

Shiseido Group's Sustainability

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

Although the target period for the information included in this back number is mainly FY2016 (from January 1 to December 31 of 2016), part of the information also includes contents prior to/after the said period.

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Top Commitment

To Be a Company Trusted and Needed by Society and Consumers Worldwide

In pursuit of our mission, to “inspire a life of beauty and culture”, Shiseido Group aims to continuously support all stakeholders both today and 100 years into the future. To that end, we are committed to the achievement of our medium-to-long term strategy, VISION 2020, with a target of reaching over 1 trillion yen in net sales and more than 100 billion yen in operating income, in order to “be a global winner with our heritage”.

To Realize VISION 2020

At its inception in FY2015, VISION2020 dedicated the first three years of the strategy to a period of rebuilding our business foundation. We concentrated our efforts on reinforcing our global business infrastructure, enhancing our brand value by increasing investment in marketing and innovation, strengthening our brand portfolio through brand acquisitions, and advancing structural reforms that will enable us to fund future investment.

Furthermore, FY2017 is the final year of the initial phase of VISION2020 and thus a critical point in setting our business on a growth trajectory. With “Think global, Act local” as our motto, we aim at a stronger presence of prestige brands across the globe and at home, accelerating the growth of brands originating from Japan, and enhancing digital marketing and E-commerce. Through these and other initiatives, we will fully demonstrate our competencies in each region and brand, as we further drive productivity.



VISION 2020 GOAL

**Be a global winner
with our heritage**

We want to be a company...

Filled with energy

Overflowing with youthfulness

Always much talked about

That the younger generations adores

Be a multi-cultural company

To Realize a Sustainable Society Together

To ensure truly sustainable growth, we constantly strive to be a needed and trusted corporate entity, favored by society and consumers worldwide. We make sure to take a consumer-centric approach by continuously providing new value through new products and services that surpass consumers' expectations while benefiting society in a variety of tangible and intangible ways, even in areas beyond our direct business.

We promote various corporate initiatives which exist to create a sustainable global society. In September 2004, Shiseido signed the UN Global Compact and in 2015 engaged with the SDGs (Sustainable Development Goals) adopted by the United Nations. We commit to further promote these corporate initiatives and ensure that each and every Shiseido Group employee contributes to the global society with a high sense of ethics and mission. We look forward to the continued support of our stakeholders.

Masahiko UOTANI
President and CEO



What is Shiseido Sustainability?

Vision and Values

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

The Shiseido Group's Sustainability Strategy

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

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

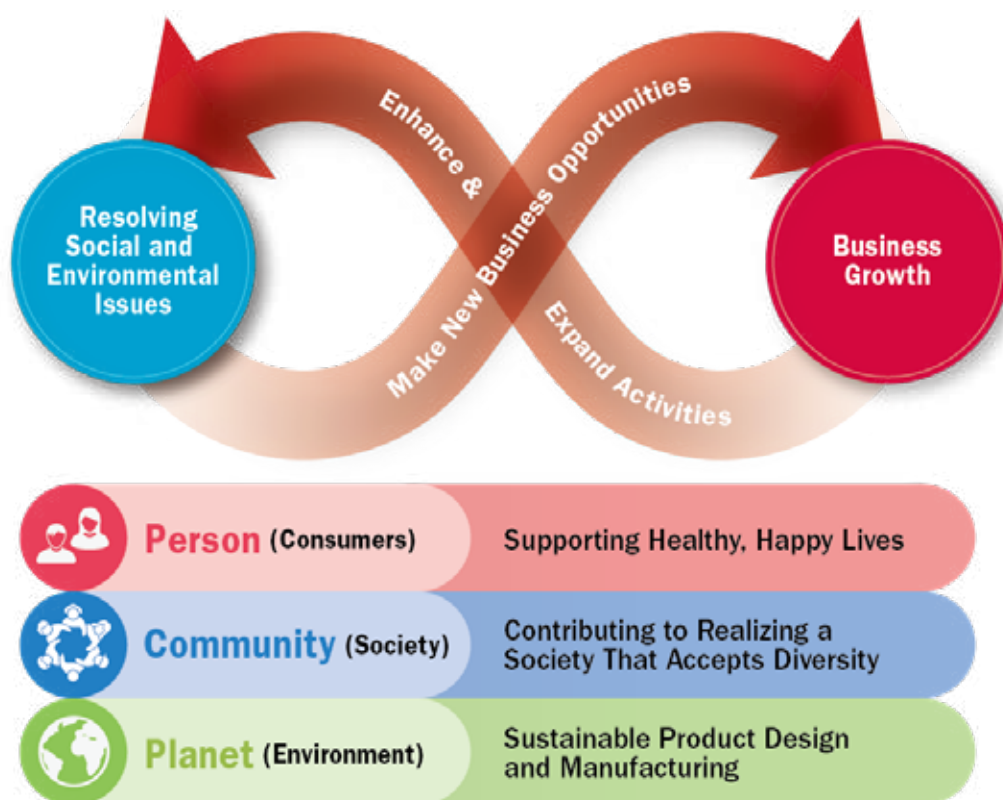
The Shiseido Group's sustainability strategy is a growth strategy both for solving social and environmental problems and for business expansion. Our goal is to achieve a sustainable society that delights people through beauty. In this society, sustainability is crucial for consumers, for the society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

For Person, our mission illuminates our desire to support people's healthy, happy lives. For Community, we will contribute to realizing a society that accepts diversities such as gender, age and nationality.

For Planet, we will promote sustainable product design and manufacturing to develop attractive products and services that go beyond mere concern for environmental issues.

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

Sustainability Strategy Overview



Focus Areas

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

Person

Through the production of innovative products, highly transparent information disclosure and active communication, we commit to the desire of all the consumers in the world to "be healthy and beautiful", and aim to be their life-long partner company.

Community

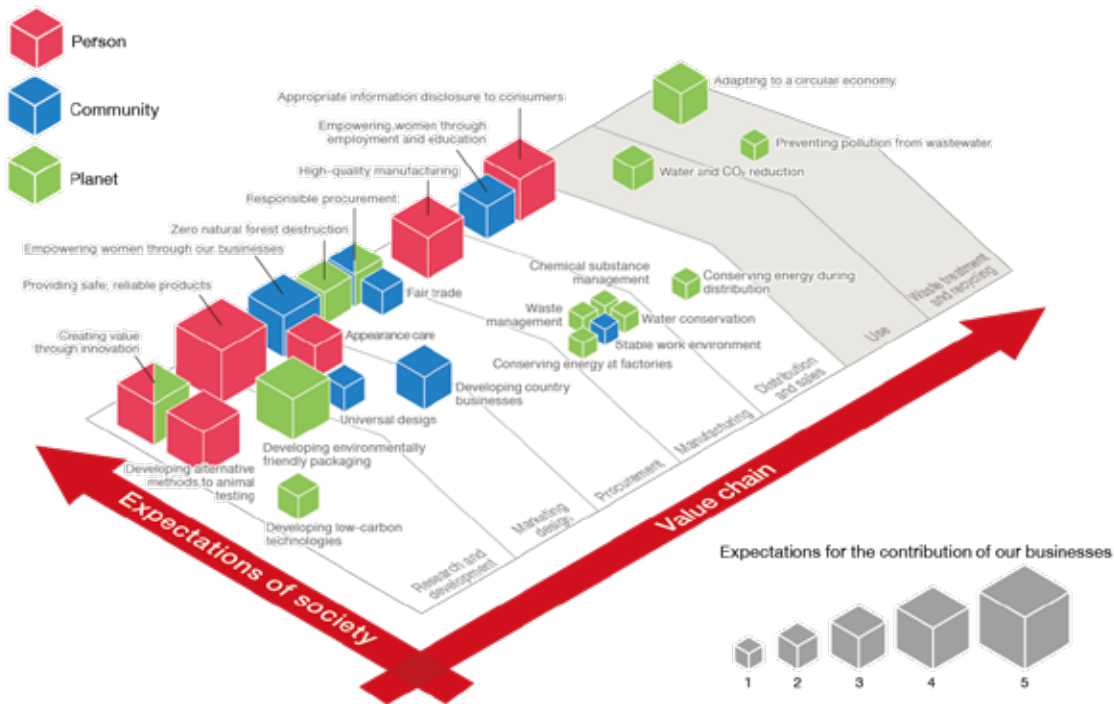
First, by focusing on empowering women on the grounds of being deeply related to our business, through our measures for social issues such as gender equality awareness and independence support for women in developing countries cooperating with the United Nations, we aim to realize a society which accepts individual differences including gender, age and nationality as diverse characteristics.

Planet

We conserve the global environment that supports Shiseido's business and people's lives and commit to sustainable manufacturing. Our goal is not simply to incorporate environmental considerations into product planning, but rather to add compelling values to products so that the consumer's heart will be moved, thereby minimizing the environmental load in the value chain and enhancing our business.

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

Priority Issues for Sustainability



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

Promotion System

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

Cooperation with international societies

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

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

We also signed "Women's Empowerment Principles (WEPs)", the principles of actions for companies actively working on women's empowerment in September 2010, conducting actions with various stakeholders.

Further, we will enhance our measurements in order to achieve Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015.

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



Sustainable Development Goals (SDGs)



"Women's Empowerment Principles (WEPs)" signed.

SHISEIDO LIFE QUALITY MAKEUP

Appearance changes due to side effects of cancer treatment, birthmarks, dark spots, vitiligo, skin irregularities (scars, burn scars, etc.) may greatly affect Quality of Life (QOL) and become obstacles to one's social life. We call makeup for those with serious skin problems and appearance concerns "Shiseido Life Quality Makeup" and established a special facility, "Shiseido Life Quality Beauty Center" at Ginza, Tokyo in 2006.

In addition to the Center, Shiseido Life Quality Makeup is offered at more than 380 cosmetics specialty stores, department stores and medical institutions in Japan, as well as through overseas activities in various locations in Asia such as Shanghai, Hong Kong, Taipei and Kaosiung.

Through these activities, we aim to realize a society where people become happy by improving their QOL, and supporting their power to be themselves so more people can return to active social life.

Activities for Beauty at a glance

Example cases of cover makeup for those with serious skin concerns



The "Perfect Cover Foundation" series developed by Shiseido effectively covers skin color troubles and skin irregularities. With the launch of the product in October 2017, coverage has become more effective and easier than ever with just one product.

Example cases of cover makeup for cancer patients



We address various skin concerns such as appearance changes due to side effects of cancer treatment and scars after operations by makeup.

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

Shiseido Life Quality Beauty Center at a Glance



A unique facility specialized in Shiseido's cover makeup. The service is provided by appointment only, in private rooms and for free.

The latest activities of Shiseido Life Quality Beauty Center



Our activities vary widely from lectures at academic societies to exhibitions.

Initiatives for medical professionals(Japanese only)



Initiatives for medical professionals
We regularly hold appearance care seminars and provide information for medical professionals.

Appearance care activities for cancer patients(Japanese only)



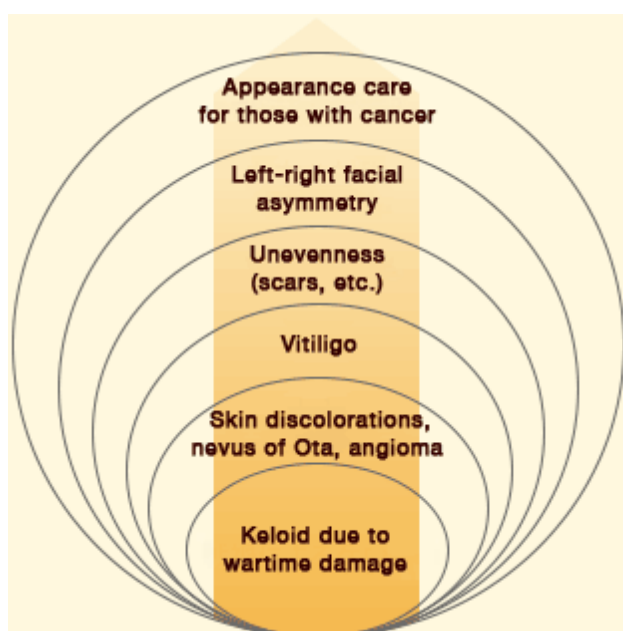
We publish the information leaflet about cover makeup for cancer patient appearance care. It is distributed to hospitals including core cancer hospitals and upon requests. The leaflet can also be downloaded from our website.

Activities started in 1956

After World War II, there were many people in Japan who had been burnt in the ravages of war. "Shiseido Spots Cover" was developed for humanitarian purposes to utilize Shiseido's unique capabilities for those with keloid scars, in order to alleviate their psychological burden. It was a foundation with which one could obscure his/her scars and uneven skin. Although similar products were sold at a price almost 10 times higher in the U.S. at that time, Shiseido Spots Cover was sold at the same price level as foundations for general use and in a wide variation of colors so that even men were able to use it. It was an unprecedented product at that time.

We have met people with many serious skin concerns since then, developed foundations according to each purpose and have become capable of handling a wider variety of skin types.

Targeting a wider variety of skin types



technological advances



Spots Cover (1956)



Perfect Cover Foundation (Present day)

Expanding activities

In 2012, due to our long nurtured research, development and activities, "Guidelines for vitiligo examination" for dermatologists stated the recommendations for cosmetic covering; we also gained more opportunities to present in academic journals and societies, and the necessity of makeup was acknowledged as part of the treatment by medical professionals.

There are more unsolved skin problems that can be covered by makeup. We will cooperate with university hospitals and develop products and technologies in order to deal with an even wider variety of skin concerns.

We will also create chances to meet the next generation and let them know more about the serious skin/appearance concerns, and also that there are ways to cover these concerns by makeup.

SHISEIDO LIFE QUALITY BEAUTY SEMINAR

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

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



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



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”



Initiatives for Children

Activities to Provide Beauty Information to the next Generation

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

The initiative launched in 2010, and we have reached out to about 6000 children in total.

- 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

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) (target_ blank)” 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.

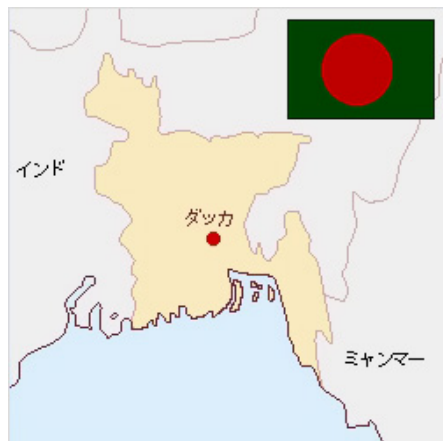
Reason why Bangladesh was selected as this activity place

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

Activities in Bangladesh

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.

From there, various issues caused due to their life, custom, etc. came in sight.



Rural area of Bangladesh

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 suncare products are easily removed by sweat and water. This has been one of the concerns of the local women.

When researchers saw their situation, they felt the necessity of a sunscreen product with high UV-ray protection function which can maintain the effect even after sweating. Therefore, they turned their attention to the minerals and other components of water and sweat and succeeded in developing the original technology “WetForce” that provides enhanced protection against UV rays 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.

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".

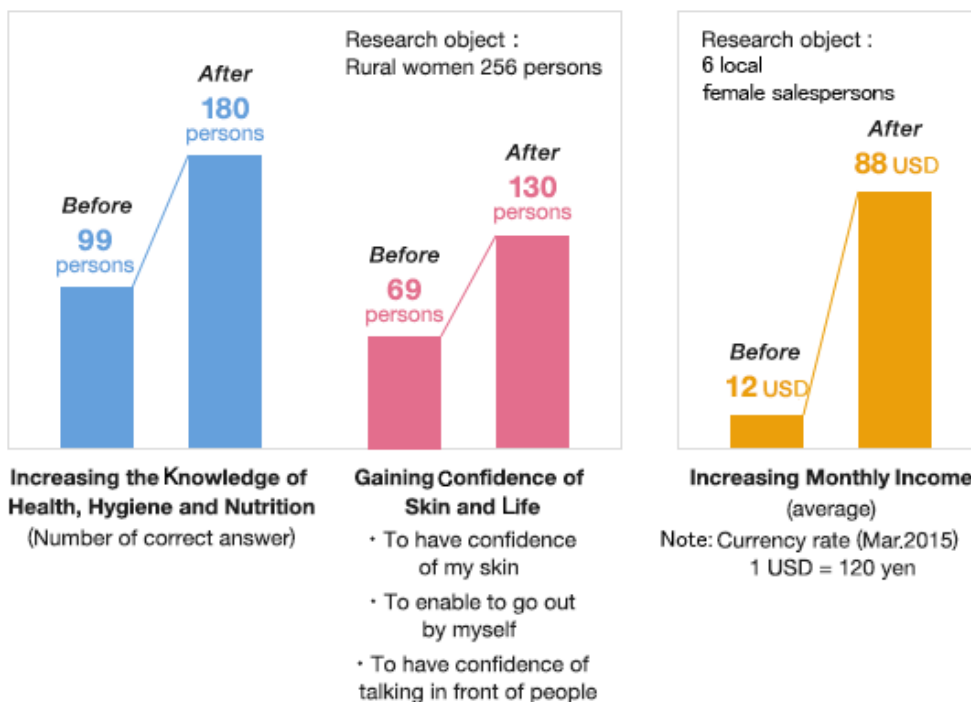


Awareness-raising activity (workshop)



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

Positive impact by this project in the rural villages in Bangladesh (Period: Jan.2014 to Dec.2015)



Present activities

Since FY2015, a workshop has been conducted for women working at garment factories and female students in villages in addition to the activities in rural areas, and 89,300 people have participated as of 2016. 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

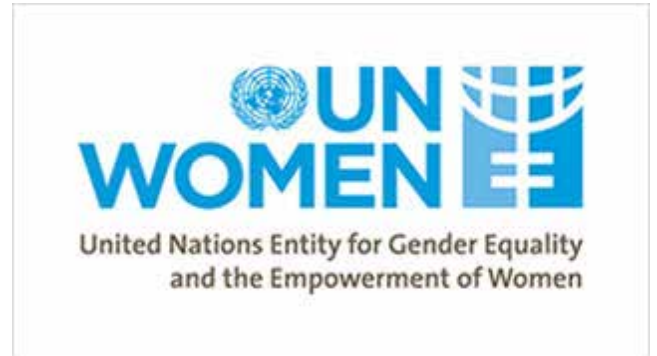
Collaboration with UN Women and the Empowerment of Women

Collaboration with UN Women and the Empowerment of Women

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

Joint Efforts with UN Women

In 2017, Shiseido signed an agreement with UN Women (the United Nations Entity for Gender Equality and the Empowerment of Women) and committed itself to lead the promotion of gender equality in Japan where the gender gap is still pervasive. The present agreement was reached as both parties pursue the same cause: Shiseido actively supports women's advancement while UN Women centers its efforts on gender equality and the empowerment of women worldwide. Going forward, Shiseido will continue to promote the UN Women's HeForShe (target_blank) initiative inside and outside the Company, as well as organize workshops for young people to discuss how to address gender issues, aiming to realize a society where each and every individual can make their own life choices and fulfil their potential regardless of gender.



What is HeForShe?

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

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



Awareness Raising Workshops on Gender Equality for Senior High School and University Students

We have been holding awareness raising workshops on gender equality targeting mainly young people, our future leaders, in partnership with UN Women since 2017. These workshops are designed to encourage senior high school and university students to discuss gender issues, which are still deeply rooted around the world as well as in Japan, to identify what should be done to empower people to live a life that is true to themselves without being swayed by social stereotypes. Through discussion, participants identify issues that need to be addressed and present solutions for these issues to the public.

On October 14, 2017, we held the event that students presented solutions to gender issues jointly with UN Women at United Nations University in Tokyo. Teams representing five high schools and three universities presented their innovative solutions to different sectors (government agencies, private companies, educational institutions, NPOs, etc.). A wide range of themes was proposed, including how gender education should be conducted, problems with awareness of dividing roles along gender lines at home, as well as issues facing gender minorities. Each team received comments on their solutions from representatives of each sector: such as “Your presentation makes us realize a lot of important things. Moreover, I expect communicative students not only to share their ideas in this stage, but also to raise social problems such as gender issue to a society.” The students who participated told us, “I was very nervous, but it was precious experience. In addition, not only presenting at this event, we would like to move from words to action in the future.”

We also held a side event in the same venue, featuring a panel exhibition on Shiseido’s global activities to support women’s empowerment and a gender experience event. In addition, there was a booth where we introduced HeForShe. The side event provided participants with an opportunity to think for themselves about gender issues.

Through these efforts, Shiseido aims to create a society where all people can live a fulfilling life and be true to themselves.



The students' presentations



The students' presentations



side event



photo with all of the participants

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.

Support for Female Junior High School and High School Students] in Selecting Science & Technology -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 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 2016, we held onsite classes in 3 schools, including KOKUGAKUIN KUGAYAMA JUNIOR HIGH / HIGH SCHOOL, targeting a total of approximately 160 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.

KODOMOLOGY— In-house nursery business to support childcare and work-life balance

Shiseido is embarking on developing new value through childcare services that go beyond traditional daycare. We plan to utilize the knowledge accrued from our activities to help women's empowerment in the workplace and from research into human sensibilities and sensations, which is primarily used in our cosmetics business. We hope to be a larger contributor to the lives of women by becoming their lifelong partner. In addition, we plan to develop a gender-neutral child-raising culture. The first step in this endeavor is the establishment of KODOMOLOGY Co., Ltd., a joint venture set up with JP-HOLDINGS, INC. on February 20, 2017. The objective is to win contracts to operate and manage in-house nurseries, thereby providing support to parents and guardians working at the company and to help with childcare.

The logo for KODOMOLOGY, featuring the word in a bold, sans-serif font with a stylized dot above the 'O'.

We plan not only to utilize our own expertise and that of JP-HOLDINGS, but also to accumulate new knowledge related to the period before and after childbirth and the child-raising years, by cooperating with outside partners, including universities, research institutes, and public entities. This newly acquired knowhow will be incorporated into the in-house nurseries and in childcare at home.

In addition, our company aims to implement other initiatives to improve corporate atmosphere for working parents, educate management, including men, on the issues faced by expecting and nursing mothers and workers raising children, and to provide information to the next generation of parents and those in the prime of their career. Thus we aim to facilitate communication that will enrich the hearts and health of employees working at companies that utilize these in-house nursery services.

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.

Production initiatives (→ Environment P.216)

Initiatives in research, procurement, distribution, and sales

(→ Environment P.220)

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 Group wishes to support affected people right by their sides through beauty support activities and activities that only Shiseido can promote.

■ Concept of reconstruction support

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

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

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

■ Past activities

- activities and quake support information in FY2011
- activities and quake support information in FY2012

■ Reconstruction support linked by "camellia"

A few years after the Great East Japan Earthquake, it is shifting from the resettlement phase, which involves environmental establishment of temporary housing and debris processing, etc., to the reconstruction phase, which involves self-reliant re-building of houses, re-building of lifelines/infrastructures, and reconstruction of business districts and local industries, etc. The reconstruction speed also differs in each area. Due to this, affected people's desires are also changing and becoming diversified. Shiseido has promoted the corporate activity style of establishing relationships with stakeholders, including 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 470 nursery trees and about 100 mature trees (as of May 2017).

A "camellia tree planting event" was held this year too, on May 25 and 26, 2017, to contribute to the city development project

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

(1) Nursery camellia tree planting event

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



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



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



Participants of the
planting event

(2) Mature commemorative camellia tree planting event

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



Memorial plate unveiling
ceremony



Employees wrapping a
tree trunk in cloth



During the ceremony

A camellia tree planting event with wishes for reconstruction

Held on June 11, 2016

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

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

(1) Mature camellia tree planting

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

(2) Nursery camellia tree planting

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



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



Planting nursery trees on a steep slope



Shiseido staff who participated in the tree planting event

Hosting a camellia tree-planting with hopes of industrialization

Event on June 12, 2015

“Camellia seedling planting” held on July 12, 2013

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



Scene from tree-planting



Shiseido employees who participated in the tree-planting activities



After the tree-planting activities

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

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



Scene from tree-planting



Completed line of Camellia trees

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

On Friday, June 12, 2015, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural 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

Ofunato City Hikoroichi Junior High School's Activities

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

Cooking class with the Shiseido Parlour Held on August 28, 2017

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

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

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

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



Students watching the skillful techniques of the grand chef



Students cooking



Students enjoying the omelet with rice they made

Activities in Ofunato Municipal Akasaki Junior High School

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

<Objectives of the market>

For Region

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

For Employees

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



Scene from the reconstruction support market



Scene from the reconstruction support market

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

Board of Directors and Committees Associated with Corporate Officers

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

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

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

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

In addition, 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, 2017)

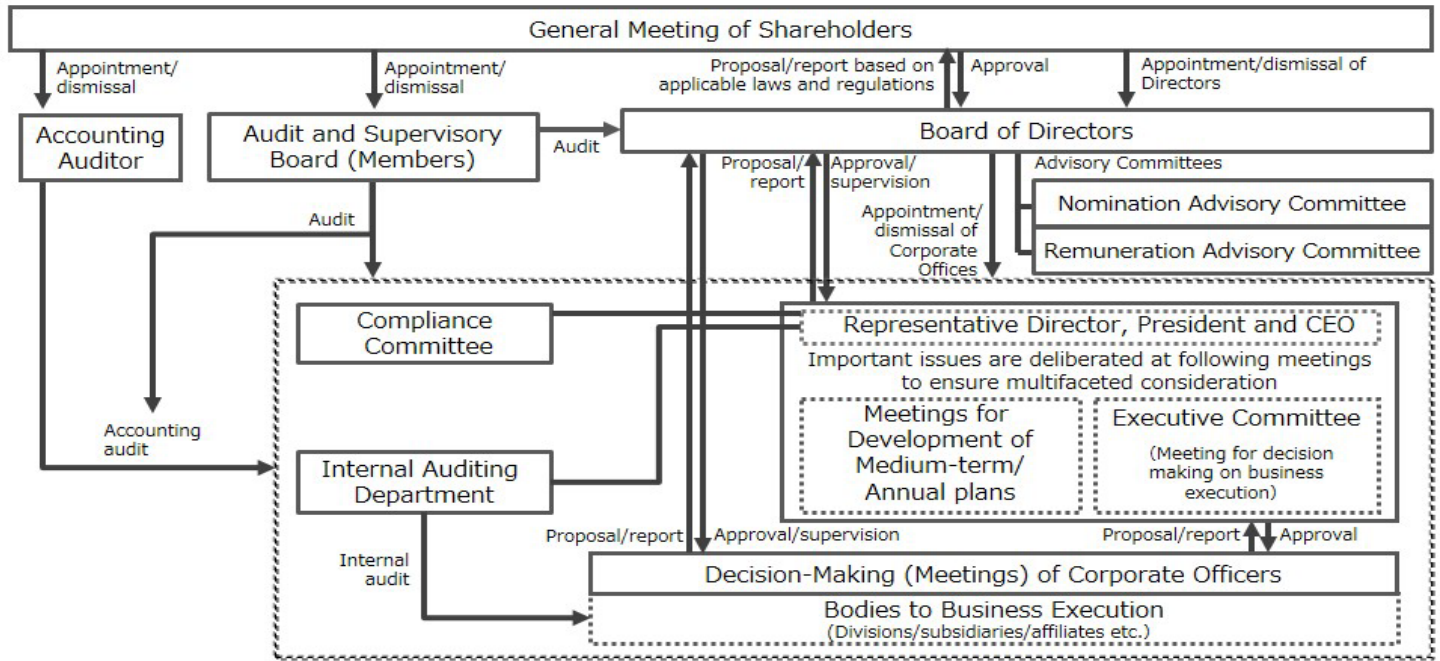
Advisory Committees

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

Both committees are chaired by external directors to maintain objectivity. Furthermore, majorities of each Committee's members are external directors.

