23,272 (50.6%)	3,948 (17.0%)	19,324 (83.0%)
Overseas	22,481 (48.5%)	/	/	22,697 (49.4%)	/	/
Europe	2,529 (5.5%)			2,412 (5.2%)		
America	6,389 (13.8%)			6,266 (13.6%)		
Asia & Oceania	13,563 (29.3%)			14,019 (30.5%)		
China	9,363 (20.2%)			9,608 (20.9%)		
Employee	33,686 (72.7%)	—	—	33,616 (73.1%)	—	—
Japan	14,576 (43.3%)	3,292 (22.6%)	11,284 (77.4%)	14,094 (41.9%)	3,238 (23.0%)	10,856 (77.0%)
Overseas	19,110 (56.7%)	/	/	19,522 (58.1%)	/	/
Europe	2,240 (6.6%)			2,044 (6.1%)		
America	3,993 (11.9%)			4,025 (12.0%)		
Asia & Oceania	12,877 (38.2%)			13,453 (40.0%)		
China	9,154 (27.2%)			9,479 (28.2%)		

Fixed-term contact employee	12,665 (27.3%)	—	—	12,353 (36.7%)	—	—
Japan	9,294 (73.4%)	672 (7.2%)	8,622 (92.8%)	9,178 (74.3%)	710 (7.7%)	8,468 (92.3%)
Overseas	3,371 (26.6%)	/	/	3,175 (25.7%)	/	/
Europe	289 (2.3%)			368 (3.0%)		
America	2,396 (18.9%)			2,241 (18.1%)		
Asia & Oceania	686 (5.4%)			566 (4.6%)		
China	209 (1.7%)			129 (1.0%)		

Note: Number of employees in Japan is as of April 1 in 2015 and January 1 in 2016. Number of employees overseas is as of December 31 each year.

Ratio of Male and Female Leaders

	April 1, 2015			January 1, 2016		
	Total	Male	Female	Total	Male	Female
Total leaders	2,940	1,463	1,477	3,078	1,541	1,537
Japan	1,030	750	280	1,198	874	324
Overseas	1,910	713	1,197	1,880	667	1,213
Europe	272	121	151	345	146	199
America	939	253	686	833	213	620
Asia & Oceania	699	339	360	685	305	380
China	330	159	171	382	183	199

Ratio of leaders	100.0%	49.8%	50.2%	100.0%	50.1%	49.9%
Japan	35.0%	72.8%	27.2%	39.0%	73.0%	27.0%
Overseas	65.0%	37.3%	62.7%	61.0%	35.5%	64.5%
Europe	9.3%	44.5%	55.5%	11.2%	42.3%	57.7%
America	31.9%	26.9%	73.1%	27.0%	25.6%	74.4%
Asia & Oceania	23.8%	48.5%	51.5%	22.2%	44.5%	55.5%
China	11.2%	48.2%	51.8%	12.4%	47.9%	52.1%

Note1: Number of leaders in Japan is as of April 1 in 2015 and January 1 in 2016. Number of leaders overseas is as of December 31 each year

Note2: Due to the system revision in FY2015, the number of targets is different for 2015 and 2016 in Japan.

Note3: Overseas leaders refer to personnel in managerial positions (manager or higher).

Ratio of Introductory Management-Level Personnel

	April 1, 2015	January 1, 2016
Number of Introductory Management-Level Personnel (Domestic)	1,089	874
Male	748	592
Female	341	282
Ratio of Introductory Management-Level Personnel (Domestic)		
Male	68.7%	67.7%
Female	31.3%	32.3%

Note1: "Introductory management-level personnel" refers to management-level personnel without subordinates and general employees with subordinates

Note2: Due to the system revision in FY2015, the number of targets is different for 2015 and 2016.

Average service years of employees

	April 1, 2015	January 1, 2016
Overall domestic group	16.9	17.9
Male	18.2	18.6
Female	16.5	17.1

Note: All employees (excluding fixed-term contact employees)

Working hours / Rate of taking paid holidays

	FY2014	FY2015
Total annual hours worked /person	—	—
Shiseido Company, Limited	1,897.4	1,913.5
Group employee in Japan	1,832.6	1,822.5
Annual designated hours worked (Japan)	1,852.25	1,844.5
Average designated overtime hours worked /person	—	—
Shiseido Company, Limited	212.6	235.9
Group employee in Japan	105.6	109.1
Acquisition rate of paid leave /year	—	—
Shiseido Company, Limited	62.2%	57.2%
Group employee in Japan	46.3%	46.5%

Note: Result from 2014 is between April 1, 2014 and March 31, 2015. Result from 2015 is between January 1, 2015 and December 31, 2015.