The Nomination Advisory Committee, in addition to proposing candidates for directors and audit & supervisory board members, determines the promotions and demotions of corporate officers. The Nomination Advisory Committee also determines the limits on the terms of corporate officers as well as the rules for their promotions or demotion and retirement in order to enhance the capabilities of top management. It manages these policies in a highly transparent and impartial manner. The term limit of corporate officers is four years per position in principle 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 the fiscal 2016, the Remuneration Advisory Committee reviewed the new remuneration system for the year.



(As of January 1, 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, 2017)

Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
KPMG AZSA LLC	Koichi Kobori, Designated Limited Liability Partner	1 year
	Ryoji Fujii, Designated Limited Liability Partner	4 years
	Takashi Kawakami, Designated Limited Liability Partner	7 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. There is no difference in the proportion of remunerations by remuneration type applied to directors based on whether a director has a representation right or otherwise.
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 2016

	Basic Remuneration	Bonuses	Long-Term Incentive (Stock Option)	Total
Directors (7 persons)	272	120	50	443
External Directors among Directors (4 persons)	49	-	-	49
Audit & Supervisory Board Members (5 persons)	99	-	-	99
Audit & Supervisory Board Members (External) among Audit & Supervisory Board Members (3 persons)	36	-	-	36
Total	372	120	50	542

(millions of yen)

Notes:

1. Basic remuneration for directors has the ceiling amount of ¥30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for audit & supervisory board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The above amount of basic remuneration includes ¥23 million as basic remuneration for fiscal 2016 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.
3. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
4. In addition to the above payments, there are other remuneration, etc. of ¥0.3 million recorded for the fiscal year ended December 31, 2016 as expenses associated with stock options granted to one director of the Company, at the time he served as corporate officers not holding the offices of directors.
5. None of the directors or the audit & supervisory board members will be paid remunerations other than the executive remunerations described above (including those described in notes 1 through 4).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of payment for the fiscal year ended December 2016

	Basic remuneration	Bonuses	Long-term incentive (Stock option)	Total
Masahiko Uotani, Representative Director	129	77	29	236
Tsunehiko Iwai, Representative Director	47	21	6	75
Toru Sakai, Representative Director	47	20	14	82

(millions of yen)

Notes:

1. The above amount of basic remuneration includes ¥23 million as basic remuneration for fiscal 2016 that one subsidiary paid through the Company to Mr. Toru Sakai, representative director, who served concurrently as the director of said subsidiaries.
2. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
3. None of the three directors above will be paid remunerations other than the remunerations described above (including those described in notes 1 through 2).

Remuneration, etc. to the Accounting Auditor

Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2016	188
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	227

(Millions of yen)

Note:

In the audit contract between the Company and its accounting auditors, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically separated. Therefore, the total payment for both is shown in "Remuneration paid for services rendered as accounting auditors for the fiscal year ended December 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: May 19, 2017

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

As of April 10, 2017, the Company has implemented each Principle of the Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code

Descriptions on actions taken by the Company with regard to <Supplementary Principle 4.11.3: Summary of Analysis and Evaluation concerning Effectiveness of the Board of Directors> are updated. The Company conducted the board effectiveness evaluation in fiscal 2016 for the second time, following the evaluation conducted in fiscal 2015.

Furthermore, after receiving the approval at the 117th Ordinary General Meeting of Shareholders held on March 28, 2017, some descriptions with regard to Principles and Supplementary Principles relating to nomination of directors and Audit & Supervisory Board members are updated. In addition, some other descriptions are also updated. Updated Items are marked with a circle in front of the numbering.

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

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

○1. The Company's corporate philosophy, corporate strategies and business plans <Principle 3.1: Proactive Provision of Information>

The Company's corporate philosophy, corporate strategies and business plans are contained and disclosed in the Company's Notice of Convocation of the 117th Ordinary General Meeting of Shareholders (pages 21 to 27).

In addition, the Company's corporate mission, "Our Mission," "Our Values" which defines a frame of mind that must be shared by each and every employee of the Shiseido Group in order to realize the mission, and "Our Way" and the "Shiseido Ethical Conduct Standards," both of which set out the standards of conduct for each and every employee of the Shiseido Group, are also stated in 2. of "Other" of this report.

2. Basic Policy on Corporate Governance <Principle 3.1: Proactive Provision of Information>

The basic stance and basic policy on the Company's corporate governance are shown in 1. of "Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information" in this report. In addition, reasons why we adopted the current corporate governance system are shown in 3. of the "Status of Management Structure for Management Decision-Making, Operational Execution and Supervising, and Other Corporate Governance Systems" in this report.

3. Separation of monitoring and execution functions <Supplementary Principle 4.1.1: Summary of Scope of Matters Delegated from the Board of Directors to the Management>

The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation on the Board of Directors. Such matters consists of items relating to the general meeting of shareholders, personnel/organization, account settlement stock/bonds, and stock acquisition rights, corporate property, etc., business management and others of the Shiseido Group, that are matters provided in the Companies Act and other laws and regulations, and any other important matters equivalent thereof. Meanwhile, with the aim of clarifying the allocation of responsibility for the business management and accelerating decision making by delegation of authority, the Company introduced a corporate officer system in 2001. Authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that President and CEO can make decisions after deliberation at the Executive Committee, Meetings for Development of Medium-term/Annual Plans, and other meeting bodies.

After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance", the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors.

4. Diversity of Directors and Audit & Supervisory Board Members <Supplementary Principle 4.11.1: View on the Appropriate Balance between Knowledge, Experience and Skills, and Diversity and Size of the Board of Directors as a Whole>

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

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

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

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

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

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

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

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

The Company established criteria for independence of external directors in 2012, which are included in the convocation notices of general meeting of shareholders and the like for disclosure. Specific descriptions can be found in the Internet Disclosure Accompanying the Notice of Convocation of the 117th Ordinary General Meeting of Shareholders (Voluntary Disclosure) (pages 2 to 5), and [Independent Directors] in 1. Organizational Composition and Operation of “Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” in this report.

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 117th 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 117th 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 2016, he continuously exerted his strong leadership, and guided by the VISION 2020 medium- to long-term strategy, he worked to realize the vision of “From a Leader in Japan to a Winner Worldwide.” To that end, he commenced full-fledged operation of all the regional headquarters and reinforced the Company's brands throughout the world, acquiring Laura Mercier brand and concluding the Dolce&Gabbana brand license agreement, among other achievements.

Due to these facts the Board of Directors has continuously selected him as a candidate for director. (The 117th 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 the Chairman of Compliance 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 117th Ordinary General Meeting of Shareholders)

Jun Aoki (newly appointed):

Mr. Jun Aoki worked at McKinsey & Company Inc. Japan Office where he primarily handled the formulation of business strategies, and was also involved with the pharmaceutical industry and the healthcare field. He subsequently served as Head of International Human Resources for BNP Paribas Cardif, where he worked on acquisition, development, and retention of the personnel necessary to conduct business operations in countries worldwide, handling the establishment of human resource systems and formulation of human resource strategies for 36 countries globally. Since joining the Company he has been responsible for supporting the design and establishment of the global human resource framework, and for formulating and implementing human resource strategies and systems for the Group. In addition, from fiscal 2016, he has been responsible for the China Business Innovation Project, working toward reforming Shiseido into a global marketing company. Due to these facts the Board of Directors has newly selected him as a candidate for director. (The 117th Ordinary General Meeting of Shareholders)

Yoko Ishikura:

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

She has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that she would be able to achieve adequately the role of external director.

Due to these facts, the Board of Directors has decided to continuously select her as a candidate for external director. (The 117th 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 11 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 117th Ordinary General Meeting of Shareholders)

Kanoko Oishi:

Ms. Kanoko Oishi has experiences and knowledge gained through her career in business management inside and outside Japan as well as from a standpoint of active manager who is pushing forward patient-centered transformation of the medical industry. She has achieved as external director of the Company adequate role on supervising the execution of business. Also, as a member of the Company's Nomination Advisory Committee and Remuneration Advisory Committee, she attended the meetings of these Committees and actively expressed opinions.

For the reasons stated above, the Company is of an opinion that she would be able to achieve adequately the role of external director.

Due to these facts, the Board of Directors has continuously selected her as a candidate for external director. (The 117th 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 the Chairman of Nomination Advisory Committee and as a member of Remuneration 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 11 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 117th 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)

Nobuo Otsuka:

Mr. Nobuo Otsuka has ample knowledge and strong intellect as a doctor, as well as long experience in managing a medical corporation offering thoroughly patient-oriented services unbound by conventional modes of hospital operation. In these respects, he is fulfilling the function of Audit & Supervisory Board member well, for example by actively making statements as external Audit & Supervisory Board member of the Company. Mr. Otsuka has not participated in management of companies other than as external Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that he would be able to adequately achieve the role of external Audit & Supervisory Board member. Accordingly, the Board of Directors has continuously selected him as a candidate for external Audit & Supervisory Board member. (The 115th Ordinary General Meeting of Shareholders)

Hiroshi Ozu (newly appointed):

Mr. Hiroshi Ozu has held a series of important positions in the legal world, such as Vice-Minister of Justice at the Ministry of Justice and Prosecutor General at the Supreme Public Prosecutors Office, he has wide-ranging experience and knowledge focused on the legal field. He also serves as external Audit & Supervisory Board member in other companies and possesses a wealth of experience and keen insight. He has not participated in management of companies other than as external director and Audit & Supervisory Board member. For the reasons stated above, however, the Company is of an opinion that he would be able to achieve adequately the role of external Audit & Supervisory Board member.

Due to these facts, the Board of Directors has selected him as a candidate for external Audit & Supervisory Board member. (The 117th Ordinary General Meeting of Shareholders)

Eiko Tsujiyama:

Dr. Eiko Tsujiyama is a professor of the Faculty of Commerce of Waseda University and an expert in finance, accounting and tax issues qualified as certified public accountant. Dr. Tsujiyama currently holds the office of external director and external Audit & Supervisory Board member for several companies and has affluent experience and a high level of knowledge.

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

9. Succession Plan and Training for Directors, Audit and Supervisory Board Members and Corporate Officers <Supplementary Principle 4.14.2: 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 117th Ordinary General Meeting of Shareholders of the Company (page 53, pages 109 to 115, and pages 118 to 119).

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 117th Ordinary General Meeting of Shareholders of the Company (pages 55 to 60, pages 109 to 115, and pages 118 to 119).

○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 seven external directors and audit & external supervisory board members: four external directors and three external Audit & Supervisory Board members with high degree of independence. To ensure that external directors and external Audit & Supervisory Board members can fully play their expected roles, the Company provides them with training with regard to the industry the Company belongs to, history, business overview and strategies and the like of the Company at the time they newly assume office, and the materials for meetings of the Board of Directors in advance.

In addition to the “Board of Directors Member Meeting” consisting of all directors and Audit & Supervisory Board members that has been held as necessary for information exchange and discussions, as from April 2016, the Company provides 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.

In addition, external directors and external Audit & Supervisory Board members exchange and share information and confirmed mutual recognition through lively discussions in the evaluation working group meeting. The evaluation working group was established as a common deliberation body shared by the Nomination Advisory Committee and the Remuneration Advisory Committee, and the group is comprised of external directors and external audit & supervisory members. The group’s mission is to conduct overall business evaluation including the performance evaluation for President and CEO, and confirm appropriateness of the remuneration level. The evaluation working group also deliberates and reviews reappointment or replacement of President and CEO, playing an extensive role concerning appropriate appointment of President and CEO and determining incentives.

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

The Company conducted an evaluation concerning effectiveness of the Board of Directors in fiscal 2016 for the second time, following the evaluation conducted in fiscal 2015, with the aim of identifying issues and improvements required to enhance effectiveness of the Board of Directors.

The main purposes of the evaluation in fiscal 2016 were to assess the activities of the Board of Directors for a year comprehensively and to confirm the progress of the tasks and initiatives that had been identified through the evaluation in fiscal 2015. So the evaluation in fiscal 2016 was carried out by self-assessment method. Anonymous questionnaires are conducted for all directors and Audit & Supervisory Board members to evaluate and analyze the activities of the Board of Directors, the Nomination Advisory Committee, the Remuneration Advisory Committee and the Audit & Supervisory Board and the support system by the secretariat. In order to draw out frank opinions and to ensure objective analysis, the secretariat of the Board of Directors asked external organizations to collect responses from the questionnaires, and the secretariat conducted analyzes using the data after aggregation.

As a result of this compilation and analysis, the secretariat evaluates that the Board of Directors in fiscal 2016 was in the following situation:

- The Board of Directors has established a sound relationship of trust with Representative Director, President and CEO, a person with ultimate responsibility for business execution, and, as a result, progress has been made as a monitoring board, and its supervisory function is further enhanced.
- Although improvements are progressing steadily on the issues identified in the evaluation conducted in fiscal 2015, there are still many room for improvement regarding the items listed below:
- Focusing on important agenda by narrowing down the agenda to be discussed at Board of Directors meetings
- Providing information to external directors (including promotion of communication between external directors and Audit & Supervisory Board members)
- Continually considering the succession plan of the executive officer president and CEO
- As a new issue; discussing the functions and roles that Audit & Supervisory Board and its members should fulfill in the circumstances where the Board of Directors has been becoming a monitoring board, taking into consideration the provisions of the Companies Act etc. The Company should clarify the role and definition of the Audit & Supervisory Board.

In fiscal 2017, the Company will continue to work on improving these continuing issues and new issues, maintaining the institutional design of the Company with the Audit & Supervisory Board. The Company will strengthen the monitoring function of the Board of Directors utilizing the mechanism of the Nomination Advisory Committee and Remuneration Advisory committee.

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

The directors, Audit & Supervisory Board members and corporate officers remuneration policy of the Company is established by the Remuneration Advisory Committee, which is chaired by an external director and includes external professionals as the Committee members, to maintain objectivity and high transparency. Remuneration to directors, Audit & Supervisory Board members and corporate officers of the Company consists of a basic remuneration and a performance-linked remuneration that fluctuates depending on the achievement of management targets and share price. The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration. External directors and Audit & Supervisory Board members receive only basic remuneration, as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Meanwhile, the Company abolished its officers' retirement benefit plan as of June 29, 2004 on which the 104th Ordinary General Meeting of Shareholders was held.

More details on the directors, Audit & Supervisory Board members and corporate officers remuneration policy are shown for disclosure on the Notice of Convocation of the 117th Ordinary General Meeting of Shareholders of the Company (pages 63 to 66).

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.

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%
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Status of Major Shareholders

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,085,200	8.52
Mizuho Bank, Ltd.	21,226,732	5.30
Japan Trustee Services Bank, Ltd (Trust Account)	17,354,000	4.33
BNYM TREATY DTT 15	9,590,874	2.39
Shiseido Employees' Stockholding	7,419,832	1.85
JP MORGAN CHASE BANK 380055	7,390,362	1.84
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
STATE STREET BANK AND TRUST COMPANY 505225	5,508,065	1.37

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
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Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	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, 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> <ol style="list-style-type: none"> (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below <ol style="list-style-type: none"> (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary

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.</p> <p>The Shiseido Group purchases stationeries, etc. from the ASKUL Group 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 on a consolidated basis for the fiscal year ended December 31, 2016. Transaction value is minimal for the Shiseido Group.</p> <p>Such sales represented less than 0.1% of the consolidated net sales of ASKUL Corporation for the fiscal year ended May 20, 2016. Transaction value is minimal for the 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 December 31, 2016. Transaction value is minimal for the Shiseido Group.</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> <ul style="list-style-type: none"> (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below <ul style="list-style-type: none"> (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
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Purchases of cosmetics, etc. by the ASKUL Group from the Shiseido Group represented approximately 0.1% of consolidated cost of sales of ASKUL Corporation for the fiscal year ended May 20, 2016. Transaction value is minimal for the 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 20, 2016, ASKUL Corporation's net sales of cosmetics, etc. accounted for approximately 0.1% of its consolidated net sales. In these conditions, the transactions in competition have no impact on interests of shareholders.

Mr. Iwata's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:

- President & Chief Executive Officer of ASKUL Corporation
- External Director of Minnano Wedding Co., Ltd.

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."

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> <ol style="list-style-type: none"> (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below <ol style="list-style-type: none"> (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
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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, Faculty 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. 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> <ol style="list-style-type: none"> (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below <ol style="list-style-type: none"> (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	5	5
Full-time Members	0	0
Inside Directors	1	1
External Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	External Director	External Director

■ Supplementary Explanation Updated

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. In fiscal 2016, a total of 6 meetings were held, 2 meetings of the Nomination Advisory Committee and 4 joint meetings of the Nomination Advisory Committee and the Remuneration Advisory Committee. In addition to reporting on the selections of candidates for directors and Audit & Supervisory Board members and appointment of corporate officers, etc., the committee carried out activities including discussing promotions, recruitments, retirements and appointments from outside of corporate officers and the view on the design of the systems of corporate officer.

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. In fiscal 2016, a total of 8 meetings were held, 4 meetings of the Nomination Advisory Committee and 4 joint meetings of the Nomination Advisory Committee and the Remuneration Advisory Committee. In addition to discussing bonuses for the Company's directors and corporate officers for fiscal 2015, remunerations for the Company's individual directors and corporate officers for fiscal 2016, and a remuneration system for fiscal 2016, the committee carried out activities including discussing an approach for a revision to the remuneration system for the next three years.

Audit & Supervisory Board Members (Kansayaku)

Establishment of Audit & Supervisory Board (Kansayaku Board)	Established
Maximum Number of Kansayaku Stipulated in Articles of Incorporation	The Company doesn't set a ceiling on the number of corporate auditors
Number of Kansayaku	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 Kansayaku	Appointed
Number of Outside Kansayaku	3
Number of Independent Kansayaku	3

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

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

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past

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

a. Executive of the Company or its subsidiary

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

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

d. Kansayaku of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

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

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

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

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

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

k. Executive of a company, between which and the Company outside directors/kansayaku are mutually appointed (the kansayaku himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the kansayaku himself/herself only)

m. Others

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

Name	Designation as Independent Kansayaku	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobuo Otsuka	○	<p>With regard to Mr. Nobuo Otsuka, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <p>Mr. Otsuka's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • 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> <ol style="list-style-type: none"> (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below <ol style="list-style-type: none"> (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary

Hiroshi Ozu	○	<p>With regard to Mr. Hiroshi Ozu, none of the relationship classification stated above (classification "a" – classification "m") applies to him.</p> <p>Mr. Ozu's "Important Position of Other Organizations Concurrently Assumed" stated in the Companies Act are as follows:</p> <ul style="list-style-type: none"> • External Audit & Supervisory Board Member of MITSUI & CO., LTD. • Outside Audit & Supervisory Board Member of TOYOTA MOTOR CORPORATION • Representative Director of Shimizu Scholarship Foundation, general incorporated foundations <p>The Company considers not only the independence against the Company, but also other various viewpoints such as "Principal Occupation" when it estimates the importance of Mr. Ozu's "Important Position of Other Organizations 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. Ozu 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. Ozu 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. Ozu maintains full independence as none of the items (1) through (5) stated below applies. Furthermore, the Company sets forth the Criteria for Independence of "External Directors." Mr. Ozu has fulfilled the Criteria in full. Hence Mr. Ozu has been determined capable of sufficiently protecting the interests of the general shareholder and has been appointed independent auditor.</p> <ol style="list-style-type: none"> (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below <ol style="list-style-type: none"> (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
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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, Faculty of Commerce, Waseda University • 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> <ol style="list-style-type: none"> (1) Corporate officer, etc. of a parent company or sister company; (2) A person whose main business partner is the Company, or a corporate officer, etc. thereof; a major business partner of the Company, or a corporate officer, etc. thereof; (3) A consultant, an accountant or a legal specialist receiving significant sums of money from the Company other than executive remunerations; (4) A principle shareholder of the Company; (5) A close relative of a person (excluding inconsequential persons) meeting either condition (a) or (b) below <ol style="list-style-type: none"> (a) person described in items (1) through (4); (b) A corporate officer of the Company or the Company's subsidiary
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Independent Directors/Kansayaku

Number of Independent Directors/Kansayaku	7
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■ 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
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■ Supplementary Explanation

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

Basic philosophy of the directors, Audit & Supervisory Board members and corporate officers remuneration policy

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

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

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

Recipients of Stock Options	Inside Directors and others (Corporate Officers)
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■ Supplementary Explanation

The Company grants stock options to executive directors and corporate officers of the Company who don't concurrently serve as director of the Company in order to have them share risks with its shareholders and to motivate balanced management from a medium-to-long-term perspective, not just a short-term focus. In addition, the Company grants stock options to corporate officers of Shiseido Japan Co., Ltd., a wholly owned subsidiary of the Company, for the same purpose.

Director Remuneration

Disclosure of Individual Directors' Remuneration	Selected Directors
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■ 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. paid to representative directors and directors whose total amount of remunerations, etc. exceeds Yen 100 million, by type of remuneration, are individually disclosed. (as from fiscal 2009)

Amount of remunerations, etc. of Directors and Audit & Supervisory Board Members for Fiscal 2016 (millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Directors (7 persons)	272	120	50	443
External directors (4 persons)	49	-	-	49
Audit & Supervisory Board Members (65persons)	99	-	-	99
External members (3 persons)	36	-	-	36
Total	372	120	50	542

Notes:

1. Basic remuneration for directors has the ceiling amount of ¥30 million per month as per the resolution of the 89th ordinary general meeting of shareholders held on June 29, 1989. Basic remuneration for Audit & Supervisory Board members has the ceiling amount of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.
2. The above amount of basic remuneration includes ¥23 million as basic remuneration for fiscal 2016 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.
3. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of performance of duties by directors.
4. In addition to the above payments, there are other remuneration, etc. of ¥0.3 million recorded for the fiscal year ended December 31, 2016 as expenses associated with stock options granted to one director of the Company, at the time he served as corporate officer not holding the office of director.
5. None of the directors or the Audit & Supervisory Board members will be paid remunerations other than the executive remunerations described above (including those described in notes 1 through 4).

Amounts of remunerations, etc. of representative directors and directors whose total amount of remunerations, etc. exceeds 100 million yen, by type of remuneration for Fiscal 2016

(millions of yen)

	Basic remuneration	Bonuses	Stock Options	Total
Masahiko Uotani, Representative Director	129	77	29	236
Tsunehiko Iwai, Representative Director	47	21	6	75
Toru Sakai, Representative Director	23	20	14	82

Notes:

1. The above amount of basic remuneration includes ¥23 million as basic remuneration for fiscal 2016 that one subsidiary paid through the Company to Mr. Toru Sakai, representative director, who served concurrently as the director of said subsidiaries.
2. The amount of long-term incentive type remuneration (stock options) indicated above represents the expenses associated with the fiscal year under review among the stock options (stock acquisition rights) in the fiscal year, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
3. None of the two directors above will be paid remunerations other than the remunerations described above (including those described in notes 1 and 2).

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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■ Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods**Basic principle on determining remuneration amounts and calculation method**

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

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

Directors, Audit & Supervisory Board members and corporate officers remuneration policy aligned to the Three-Year Plan of fiscal 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 117th Ordinary General Meeting of Shareholders of the Company (pages 62 to 66)

Supporting System for Outside Directors and/or *Kansayaku*

External Directors

A section in charge of secretariat of the Board of Directors, the Nomination Advisory Committee and the Remuneration Advisory Committee is formed in the Company's Legal and Governance Department. The section provides external directors with various information and assists duties of external directors to ensure smooth operation.

External Members of Audit & Supervisory Board Members

Some employees of Internal Auditing Department of the Company are positioned to assist the Audit & Supervisory Board and members of Audit & Supervisory Board.

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, two 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, the Company separate the supervisory functions of the Board of Directors from the business execution functions of corporate officers. The term of office of corporate officers is one year, and the term limit of corporate officers is four years per position in principle and six years maximum.

The Company sets up the Executive Committee, in which corporate officers study and discuss about important business execution from various aspects before the final decisions, and the Meetings for Development of Medium-term/Annual Plans, in which corporate officers develop and resolve business plans and brand strategies. Thereby, the Company drives delegation of power for business execution by clarifying corporate officers' responsibilities and accelerating of business execution. The President & CEO chairs these two committees. In addition to the above, corporate officers hold Decision-Making Meetings of Corporate Officers to make decisions regarding the execution of business in their respective business divisions, as well as deliberate matters to be proposed to the Board of Directors and the Executive Committee.

(Advisory committees)

To promote transparency and objectivity in management, The Company established two committees to play an advisory role to the Board of Directors:

the Nomination Advisory Committee, which evaluates candidates for directors and corporate executive officers to make report to the Board of Directors, and the Remuneration Advisory Committee, which makes report to the Board of Directors about the remuneration system and performance evaluation of directors and corporate officers.

Both committees are chaired by external directors to maintain objectivity.

The Nomination Advisory Committee deliberates about candidates for directors and Audit & Supervisory Board members. The committee also deliberates about appointment, promotion and demotion of corporate officers. In addition, the committee determines the limits on the terms of corporate executive officers as well as the rules for their promotion or demotion and retirement in order to enhance the capabilities of top management, and manages these policies in a highly transparent and impartial manner.

The Remuneration Advisory Committee deliberates about the remuneration system for directors and corporate officers as well as evaluation of their performance.

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 two with career background as a management outside the Shiseido Group, and one with career background in the Shiseido Group. The directors include two females (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

(Internal audit)

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

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

(Audit & Supervisory Board members' audits and initiatives toward strengthening their functions)

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

(Accounting audits)

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

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

Name of auditing firm	Name of certified public accountant conducting audit operations	Continuous years of service
KPMG AZSA LLC	Koichi Kobori, Designated Limited Liability Partner	1 years
The same as the above	Ryoji Fujii, Designated Limited Liability Partner	4 years
The same as the above	Takashi Kawakami, Designated Limited Liability Partner	7 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 117th Ordinary General Meeting of Shareholders, the convocation of notice was distributed on March 6, 2017, 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 3.)
Scheduling AGMs Avoiding the Peak Day	In accordance with the change of the fiscal year-end of the Company, we held the 117th Ordinary General Meeting of Shareholders on March 28, 2016. The date is 2 days (2 business days) prior to the most concentrated date for AGMs of the Japanese companies whose fiscal year-end is December 31.
Allowing Electronic Exercise of Voting Rights	Since the 103rd Ordinary General Meeting of Shareholders in 2003, the Company has introduced the measure of exercising voting rights via website.
Participation in Electronic Voting Platform	Since the 106th Ordinary General Meeting of Shareholders in 2006, the Company has taken part in the Electronic Voting Platform operated and managed by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the convocation of notice is prepared, distributed to foreign shareholders to the maximum extent, and posted on the Tokyo Stock Exchange's website as well as the Company's website.
Other	<p>Starting from June 2008, the Company started disclosing the results of the exercise of voting rights.</p> <p>Starting from 2010, the Company disclosed the result of the exercise of voting rights on the Tokyo Stock Exchange's website, the Company's website, and the extraordinary reports through EDINET of the Financial Services Agency of Japan.</p> <p>In addition, as from fiscal 2011, the Company posts videos of the business report including a presentation by the chairman on the Company's website. The movies are available in Japanese and English language.</p> <p>The ordinary general meeting of shareholders is held using environmental friendly materials. Environmental friendly inks and papers are used for printed materials sent to shareholders, such as Notice of Convocation and Notice of Resolution, in order to contribute to protect the earth from global warming. The Company also uses recycled PET material for receipt number card distributed to attendees.</p>

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Established the Disclosure Policy, consisting of "Basic Policy on Information Disclosure", "Standards for Information Disclosure", "Method of Information Disclosure", "Quiet Periods", "Forward-Looking Statements" in 2006. The Policy is published on the website of the Company.
Regular Investor Briefings for Individual Investors	<p>Hold presentation meetings presented by CEO or other corporate officers, and these presentations are distributed via the Internet.</p> <p>In addition, the Company started the "Individual Shareholders Meeting", a regular meeting for exchanging opinions concerning shareholder relations of the Company with its individual shareholders (1st round: held in Osaka on February 9, 2012, 2nd round: held in Nagoya on September 7, 2012, 3rd round: held in Fukuoka on February 8, 2013, 4th round: held in Kobe on September 6, 2013, 5th round: held in Saitama on February 6, 2014, 6th round: held in Nagoya on September 12, 2014, 7th round: held in Sapporo on February 20, 2015, 8th round: held in Yokohama on September 29, 2015, 9th round: held in Sendai on June 24, 2016)</p>
Regular Investor Briefings for Analysts and Institutional Investors	Hold meetings twice a year when the Company announces about financial statements of full-year and the second Quarter.
Regular Investor Briefings for Overseas Investors	Hold meetings individually mainly in countries in North America, Europe and Asia.
Posting of IR Materials on Website	<p>The following statutory and non-statutory reports and materials are posted on the Company's website:</p> <p>Notice of convocation of ordinary general meeting of shareholders, annual security reports (quarterly reports), timely disclosure materials, declaration for timely disclosure, references at financial result briefing, consolidated financial results for quarter, annual report and business report.</p> <p>In addition, we post Japanese and English version of movies of 2Q and 4Q financial results announcement meeting. Movies of financial results presentation and QA sessions are posted.</p>
Establishment of Department and/or Manager in Charge of IR	<p>Department in charge: Investor Relations Department</p> <p>Corporate Officer etc. in charge: Norio Tadakawa, Corporate Officer, CFO</p> <p>Person in charge to contact: Tetsuaki Shiraiwa, Department Director of Investor Relations Department</p>
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.</p> <p>In the corporate website, the Sustainability pages 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 2016 (from January 1, 2016 to December 31, 2016). However, part of the information may be from prior to the said period or more recent than the period. - 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 96 Shiseido Group companies (subsidiaries) as of December 31, 2016. 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 2016)</p> <ul style="list-style-type: none"> - Ratios of female employees in the Shiseido Group worldwide: 84.7% - Ratios of female leaders* in the Shiseido Group worldwide: 52.9% - Ratios of female employees in the Shiseido Group in Japan: 83.3% - Ratios of female leaders* in the Shiseido Group in Japan: 27.1% <p>* Ratio of female leaders: Ratio of females in managers with subordinates.</p> <p>One of the Company's core missions is to take a leading role in improving the social standing of women and their empowerment, and we have implemented a variety of measures to help advance women's causes. In January 2017, the Company achieved its target for a 30% ratio of women in management positions in Japan. We will continue to support the advancement of women in the workplace, and now target a 40% ratio of women in management positions by fiscal 2020.</p> <p>Specific efforts regarding gender equality, including support measures for the balancing of work and child-raising/at-home care of elderly family members, are described on our corporate website.</p>
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IV. Matters Related to the Internal Control System

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

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

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

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

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

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

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

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

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

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

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

The results of audit shall be reported to directors and Audit & Supervisory Board members.

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

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

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

Furthermore, with respect to the execution of important business, the Corporate Executive Officer Committee consisting of corporate officers shall deliberate the business execution from viewpoints of various aspects. The Board of Directors and the Corporate Executive Officer Committee shall confirm the status of development vis-à-vis the target and conduct necessary improvement measure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Basic Views on Eliminating Anti-Social Forces

In the "Our Way," the Company has declared that "we do not have relationships with individuals or organizations that engage in illegal activities such as threatening public order or safety. We also do not respond to any requests for money or services from such individuals or organizations." A coordination office was established in the 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
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■ Supplementary Explanation

None.

2. Other Matters Concerning to Corporate Governance System

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

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

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

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

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

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

1. Facts of Decisions Made, Facts of Actual Events (excluding incidents, accidents and disasters) and Financial Information

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

In addition, when an applicable case is brought to the Board of Directors or Executive Committee, etc. for approval, the Investor Relations Department, a section responsible for the Tokyo Stock Exchange, checks whether or not it falls under the category of material fact in accordance with the Timely Disclosure Rules of the Tokyo Stock Exchange, and the Corporate Strategy Department and Legal and Governance Department manages material facts. On top of this framework for the clear representation of material facts, we have other frameworks for the timely disclosure in an appropriate fashion: the "Disclosure Meeting," which is held on a regular basis, and an "Examination Team," which is to be set up flexibly according to the specifics of the material fact. Its work involves not only the examination of the information subject to disclosure, but also the preparation and confirmation of the documents subject to disclosure.

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

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

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

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

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

(*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

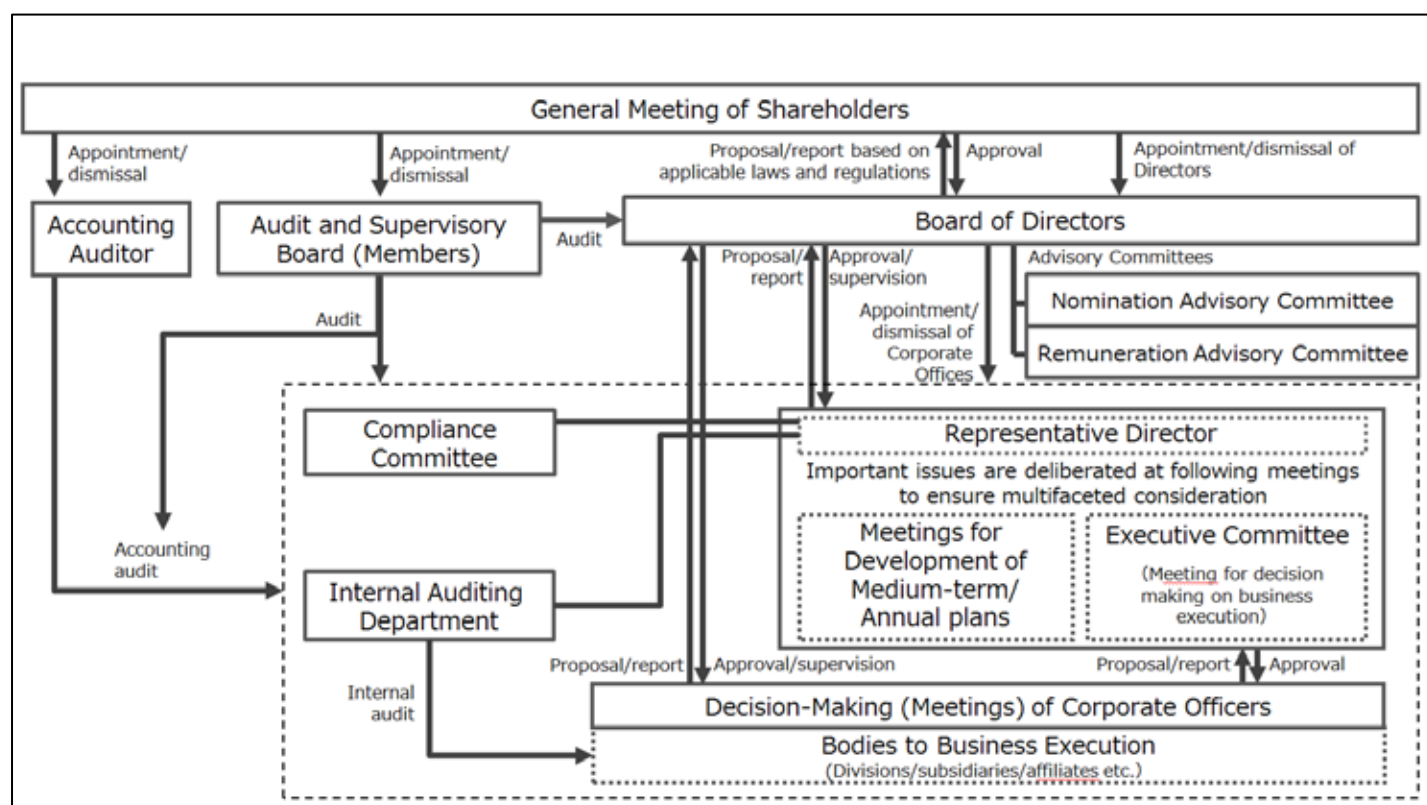
To prevent leaks of financial results before the announcement and to assure fairness, Shiseido observes a quiet period before the announcement of business results. The quiet period is from the day after the closing date※ to the date on which earnings are announced each quarter. During the quiet period, 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.

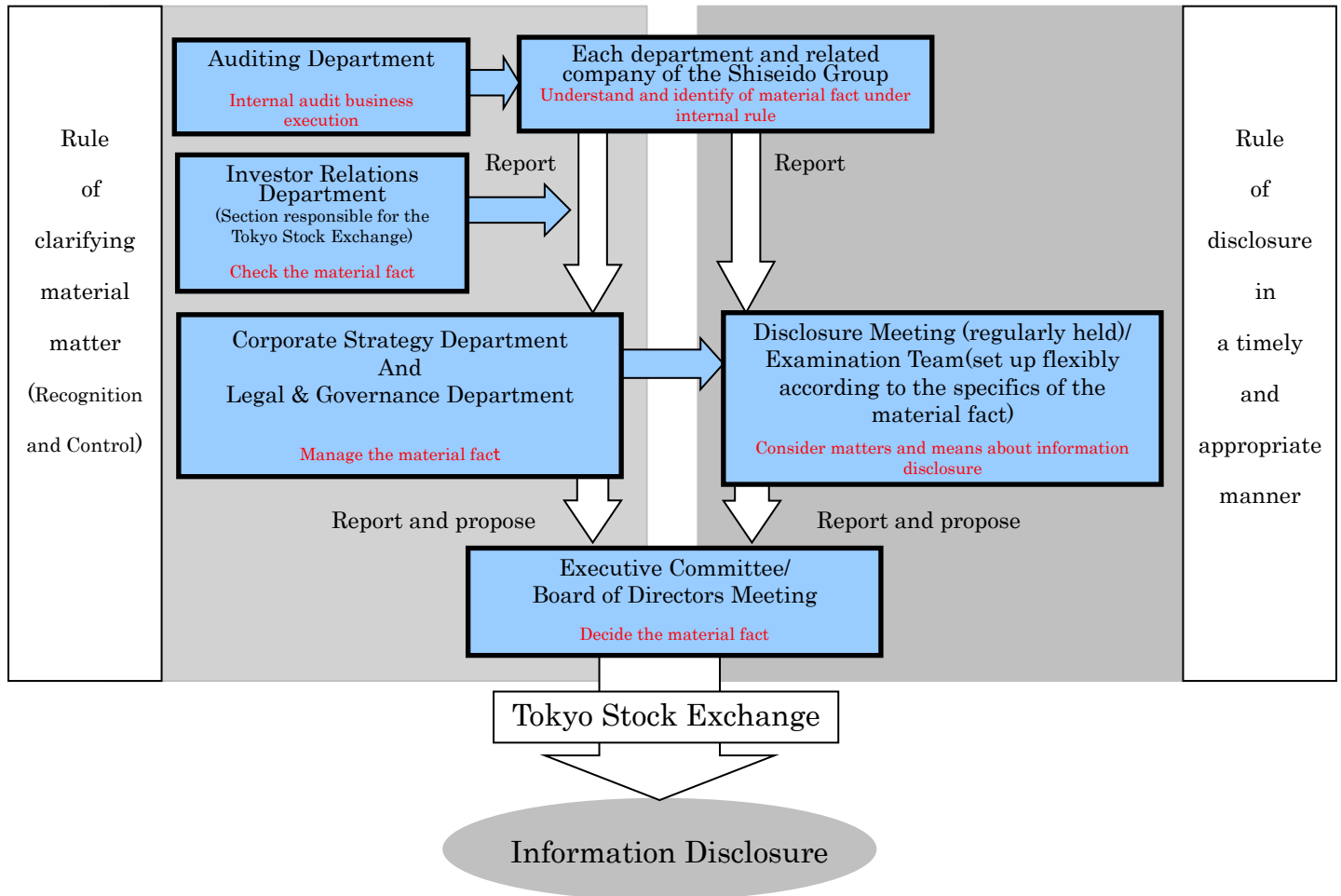
V. Forward-Looking Statements

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.

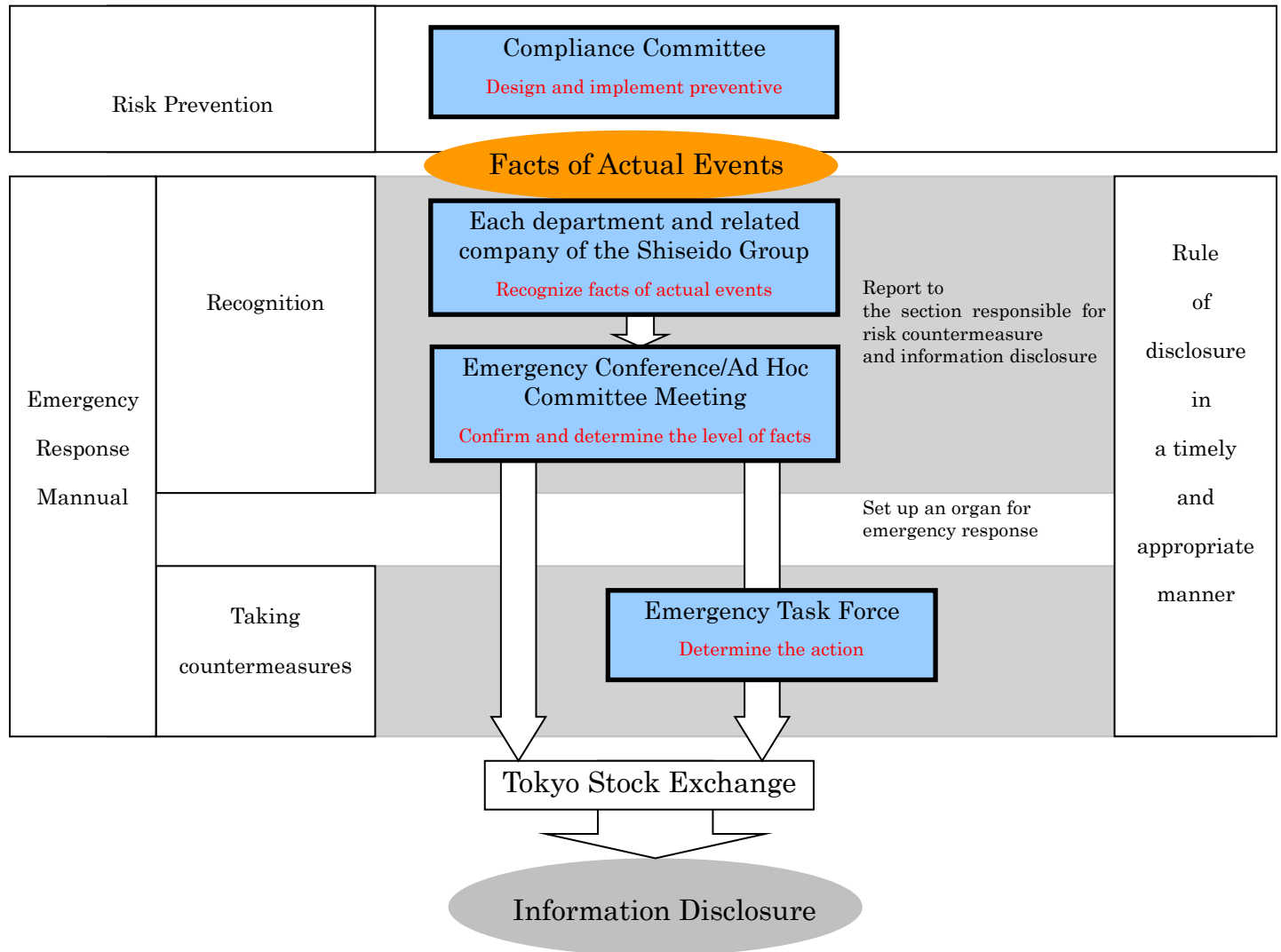
The Company's Corporate Governance Framework



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.

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



Masahiko Uotani
Representative Director, President and CEO

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. In the overseas regions, Risk Management Officers are responsible for promoting a culture of ethics regionally. The Risk Management Officers are supported by the Business Ethics Officers at the affiliate level. The Corporate Ethics Leaders and Risk Management Officers regularly report the results of corporate ethics activities to the Compliance Committee.

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

Human rights enlightenment and corporate ethics training are conducted for all employees at all business locations of the Shiseido Group in Japan with emphasis on raising awareness through employee discussions. In terms of promotion, Shiseido established a system of Human Rights Enlightenment Promotion Committee within each division in Japan. Accordingly, all committee members gather at an annual meeting to discuss issues related to human rights in need of solution.

E-learning is conducted to raise awareness on human rights enlightenment, and various trainings are held to improve communication in various situations and create an open and free working environment.

(3) Position-specific training (Once a year)

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

Compliance

Whistleblower system

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

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

The 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 FY2016.

Approximately 70% of the inquiries received in FY2016 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 Whistleblower system, as well as an entity to receive reports in each major affiliate. In addition, the Company has also established and notified employees of the "SHISEIDO Group Global Hotline" at the HQ to directly receive reports from employees of overseas affiliates.

Risk Management at Shiseido

The Compliance Committee fulfills its corporate governance oversight responsibilities with regard to the identification, evaluation, mitigation, and monitoring of non-strategic, non-financial risks. The Committee has overall responsibility for monitoring and approving the risk management framework and associated practices of the Company.

Risk Management

Starting in 2016, Shiseido has been working on risk mitigation through matching the 100 risks common to global companies against responsible departments, especially focusing on non-strategic/non-financial risks. Also, compliance programs are being prepared for the 4 important themes of "personal information protection", "bribery prevention", "cartel prevention", and "business partner risk prevention" identified in the 2014 risk assessment.

Incident Response

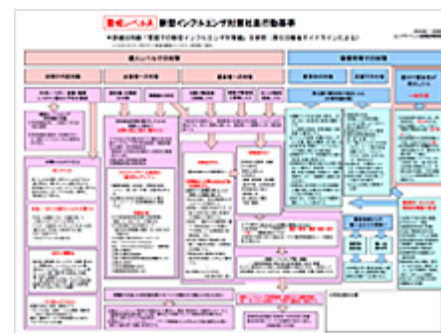
To enable swift and appropriate incident response, Shiseido has clearly defined and categorized incident types. Departments will immediately report incidents to the Compliance Department, which acts as the Compliance Committee Secretariat. The Compliance Department determines the gravity of each incident category, considering impact on employees, business operations, environment, etc. An appropriate taskforce will be set up accordingly, with relevant functions aggregated to minimize impact and collateral damage. The taskforce will continuously review the effectiveness of incident handling and promote countermeasures against recurrence.

Business Continuity Plan (BCP)

Business Continuity Plan (BCP) is a subset of risk management, stipulating actions for incidents/ natural disasters which affect business continuation. Shiseido (Japan Region) has BCPs in place for major disasters which seriously affect business continuation, stipulating how important operations are resumed/ continued in a manner minimizing damages. At Shiseido, major incidents are categorized into 2 categories: (1) natural disasters/incidents with sudden and unexpected damages (2) natural disasters/incidents with gradual/long-term damages. 'Earthquake BCP' has been placed for sudden unexpected risks, and 'Novel Influenza (infectious disease) BCP' for gradual/long-term risks. If another type of incident should occur affecting business continuation, either of the two BCPs may be utilized, according to the nature of the incident.

The 'Earthquake BCP' stipulates action items in 4 phases: 1) Preventive Measures, 2) Emergency Response, 3) Resume Operation, and 4) Restored Operation/ Business Continuation. Once an earthquake of a certain level occurs, 'HQ emergency taskforce', led by the Executive Vice President, is activated to confirm employee safety, gather information on damages, and ensure important business operation, such as product supply. When the Great East Japan Earthquake hit in March 2011, Shiseido responded swiftly putting the BCP into action.

The 'Novel Influenza (infectious disease) BCP' categorizes influenza by 3 toxic levels. The action items for each group are shown in 4 phases: 1) Prediction stage, 2) Initial Alert stage, 3) Alert stage, and 4) Subsiding Alert stage. 'Employee Action Guidelines for Novel Influenza', a specific action guideline for employees, has been prepared based on the BCP. This Guideline is made available on the intranet for employees to familiarize themselves with the required actions.



Employees action guidelines for
New Strains of Influenza Countermeasures

Human Rights

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

Policy and Statement on Human Rights

In pursuit of its mission to “inspire a life of beauty and culture”, Shiseido aims to be an important and trusted corporate entity, accepted by society and consumers worldwide both today and 100 years into the future.

Shiseido understands that it must respect the human rights of all persons as a prerequisite to conducting business activities for its sustainable growth together with the global society. Shiseido hereby establishes the Shiseido Group Policy on Human Rights, based on the United Nations Guiding Principles on Business and Human Rights, to promote efforts for the respect of human rights and fulfill its duties.

Shiseido Group Policy on Human Rights

To share the awareness of Business and Human Rights on a group-wide basis

To ensure supply chain transparency and traceability

To establish relationships of trust with human rights organizations

To comply with applicable laws and regulations of all countries where its business activities are conducted

Compliance with the UK Modern Slavery Act

In compliance with the Modern Slavery Act 2015 of the United Kingdom, Shiseido has published its own Modern Slavery Statement.

We will introduce Shiseido's approach to "business and human rights".

Employee Training regarding Business and Human Rights

In August 2017, we held a study session regarding initiatives for "Responsible Procurement" based on "United Nations Guiding Principles on Business and Human Rights" for 28 staff members of the purchasing department and sustainability department of the global headquarters.

Dialogues with Stakeholders

In May 2017, we participated in a stakeholder engagement workshop (target_blank) organized by Caux Round Table Japan and Global Compact Network Malaysia, and had a dialogue on issues such as migrant workers with government officials, companies, NGOs, and other stakeholders. Also, in Malaysia, we engaged in a dialogue with small-scale farmers of palm oil. Through these, we have reconfirmed the problems at palm oil production sites and renewed our determination to make further efforts to solve them.