Periodical employment / Carrier employment: Number of People

	FY2015			FY2016		
	General	BC positions	Carrier Adoption	General	BC positions	Carrier Adoption
Total	61	144	27	96	347	—
Male	29	2	15	51	1	—
Female	32	142	12	45	346	—
Ratio	100.0%	100.0%	100.0%	100.0%	100.0%	—
Male	47.5%	1.4%	55.6%	53.1%	0.3%	—
Female	52.5%	98.6%	44.4%	46.9%	99.7%	—

Note1: Result from 2015 is between April 1, 2015 and December 31, 2015 for the domestic value.

Note2: Result from 2016 is between April 1, 2016 and December 31, 2016 for the domestic value.

Entrance pay

Newly employed in April in 2016: in case a worker's service area is located in Tokyo Metropolitan and 23 districts.

Category	Allowance
A person with doctoral course	monthly salary 265,000yen
A person with master's degree	monthly salary 235,000yen
A college (university) graduate	monthly salary 215,000yen
A graduate from a technical college	monthly salary 195,000yen

Note: In any case, a service area allowance, 9000yen (amount of an allowance is different by one's service area) is included.

Number of Qualified Personnel for Ecole Shiseido

	FY2014 (Ratio)	FY2015 (Ratio)
Shiseido Group (Domestic)	12,519 (51.1%)	11,992 (51.7%)

Note: Scope comprised of personnel in managerial, general, BC positions (excluding directors and fixed-term contact employees)

Job Turnover Rate

	FY2014	FY2015
Shiseido Group in Japan	4.2%	1.2%
Reason of marriage, maternity, child care	0.00%	0.00%
Shiseido Japan Co., Ltd.	3.7%	2.0%
Reason of marriage, maternity, child care	1.00%	0.53%

Note1: Target of domestic Group personnel in Japan: Managers and general personnel

Note2: Target of Shiseido Japan 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

	FY2014 (Ratio)	FY2015 (Ratio)
Childcare leave (Including short-term childcare leave)	1,421 (5.90%)	1,354 (5.82%)
Male	9 (0.21%)	4 (0.10%)
Female	1,412 (6.90%)	1,350 (6.99%)
Child-rearing work hours	1,882 (7.65%)	1,990 (8.55%)
Male	7 (0.17%)	2 (0.05%)
Female	1,875 (7.62%)	1,988 (9.77%)
Beauty Consultants taking time off for childcare	1,133	1,223
Male	0	0
Female	1,133	1,223
Kangaroo Staff	1,674	1,738

Note1: Shiseido Group in Japan

Note2: Acquisition rate of childcare leave (work hours)=Number of persons taking childcare leave (work hours)/Number of domestic employees at the beginning of term x 100

Note3: All employees (including fixed-term contact employees)

Number of employees who used nursing care leave and nursing care work hour systems

	FY2014 (Ratio)	FY2015 (Ratio)
Nursing care leave	26 (0.11%)	19 (0.08%)
Male	0 (0.00%)	1 (0.03%)
Female	26 (0.13%)	18 (0.09%)
Nursing care work hours	16 (0.07%)	10 (0.04%)
Male	1 (0.02%)	1 (0.03%)
Female	15 (0.07%)	9 (0.05%)

Note1: Shiseido Group in Japan

Note2: All employees (including fixed-term contact employees)

Note3: Acquisition rate of nursing care leave (work hours)=Number of persons taking nursing care leave (work hours)/Number of domestic employees at the beginning of term x 100

Number of employees who used shortened work hours system

	FY2014 (Ratio)	FY2015 (Ratio)
Shiseido Group in Japan	1,898 (7.71%)	2,000 (8.59%)
Male	6 (0.14%)	3 (0.08%)
Female	1,892 (9.23%)	1,997 (10.33%)

Note1: Personnel using shortened work hours refers to those who are acquiring childcare work hours and nursing care work hours.

Note2: All employees (including fixed-term contact employees)

Note3: Shortened work hours systems utilization rate = Number of employees utilizing the shortened work hours systems/number of domestic employees at the beginning of the term x 100

The reinstatement rate and the stability rate of the work office after one's maternity leave and childcare leave

		FY2014	FY2015
The reinstatement rate	Shiseido Group companies in Japan	100.0%	100.0%
	Shiseido Japan Co., Ltd.	97.4%	95.1%
The stability rate of the work office	Shiseido Group companies in Japan	97.8%	98.5%
	Shiseido Japan Co., Ltd.	89.8%	95.3%

Note1: Target persons in Shiseido Group Companies in Japan: managerial personnel/major career path, target persons in Shiseido Japan Co., Ltd.: beauty consultants (excluding contract workers signed under certain periods of time)

Note2: The reinstatement rate=the number of reinstated employees from their child care leave in current year/the number of employees expected to be reinstated from their child care leave in current year x 100

Note3: The stability rate of the work office=the number of employees enrolled as of the end of March in current year out of the reinstated employees from their child care leave in previous year/the number of the reinstated employees from their child care leave in previous year x 100

Number of employees rehired after retirement

	April 1, 2015	January 1, 2016
Shiseido Group employee in Japan	262	280

Ratio of Physically-challenged employees

	FY2014	FY2015
Shiseido Company, Limited	3.37%	3.59%
Shiseido Group in Japan	2.03%	1.96%

Note: Data as of June 30 of respective years

Ratio of Non-Japanese Directors in Overseas Affiliated Companies

	April 1, 2015	January 1, 2016
Overseas Group	44.6%	39.1%

Note1: Non-Japanese directors at the head office who concurrently hold posts at overseas subsidiaries are counted as local directors overseas.