Stakeholder engagement workshop



Visiting small-scale farmers in Malaysia

In June and July 2017, we participated in a stakeholder engagement program of Nippon CSR Consortium in Japan operated by Caux Round Table Japan and identified important human rights issues for each industry with reference to the human rights guidance tool produced by the United Nations Environmental Program / Finance Initiative (UNEP FI). We would like to make it a basis for promoting efforts aimed at human rights due diligence in the future. We conducted individual dialogs with experts from overseas, in which we exchanged views about the direction Shiseido should take in the field of "business and human rights."

In September 2017, we participated in a global stakeholder engagement program organized by Caux Round Table Japan, and had a dialogue with experts from domestic and overseas, in which we reported on the programs in Malaysia and Japan and the cases of each industry, and we exchanged views on matters that should be taken in consideration for further promotion of business and human rights activities.

Dialogue with Experts on Human Rights

In September 2017, we had an exclusive dialogue with overseas experts (the Danish Institute for Human Rights^{*1}, Institute for Human Rights and Business^{*2} and Sedex^{*3}) and exchanged opinions on issues that we should address in the field of "business and human rights".



With overseas experts



Exclusive dialogue with overseas experts

*1 State institution, established by a decision of Denmark Parliament, which collects expertise and develop tools on business and human rights
Organizations established by Denmark Parliament that are collecting knowledge and developing tools on businesses and human rights

*2 Global think tank of excellence and expertise on the relationship between business and internationally recognized human rights standards.

*3 Non-profit membership organization dedicated to improving responsible and ethical business practices in global supply chains

Also, in 2017 Business and Human Rights Conference in Tokyo, Shiseido reported that we received high evaluation in Japan in the fields of women`s empowerment and diversity promotion and to further facilitate, we would strengthen human rights efforts and improve transparency and traceability of supplier information.

Joining Responsible Mica Initiative

In India's Mica used as a cosmetic raw material, case examples of suspected child labor or forced labor have been pointed out in recent years. Shiseido joined the Responsible Mica Initiative (RMI) in May 2017, aiming at "Responsible Indian Mica Supply Chain" to solve this problem.



RMI kick-off meeting (Nov/2017)



Shiseido Modern Slavery Statement (Year ended December 31, 2017)

The statement below is the report for year 2017 as of December 31, 2017. Based on the statement of the previous fiscal year, this statement describes the actions taken in 2017 and the initiatives planned for 2018 and beyond.

1 About This Statement

Shiseido Company, Limited (hereafter the “Company”) makes the following declaration based on Section 54 (1) of the UK Modern Slavery Act 2015 (hereafter “Slavery Act”), disclosing the measures taken by the Company and its subsidiaries (collectively referred to as Shiseido Group, hereafter “Shiseido”) to ensure that neither Shiseido’s business operations nor its supply chain involve practices amounting to slavery and/or labour under conditions of slavery and human trafficking. The Company hereby declares that Shiseido entirely opposes slavery and human trafficking in Shiseido’s business and supply chain operations.

In this statement, Shiseido follows the definitions and concepts of slavery and human trafficking stipulated in the Slavery Act.

2 Business Operations and Organization

The Company is a cosmetics manufacturer established in 1872 in Japan and today operates cosmetic business in more than 120 countries and areas.

In the UK, Shiseido sells cosmetics etc. through several local subsidiaries: subsidiaries located in the UK are Shiseido U.K. Co., Ltd, Bare Escentuals UK Limited and Gurwitch UK Limited.

3 Supply Chain

In regards to the sourcing of raw materials for our products, Shiseido procures through multiple business partners in the global market (hereafter “supplier(s)”). The Company requires first-tier suppliers doing businesses through direct contracts with Shiseido to comply with the “Shiseido Group Supplier Code of Conduct” to be described hereafter, in order to ensure appropriate business operations. The first-tier suppliers that the Global Headquarters Purchasing Department deals with are 135 (packaging materials), 135 (raw materials) and 25 (promotional materials), totaling 295 companies (in 2017). In addition, Shiseido has recommended our first-tier suppliers to adopt the policies defined in the “Shiseido Group Supplier Code of Conduct” for second-tier suppliers and upstream suppliers, in order to disseminate positive impact to the wider supply chain. Shiseido believes such practice will enable us to mitigate the risk of slavery and human trafficking in our entire supply chain.

4 Policies in Relation to Slavery and Human Trafficking

Shiseido confirms that neither our own business nor the supply chain related to our business involves practices such as enslavement and human trafficking, by establishing corporate policies applicable to Shiseido and thoroughly communicating them to employees and suppliers. The policies are drafted by the Global Headquarters (hereafter “GHQ”) directly responsible for human rights and are approved by the Company’s Board of Directors.

Shiseido policies relating to human rights and/or enslavement and human trafficking include:

- “Shiseido Group Policy on Human Rights”
<https://www.shiseidogroup.com/sustainability/human/pdf/policy01.pdf>
 Shiseido newly formulated, and ratified by a resolution of the 2017 Board of Directors Meeting, the “Shiseido Group Policy on Human Rights” based on the United Nations Guiding Principles on Business and Human Rights. This Policy will be applied to the Shiseido Group and its business partners.
- “Shiseido Group Standards of Business Conduct and Ethics”
<https://www.shiseidogroup.com/company/principle/way.html>
 Operational guideline based on our corporate philosophy “Our Mission, Values and Way” that all Shiseido employees are expected to follow.
- “Shiseido Group Supplier Code of Conduct”
<https://www.shiseidogroup.com/sustainability/pdf/pdf2018/partner2018.pdf>
 Each of the Shiseido companies is expected to use this code as prerequisite for selecting first-tier suppliers and we recommend these suppliers to ask second-tier suppliers and upstream suppliers for compliance with the code.

In 2004 the Company signed the United Nations Global Compact and endorsed the principles of the Global Compact for all Shiseido companies.

In December 2008, the Company joined the CEO Statement, a Global Compact initiative launched on the 60th anniversary of the Universal Declaration of Human Rights, declaring to the world our commitment “to respect and support human rights within our sphere of influence” and that “human rights are universal and are an important business concern all over the globe.”

Further, in September 2010, the Company signed “the Women’s Empowerment Principles – Equality Means Business” developed by UN Women and the United Nations Global

Compact as a set of practical guidelines for private business and non-government organizations working for women's empowerment.

In the process of formulating the 2016 MSA Statement, the Company recognized the insufficient presentation of its human rights policy and in June 2017, newly formulated the "Shiseido Group Policy on Human Rights," which was approved by the Board of Directors and announced.

5 Risk Assessment and Due Diligence

The risk of enslavement and human trafficking in Shiseido's business exists in part of our supply chain which Shiseido's management cannot directly reach.

While Shiseido recognizes the need for full visibility of the supply chain, it has not yet been revealed to the full at the moment. From now on, Shiseido believes that cooperation with suppliers is even more indispensable. Therefore, as the first step for supply chain risk assessment, Shiseido newly joined the Sedex (Supplier Ethical Data Exchange) platform in August 2017. Sedex registration of the Company's Kakegawa Factory was completed by the end of 2017. We will discuss with first-tier suppliers about utilizing this platform to secure traceability and transparency in our supply chain from now on, and we will carry out risk assessment using Sedex in collaboration with suppliers who joined it. For non-Sedex members, we will likewise establish cooperative relationships to secure traceability and transparency, and strive for human rights due diligence.

In addition to the above activities, Shiseido will revise "Shiseido Group Supplier Code of Conduct" (to be described hereafter) in 2018 to clarify the compliance of first-tier suppliers with the management of second-tier suppliers and also reflect them on purchasing contracts. In this way, we will strengthen our solidarity including contractual aspects, so that we can fulfill our social responsibilities together with suppliers.

The Chief Legal and Governance Officer and Chief Supply Network Officer of the GHQ are responsible for dealing with this risk assessment.

Meanwhile, the Company has begun social risk assessment of cosmetic ingredients in terms of raw materials. This is a project for identifying raw materials believed to be high-risk, utilizing [the Social Hotspot Database](#) which was developed by the nonprofit organization New Earth based on UNEP Guidelines for Social Life Cycle Assessment of Products (2009). Going forward, the Database will be used as a social hotspot screening tool in product development process.

At present, Shiseido will directly address palm oil and mica as ingredients determined to be high-risk. For palm oil, the Kakegawa Factory was RSPO certified in February 2017, and the Kuki and Vietnam factories will also be certified in 2018. Going forward, the Company will have more of its facilities obtain certification to prepare for the provision of

sustainable palm oil. Regarding mica, in May 2017 we joined the Responsible Mica Initiative, which strives to achieve a responsible Indian mica supply chain. From now on, the Company will aim for traceability and transparency of the mica supply chain.

In these ways, Shiseido is promoting risk assessment and human rights due diligence in two aspects: “risk identification of the supply chain as a whole” and “direct approach in terms of raw materials.”

We also recognize that engagement with stakeholders is important for human rights due diligence. In 2017, we participated in a stakeholder engagement program of Nippon CSR Consortium operated by Caux Round Table Japan in Tokyo and identified important human rights issues for each industry with reference to the human rights guidance tool produced by the United Nations Environmental Program / Finance Initiative (UNEP FI) (<http://crt-japan.jp/en/portfolio/human-rights-due-diligence-workshop/>). We would like to make it a basis for our future efforts aimed at human rights due diligence.

We participated in a stakeholder engagement workshop in Malaysia organized by Caux Round Table Japan and Global Compact Network Malaysia, and had a dialogue on issues such as migrant workers with government officials, companies, NGOs, and other stakeholders. Also, we engaged in a dialogue with Malaysian small-scale farmers of palm oil.

We also participated in a global stakeholder engagement program organized by Caux Round Table Japan in Tokyo, and had a dialogue with domestic and overseas experts, in which we reported on the programs in Malaysia and Japan and the cases of each industry, as well as exchanged views on matters that should be taken into consideration for further promotion of business and human rights activities.

Furthermore, we had an exclusive dialogue with overseas experts (the Danish Institute for Human Rights, Institute for Human Rights and Business and Sedex) in Tokyo and exchanged opinions on issues that we should address in the field of business and human rights.

For information on initiatives with stakeholders in regard to due diligence, see the following website: <https://www.shiseidogroup.com/sustainability/msa/>

Through these processes, Shiseido is striving to understand the influence of its business on society, to grasp the human rights problems hidden behind the scenes, and to identify and address the essence of those problems.

6 Performance Assessment

The Company had been conducting questionnaires on compliance with Shiseido Group

Supplier Code of Conduct and addressing individual risk assessments based on the results, until 2016. From now on, based on Sedex assessment results, we will make efforts to promote performance measurements on labor rights, health and safety, the environment, and business ethics in the supply chain. 2017 was the transition period to Sedex, therefore we did not conduct the above questionnaires to suppliers.

- Business Partner Hotline:

A hotline service for suppliers was established in 2013. Any reports from the Company's suppliers either sent by electronic mail or submitted in writing are accepted.

7 Education and Training

The Company conducts trainings on the “Shiseido Group Standards of Business Conduct and Ethics” and/or related policies and rules through various internal programs, such as position-specific trainings, in order to promote better understanding by all Shiseido employees.

Management level: human rights education / corporate ethics training is conducted once a year for our executive officers. Since 2015, the contents on business and human rights have been included in the trainings, and 25 executives participated in 2017.

Employees: departments at respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 258 people in 21 branch offices / business departments in the sales division and 86 departments other than sales division). The Human Resources Department conducts trainings for the members, who then give human rights trainings to other employees in their respective departments. In 2017, the Company had all of the employees of all the Group companies in Japan undergo a training session on eliminating harassment.

The Company asked 18 overseas offices for their opinions on matters such as awareness about human rights policies and MSA statements, and actions taken if any in regard to human rights issues. As a result, recognition on Shiseido Group Policy on Human Rights and Shiseido Modern Slavery Statement was as low as 30% or less, so we aim for an 80% recognition in 2018. Also, through this questionnaire, a problem of overtime at one workplace (China) was identified. Measures have already been taken to resolve it.

In August 2017, we held a study session at our head office regarding initiatives for “Responsible Procurement” based on “United Nations Guiding Principles on Business and Human Rights” for 28 staff members of the purchasing department and sustainability department of GHQ.

8. For the Future

The Company will continue to take the perspective of the UN Guiding Principles on Business

and Human Rights, striving to prevent the initiation of, or involvement in, human rights abuse in its own business and throughout its supply chain. Specifically, the Company has the following plans for formulation/revision of policies and standards during 2018:

- Shiseido Group Procurement Policy (new)
(<https://www.shiseidogroup.com/sustainability/ethical/policy.html>)
Policy for achieving an ethical supply chain.
- Shiseido Group Sustainable Raw Materials Guidelines (new)
(<https://www.shiseidogroup.com/sustainability/ethical/policy.html>)
Set targets until 2020 and promote sustainable sourcing of palm oil which is a raw material posing deforestation risk.
- Shiseido Group Supplier Code of Conduct (revision)
(<https://www.shiseidogroup.com/sustainability/pdf/pdf2018/partner2018.pdf>)
The Code will be revised to more appropriately reflect the demands of today's society. Business partners will be required to comply with laws and regulations, prevent corruption, respect human rights, provide safe and healthy working conditions, and practice environmental conservation.

The Company will continue its human rights education for employees. To date, the Company's education programs were geared mainly toward its Japanese workforce and focused on harassment. Going forward, the Company plans to conduct training programs on business and human rights in Japan and in major offices worldwide. The Company will also continue educating buyers.

This statement is approved by the Board of Directors of the Company and signed on its behalf by:



Masahiko Uotani

Representative Director

President and CEO

Shiseido Company, Limited

May 31, 2018

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 and overseas business site managers, a workshop for business office employees (92% participation rate for fiscal 2016) 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 2016 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 2016, a total of 225 inquiries were received, contributing to a cumulative total of 2,809 inquiries since the establishment of facilities in April 2000.

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

Labor Practices

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

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

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

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

I Support Measures for Women's Activities

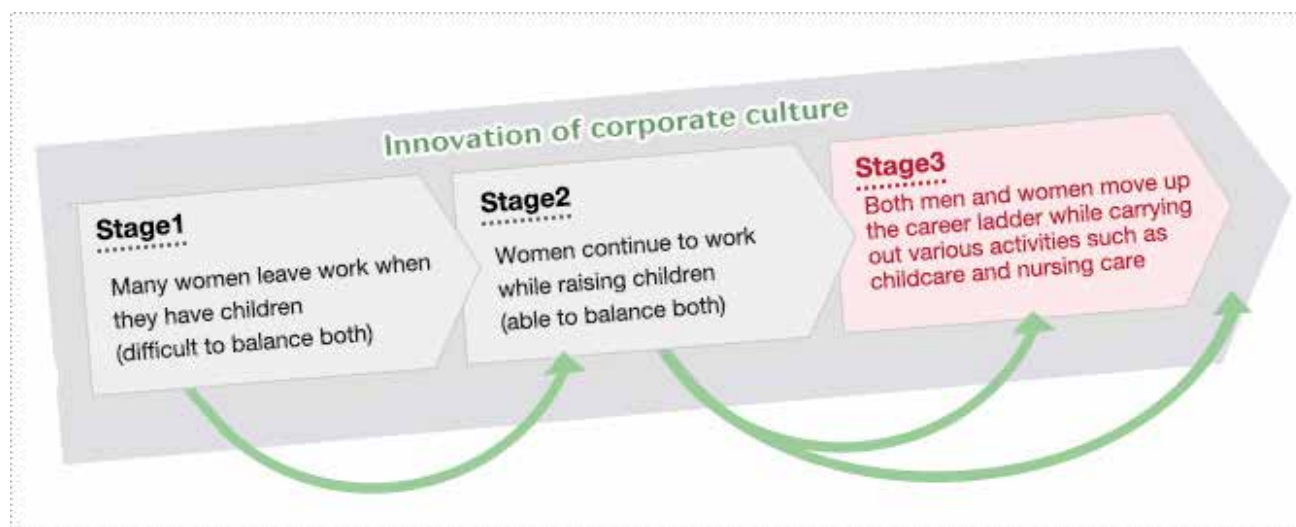
Shiseido actively promotes gender equality as part of the management strategies to establish the organizational culture that continues to enhance employees' vitality and improve results, with the aim of "enhancing corporate trust of employees, who are major stakeholders in the company". At the same time, 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 30.0% as of January of 2017, 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: 69.3%

<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: 30.0% as of January, 2017



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

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

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



Supporting LGBT

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

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

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

Through these activities, we were certified as Silver in 2016 by Work with Pride which evaluates companies' LGBT support.

Employment of Individuals with Disabilities

As one of our measures for "creating a workplace where all employees can actively work", we promote the employment of individuals with disabilities. Currently, about 290 such employees are taking active roles in the Shiseido Group. We promise the employees with disabilities that "we seriously expect achievement from them", "we provide necessary consideration, but not special treatment" and "willingly support those with the passion to work hard", expecting them to become precious personnel at the work places.

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

The overall rate of employees with disabilities in Shiseido Group in Japan for fiscal 2016 was 2.06.

Employment of Foreign Personnel

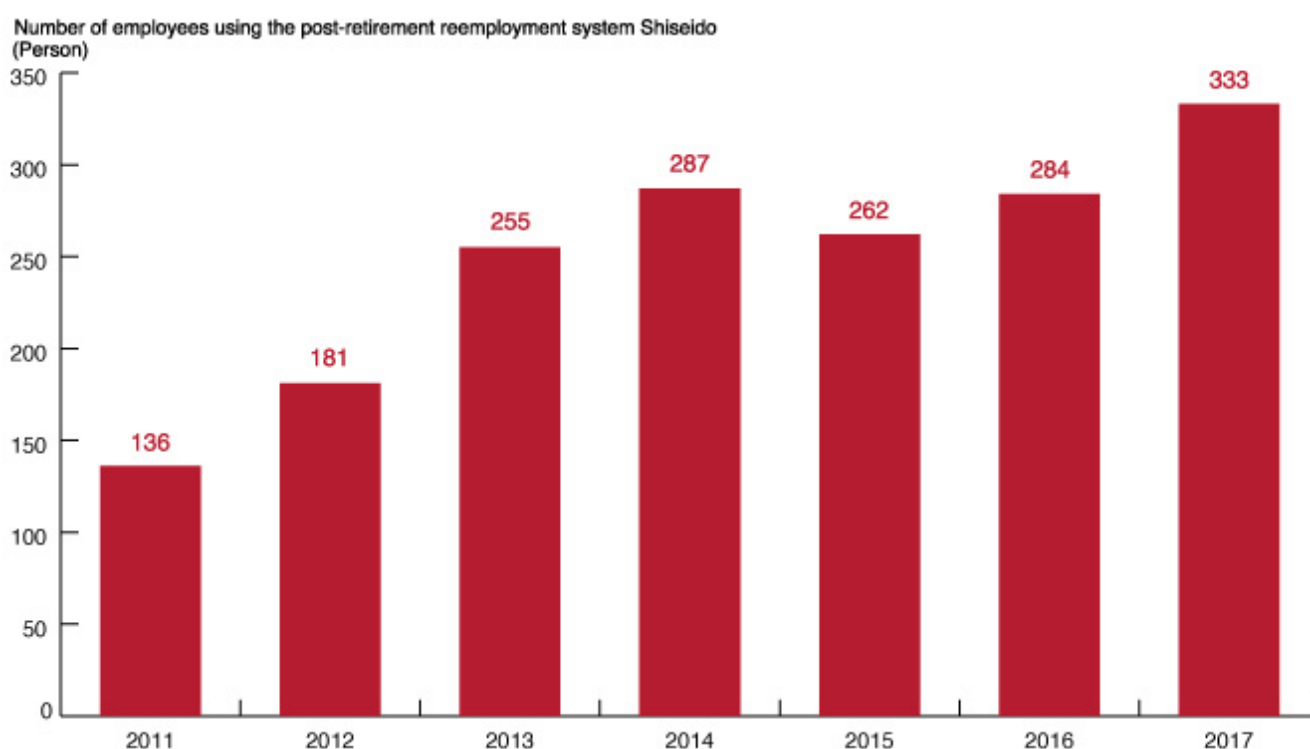
In addition to overseas subsidiaries, the Shiseido head office also has been employing diverse personnel regardless of nationality. We are hiring foreign personnel at the head office while adhering to the immigration control system, including resident status considerations, and subjecting them, regardless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

Post-retirement Reemployment System

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

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

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



Employment of Fixed-term Employees

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

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

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

Employment of Temporary Employees

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

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

Shiseido 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.

In FY2016, we introduced various measures and considered many possibilities to increase the productivity of individual employees, such as the promotion of telework. Since FY2017, aiming "to become the company whose mentally and physically healthy employees enjoy their time to improve themselves and create innovations", we call such work and life style of employees "Work Life Beauty" and are enhancing our measures.

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

■ 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 FY2016, the number of employees who used the childcare leave system/took time off for childcare is as follows: 1,453 employees (including 14 male employees) used the childcare leave (including Short-term paid parental leave), 2,156 employees (including 2 male employees) took time off to care for their children, 23 employees (including 3 male employee) took nursing care leave, and 27 employees (including 1 male employee) took time off for nursing care.

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

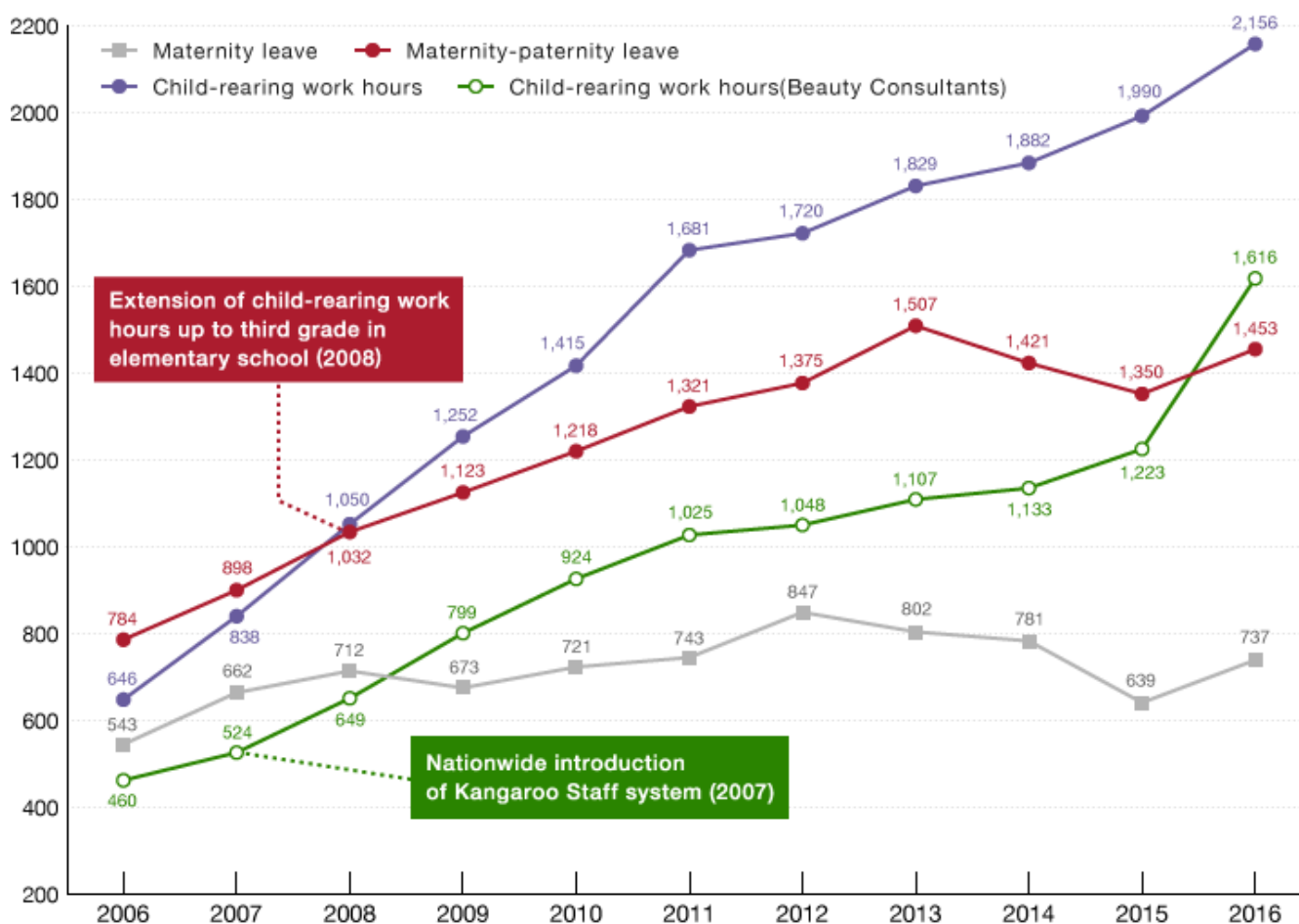
*** Kangaroo Staff System (Japan)**

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

This program has enabled us to create a workplace environment that allows BCs who had difficulty balancing the competing demands of work and childcare to have children with peace of mind, since they would be able to care for the children while working to advance Shiseido's "100% customer-oriented" philosophy. When the program was first introduced, approximately 600 Kangaroo Staff members provided support for about 500 BCs who took time off to care for their children. In recent years, the Kangaroo Staff program has expanded to more than 1,803 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

(Person)



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 23,276 as of January 1, 2017 (7,292 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.

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 "Shiseido" which translates to "hall of scholars."

Once again going back to the starting point, we will aim for the target stated in VISION 2020, to be a company "filled with energy" and "that the younger generation adores". To that end, we will be developing many personnel who create innovations and new consumer values, and thus strengthen the Company through human efforts and create an organization that is a notch above competitors.

Therefore, we have established the working principles, "BIG WIN 5" which are principles of actions to achieve VISION 2020, and "Organization and Human Resources Principles" that define the ideal organizations and personnel. These are the principles of human resources development and require employees to take on customer-centered challenges, keep taking actions, have people motivated and lead others by setting examples worth following.

Performance Management

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

Most ability development is achieved through job experience.

Therefore, Shiseido conducts ability development at each job site within a consecutive process in which each person takes on the challenge of high goals, acquires new knowledge and skills, develops their abilities using them, while managers support their growth through coaching and giving feedback.

We conduct continuous training concerning the Performance Management for managers who are the key of this process. Further, for individual knowledge and skill acquisition, we support them by providing collective training according to levels and specialties, e-learning and distant learning courses.

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.

For example, we aim to develop human resources capabilities to use appropriate personnel in appropriate positions and to prepare for the future with global perspectives. Through the Shiseido Leadership Academy, we find excellent personnel on a global level, promote mobility between regions and enhance leadership at every layer from the young to the top. The Shiseido Leadership Academy provides assessments and collective training to managers selected from all over the world, as well as offers the future leader program for young employees in non-managerial positions creating opportunities of voluntary participation in domestic/overseas MBA courses and overseas residential-type intensive English training (full time/short time), etc.

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

Complying with laws, the Company holds hygiene committees in Shiseido Group offices in Japan and makes screening tours of the offices to create a safe and comfortable work environment. The Global Innovation Center and factories have established occupational safety and health policies, and safety and health committees. Accordingly, respective entities regularly check and point out hazardous areas or dangerous behaviors that require improvements. Measures are also being taken at the domestic factories to prevent the occurrence of major accidents by setting the goal of eliminating layoffs caused by disasters every year.

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 and health insurance union representatives.

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

We have added optional items of regular health checks from which employees can choose voluntarily in addition to the legally required items, thereby raising employees' interest toward their own health management through 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 an original standard following statutory standards and industrial physicians are conducting interviews among employees. Industrial physicians provide appropriate advice and instructions to individuals and the Company with the aim of preventing health damage of employees.

■ **Others and Overseas**

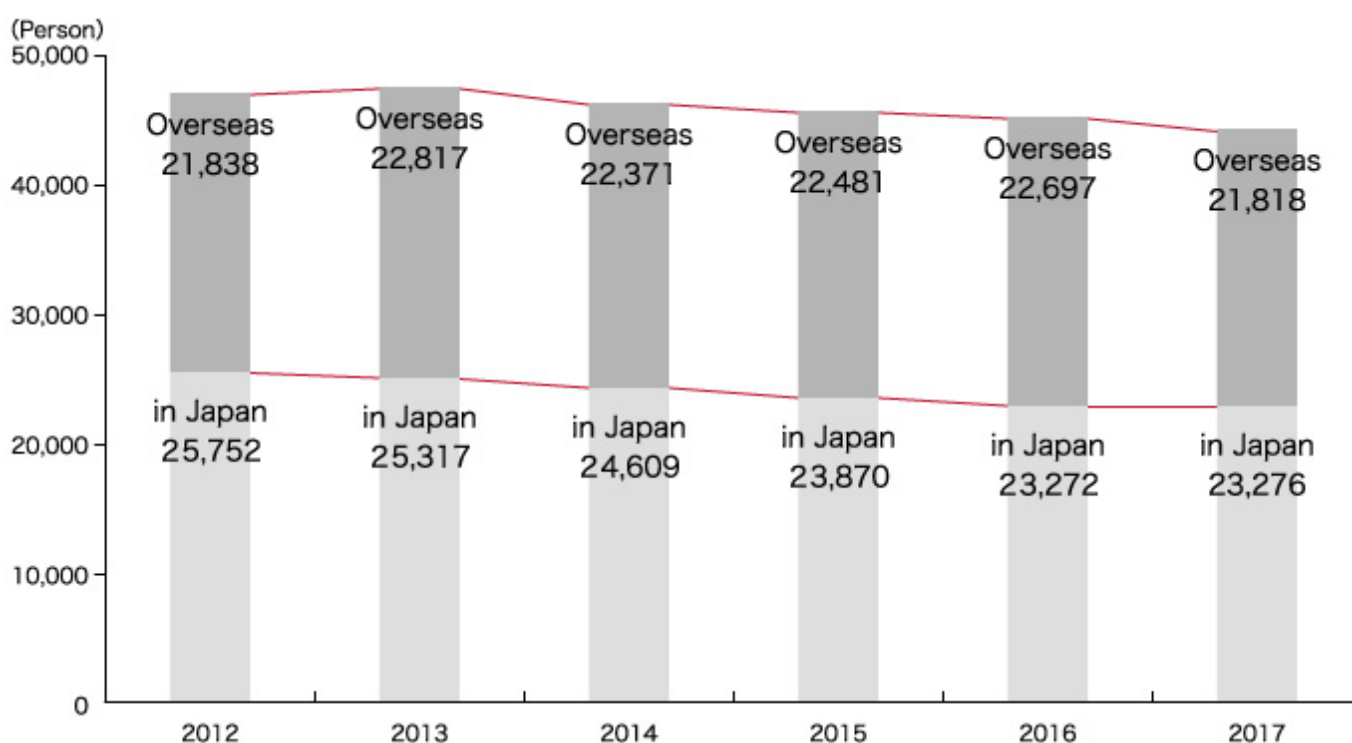
Information calling attention to infectious diseases is posted on the intranet for employees traveling overseas while a booklet on infectious disease prevention is distributed to employees prior to their transfer to work overseas.

Employment and Labor

The Number of Employees

All the domestic and overseas Shiseido Group companies apply diversified employee working conditions in accordance with each business and each specific role expected of each employee, aiming to maintain and improve our competitive strength. As of January 1, 2017, the number of employees throughout our Group companies totals approx. 45,094, which is approx. 900 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 FY2017 by job category and gender are as follows: Management level: Male104 : Female100; General management: Male104 : Female100; and Beauty staff: Male97 : Female100 (As of January 1, 2017).

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.

Employee benefits and welfare

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 Japan Co., Ltd. and certain affiliates' employees, adopts and operates the Union Shop System (applicable to approximately 10,200 Shiseido Group employees in Japan as of January 1, 2017).

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.



Environment

Shiseido conserves the global environment that supports our business and people's life, and is striving for sustainable manufacturing. We aim to grow our business with minimal environmental load in the value chain not simply by executing environmental policies, but rather by adding compelling value to products so that consumers' hearts will be moved.

Environmental policy

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"

Our corporate name is derived from a passage in the Yi Jing, a Chinese classic text, which reads, "至哉坤元 万物資生" (Praise the virtues of the Earth, which nurtures new life and brings forth significant values).

As this passage suggests, respecting and valuing the global environment is the basis of Shiseido's existence.

To praise the virtues of the Earth, discover new values, and serve society are the missions of Shiseido, which receives blessings from the Earth. 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.

Environmental management

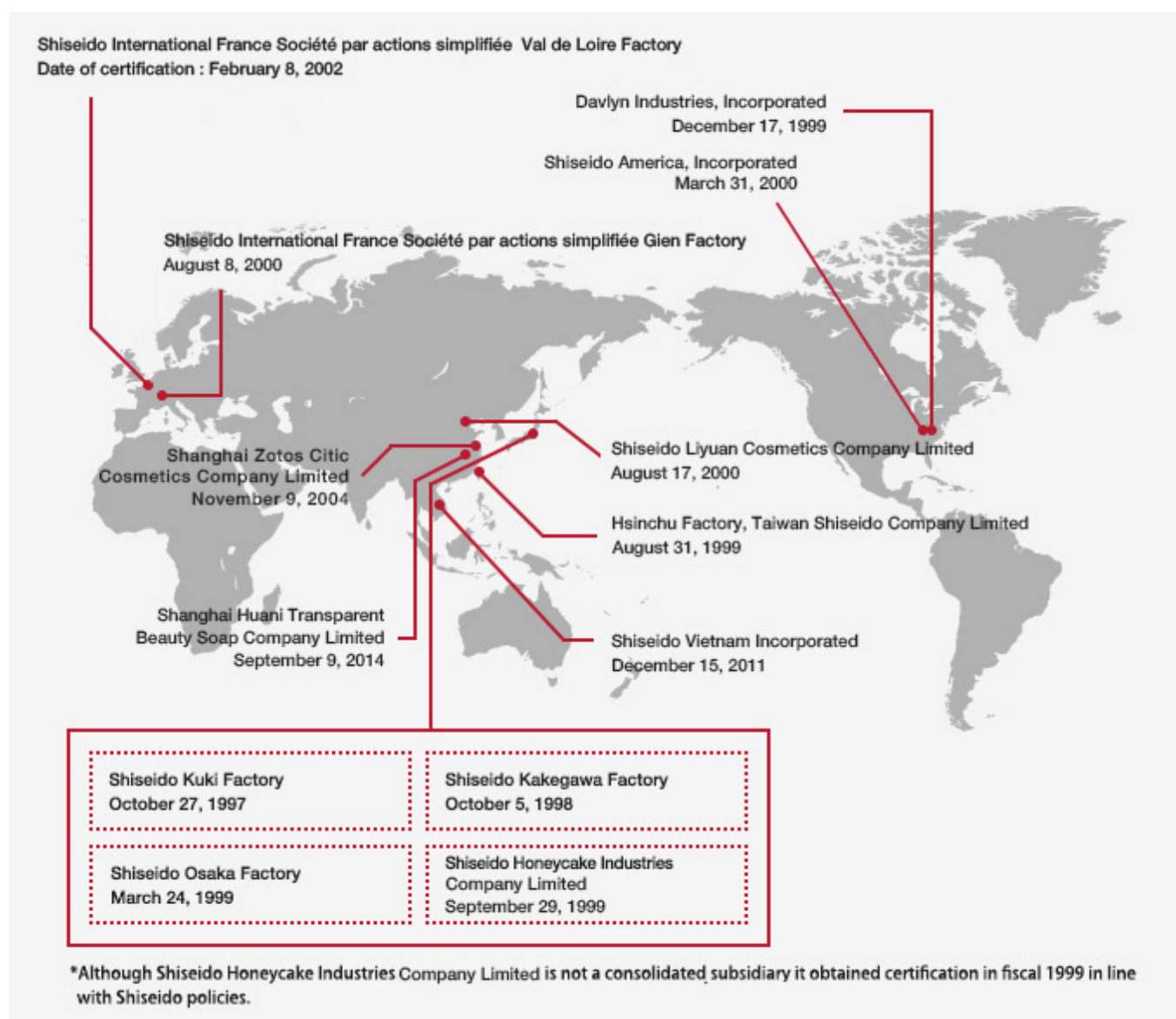
Structures

Shiseido considers and consults on a variety of environmental issues at the "Executive Committee," which makes decisions for the execution of operation.

Environmental management according to ISO14001 certification

ISO14001 is an international standard governing environmental management that was established in 1996. 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").

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 2016. 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 2016 (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
127	Chloroform	0.0	0.0	0.0	0.0	1.2
207	2,6-di-tert-butyl-4-cresol	0.0	0.0	0.0	0.0	0.0
275	Sodium dodecyl sulfate	0.0	0.0	0.0	0.0	4.2
334	Methyl 4-hydroxybenzoate	0.0	0.0	0.0	0.0	0.1
389	Hexadecyltrimethylammonium chloride	0.0	0.0	0.0	0.0	0.3
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	18.4

The above chemicals are PRTR Specified Class I Chemical Substances and are reported when a single facility annually handles one ton or more. (Specified Class I Designated Chemical Substances are reported when 0.5 tons or more are handled.)

Scope of Data: 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 : January, 2016-December, 2016

Eco Standards

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

In regards to the two Eco Standards that concern manufacturing, we have established the following evaluation items and are taking environmental measures for our products and promotional materials.

The Production Eco Standards

Key Point	Evaluation Criteria
Design(Outer Packaging)	(1) Select outer packaging and materials that have low environmental impacts.
	(2) Reduce weight and volume.
Design(Contents)	(1) Formulation that does not harm environment.
	(2) Formulation that does take packaging into consideration.
Purchasing	(1) Purchasing of raw materials and ingredients.
Production	(1) Reduce environmental impacts in the process of production.
Logistics	(1) Reduce environmental impacts during the course of distribution and transport.
Use	(1) Conserve energy and resources during consumer use.
	(2) Reduction of emissions that have less environmental impacts at the use stage.
	(3) Promotion of long-term use for packaging
Disposal	(1) Make recycling easier.
	(2) Make disposal easier.

Sales Promotion Tools Eco Standards

Key point	Evaluation Criteria
Planning and Design	(1) Design that is more easily utilized in-store 1. Design to easy resize 2. Design that can be applied and developed for multiple purposes
	(2) Select materials with minimal environmental burden 1. Select materials for sales promotion tools 2. Select certified materials 3. Select specific parts materials
	(3) Lightweight and simple design
	(4) Design based on standard size
	(5) Mold application
	(6) Suitable design for shipping
	(7) Design that is easy to dispose of separation, and has noticeable eco-labels
Proof and Print	(1) Less waste printing process
	(2) Environmentally friendly Ink
Packaging and Shipping	(1) Simplification of packaging
	(2) Eliminate double packaging

Environmental targets and results

Shiseido commits to pursue "environmental friendliness throughout the product life cycle" and "global initiatives to reduce CO₂" as two pillars in its environmental program up until 2020.

Environmental targets and results

Environmental policies and targets until year 2020**Minimizing the environmental load throughout the product life cycle**

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

We began using sugarcane-derived polyethylene for containers in order to save a finite petroleum resource and reduce 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.

* Non-wood paper made from bagasse, the residue left after extracting 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.

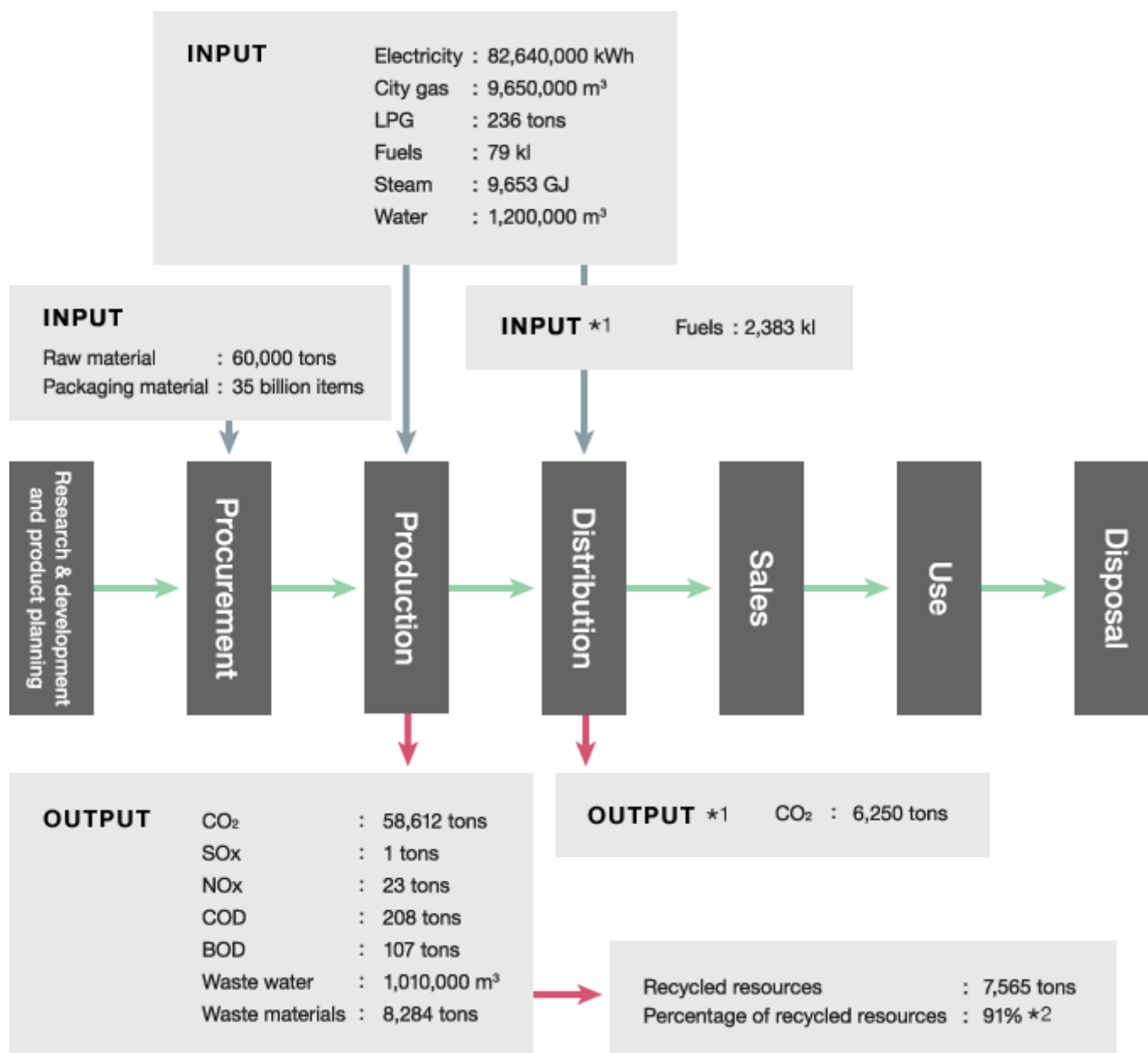
*2: Excludes facilities from which data has not yet been acquired.

Usually, greenhouse gases (GHG) includes seven gases (CO₂, CH₄, N₂O, HFC, PFC, SF₆, and NF₃); however, on this website, these are expressed cumulatively as CO₂ unless otherwise noted.

Environmental targets and results

FY2016 environmental impact results

The following are the environmental impact results for Shiseido's fiscal 2016 business activities.



Target Period: January-December, 2016 (Domestic , Overseas)

Target range

*1: Shiseido Company, Limited. Shiseido Japan Company, Limited.

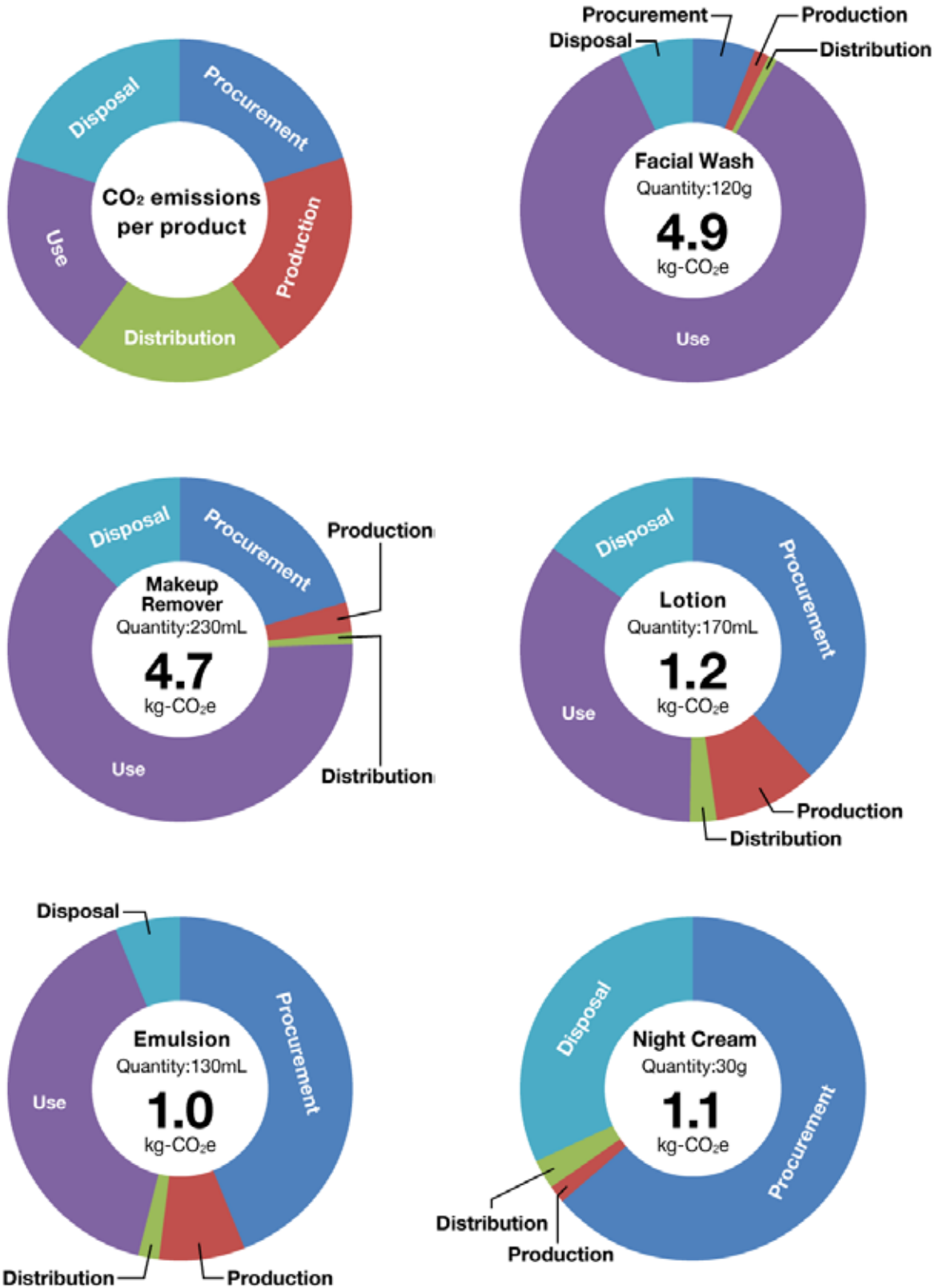
*2: The following production facilities have achieved zero-emissions with a 100% waste recycling rate.

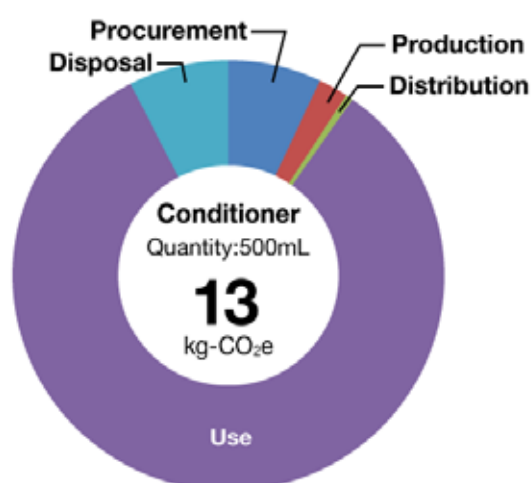
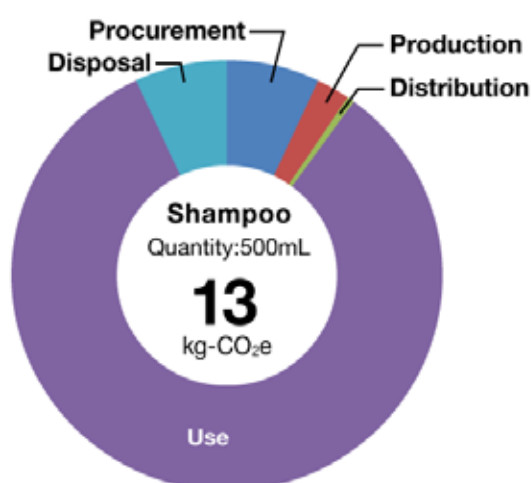
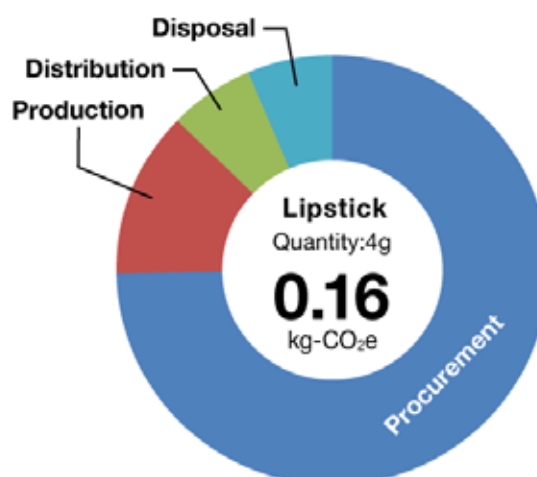
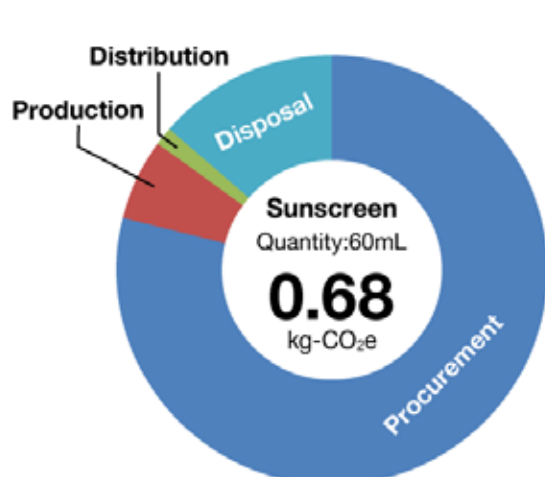
Domestic: Osaka Factory, Kakegawa Factory, Kuki Factory

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

Effect of CO₂ reduction throughout the value chain in FY2016

In order to effectively reduce CO₂, Shiseido measured the environmental impact throughout the value chain and reduced CO₂ emissions throughout the value chain based on the "GHG Protocol Scope 3 Standard."