Note2: Directors who hold positions as directors in multiple companies are also included.

Human Rights Enlightenment and Corporate Ethics Training

Target: Domestic Group employees in Japan

	FY2014	FY2015
Training topic	Power harassment	Various human rights
Number of times held	1	1
Time (per occasion)	60 minutes	60 minutes
Participants	19,073 persons	19,297 persons

Note: Number of participants refers to the number of employees who participate per training (including e-Learning and learning through text materials)

Number of Work-related Accidents

	FY2014	FY2015
Japan (Company)	34	11
Service is provided in in-house factories and companies under business consignment	0	0
Overseas (Company)	71	79

Note1: Number of work-related accidents that accompanied suspension of operations.

Note2: Number of work-related accidents at business partners consigned by domestic factories is the number of accidents reported at business partners on consignment.

Business accident severity rate

	FY2014	FY2015
Number of work-related accidents	34	11
Accident severity rate	0.007	0.012

Note1: Number of work-related accidents in Shiseido Group in Japan

Note2: Accident severity rate = Number of days lost due to work-related accidents/Total hours worked x 1,000

Lost time incident (LTI) rate and lost time injury rate (LTIFR)

	FY2014	FY2015
LTI	0.182	0.097
LTIFR	0.91	0.48

Note1: Lost time incident rate and lost time injury frequency rate for Shiseido Group in Japan

Note2: Lost time incident (LTI) rate = Number of lost time incidents/Total hours worked x 200,000

Note3: LTIFR = Lost time injury frequency rate/Total hours worked x 1,000,000

Number of Employees per industrial physician and/or industrial healthcare staff

	April 1, 2015	January 1, 2016
Shiseido Company, Limited	277.4	268.1
Domestic Group	194.0	258.3

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, 2015	January 1, 2016
Shiseido Company, Limited	Labor union members	2,322	1,688
	Composition(*1)	45.6%	40.1%
	Employees who will be covered by labor law	100%	100%
Shiseido Group in Japan	Labor union members	10,778	10,409
	Composition(*1)	45.2%	44.7%
	Employees who will be covered by labor law	100%	100%

*1 Comparison = Number of Labor Union Members/Number of employees (including managers and fixed-term contract employees) x 100

Subsidiaries with Labor Unions

	April 1, 2015	January 1, 2016
Japan	18.2%	18.2%
Overseas	43.9%	45.9%

Note: Includes work council overseas

Environmental Activity-performance Data

Domestic

Index		Scope	FY2013 Results	FY2014 Results	FY2015 Results*
Input	Electric power (10,000 kWh)	Production facilities	2,988	2,901	2,015
		Non-production facilities	3,316	3,145	2,286
	City gas (10,000 m ³)	Production facilities	559	599	397
		Non-production facilities	81	69	45
	LPG (t)	Production facilities	7	8	8
		Non-production facilities	0	0	0
	Fuel (kl)	Production facilities	0	0	0
		Non-production facilities	2,029	1,833	1,299
Output	Steam (GJ)	Non-production facilities	9,475	9,992	6,514
	Water (10,000 m ³)	Production facilities	73	76	54
	CO ₂ (t)	Production facilities	24,460	28,424	19,089
		Non-production facilities	20,454	21,946	15,376
	SOx (t)	Production facilities	0	0	0
	NOx (t)		13	17	14
	Waste water (10,000 m ³)	Production facilities	65	68	49
	BOD (t)	Production facilities	14	17	11
	COD (t)		26	30	20
	Waste (t)	Production facilities	3,148	3,765	2,464
		Non-production facilities	1,271	1,117	838
	Recycling rate (%)	Production facilities	100	100	100

* Target Period: April, 2015-December, 2015

Overseas

Index		Scope	FY2013 Results	FY2014 Results	FY2015 Results
Input	Electric power (10,000kWh)	Production facilities	4,243	4,531	4,833
		Non-production facilities	714	533	515
	City gas (10,000m ³)	Production facilities	372	370	374
		Non-production facilities	24	12	8
	LPG (t)	Production facilities	116	199	171
		Non-production facilities	0	0	0
	Fuel (kl)	Production facilities	61	73	77
		Non-production facilities	1,103	1,078	998
	Steam (t)	Production facilities	4,217	3,915	3,434
	Water (10,000m ³)	Production facilities	48	52	49
Output	CO ₂ (t)	Production facilities	22,627	25,355	33,485
		Non-production facilities	4,907	3,954	4,304
	Waste (t)	Production facilities	3,936	4,189	5,181
		Non-production facilities	980	394	409
	Recycling rate (%)	Production facilities	81	83	86

Note: Overseas non-production facilities are major facilities only.