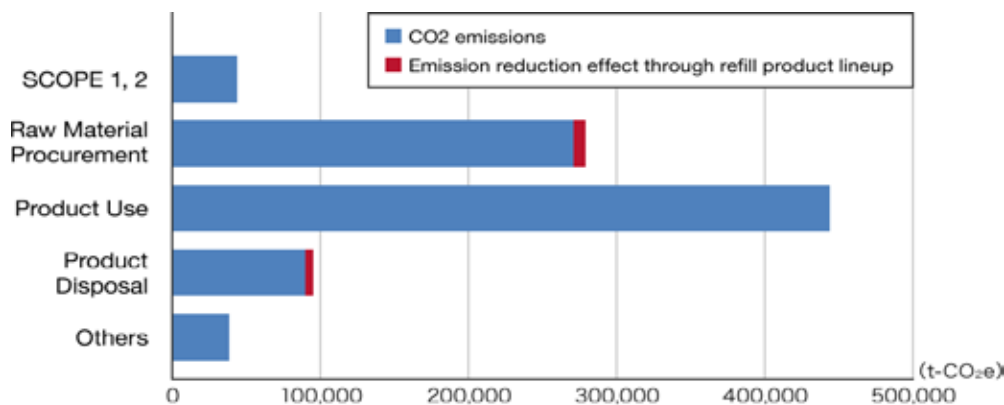
Evaluation of each life cycle stage by product types, and CO₂ emissions per product

Product category	Conditions
Facial Wash	Rinse off with 4.11L of warm water (40 °C)
Makeup Remover	Rinse off with 4.5 L of warm water (40 °C)
Lotion and Emulsion	Apply to the face with a cotton pad
Shampoo and Conditioner	Rinse off with 15 L of warm water (40°C)

* Evaluation done under below condition

CO₂ emissions throughout the value chain and the effect of reduction

In terms of the emission reduction effect through refill product lineup and other initiatives in FY2016, we were able to reduce a total of approximately 13,700 tons of CO₂ emissions, including approximately 8,400 tons in raw material procurement and approximately 5,300 tons in the product disposal phase.



Target Period: January 1, 2016 - December 31, 2016

Target Facilities: Domestic facilities only

SCOPE 1: Direct emissions from facilities

SCOPE 2: Indirect emissions due to production (power generation, etc.) of purchased energy

SCOPE 3: Indirect emissions from the value chain other than Scope 2 Includes emissions resulting from use of products, raw materials procurement, disposal of products, upstream transportation and delivery.

Environmental targets and results

Environmental accounting

Basis for environmental accounting calculations

Target Period : January 1, 2016 - December 31, 2016 (domestic, 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			87	286
Breakdown	(1)- 1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	9	63
	(1)- 2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	78	53
	(1)- 3 Resources recycling costs	Waste Processing, recycling, wastewater re-use, reducing materials, etc.	0	170
(2)Upstream/downstream costs		Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement product recycling, etc.	0	164
(3)Administrative costs		Personnel expenses (excluding R&D) for environmental management	0	471

(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	61
(6) Environmental remediation costs	Environmental remediation costs, etc.	0	0
(7) Other costs		0	4
Total		87	1,000

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.	60
Cost savings	From energy conservation	79
	Waste-related	27
	From Resource conservation	18
	Other	0
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. We aim to grow our business with minimal environmental load in the value chain not simply by incorporating environmental considerations into product planning, but rather by adding compelling value to products so that customers' hearts will be moved.

Using mechanically recycled PET for product containers

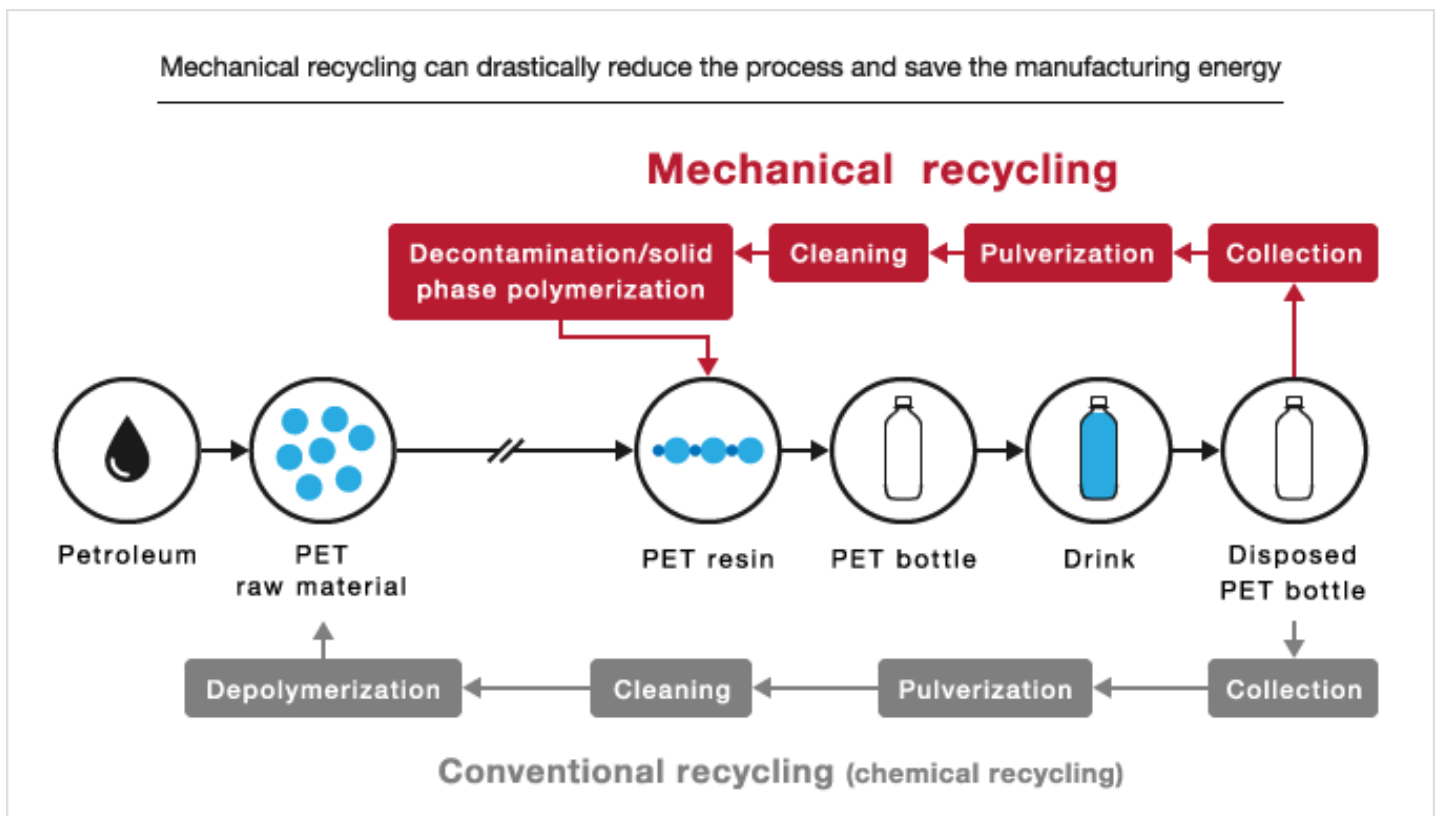
In September of 2015, Shiseido started using the PET resin, which was mechanically recycled from collected PET bottles, for containers of *SEA BREEZE*.

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.



SEA BREEZE that began using mechanically recycled PET

*Example of the mechanical recycling process



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.

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



Our internal plant factory

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

In order to satisfy consumers seeking total "authenticity," Shiseido Group's luxury brand, *clé de peau BEAUTÉ*, aims to be "luxurious" in all aspects, naturally in terms of product quality as well.

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

1. Formulated all skincare items with "sandalwood", 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>

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

We have begun adopting 3D pouch packs for the containers of the lotion and essence (1 use each) for “*clé de peau BEAUTÉ* concentré illuminateur”, which are used as a set with facial mask, when the product underwent the renewal release in March of 2014. Compared to the former product, which used small glass containers, the container weight is 1/10, and it has also led to the reduction of waste.

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



clé de peau BEAUTÉ concentré illuminateur



Pouch packs for the containers of the lotion and essence

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 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.



ELIXIR SUPERIEUR



ELIXIR WHITE

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 3D (released in February 2016) continuously adopts these environmentally-friendly containers and packaging.



Left: HAKU melanofocus 3D
Right: Refill

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.

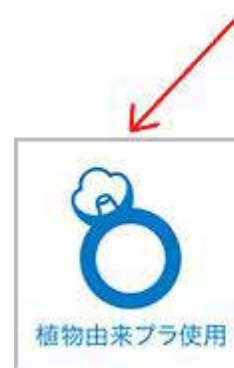
Incineration of sugarcane-derived polyethylene involves the release of carbon dioxide (CO₂), which sugarcane absorbs as they grow, so it can be said that there is no difference in the level of CO₂ in the atmosphere when this material is incinerated. Because of this and other reasons, it is said that 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.

Reduction of water usage by developing rinse-aid facial wash

Shiseido incorporates "environmental considerations into product planning in the entire life-cycle". However, products for washing the face and body such as facial wash and shampoo, etc., require the use of water to rinse off, therefore we realize that they also have the biggest environmental load when "using" them in the entire product life-cycle from raw material procurement to use and disposal. In order to reduce water usage at the time of using the products, we developed a new rinse-aid technology and adopted it for the foam facial wash "Senka Speedy Perfect Whip Airy Touch" which was launched in March 2016 as a renewal.

It enabled approximately 35% water usage reduction for rinsing compared to the existing cream-type (tube) facial wash, which means saving water equivalent to approximately 540 two-liter plastic bottles per year (data by Shiseido).



Senka Speedy Perfect Whip Airy Touch

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-party 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.

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

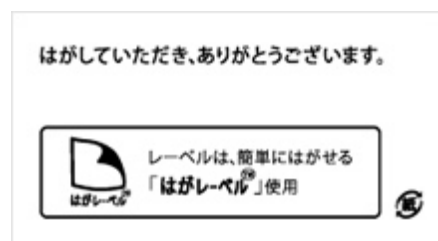
In 2012, Shiseido reduced the weight of the glass bottles for Pure White W and The Collagen products by about 10 percent because consumers had indicated that they throw out several empty bottles at a time and wanted them to be as light as possible.

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

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.

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

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

3. 100% recyclability

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

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



Kirei no Susume



Chou-mei-sou

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

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

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

Awafuru Eco Soap (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 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*.



Awafuru Eco Soap



Contains micro air bubbles



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

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.

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.

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



Wind power generators at the Geneva factory



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

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)

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.

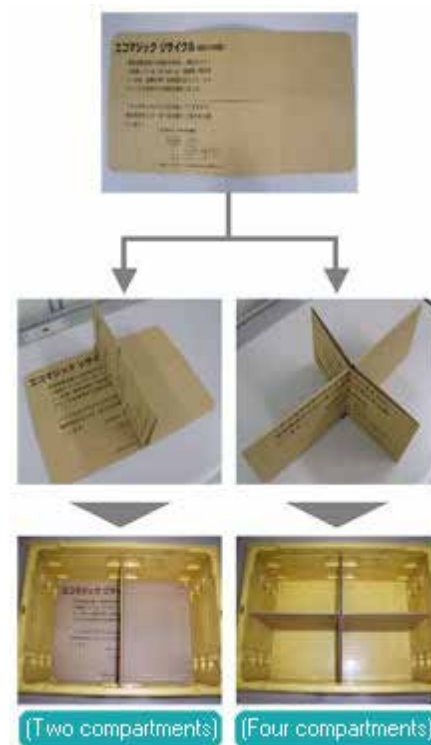
In the past, the factories' approach to shipping products involved the use of a variety of protective materials according to the shape and quantity of the product, and these materials were typically discarded after shipment due to the difficulty of reuse.

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

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 have been promoting a sales vehicle-sharing system since fiscal 2009.

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

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.

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.



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.



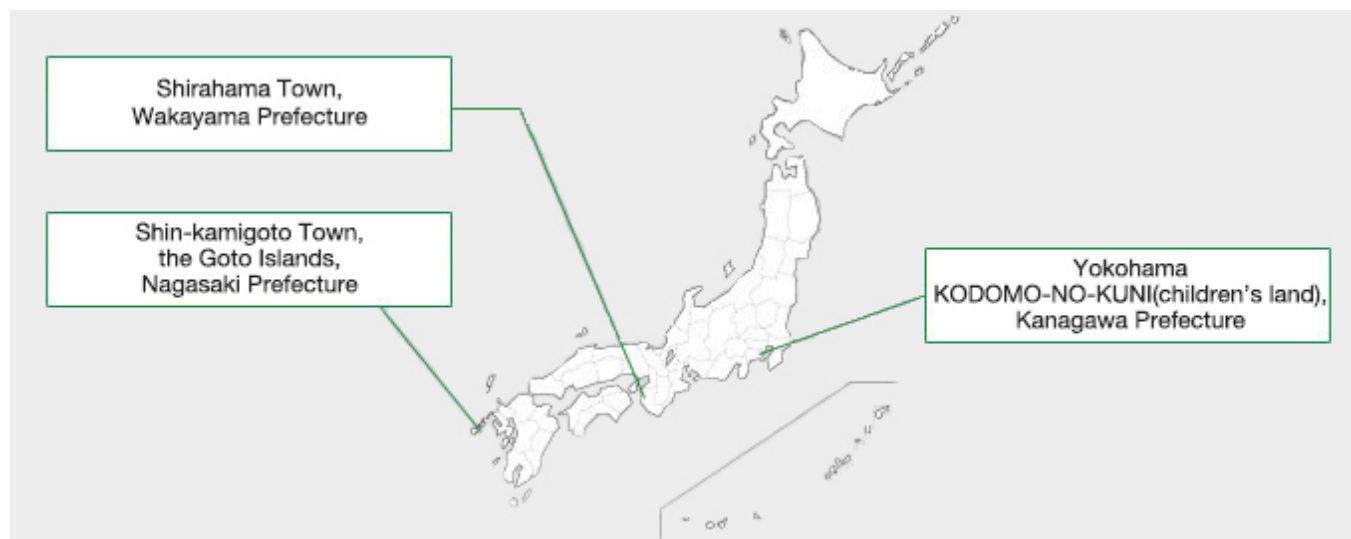
Initiatives to conserve biodiversity

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."

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



Camellia planting and conservation volunteer activities in the Goto Islands, Nagasaki Prefecture

The outline and objective of the activities

Shiseido promotes camellia planting and conservation activities at the abandoned farmlands of the Goto Islands in Nagasaki Prefecture, the production site of raw material for the hair care brand "TSUBAKI." Due to the aging of the population in this area, abandoned farmlands are becoming a social issue. As Shiseido aims at sustainable and socially responsible raw material procurement, we achieve this through protecting and growing camellias in collaboration with the local residents. In September 2017, 40 employee volunteers and their families, mostly from the Kyushu area, planted 80 young trees of *Camellia japonica* L. on a plot of land of 0.07 ha. Also, this year we picked camellia's fruit for the first time. A total of 310 employee volunteers have participated in this activity from its start in 2011 till 2017, having planted approximately 580 trees up to date.

Through cooperation with the local community we are able not only to produce high-quality camellia oil but also to deepen the employees' understanding of sustainability.

Period

April 2017 through March 2020 (third term)

Location

Shin-kamigoto town, Minamimatsura-gun, Nagasaki prefecture

Organizers

Shiseido Company, Limited; Shin-kamigoto town

After the adoption of sustainable development goals (SDGs) by the United Nations General Assembly in 2015, various companies, organizations, and other entities are centering their activities on sustainable development. Shiseido aims to realize one of the SDGs, "Sustainably manage forests," and supports sustainable procurement of camellia oil through the protection of forests, in the hope to achieve a balance of sustainable agriculture and business growth.

SDGs targeted by the present activity

Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests

Results as of FY2017

Area of abandoned farmland cultivated into a camellia forest: 0.07 ha



Group photo



Planting the trees

"Shiseido Tsubaki Forest", a tree-planting and conservation project

Shiseido is engaged in a 10-year-long forest conservation project in Tsubaki, Shirahama-cho, Nishimuro County, Wakayama Prefecture. The project is called "Shiseido Tsubaki Forest" and started in 2009. Approximately 4,420 Japanese camellia (*Camellia japonica* L.) trees have been planted by 2017.

In May 2017, 14 employee volunteers participated in the 8th forest conservation project. On the day of the activity, we planted young trees of camellia with the help from the local forest union, Shirahama town office and Wakayama prefectural government office.

The employees who participated shared their experience and said, "I am glad I was able to help with forest regeneration." and "It took a few years to improve the hard mountain soil, but I am excited to see the trees growing bigger."



Planting the trees



Planting the trees



Group photo

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

Shiseido held the 10th tree-planting activity in Gansu, China

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

On Thursday, April 13, 2017, the last year of this project, a total of 118 persons including volunteer employees and staff from the Shiseido Group and business partners participated in the 10th tree-planting activity and planted young trees of oriental arborvitae.

There were some employees who have participated in this project 3 times or more, and even those participating for 10 consecutive years. They shared their opinions, such as "When I came to Lanzhou City for the first time in 2009, there were no trees but brown, bare mountain surface and I was shocked by the scenery. I'm so glad to see our trees growing and the mountain becoming green now" and "I'm very proud that we are planting not only young trees but also the hope and expectation for the future."

The total number of young trees planted by the Shiseido Group since 2008 has now exceeded 100,000, and their establishment rate has reached about 88%.

This is the last year of this tree-planting project in Gansu, but the Shiseido Group will contribute to Chinese society's development also in the future, by actively participating in activities for environmental conservation and the realization of a sustainable society in China.

Location	Lanzhou City, Gansu Province, China
Planting area	Approx. 56 ha
Number of trees	Approx. 120,000 (April 2008 to April 2017)
Program duration	Approx. 10 years



Tree-planting activity



Planting each tree with care



Smiles watching the planted young trees

Volunteers Plant Mangrove Trees in Thailand

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

On 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

Initiatives for the issue of palm oil

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

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



The wild orangutan that inhabit the rainforest



The employee listening to the description of the oil palm

Environmental responsiveness of Shiseido Ginza Building

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

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

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

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



Shisei Garden

Research on KODA

Shiseido has discovered through conducting joint research*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

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 " <i>Awafuru Eco Soap</i> ", which is an amenity for hotels with considerations for the environment.
August 2015	Cosmetics Packaging Award of the Japan Packaging Contest 2015	Japan Packaging Institute	Reduction of plastic use by adopting refill containers for two <i>clé de peau BEAUTÉ SYNACTIF</i> serums for daytime use
August 2016	Accessible Design Packaging Award of the Japan Packaging Contest 2016	Japan Packaging Institute	Development of new refill replacement mechanism for <i>clé de peau BEAUTÉ la 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

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

Other activities

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 2016, we participated in Earthwatch Institute Japan's "East Japan Post Tsunami Monitoring Project", a research on tidelands, to assess the impact of the Great East Japan Earthquake and tsunami on ecosystems. 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 Tideland Research

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

Fair Business Practices

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

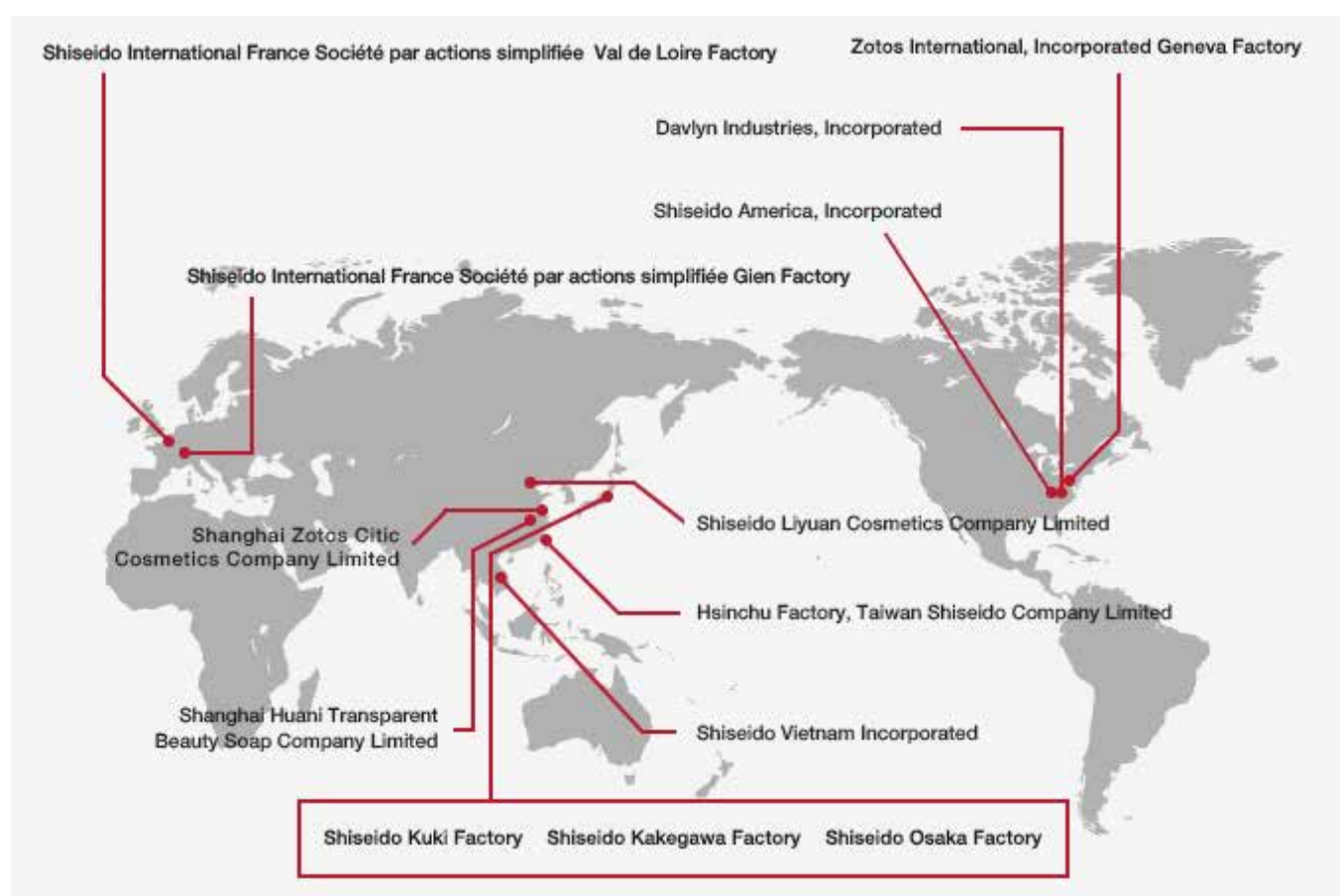
Fair Competition and Comprehensive Transactions

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

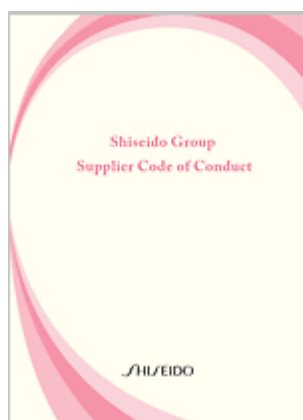
Shiseido awards business partners who have contributed to the development of the business and presents them with the First Prize and Prize. This awarding system selects the awardees from the 3 aspects of quality, cost reduction, and technical development. 6 companies received the awards in fiscal 2015.

Shiseido Group Supplier Code of Conduct

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

Triggered by the participation in the United Nations Global Compact, we established the "Shiseido Group Supplier Code of Conduct" in 2006 that stipulates standards relevant to "Human Rights," "Legal Compliance," "Labor Practices," "Protection of Intellectual Property and Maintenance Confidentiality," "Protection of the Environment," and "Fair Operating Practices." We revised this Code in December 2011 by incorporating the New Shiseido Group Corporate Philosophy "Our Mission, Values and Way" and the ISO26000 international standard on social responsibilities. Domestic and overseas business partners that fall within the scope of the Shiseido Group Supplier Code of Conduct are required to sign the Code annually. Business partners are closely monitored through questionnaires and regular audits. In the unlikely event that a violation of the Shiseido Group Supplier Code of Conduct is identified, Shiseido will strictly request remedial action and provide corrective guidance and support.

In addition, we have established a "Business Partner Hotline" in Japan to receive feedback from business partners. (No report was made in fiscal 2016.)



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

The Shiseido Group acknowledges the intellectual property activity as the important activity for increasing the brand value and creating innovation. By eyeing their potentials, acquiring new intellectual properties, properly protecting and utilizing them in the entire Group, we will enhance the Shiseido Group's competitiveness in marketing and technology. We also respect others' intellectual property and make sure that all the members in the company acknowledge its importance.

Further, we will ask our business partners to thoroughly follow the same by stating the measures concerning the protection of intellectual property and confidentiality in "The Shiseido Group Supplier Code of Conduct".

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

| Policy Related to Information Security

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

| Policy Related to the Protection of Individuals' Information

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

Global Tax Policy

SHISEIDO Group complies with the laws and regulations in all countries in which we run business. “Our Mission, Values and Way”, our corporate philosophy, sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy here to ensure the tax transparency. We aim to maximize the shareholder value by mitigating the tax risk globally.

Tax Principles

Compliance

We comply with the international guideline established by the OECD and the laws and regulations in all countries in which we run business.

Governance

The discipline for the compliance and accurate tax accounting is set forth in “Our Mission, Values and Way”, our corporate philosophy, and shared with all employees to ensure the tax transparency. We will resolve the tax issues by managing the tax risk locally by each RHQ, and sharing the tax information globally in a timely manner.

Responsibilities and Organization for the Tax Compliance

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, tax team of HQs manages the tax compliance of the group, and CFOs at each RHQ manage the tax compliance in their region. Each RHQ assigns the employees with tax expertise as necessary. We provide trainings to employees to raise awareness on the tax compliance.

Maximization of the Shareholder Value

In order to improve the shareholder value, we strengthen the governance and save tax by utilizing tax incentives where applicable in the ordinary course of business.

Transfer Pricing

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy.

Tax Havens

We do not utilize the tax havens to solely avoid tax.

| Relationship with the Tax Authorities

We cooperate with the tax authorities and build a good relationship with them.

Shiseido UK Tax Policy

SHISEIDO Group complies with the laws and regulations in all countries in which we run businesses. “Our Mission, Values and Way”, our corporate philosophy, sets forth the code of conduct for all employees to ensure our compliance to the law. In addition, we set the global tax policy to ensure tax transparency.

The following document lays out the company’s strategy and approach for the United Kingdom. We publish this statement to meet our obligation under Paragraphs 19(2) and 22(2) of Schedule 19 of FA2016.

Governance and Responsibilities

The discipline for the compliance and accurate tax accounting is set forth in “Our Mission, Values and Way”, our corporate philosophy, and shared with all employees to ensure tax transparency.

The Chief Financial Officer (CFO) is ultimately responsible for Shiseido’s overall tax risks. We will resolve the tax issues by managing the tax risk locally by each Regional Head Quarters (RHQ) and sharing the tax information globally in a timely manner.

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, the tax team of Global Head Quarters (HQ) manages the tax compliance of the group, and CFOs at each RHQ manage the tax compliance in their region. Each RHQ assigns the employees with tax expertise as necessary. We provide trainings to employees to raise awareness on the tax compliance.

The Senior Accounting Officer (SAO) is responsible for the day-to-day management of the UK tax risks. In the UK, this role is performed by the UK&I Group CFO.

Tax Planning

Shiseido’s tax arrangements are based on its commercial business and economic activities. Shiseido monitors and reviews its operations in the UK and elsewhere to realign its tax arrangements when necessary to be compliant with the tax rules and regulations.

Globally, we comply with the international guideline established by the Organisation for Economic Co-operation (OECD) and the laws and regulations in all countries in which we run businesses.

Our transfer pricing policy is in accordance with the OECD Transfer Pricing Guidelines and the laws and regulations of each country in which we run business. The pricing for the intercompany transaction is determined based on the policy. We adhere to the UK Double Tax Treaties and the relevant guidance issued by the OECD for international tax matters.

Tax Risk

We aim to maximize the shareholder value by mitigating the tax risk globally.

We will resolve the tax issues by managing the tax risk locally by each RHQ and sharing the tax information globally in a timely manner.

Where there is complexity or uncertainty we may seek support from external advisors.

Relationship with Her Majesty's Revenue & Customs (HMRC)

We seek to build and sustain relationships with government and HMRC that are constructive and based on mutual respect. We work collaboratively wherever possible to resolve disputes and to achieve early agreement and certainty.

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



Sensory testing of cosmetics



Safety, Backed Up by Data

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

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

Total Reassurance and Safety Management of Chemical Substances

A Basic Approach Based on Health and Environmental Considerations

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

Shiseido collects information about chemical substance safety and trends in the regulation of chemical substances in Europe, the Americas, Asia, 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 consumers 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 observes all items (e.g. organizations and systems, buildings and facilities, manufacturing management, inspections, etc.) that are stipulated under the ISO22716, which was established as an international standard related to cosmetics manufacturing, and is delivering safe, reliable, high quality products that have been produced under comprehensive quality control. In order to ensure consumer 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.

In order to protect safety and high quality in terms of healthcare products beginning with food, Shiseido is intensively carrying out quality control in the respective stages of raw material selection, product commercialization, production and distribution. In doing so, we are manufacturing products that consumers 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 as well as self-imposed regulations.

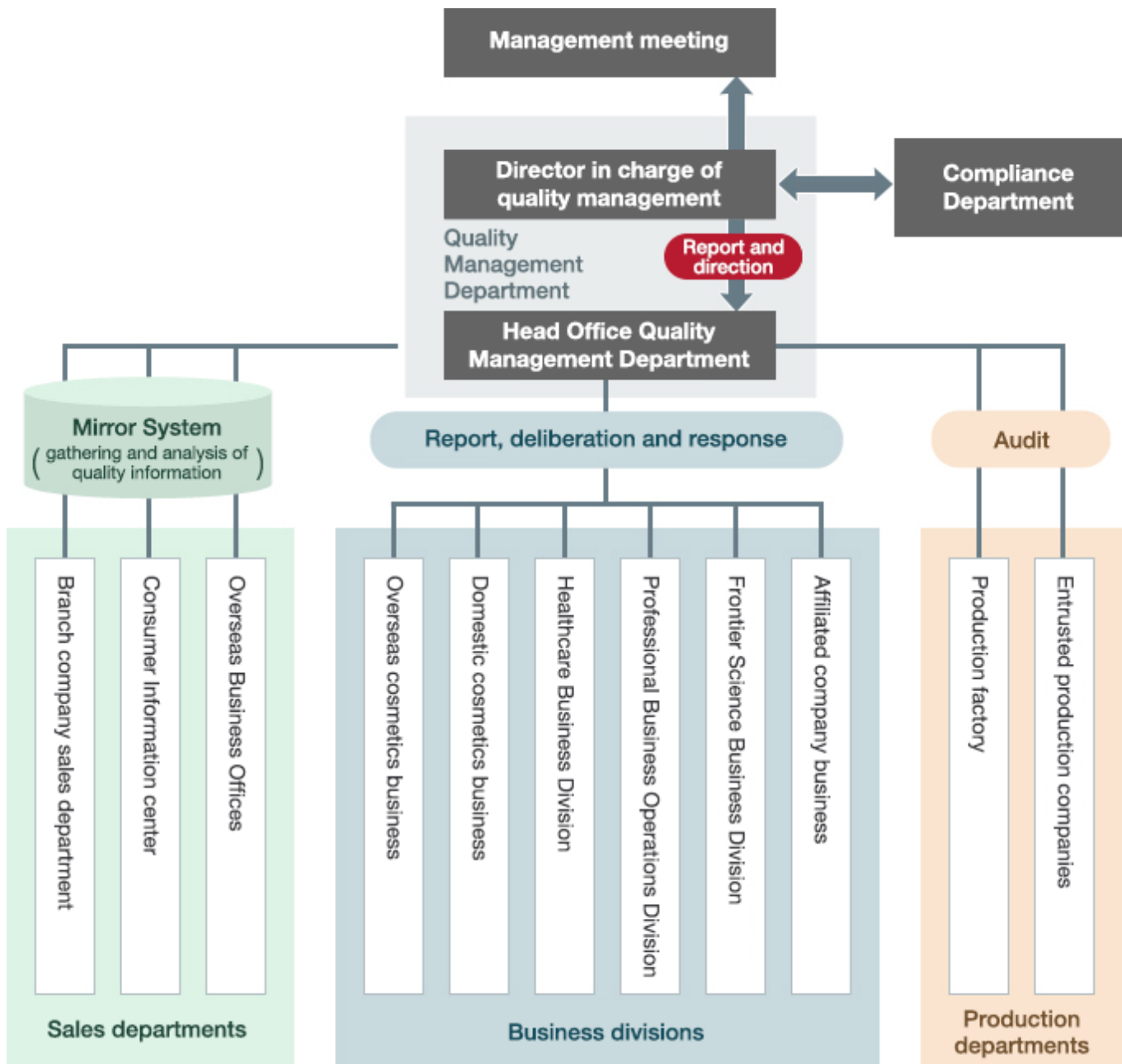
***1 HACCP :** HACCP is a method of food sanitation control developed to ensure the safety of space food in the United States.

Response to Product Accidents

In order to promote research, development, manufacture and sales of safe products that will achieve consumer satisfaction, Shiseido clarifies where the authority and responsibility lie in terms of quality assurance, including product planning, manufacturing, sales and imports, and product 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, the department that has received the information is expected to immediately report the case to the Quality Management Department, related business divisions and Compliance Department. The Compliance Department will decide on the accident response methods in accordance with its level of severity. The Quality Management Department will investigate the cause and the business divisions will promote various initiatives, including responses to the market.

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

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.

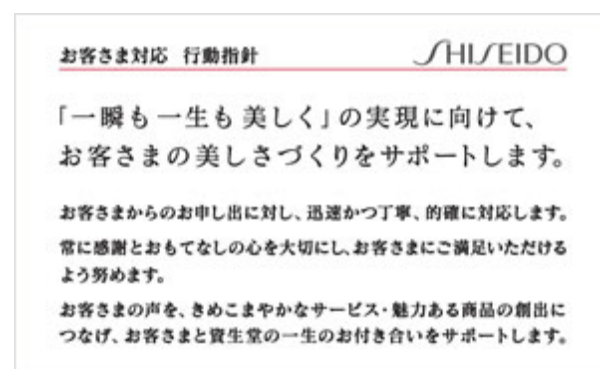
Activities to Enhance Consumer Satisfaction

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 consumers, and utilize it for product development and service enhancement. By quickly detecting changes in consumers or society and reflecting these changes in corporate activities, Shiseido is gathering and analyzing consumer feedback information and working to share information throughout the company. In doing so, we are requesting that relevant departments respond to develop and revamp products, beauty information and service leading to the enhancement of the corporate value through the “consumer-focused perspective”. The Shiseido Consumer Information Center is responsible for taking the central role regarding such initiatives.

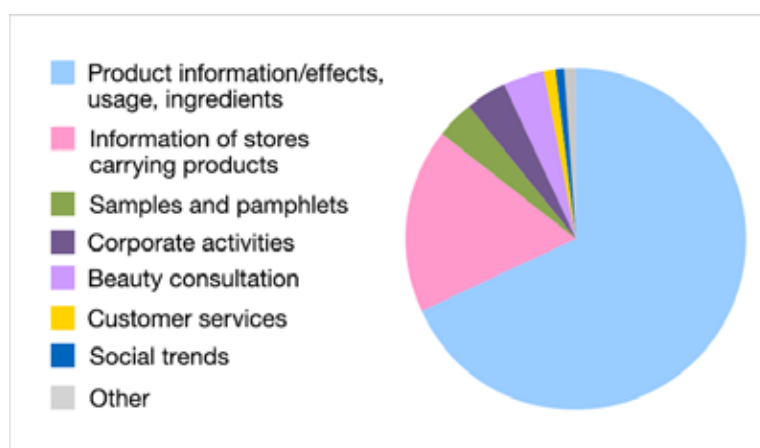
Consumer services–action policy

The Shiseido Consumer Information Center, which was established in 1968, offers sincere response to inquiries and consultations from consumers and transmits information that can be further utilized by consumers. 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 consumers.



Gathering and sharing consumer feedback

In Japan, Shiseido gathers consumer feedback in various ways. Approximately 120,000 opinions and inquiries (about our products [71%], about shops carrying our products [18%]) are directed annually to the Consumer Information Center via toll-free numbers, e-mail and letters, and about 90,000 consumers provided feedback to Beauty Consultants that they came into contact with at the storefronts, that is not counting consumers' 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.



Furthermore, we also promote collaborative learning activities to gain a deep understanding of consumers' feelings related to daily use of cosmetics and their backgrounds, and to further improve our products and services. Employees in various departments and positions, be it factory workers or storefront personnel, consider things from consumers' perspective by listening to their voices and use it as an opportunity to review operations. Moreover, we make sure to include consumer feedback time into the training for new employees so they can learn the fundamental stance of promoting work by standing in consumers' shoes.



"Consumer feedback" seminar at factories in Japan and overseas



In new employees' training, they use actual products to actually experience "consumers' feelings"

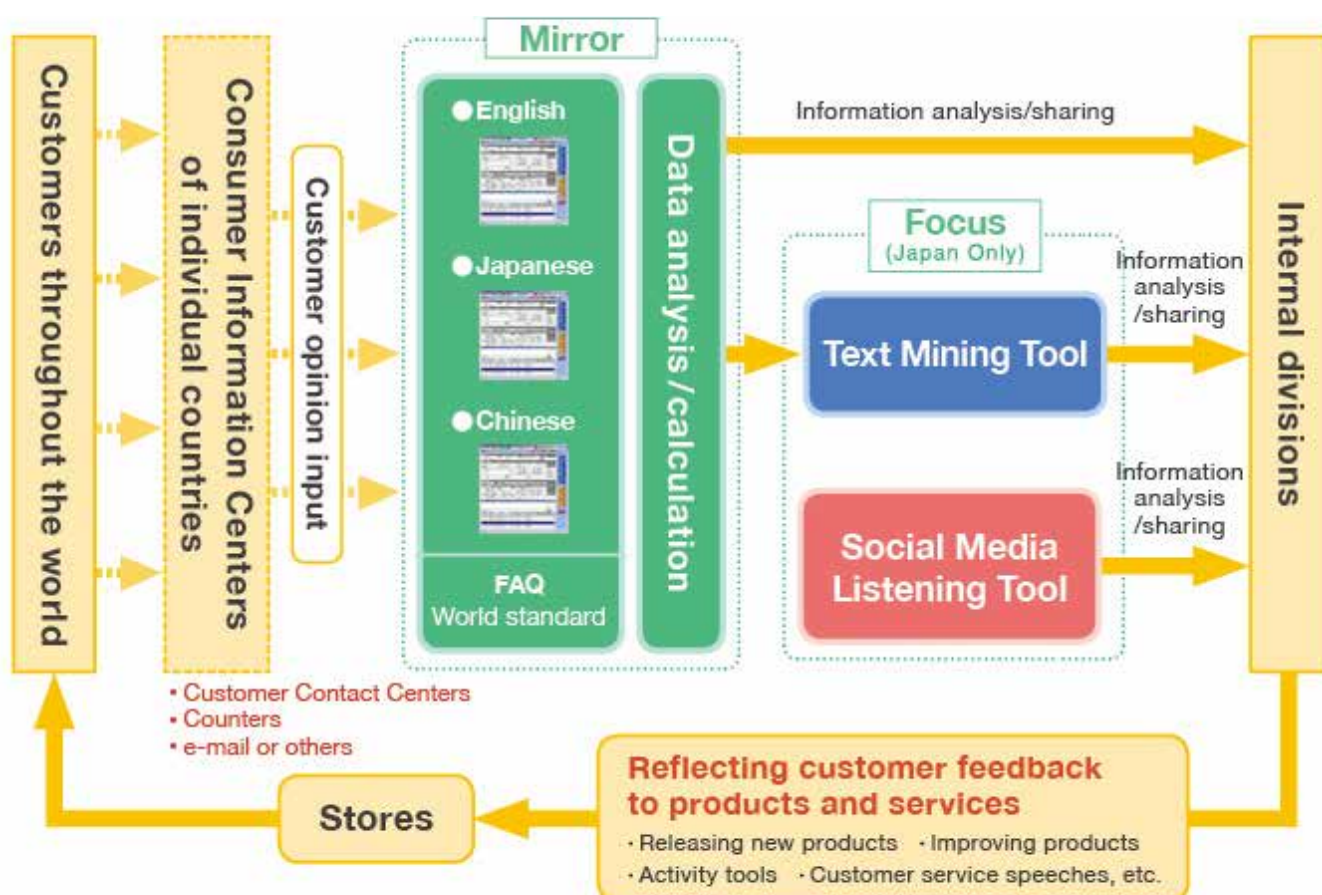
System to gather and utilize consumer services and consumer feedback information

Shiseido has enhanced its consumer feedback system, which had been in use since 1996, into one that can share and utilize consumer feedback information from all over the world, along with the globalization of the business. This system, named "Mirror*," was introduced within and outside of Japan in 2011. We are taking on the challenge of creating values for the Shiseido Group by enhancing our response to consultations and requests that come to consumer service centers throughout the world and gathering/analyzing consumer feedback information from all over the world in an efficient manner through the introduction of "Mirror." "Mirror" is in operation in 20 countries and regions, including Japan, as of January 2017.

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

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

System to gather/utilize consumer feedback information



TOPICS: Shiseido Awarded Five Stars by HDI, a Cosmetics Industry First

Shiseido Japan's Consumer Information Center has been awarded five stars, the top rating, in the HDI Five Star Quality Service certification administered by HDI-Japan*. This marks the first time a cosmetics industry company has been awarded five stars.

The HDI Five Star Quality Service certification comprehensively evaluates support center operations, employee management, etc., for companies which have been awarded three stars in the HDI Benchmarking assessment for their consumer-focused, high quality service.

Shiseido Japan has been awarded three stars for four years in a row, since 2013, by HDI-Japan's Quality Ranking Monitoring. In this year's support center certification, it scored high marks for leadership and employee management, among other areas, leading to the awarding of five stars.

Moreover, in March 2013, Shiseido Japan established a help desk for older women, "Shiseido Beauty Consultation Room" (within the Consumer Information Center) as part of the evolution of "providing service from the consumer'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 "consumer-focused perspective" of our business activities, the Shiseido Consumer Information Center will continue to give full and sincere attention to our consumers and further improve our services to earn consumers' trust and loyalty for Shiseido products.

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



Shiseido Awarded Five Stars by HDI,
a Cosmetics Industry First (Japanese Only)



Corporate Officer Soejima, Director of the Consumer Information Center Uno and a consumer service representative receive the Award Certificate from HDI

Product Manufacturing that Reflects Consumer Feedback

AUSLESE

Container renewal: light, easy to use, and eco-friendly

Bottle containers for AUSLESE, a male-oriented brand launched in 1980, were renewed in February 2017.

We hope many more consumers will continue using the brand in the future.

Bottle material has been changed from glass to plastic, making the product lighter, easier to use, and easier to dispose of after use.

As a token of gratitude to our long-time users, we have increased the bottle contents by 10% without affecting the price.



MAQuillAGE Perfect Multi Base BB

"Natural": From limited edition to regular color

The "Natural" color of the product launched as a limited edition in August 2014 was well received, and many consumers gave feedback that it blended well with their skin tone.

Responding to the consumers' requests, we made it a regular color in the product lineup since August 2016.



Kirei No Susume TsuyaTsuyaPurun Jelly Completing the lineup with Apple&Cherry flavor

Apple&Cherry flavor of the product launched as a limited edition in June 2016 was highly appraised by many consumers who found it delicious.

Responding to the consumers' requests, we made it a regular flavor in the product lineup since March 2017.



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 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 foreign languages such as 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 for the Visually Challenged

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

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



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

I 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 1,145 activities by FY2016.

Employees who participated in the activity said that they felt fulfilled as they contributed to the community by cleaning the town together with its residents and found it wonderful to meet likeminded people. They also noticed that by concentrating on the same activity for a short time the members naturally became cohesive, testifying that the activities helped to enhance bonds with the community as well as between employees.

[Click here for the initiatives](#)

Shiseido will continue to promote Mirai Tsubaki Activities in the future to sustain ties with customers and society for a long time.

■ Japan

Healing with hand care and touch therapy -Cancer patients support-

The CSR Department is promoting “hand care” and “touch therapy,” providing relief to people by gently massaging their hands or backs. On September 3-4, 2016, we had the opportunity to perform these activities at a charity walk event Relay for Life, which supports the fight against cancer.

Participating members practiced before the event, and during the two days 14 employees from the CSR Department committed wholeheartedly to provide gentle soothing massage for 90 cancer fighters, survivors and their family members, exhausted by 24-hour walk through the night.

Many participants expressed their gratitude saying, “It felt very nice. I will do the same for my family” and “I remembered that my mother did the same for me when I was a child.” Both days were hot with strong sunshine, but after the massage they looked relaxed, mentally and physically, some falling asleep and others with tears in their eyes. It was a very emotional and fulfilling time for us as well. We would like to create more opportunities to make people smile by the “healing touch”!



Participating in Komatsu Wakuwaku Lesson again this year!

13 employees of the Osaka Factory participated in the Komatsu Wakuwaku Lesson held at the nearby Komatsu Elementary School as lecturers of the "Cosmetics making lesson" and "Music lesson". These lessons aim to nurture consideration and richness of mind of elementary school children through various experiences, and to enhance their awareness as members of the community and participation in society through communicating with people in the community.

Through the activities, we saw children making cosmetics with earnest faces and felt that it was a precious opportunity to spark interest in our future consumers.



A green bandana is their trademark! Volunteers working on flowerbeds in Ginza

The Quality Management Department has been participating in "Green Adaptation Campaign" of Chuo Ward since 2012, taking care of three flowerbeds in Ginza. 32 members water them every day, and transplant the flowers and grass every season, four times a year. In May, we planted summer flowers, impatiens and begonia, in the three flowerbeds. In summer, watering needs to be done every day, so we send a pair of members to the flowerbeds to water and clean them.

Five years into this volunteer activity, we have become better at caring for the plants so they firmly take root.



Table manners lecture as present for high school graduation!

Shiseido Parlour continuously holds the table manners lecture in order to help many people learn about the magnificence of food culture. In 2016, we conducted the lecture on table manners for French cuisine and a dietary education lesson for high school students of Katsushika School for the Deaf. 4 members from Shiseido Parlour Ginza and the PR Department participated on the day, and conducted a three and a half hour lesson including eating a full course meal, dietary educational quiz and table manners lecture to 20 students in their senior year who will soon graduate, aiming to teach them the correct manners in a fun way.



Students who participated commented with words such as, "I was glad that I somehow managed to eat properly," "I want to make use of what I learnt today when I go to a restaurant in order to avoid any embarrassing situations out in the world," showing that they had a fulfilling time.

Asia and Oceania

Fulfillment enhanced by individual advice! Beauty seminar for the elderly

Taiwan Shiseido Co., Ltd. promotes the "Shiseido Life Quality Beauty Seminar" as a pillar of social contribution activities and holds over 40 seminars annually.

On April 8, 2016, we visited a care center for the elderly and held a skincare and makeup seminar for 21 women, who truly enjoyed makeup application.

The seminar was held in a friendly atmosphere full of laughter, with 10 employees engaged in the activity. They wrote down advice for each of the participants in the handouts, to be used after the seminar.

Taiwan Shiseido cooperated with a video communication service company, so the participants enjoyed real-time video communication with their families and voiced their opinions about the seminar.



America and Europe

Supporting the activities of the Leukemia & Lymphoma Society

The Leukemia & Lymphoma Society (LLS) is a non-profit organization dedicated to funding blood cancer research and patient services since 1949. Its aim is to find cures and ensure access to treatments for leukemia, lymphoma, and multiple myeloma, and improve the quality of life of patients and their families.

Employees of Zotos International, Inc. act as volunteers for LLC activities, organizing and operating various fundraising events. In October, they dressed up in Halloween costumes for a fundraiser, making it fun to donate.



"Social Contribution Club" Activities

"Social Contribution Club," which was established in 2005, is a system in which domestic employees can casually participate in social contribution activities. With approaches such as "volunteer work" and "donation," we offer a number of activity programs. We have established various support systems for volunteer activities in order to establish the climate in which "each and every employee possesses a perspective for social issue solution and 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 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.



Presentation ceremony of the donations collected via the Camellia Fund in fiscal 2015 Presented by steering committee member to 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</p> <p>All Japan WOMEN'S SHELTER NETWORK (Japanese only)</p>		<p>Natural restoration of "Akaya Forest"</p> <p>The NATURE CONSERVATION SOCIETY OF JAPAN</p>
	<p>Protecting pregnant women in Zambia</p> <p>Japanese Organization International Cooperation in Family Planning (JOICFP)</p>		<p>Forest conservation on the valuable Sumatra Island</p> <p>World Wide Fund Nature (WWF Japan)</p>
	<p>Improvement of the health and nutrition of mothers and children in Myanmar</p> <p>Save the Children Japan</p>		<p>Supporting the lives of children suffering from the refractory disease XP</p> <p>Japanese National Network of Xeroderma Pigmentosum (XP) (Japanese only)</p>
	<p>Supporting children in child protection facilities who want to work with welfare</p> <p>SHISEIDO SOCIAL WELFARE FOUNDATION (Japanese only)</p>		<p>Support for the reconstruction after the Great East Japan Earthquake and independence of affected people</p> <p>JAPAN PLATFORM (JPF)</p>
	<p>Schools for children in Cambodia</p> <p>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: 13th year to support XP patients with Shiseido sunscreen products

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

XP is a progressive disease which causes serious sensitivity toward sunlight and neurological problems due to the fact that it inhibits the function to repair genetic damage. Since this disease has a high probability of quickly developing into skin cancer after skin exposure to UV rays, XP patients must not only apply sunscreen to skin but also wear UV-protective clothes.

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

Patients' families have shared their voices, saying "UV reduction cream is a very important and necessary item that protects the sensitive skin of children with XP from UV rays and skin cancer throughout the year.

We would like to express our sincere appreciation for letting the children use your products with peace of mind. We will spend our days with our children, thanking you for your warm support."

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



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



Came second in the Menu Category of the general election.

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

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

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

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

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

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

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



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



Handing out preserved food and recipe souvenirs

Volunteer Activity by Collecting Various Items

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

Volunteer employees present donations for the victims of the Kumamoto Earthquake

The Kumamoto Earthquake that occurred in April 2016 caused serious damage to wide areas of the Kyushu region, mainly Kumamoto and Oita Prefectures, which were hit by strong earthquakes. The Shiseido "Social Contribution Club" presented donations collected from volunteer employees of the company group (a total of 2,499,500 yen from 3,444 supporters) to the authorized NPO Japan Platform (JPF) for disaster relief.

The donated money was used for assistance, especially for those who are vulnerable to disasters such as elderly people, women, children, and handicapped people, and for gender-oriented support activities, which are in line with the "JPF Emergency Response to Earthquake in Kyushu" program.



Donation at Japan Platform



Letter of appreciation from Japan Platform

Volunteer employees present donations for the victims of Hurricane Matthew

The Shiseido "Social Contribution Club" presented donations collected from volunteer employees of the company group (418,500 yen from 837 supporters) to the authorized NPO Japan Platform (JPF) for the disaster relief of Hurricane Matthew in the Republic of Haiti, which suffered devastating damages in October 2016.

The donation money was used for humanitarian relief activities such as the distribution by JPF member NGOs of emergency relief goods (food, chlorine water purification tablets, hygiene goods such as oral rehydration solutions to prevent dehydration, and daily commodities), which are in line with the "JPF Emergency Response to Hurricane Matthew 2016" program.



Donation at Japan Platform



Letter of appreciation from Japan Platform

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.

The selection status below is valid as of September, 2017; its retention is not guaranteed going forward.