Editorial Policy

Shiseido's SOCIAL RESPONSIBILITY website has been edited according to the following policies.

- We introduce each activity according to the 7 core subjects of ISO26000 (Guidance on social responsibility).
- We 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 FY2015 (from April 1, 2015 to December 31, 2015). However, part of the information may be from prior to the said period or more recent than the period.
- We have edited this website by using the United Nations Global Compact, Sustainability Reporting Guidelines G4 of GRI (Global Reporting Initiative), and ISO26000 for reference.
- The scope includes Shiseido Co., Ltd. and 91 Shiseido Group companies (subsidiaries) as of December 31, 2015. Notes have been added to data outside of the above scope.

Information on Shiseido's social responsibility in FY2015 is disclosed not only on the "Shiseido SOCIAL RESPONSIBILITY website" but also in the "Annual Report 2015/12."

GRI Guidelines Index

Sustainability Reporting Guidelines G4 (Global Reporting Initiative) was used as a reference resource in the compilation of Shiseido CSR 2016, which describes the standard disclosure information.

When this information is included in media other than the Shiseido CSR 2016, the names of those media are included.

About "Reference" : "NA" indicates that the corresponding items are not relevant or have no cases relevant to any critical Levels. Also "-" indicates no information.

*This table shows the correspondences between GRI Guidelines Ver. 4 and The United Nations Global Compact. However, it contains our own interpretation to some extent since the official correspondence table between the principles of The United Nations Global Compact and GRI Guidelines Ver. 4 is yet to be issued by the United Nations Global Compact Secretariat.

Strategy and Analysis

Section	Indicator	Reference	GC
1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, orequivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	▪ Top Commitment	
2	Provide a description of key impacts, risks, and opportunities.	▪ What is Shiseido CSR? ▪ Risk Management ▪ Annual Securities Report(Japanese only)	

Organizational Profile

Section	Indicator	Reference	GC
3	Report the name of the organization.	▪ Corporate Information	
4	Report the primary brands, products, and services.	▪ Business Overview ▪ Brands	
5	Report the location of the organization's headquarters.	▪ Corporate Information	
6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	▪ Business Overview ▪ Corporate Information ▪ Major Offices	
7	Report the nature of ownership and legal form.	▪ Corporate Information	
8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	▪ Business Overview	
9	Report the scale of the organization, including: ▪ Total number of employees ▪ Total number of operations ▪ 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) ▪ Quantity of products or services provided	▪ Shiseido at a Glance ▪ Major Offices ▪ Annual Securities Report(Japanese only)	

10	<p>a. Report the total number of employees by employment contract and gender.</p> <p>b. Report the total number of permanent employees by employment type and gender.</p> <p>c. Report the total workforce by employees and supervised workers and by gender.</p> <p>d. Report the total workforce by region and gender.</p> <p>e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.</p> <p>f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).</p>	<ul style="list-style-type: none"> ▪ Personnel Related Data ▪ Corporate Information 	
11	Report the percentage of total employees covered by collective bargaining agreements.	<ul style="list-style-type: none"> ▪ Good Relationship with labor union ▪ Personnel Related Data 	
12	Describe the organization's supply chain.	<ul style="list-style-type: none"> ▪ Fair Competition and Comprehensive Transactions ▪ For Your Safety ▪ Global Network 	
13	<p>Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including:</p> <ul style="list-style-type: none"> ▪ Changes in the location of, or changes in, operations, including facility openings, closings, and expansions ▪ Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) ▪ Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	<ul style="list-style-type: none"> ▪ Annual Securities Report(Japanese only) 	

Commitments to External Initiatives

Section	Indicator	Reference	GC
14	Report whether and how the precautionary approach or principle is addressed by the organization.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Risk Management 	
15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Environmental Policy ▪ Environmental communication 	
16	<p>List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:</p> <ul style="list-style-type: none"> ▪ Holds a position on the governance body ▪ Participates in projects or committees ▪ Provides substantive funding beyond routine membership dues ▪ Views membership as strategic <p>This refers primarily to memberships maintained at the organizational level.</p>	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ External Collaboration 	

Identified Material Aspects and Boundaries

Section	Indicator	Reference	GC
17	<p>a. List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p>	<ul style="list-style-type: none"> ▪ Editorial Policy ▪ Annual Securities Report(Japanese only) 	
18	<p>a. Explain the process for defining the report content and the Aspect Boundaries.</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p>	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Editorial Policy 	
19	List all the material Aspects identified in the process for defining report content.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? 	

20	For each material Aspect, report the Aspect Boundary within the organization.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Editorial Policy ▪ Annual Securities Report(Japanese only) 	
21	For each material Aspect, report the Aspect Boundary outside the organization.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Editorial Policy ▪ Annual Securities Report(Japanese only) 	
22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	NA	
23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	NA	

Stakeholder Engagement

Section	Indicator	Reference	GC
24	Provide a list of stakeholder groups engaged by the organization.	<ul style="list-style-type: none"> ▪ Our Way ▪ Engagement with stakeholders 	
25	Report the basis for identification and selection of stakeholders with whom to engage.	<ul style="list-style-type: none"> ▪ Our Way 	
26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	<ul style="list-style-type: none"> ▪ Participation in Community and Development ▪ Engagement with stakeholders ▪ Fair Competition and Comprehensive Transactions ▪ Basic policy regarding personnel affairs ▪ Personnel affairs and fair evaluation ▪ CSR and Environmental Activities E-Mail Newsletter Service 	
27	Report 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. Report the stakeholder groups that raised each of the key topics and concerns.	<ul style="list-style-type: none"> ▪ Engagement with stakeholders 	

Report Profile

Section	Indicator	Reference	GC
28	Reporting period (such as fiscal or calendar year) for information provided.	▪ Editorial Policy	
29	Date of most recent previous report (if any).	Jun-2016	
30	Reporting cycle (such as annual, biennial).	Published annually	
31	Provide the contact point for questions regarding the report or its contents.	▪ Contact Us	

GRI content index

Section	Indicator	Reference	GC
32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	▪ GRI Guidelines Index	

Assurance

Section	Indicator	Reference	GC
33	<ul style="list-style-type: none"> a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. 	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? 	

Governance

Governance Structure and Composition

Section	Indicator	Reference	GC
34	<ul style="list-style-type: none"> ▪ Report the governance structure of the organization, including committees of the highest governance body. ▪ Identify any committees responsible for decision-making on economic, environmental and social impacts. 	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Corporate Governance 	
35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? 	
36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Directors / Corporate Officers / Audit & Supervisory Board Members 	

37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	▪ General Meeting of Shareholders	
38	Report the composition of the highest governance body and its committees by: Executive or non-executive ▪ Independence ▪ Tenure on the governance body ▪ Number of each individual's other significant positions and commitments, and the nature of the commitments ▪ Gender ▪ Membership of under-represented social groups ▪ Competences relating to economic, environmental and social impacts ▪ Stakeholder representation	▪ Corporate Governance	
39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	▪ Corporate Governance	
40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: ▪ Whether and how diversity is considered ▪ Whether and how independence is considered ▪ Whether and how expertise and experience relating to economic, environmental and social topics are considered ▪ Whether and how stakeholders (including shareholders) are involved	▪ Corporate Governance	

41	<p>Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum:</p> <ul style="list-style-type: none"> ▪ Cross-board membership ▪ Cross-shareholding with suppliers and other stakeholders ▪ Existence of controlling shareholder ▪ Related party disclosures 	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Management and Execution Structure ▪ Corporate Governance 	
----	---	---	--

Highest Governance Body's Role in Setting Purpose, Values, and Strategy

Section	Indicator	Reference	GC
42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	<ul style="list-style-type: none"> ▪ Top Commitment ▪ What is Shiseido CSR? ▪ Management and Execution Structure 	

Highest Governance Body's Competencies and Performance Evaluation

Section	Indicator	Reference	GC
43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Corporate Governance 	
44	<p>a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.</p> <p>b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.</p>	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Audit Structure 	

Highest Governance Body's Role in Risk Management

Section	Indicator	Reference	GC
45	<p>a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.</p> <p>b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.</p>	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Risk Management ▪ Corporate Governance 	
46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Risk Management ▪ Corporate Governance 	
47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Risk Management ▪ Corporate Governance 	

Highest Governance Body's Role in Sustainability Reporting

Section	Indicator	Reference	GC
48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? 	

Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance

Section	Indicator	Reference	GC
49	Report the process for communicating critical concerns to the highest governance body.	<ul style="list-style-type: none"> ▪ What is Shiseido CSR? ▪ Corporate Governance ▪ Whistle-blowing system 	
50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	-	

Remuneration and Incentives

Section	Indicator	Reference	GC
51	<p>a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration:</p> <ul style="list-style-type: none"> ▪ Fixed pay and variable pay: <ul style="list-style-type: none"> – Performance-based pay – Equity-based pay – Bonuses – Deferred or vested shares ▪ Sign-on bonuses or recruitment incentive payments ▪ Termination payments ▪ Clawbacks ▪ Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees. <p>b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.</p>	<ul style="list-style-type: none"> ▪ Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members 	
52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	<ul style="list-style-type: none"> ▪ Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members 	
53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	<ul style="list-style-type: none"> ▪ Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members ▪ Good Relationship with labor union 	
54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-	

55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-	
----	---	---	--

Ethics and Integrity

Section	Indicator	Reference	GC
56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	▪ Our Mission, Values and Way	
57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	<ul style="list-style-type: none"> ▪ Whistle-blowing system ▪ Points of Contact for Employee Inquiries ▪ Personnel affairs and fair evaluation 	
58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	<ul style="list-style-type: none"> ▪ Whistle-blowing system ▪ Points of Contact for Employee Inquiries ▪ Personnel affairs and fair evaluation 	

Disclosures on Management Approach

Section	Indicator	Reference	GC
DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: ▪ The mechanisms for evaluating the effectiveness of the management approach ▪ The results of the evaluation of the management approach ▪ Any related adjustments to the management approach	▪ What is Shiseido CSR?	

Category: Economic

Aspect: Economic Performance

Section	Indicator	Reference	GC
EC1	Direct economic value generated and distributed	▪ Annual Securities Report(Japanese only)	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	▪ FY2015 environmental impact results	Principle 7
EC3	Coverage of the organization's defined benefit plan obligations	▪ Employment and Labor ▪ Annual Securities Report(Japanese only)	
EC4	Financial assistance received from government	-	

Aspect: Market Presence

Section	Indicator	Reference	GC
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	▪ Personnel Related Data	Principle 1
EC6	Proportion of senior management hired from the local community at significant locations of operation	▪ Personnel Related Data	Principle 6

Aspect: Indirect Economic Impacts

Section	Indicator	Reference	GC
EC7	Development and impact of infrastructure investments and services supported	NA	
EC8	Significant indirect economic impacts, including the extent of impacts	<ul style="list-style-type: none"> ▪ Participation in Community and Development ▪ Social Activity-Related Data 	

Aspect: Procurement Practices

Section	Indicator	Reference	GC
EC9	Proportion of spending on local suppliers at significant locations of operation	<ul style="list-style-type: none"> ▪ Fair Competition and Comprehensive Transactions <p>The procurement rate (based on the amount) of China-produced raw materials in factories in China in FY 2015(January - December) Raw materials: 69% Materials: 99%</p>	

Category: Environmental

Aspect: Materials

Section	Indicator	Reference	GC
EN1	Materials used by weight or volume	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN2	Percentage of materials used that are recycled input materials	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8,9

Aspect: Energy

Section	Indicator	Reference	GC
EN3	Energy consumption within the organization	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN4	Energy consumption outside of the organization	-	Principle 8

EN5	Energy intensity	-	Principle 8
EN6	Reduction of energy consumption	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Production initiatives 	Principle 8,9
EN7	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Product initiatives 	Principle 8,9

Aspect: Water

Section	Indicator	Reference	GC
EN8	Total water withdrawal by source	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN9	Water sources significantly affected by withdrawal of water	NA	Principle 8
EN10	Percentage and total volume of water recycled and reused	-	Principle 8,9

Aspect: Biodiversity

Section	Indicator	Reference	GC
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NA	Principle 8
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	<ul style="list-style-type: none"> ▪ Initiatives to conserve biodiversity 	Principle 8
EN13	Habitats protected or restored	NA	Principle 8
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	NA	Principle 8

Aspect: Emissions

Section	Indicator	Reference	GC
EN15	Direct greenhouse gas (GHG) emissions (scope 1)	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN18	Greenhouse gas (GHG) emissions intensity	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN19	Reduction of greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> ▪ Current three-year (2015 to 2017) environmental policies and targets ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 7,8,9
EN20	Emissions of ozone-depleting substances (ODS)	NA	Principle 8
EN21	NO _x , SO _x , and other significant air emissions	FY2015 environmental impact results <ul style="list-style-type: none"> ▪ Environmental Activity-performance Data 	Principle 8

Aspect: Effluents and Waste

Section	Indicator	Reference	GC
EN22	Total water discharge by quality and destination	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data 	Principle 8
EN23	Total weight of waste by type and disposal method	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental Activity-performance Data ▪ Environmental management 	Principle 8
EN24	Total number and volume of significant spills	NA <ul style="list-style-type: none"> ▪ Environmental management 	Principle 8

EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention ² Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	NA	Principle 8
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	NA	Principle 8

Aspect: Products and Services

Section	Indicator	Reference	GC
EN27	Extent of impact mitigation of environmental impacts of products and services	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Environmental management ▪ Product initiatives 	Principle 7,8,9
EN28	Percentage of products sold and their packaging materials that are reclaimed by category	<ul style="list-style-type: none"> ▪ Product initiatives ▪ Initiatives in research, procurement, distribution, and sales 	Principle 8,9

Aspect: Compliance

Section	Indicator	Reference	GC
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<ul style="list-style-type: none"> NA ▪ Environmental management 	Principle 8

Aspect: Transport

Section	Indicator	Reference	GC
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	<ul style="list-style-type: none"> ▪ FY2015 environmental impact results ▪ Initiatives in research, procurement, distribution, and sales 	Principle 8

Aspect: Overall

Section	Indicator	Reference	GC
EN31	Total environmental protection expenditures and investments by type	<ul style="list-style-type: none"> ▪ Environmental accounting 	Principle 7,8,9

Aspect: Supplier Environmental Assessment

Section	Indicator	Reference	GC
EN32	Percentage of new suppliers that were screened using environmental criteria	▪ Fair Competition and Comprehensive Transactions	Principle 7,8
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	▪ Fair Competition and Comprehensive Transactions	Principle 7,8

Aspect: Environmental Grievance Mechanisms

Section	Indicator	Reference	GC
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	-	Principle 8

Category: Social

Sub-category: Labor Practices and Decent Work

Aspect: Employment

Section	Indicator	Reference	GC
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	▪ Personnel Related Data	Principle 6
LA2	Benefits provided to full-time employees that are not provided to temporary or parttime employees, by significant locations of operation	▪ Employment and Labor ▪ Realize a rewarding workplace	
LA3	Return to work and retention rates after parental leave, by gender	▪ Personnel Related Data ▪ Realize a rewarding workplace	*Principle 6

Aspect: Labor/Management Relations

Section	Indicator	Reference	GC
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	▪ Employment and Labor	Principle 3

Aspect: Occupational Health and Safety

Section	Indicator	Reference	GC
LA5	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"> ▪ Safety and health of employees ▪ Personnel Related Data 	Principle 1
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	<ul style="list-style-type: none"> ▪ Personnel Related Data 	Principle 1
LA7	Workers with high incidence or high risk of diseases related to their occupation	<ul style="list-style-type: none"> ▪ Personnel Related Data 	Principle 1
LA8	Health and safety topics covered in formal agreements with trade unions	<ul style="list-style-type: none"> ▪ Safety and health of employees ▪ Good Relationship with labor union 	Principle 1

Aspect: Training and Education

Section	Indicator	Reference	GC
LA9	Average hours of training per year per employee by gender, and by employee category	<ul style="list-style-type: none"> ▪ Utilization and development of human resources ▪ Personnel Related Data 	*Principle 6
LA10	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"> ▪ Utilization and development of human resources 	
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Performance measurement setting and appraisal on regular basis : 100% <ul style="list-style-type: none"> ▪ Personnel affairs and fair evaluation ▪ Personnel Related Data 	*Principle 6

Aspect: Diversity and Equal Opportunity

Section	Indicator	Reference	GC
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<ul style="list-style-type: none"> ▪ Directors / Corporate Officers / Audit & Supervisory Board Members ▪ Management and Execution Structure ▪ Diversity & Inclusion ▪ Personnel Related Data 	Principle 1,6

Aspect: Equal Remuneration for Women and Men

Section	Indicator	Reference	GC
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	▪ Employment and Labor	Principle 1,6

Aspect: Supplier Assessment for Labor Practices

Section	Indicator	Reference	GC
LA14	Percentage of new suppliers that were screened using labor practices criteria	▪ Initiatives in research, procurement, distribution, and sales ▪ Fair Competition and Comprehensive Transactions	
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	▪ Fair Competition and Comprehensive Transactions	

Aspect: Labor Practices Grievance Mechanisms

Section	Indicator	Reference	GC
LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	▪ Personnel affairs and fair evaluation ▪ Good Relationship with labor union	

Sub-category: Human Rights

Aspect: Investment

Section	Indicator	Reference	GC
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	▪ Policy Related to Respect for Human Rights and Discrimination	Principle 1,2,3,4,5,6
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	▪ Enhancement of corporate ethics ▪ Human Rights Enlightenment (Education) ▪ Personnel Related Data	Principle 1,2,3,4,5,6

Aspect: Non-discrimination

Section	Indicator	Reference	GC
HR3	Total number of incidents of discrimination and corrective actions taken	-	Principle 1,2,6

Aspect: Freedom of Association and Collective Bargaining

Section	Indicator	Reference	GC
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	NA ▪ Personnel Related Data	Principle 1,2,3

Aspect: Child Labor

Section	Indicator	Reference	GC
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	▪ Policy Related to Respect for Human Rights and Discrimination ▪ Fair Competition and Comprehensive Transactions	Principle 1,2,5

Aspect: Forced or Compulsory Labor

Section	Indicator	Reference	GC
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	▪ Policy Related to Respect for Human Rights and Discrimination ▪ Fair Competition and Comprehensive Transactions	Principle 1,2,4

Aspect: Security Practices

Section	Indicator	Reference	GC
HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-	Principle 1,2

Aspect: Indigenous Rights

Section	Indicator	Reference	GC
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	NA	Principle 1,2

Aspect: Assessment

Section	Indicator	Reference	GC
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	<ul style="list-style-type: none"> ▪ Human Rights Targetting all business offices inside and outside Japan. 	

Aspect: Supplier Human Rights Assessment

Section	Indicator	Reference	GC
HR10	Percentage of new suppliers that were screened using human rights criteria	<ul style="list-style-type: none"> ▪ Initiatives in research, procurement, distribution, and sales ▪ Fair Competition and Comprehensive Transactions 	Principle 1,2,3,4,5,6
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	<ul style="list-style-type: none"> ▪ Fair Competition and Comprehensive Transactions 	

Aspect: Human Rights Grievance Mechanisms

Section	Indicator	Reference	GC
HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	<ul style="list-style-type: none"> ▪ Whistle-blowing system ▪ Points of Contact for Employee Inquiries ▪ Good Relationship with labor union 	*Principle 1,2

Sub-category: Society

Aspect: Local Communities

Section	Indicator	Reference	GC
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> ▪ Participation in Community and Development ▪ Social Activity-Related Data 	
SO2	Operations with significant actual and potential negative impacts on local communities	NA	

Aspect: Anti-corruption

Section	Indicator	Reference	GC
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	NA <Targeting all business offices inside and outside Japan> <ul style="list-style-type: none"> ▪ Compliance ▪ Reporting on Breaches 	Principle 10
SO4	Communication and training on anti-corruption policies and procedures	<ul style="list-style-type: none"> ▪ Enhancement of corporate ethics ▪ Ensuring priority issues of Compliance 	Principle 10
SO5	Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> ▪ Reporting on Breaches 	Principle 10

Aspect: Public Policy

Section	Indicator	Reference	GC
SO6	Total value of political contributions by country and recipient/beneficiary	NA <target areas : Japan>	Principle 10

Aspect: Anti-competitive Behavior

Section	Indicator	Reference	GC
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Result in FY 2015:"No legal actions"	

Aspect: Compliance

Section	Indicator	Reference	GC
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Result in FY 2015:"No sanctions such as penalties or any other actions besides penalties" <target areas : Japan>	

Aspect: Supplier Assessment for Impacts on Society

Section	Indicator	Reference	GC
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	▪ Fair Competition and Comprehensive Transactions	
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	▪ Fair Competition and Comprehensive Transactions	

Aspect: Grievance Mechanisms for Impacts on Society

Section	Indicator	Reference	GC
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	▪ Whistle-blowing system ▪ Reflecting Consumer Feedback	

Sub-category: Product Responsibility

Aspect: Customer Health and Safety

Section	Indicator	Reference	GC
PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	▪ Promotion of Safe and Reliable Manufacturing	Principle 1
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	▪ Promotion of Safe and Reliable Manufacturing Result in FY 2015 : "No violations against rules and regulations as well as voluntary codes" (examples of administrative guidance based on act against Pharmaceutical Affairs Law) <target areas : Japan>	Principle 1

Aspect: Product and Service Labeling

Section	Indicator	Reference	GC
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	<ul style="list-style-type: none"> ▪ Promotion of Safe and Reliable Manufacturing ▪ Activities to Enhance Consumer Satisfaction 	Principle 8
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	<ul style="list-style-type: none"> ▪ Promotion of Safe and Reliable Manufacturing Result in FY 2015: "One violation against rules and regulations as well as voluntary codes" (recall & voluntary collection) <target areas : Japan>	Principle 8
PR5	Results of surveys measuring customer satisfaction	<ul style="list-style-type: none"> ▪ Activities to Enhance Consumer Satisfaction 	

Aspect: Marketing Communications

Section	Indicator	Reference	GC
PR6	Sale of banned or disputed products	NA	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	<ul style="list-style-type: none"> ▪ Promotion of Safe and Reliable Manufacturing Result in FY 2015 : "No violations against rules and regulations as well as voluntary codes" (examples of administrative guidance based on act against Unjustifiable Premiums and Misleading Representations and Pharmaceutical Affairs Law) <target areas : Japan>	

Aspect: Customer Privacy

Section	Indicator	Reference	GC
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Result in FY 2015 : "No examples" (incidents of reporting personal information disclosure to PrivacyMark examining authority) <target areas : Shiseido Co., Ltd.>	Principle 1

Aspect: Compliance

Section	Indicator	Reference	GC
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Result in FY 2015 : "No penalties against violating rules and regulations" <target areas : Japan>	