FTSE4Good Global Index



FTSE Blossom Japan Index



MSCI ESG Leaders Indexes



MSCI Japan ESG Select Leaders Index
(Japanese only)



MSCI Japan Empowering Women Index (WIN)
(Japanese only)

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Morningstar Socially Responsible Investment

Furthermore, Shiseido is selected in the "Global Compact 100 stock index" announced by United Nations Global Compact

Evaluation of other activities

Introduction of representative awards and distinctions by external organizations during fiscal 2014 to 2016

■ 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 5 stars in Customer Service Ranking, a cosmetics industry first.

Our "Consumer Information Center" received 5 stars for the Customer Service Ranking, by HDI-Japan(Japanese Only), for the first time in the cosmetics industry.



■ 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 activity towards sustainability is available.

Social Activity-Related Data

Item	Indicator[Unit]	FY2015/12(*1)	FY2016/12	Scope
SHISEIDO LIFE QUALITY BEAUTY CENTER	Number of Facilities(*2) [locations]	1	1	Japan
		4	4	Overseas
	Number of Users[person]	400	495	Japan
		689	828	Overseas
SHISEIDO LIFE QUALITY BEAUTY SEMINAR	Total Seminar Held[times]	3,195	6,643	Japan
		36	83	Overseas
	Total Participants[person]	55,027	73,345	Japan
		1,136	2,697	Overseas
Initiatives for children SHISEIDO KodomoSeminar for Juniors	Number of Attendees (*3)[person]	215	659	Japan
SHISEIDO Running Club	Running Lesson Number of Times Held[times]	3	3	Japan
	Outside LectureNumber of Times Held[times]	0	1	Japan
SHISEIDO FemaleResearcher Science Grant	Number of GrantRecipients[person]	10	10	Japan
SHISEIDO Gallery(Ginza)	Number of Visitors[person]	31,444	54,626	Japan
SHISEIDO CorporateMuseum(Kakegawa)		23,758	30,571	Japan
SHISEIDO Art House(Kakegawa)		25,555	31,939	Japan
SHISEIDO Camellia Found	Monthly Number of Pledges (*4)[pledge]	15,260	13,706	Japan

*1 Result for the period ended December 2015 is for the 9 months from April to December 2015 in Japan and for the 12 months from January to December for all other regions.

*2 Tokyo, Shanghai, Hong Kong, Taipei, Kaosiung

*3 Targets are fifth- and sixth-grade children

*4 1 Pledge: 100 yen. Result of the period ended December

Personnel Related Data

Number of Shiseido Group Employees

		January 1, 2016 (Ratio)			January 1, 2017 (Ratio)		
		Total	Male	Female	Total	Male	Female
Total		45,969 (100%)	—	—	45,094 (100%)	—	—
	Employee	33,616 (73.1%)	—	—	35,411 (78.5%)	—	—
	Fixed-term contact employee	12,353 (26.9%)	—	—	9,683 (21.5%)	—	—
Shiseido Group (Japan)		23,272 (50.6%)	3,948 (17.0%)	19,324 (83.0%)	23,276 (51.6%)	3,874 (16.6%)	19,402 (83.4%)
	Employee	14,094 (30.7%)	3,238 (23.0%)	10,856 (77.0%)	14,807 (32.8%)	3,168 (21.4%)	11,639 (78.6%)
	Fixed-term contact employee	9,178 (20.0%)	710 (7.7%)	8,468 (92.3%)	8,469 (18.8%)	706 (8.3%)	7,763 (91.7%)
Overseas		22,697 (49.4%)	—	—	21,818 (48.4%)	—	—
	Employee	19,522 (42.5%)	—	—	20,604 (45.7%)	—	—
	Fixed-term contact employee	3,175 (6.9%)	—	—	1,214 (2.7%)	—	—

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

	January 1, 2016 (Ratio)			January 1, 2017 (Ratio)		
	Total	Male	Female	Total	Male	Female
Total	45,969 (100%)	—	—	45,094 (100%)	—	—
Japan	23,272 (50.6%)	3,948 (17.0%)	19,324 (83.0%)	23,276 (51.6%)	3,874 (16.6%)	19,402 (83.4%)
Overseas	22,697 (49.4%)	/	/	21,818 (48.4%)	/	/
Europe	2,412 (5.2%)			2,391 (5.3%)		
America	6,266 (13.6%)			6,399 (14.2%)		
Asia Pacific	4,411 (9.6%)			3,653 (8.1%)		
China	9,608 (20.9%)			9,375 (20.8%)		
Employee	33,616 (73.1%)	—	—	35,411 (79.3%)	—	—
Japan	14,094 (41.9%)	3,238 (23.0%)	10,856 (77.0%)	14,807 (41.8%)	3,168 (21.4%)	11,639 (78.6%)
Overseas	19,522 (58.1%)	/	/	20,604 (58.2%)	/	/
Europe	2,044 (6.1%)			2,160 (6.1%)		
America	4,025 (12.0%)			5,942 (16.8%)		
Asia Pacific	3,974 (11.8%)			3,228 (9.1%)		
China	9,479 (28.2%)			9,274 (26.2%)		

Fixed-term contact employee	12,353 (26.9%)	—	—	9,683 (27.3%)	—	—
Japan	9,178 (74.3%)	710 (7.7%)	8,468 (92.3%)	8,469 (87.5%)	706 (8.3%)	7,763 (91.7%)
Overseas	3,175 (25.7%)	/	/	1,214 (12.5%)	/	/
Europe	368 (3.0%)			231 (2.4%)		
America	2,241 (18.1%)			457 (4.7%)		
Asia Pacific	437 (3.5%)			425 (4.4%)		
China	129 (1.0%)			101 (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

	January 1, 2016			January 1, 2017		
	Total	Male	Female	Total	Male	Female
Total leaders	3,078	1,541	1,537	3,093	1,447	1,646
Japan	1,198	874	324	1,262	884	378
Overseas	1,880	667	1,213	1,831	563	1,268
Europe	345	146	199	405	155	250
America	833	213	620	943	213	730
Asia Pacific	303	122	181	160	58	102
China	382	183	199	323	137	186
Ratio of leaders	100.0%	50.1%	49.9%	100.0%	46.8%	53.2%
Japan	39.0%	73.0%	27.0%	40.8%	70.0%	30.0%
Overseas	61.0%	35.5%	64.5%	59.2%	30.7%	69.3%
Europe	11.2%	42.3%	57.7%	13.1%	38.3%	61.7%
America	27.0%	25.6%	74.4%	30.5%	22.6%	77.4%
Asia Pacific	9.8%	40.3%	59.7%	5.2%	36.3%	63.7%
China	12.4%	47.9%	52.1%	10.4%	42.4%	57.6%

Note 1: 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.

Note 2: Overseas leaders refer to personnel in managerial positions (manager or higher).

Ratio of Introductory Management-Level Personnel

	January 1, 2016	January 1, 2017
Number of Introductory Management-Level Personnel (Domestic)	874	752
Male	592	519
Female	282	233
Ratio of Introductory Management-Level Personnel (Domestic)		
Male	67.7%	69.0%
Female	32.3%	31.0%

Average service years of employees

	January 1, 2016	January 1, 2017
Overall domestic group	17.9	16.5
Male	18.6	18.2
Female	17.1	16.0

Working hours / Rate of taking paid holidays

	FY2015	FY2016
Total annual hours worked /person	—	—
Shiseido Company, Limited	1,913.5	1,913.9
Group employee in Japan	1,822.5	1,828.8
Annual designated hours worked (Japan)	1,844.5	1,844.5
Average designated overtime hours worked /person	—	—
Shiseido Company, Limited	235.9	227.9
Group employee in Japan	109.1	104.3
Acquisition rate of paid leave /year	—	—
Shiseido Company, Limited	57.2%	74.1%
Group employee in Japan	46.5%	51.2%

Periodical employment / Carrier employment: Number of People

	FY2016			FY2017		
	General	BC positions	Carrier Adoption	General	BC positions	Carrier Adoption
Total	96	347	—	149	241	—
Male	51	1	—	66	3	—
Female	45	346	—	83	238	—
Ratio	100.0%	100.0%	—	100.0%	100.0%	—
Male	53.1%	0.3%	—	44.3%	1.2%	—
Female	46.9%	99.7%	—	55.7%	98.8%	—

Note: Data only indicates affiliates in Japan.

Entrance pay

Newly employed in April in 2017: 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

	FY2015 (Ratio)	FY2016 (Ratio)
Shiseido Group (Domestic)	10,409 (44.7%)	12,635 (54.3%)

Note: Scope comprised of personnel in managerial, general, BC positions (excluding directors and fixed-term contact employees)

Job Turnover Rate

	FY2015	FY2016
Shiseido Group in Japan	1.2%	2.4%
Reason of marriage, maternity, child care	0.00%	0.00%
Shiseido Japan Co., Ltd.	2.0%	3.9%
Reason of marriage, maternity, child care	0.53%	0.80%

Note 1: Target of domestic Group personnel in Japan: Managers and general personnel

Note 2: 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

	FY2015 (Ratio)	FY2016 (Ratio)
Childcare leave (Including short-term childcare leave)	1,354 (5.82%)	1,453 (6.24%)
Male	4 (0.10%)	14 (0.35%)
Female	1,350 (6.99%)	1,439 (7.44%)
Child-rearing work hours	1,990 (8.55%)	2,156 (9.26%)
Male	2 (0.05%)	2 (0.05%)
Female	1,988 (9.77%)	2,154 (11.14%)
Beauty Consultants taking time off for childcare	1,223	1,616
Male	0	0
Female	1,223	1,616
Kangaroo Staff	1,738	1,803

Note 1: Shiseido Group in Japan

Note 2: 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

Note 3: All employees (including fixed-term contact employees)

Number of employees who used nursing care leave and nursing care work hour systems

	FY2015 (Ratio)	FY2016 (Ratio)
Nursing care leave	19 (0.08%)	23 (0.09%)
Male	1 (0.03%)	3 (0.08%)
Female	18 (0.09%)	20 (0.10%)
Nursing care work hours	10 (0.04%)	27 (0.12%)
Male	1 (0.03%)	1 (0.03%)
Female	9 (0.05%)	26 (0.13%)

Note 1: Shiseido Group in Japan

Note 2: All employees (including fixed-term contact employees)

Note 3: 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

	FY2015 (Ratio)	FY2016 (Ratio)
Shiseido Group in Japan	2,000 (8.59%)	2,183 (9.38%)
Male	3 (0.08%)	3 (0.08%)
Female	1,997 (10.33%)	2,180 (11.28%)

Note 1: Personnel using shortened work hours refers to those who are acquiring childcare work hours and nursing care work hours.

Note 2: All employees (including fixed-term contact employees)

Note 3: 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

		FY2015	FY2016
The reinstatement rate	Shiseido Group companies in Japan	100.0%	98.2%
	Shiseido Japan Co., Ltd.	95.1%	98.8%
The stability rate of the work office	Shiseido Group companies in Japan	98.5%	95.7%
	Shiseido Japan Co., Ltd.	95.3%	90.8%

Note 1: 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)

Note 2: 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

Note 2: 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

	January 1, 2016	January 1, 2017
Shiseido Group employee in Japan	280	333

Ratio of Physically-challenged employees

	FY2015	FY2016
Shiseido Company, Limited	3.59%	3.41%
Shiseido Group in Japan	1.96%	2.06%

Note 1: Data as of June 30 of respective years

Ratio of Non-Japanese Directors in Overseas Affiliated Companies

	January 1, 2016	January 1, 2017
Overseas Group	39.1%	44.2%

Note 1: Non-Japanese directors at the head office who concurrently hold posts at overseas subsidiaries are counted as local directors overseas.

Note 2: 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

	FY2015	FY2016
Training topic	Various human rights	Noticing various human rights surrounding
Number of times held	1	190
Time (per occasion)	60 minutes	60 minutes
Participants	19,297 persons	19,759 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

	FY2015	FY2016
Japan (Company)	11	29
Service is provided in in-house factories and companies under business consignment	0	9
Overseas (Company)	79	111

Note 1: Number of work-related accidents that accompanied suspension of operations.

Note 2: 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

	FY2015	FY2016
Number of work-related accidents	11	29
Accident severity rate	0.012	0.018

Note 1: Number of work-related accidents in Shiseido Group in Japan

Note 2: 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)

	FY2015	FY2016
LTI	0.097	0.19
LTIFR	0.48	0.96

Note 1: Lost time incident rate and lost time injury frequency rate for Shiseido Group in Japan

Note 2: Lost time incident (LTI) rate = Number of lost time incidents/Total hours worked x 200,000

Note 3: LTIFR = Lost time injury frequency rate/Total hours worked x 1,000,000

Number of Employees per industrial physician and/or industrial healthcare staff

	January 1, 2016	January 1, 2017
Shiseido Company, Limited	268.1	628.7
Domestic Group	258.3	261.5

Definition: One industrial physician per business location to which the physician is appointed. (In cases where a business location is under contract with several full-time industrial physicians and part-time industrial physicians, physicians will all be included in the figure.)

Number of Labor Union Members and Composition

		January 1, 2016	January 1, 2017
Shiseido Company, Limited	Labor union members	1,688	1,659
	Composition(*1)	40.1%	37.7%
	Employees who will be covered by labor law	100%	100%
Shiseido Group in Japan	Labor union members	10,409	10,224
	Composition(*1)	44.7%	43.9%
	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 contact employees) x 100

Subsidiaries with Labor Unions

	January 1, 2016	January 1, 2017
Japan	18.2%	15.8%
Overseas	45.9%	45.9%

Note: Includes work council overseas

Environmental Activity-performance Data

Shiseido Group

Index			FY2014 Results	FY2015 Results*1	FY2016 Results	
					Results	Coverage rate
Input	Energy consumption (MWh)		282,444	229,495	278,462	96%*2
		Electric power (10,000 kWh)	11,359	9,639	11,275	-
		City gas (10,000 m ³)	1,050	824	1,052	-
		LPG (t)	206	180	236	-
		Fuel (kl)	2,984	2,374	2,577	-
		Steam (GJ)	20,563	16,108	21,236	-
	Water (10,000 m ³)		128	102	120	100%*3
Output	CO ₂ (t)		79,679	72,469	83,220	96%*2
		SCOPE1 (t)	26,802	24,440	29,465	93%*2
		SCOPE2 (t)	52,877	48,029	53,755	98%*2
	SO _x (t)		-	-	1	77%*3
	NO _x (t)		-	-	23	85%*3
	Waste water (10,000 m ³)		-	-	101	100%*3
	BOD (t)		-	-	107	100%*3
	COD (t)		-	-	208	85%*3
	Waste (t)		9,465	8,893	9,674	97%*2
		Final disposal volume (t)	855	772	775	-
		Recycling rate (%)	91%	91%	92%	-

Domestic

Index		Scope		FY2014 Results	FY2015 Results*1	FY2016 Results
Input	Electric power (10,000 kWh)	Production facilities		2,901	2,015	2,753
		Non-production facilities		3,145	2,286	3,060
	City gas (10,000 m³)	Production facilities		599	397	585
		Non-production facilities		69	45	67
	LPG (t)	Production facilities		8	8	14
		Non-production facilities		0	0	0
	Fuel (kl)	Production facilities		0	0	0
		Non-production facilities		1,833	1,299	1,498
	Steam (GJ)	Production facilities		9,992	6,836	11,584
	Water (10,000 m³)	Production facilities		76	54	70
		(Basic Unit)*4	(9.853)	(12.050)	(9.683)	
Output	CO2 (t)	Production facilities		28,424	19,089	23,267
		Non-production facilities		21,946	15,591	20,158
	SOx (t)	Production facilities		0	0	0
	NOx (t)			17	14	21
	Waste water (10,000 m³)			68	49	63
	BOD (t)			17	11	16
	COD (t)			30	20	33
	Waste (t)	Production facilities		3,765	2,464	3,543
			(Basic Unit)*4	(0.049)	(0.055)	(0.049)
		Non-production facilities		1,117	838	1,004
	Recycling rate (%)	Production facilities ・ Non-production facilities		98%	100%	99%

Environmental Activity-performance Data

Data by Domestic Production Facilities**Shiseido Osaka Factory**

Index		FY2014 Results	FY2015 Results *	FY2016 Results
Input	Electric power (10,000kWh)	690	542	745
	City gas (10,000m ³)	68	51	72
	Fuel (kl)	0	0	0
	Water (10,000m ³)	17	14	171
Output	CO ₂ (t)	5,079	3,971	4,631
	SO _x (t)	0	0	0
	NO _x (t)	1	0	1
	Waste water (10,000m ³)	17	14	17
	BOD (t)	0	1	1
	COD (t)	2	4	7
	Waste (t)	960	770	966

Shiseido Kakegawa Factory

Index		FY2014 Results	FY2015 Results *	FY2016 Results
Input	Electric power (10,000 kWh)	1,335	1,017	1,390
	City gas (10,000m ³)	177	138	197
	Water (10,000m ³)	22	17	23
Output	CO ₂ (t)	10,809	8,157	8,466
	SO _x (t)	0	0	0
	NO _x (t)	1	1	1
	Waste water (10,000m ³)	19	15	20
	BOD (t)	3	1	1
	COD (t)	4	2	5
	Waste (t)	393	322	486

Shiseido Kuki Factory

Index		FY2014 Results	FY2015 Results *	FY2016 Results
Input	Electric power (10,000kWh)	631	456	617
	City gas (10,000m ³)	340	208	316
	LPG (t)	8	8	14
	Water (10,000m ³)	34	23	30
Output	CO ₂ (t)	10,933	6,961	10,169
	SO _x (t)	0	0	0
	NO _x (t)	15	13	20
	Waste water (10,000m ³)	29	20	26
	BOD (t)	13	8	13
	COD (t)	23	13	22
	Waste (t)	2,037	1,372	2,091

* Target Period: April 2015-December 2015

Overseas*5

Index		Scope	FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000 kWh)	Production facilities	4,780	4,824	4,984
		Non-production facilities	533	515	479
	City gas (10,000 m ³)	Production facilities	370	374	379
		Non-production facilities	12	8	20
	LPG (t)	Production facilities	199	171	223
		Non-production facilities	0	0	0
	Fuel (kl)	Production facilities	73	77	79
		Non-production facilities	1,078	998	1,000
	Steam (GJ)	Production facilities	10,571	9,272	9,653
	Water (10,000 m ³)	Production facilities	52	49	50
		(Basic Unit)*4	9.991	9.137	9.429
Output	CO ₂ (t)	Production facilities	25,355	33,485	35,345
		Non-production facilities	3,954	4,304	4,450
	SO _x (t)	Production facilities	-	-	1
	NO _x (t)		-	-	2
	Waste water (10,000 m ³)		-	-	38
	BOD (t)		-	-	92
	COD (t)		-	-	175
	Waste (t)	Production facilities	4,189	5,181	4,742
		(Basic Unit)*4	(0.081)	(0.098)	(0.089)
		Non-production facilities	394	409	386
	Recycling rate (%)	Production facilities ・ Non-production facilities	83%	88%	85%

*1 April 2015-December 2015 (due to the irregular account settlement of 2015)

*2 Acknowledged total result/ Estimated amount for the whole Group

*3 No. of production sites whose performance is acknowledged/ No. of production sites in the Group

*4 Per 1 ton of bulk

*5 Main offices only, for overseas non-production facilities

Environmental Activity-performance Data

Data by Overseas Production Facilities**Shiseido America, Incorporated
East Windsor Factory**

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	409	439	481
	City gas (10,000m ³)	45	42	31
	Water (10,000m ³)	1	1	1
Output	CO ₂ (t)	1,989	1,919	1,915
	SO _x (t)	-	-	-
	NO _x (t)	-	-	-
	Liquid Waste (10,000m ³)	-	-	1
	BOD (t)	-	-	3
	COD(t)	-	-	-
	Waste (t)	408	396	297

Davlyn Industries, Incorporated

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	419	429	400
	City gas (10,000m ³)	36	47	44
	Water (10,000m ³)	3	3	3
Output	CO ₂ (t)	2,326	2,571	2,313
	SO _x (t)	-	-	-
	NO _x (t)	-	-	-
	Liquid Waste (10,000m ³)	-	-	2
	BOD (t)	-	-	19
	COD(t)	-	-	-
	Waste (t)	597	498	548

**Zotos International, Incorporated
Geneva Factory**

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	1,198	1,216	1,196
	City gas (10,000m ³)	172	154	168
	LPG (t)	21	15	14
	Water (10,000m ³)	12	8	8
Output	CO ₂ (t)	0	8,323	8,818
	SO _x (t)	-	-	-
	NO _x (t)	-	-	-
	Liquid Waste (10,000m ³)	-	-	5
	BOD (t)	-	-	47
	COD(t)	-	-	110
	Waste (t)	2,030	1,766	2,018

**Shiseido International France Société par actions simplifiée
Val de Loire Factory**

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	402	423	404
	City gas (10,000m ³)	49	49	47
	Fuel (kl)	0	0	0
	Water (10,000m ³)	2	2	3
Output	CO ₂ (t)	1,601	1,616	1,538
	SO _x (t)	-	-	-
	NO _x (t)	-	-	-
	Liquid Waste (10,000m ³)	-	-	2
	BOD (t)	-	-	16
	COD(t)	-	-	44
	Waste (t)	279	327	346

Shiseido International France Société par actions simplifiée
Gien Factory

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	389	399	381
	City gas (10,000m ³)	25	30	31
	Fuel (kl)	4	2	1
	Water (10,000m ³)	1	1	0.7
Output	CO ₂ (t)	982	1,117	1,107
	SO _x (t)	-	-	-
	NO _x (t)	-	-	0.1
	Liquid Waste (10,000m ³)	-	-	0.3
	BOD (t)	-	-	0.1
	COD(t)	-	-	0.4
	Waste (t)	251	1,052	347

Shiseido Liyuan Cosmetics Company Limited

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	283	253	300
	City gas (10,000m ³)	1	1	1
	Steam (t)	3,915	3,434	3,575
	Water (10,000m ³)	4	4	4
Output	CO ₂ (t)	4,152	3,694	3,656
	SO _x (t)	-	-	-
	NO _x (t)	-	-	-
	Liquid Waste (10,000m ³)	-	-	3
	BOD (t)	-	-	3
	COD(t)	-	-	6
	Waste (t)	150	205	346

Shanghai Zotos Citic Cosmetics Company Limited

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	565	527	596
	City gas (10,000m ³)	35	43	52
	Water (10,000m ³)	14	15	16
Output	CO ₂ (t)	6,379	6,196	7,073
	SO _x (t)	-	-	0
	NO _x (t)	-	-	1
	Liquid Waste (10,000m ³)	-	-	11
	BOD (t)	-	-	1
	COD(t)	-	-	3
	Waste (t)	243	174	443

**Taiwan Shiseido Company Limited
Chung-Li Factory, Hsinchu Factory**

Index		FY2014 Results	FY2015 Results	FY2016 Results*
Input	Electric power (10,000kWh)	180	185	223
	City gas (10,000m ³)	6	7	5
	Fuel (kl)	2	2	0
	Water (10,000m ³)	2	2	2
Output	CO ₂ (t)	1,277	1,325	1,536
	SO _x (t)	-	-	-
	NO _x (t)	-	-	-
	Liquid Waste (10,000m ³)	-	-	2
	BOD (t)	-	-	-
	COD(t)	-	-	3
	Waste (t)	38	36	43

* Chung-Li Factory stopped manufacturing activities in July 2016, and Hsinchu Factory started operation in the same month.

Shiseido Vietnam Incorporated

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	794	807	863
	LPG (t)	178	156	209
	Water (10,000m ³)	10	9	9
Output	CO ₂ (t)	5,041	5,049	5,769
	SO _x (t)	-	-	0
	NO _x (t)	-	-	0
	Liquid Waste (10,000m ³)	-	-	9
	BOD (t)	-	-	1
	COD(t)	-	-	4
	Waste (t)	155	701	324

Shanghai Huani Transparent Beauty Soap Company Limited

Index		FY2014 Results	FY2015 Results	FY2016 Results
Input	Electric power (10,000kWh)	142	147	140
	Fuel (kl)	67	73	78
	Water (10,000m ³)	3	3	3
Output	CO ₂ (t)	1,609	1,675	1,623
	SO _x (t)	-	-	0
	NO _x (t)	-	-	1
	Liquid Waste (10,000m ³)	-	-	2
	BOD (t)	-	-	2
	COD(t)	-	-	5
	Waste (t)	37	27	30

Editorial Policy / GRI Guidelines Index

Editorial Policy

Shiseido Group's SUSTAINABILITY website has been edited according to the following policies.

- It is edited to be a website in which one can promptly get the information he/she needs.
- We introduce each activity according to the 7 core subjects of ISO26000 (Guidance on social responsibility).
- We disclose sustainability-related data in lists.
- The target period for the information included in this website is mainly for FY2016 (from January 1, 2016 to December 31, 2016). However, part of the information may be from prior to the said period or more recent than the said period.
- We have edited this website by using the United Nations Global Compact, Sustainability Reporting Guidelines G4 of GRI (Global Reporting Initiative), and ISO26000 (Guidance on social responsibility) for reference.
- The scope includes Shiseido Co., Ltd. and 96 Shiseido Group companies (consolidated subsidiaries) as of December 31, 2016.
Notes have been added to data outside of the above scope.

Information on the Shiseido Group's sustainability in FY2016 is disclosed not only on the "Shiseido Group SUSTAINABILITY website", but also in the "Annual Report 2016/12."

GRI Guidelines Index

Sustainability Reporting Guidelines G4 (Global Reporting Initiative) was used as a reference resource in the compilation of Shiseido Sustainability 2016, which describes the standard disclosure information.

When this information is included in media other than the Shiseido Sustainability 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, or equivalent senior position) about the relevance of Sustainability to the organization and the organization's strategy for addressing sustainability.	<ul style="list-style-type: none"> • Top Commitment 	
2	Provide a description of key impacts, risks, and opportunities.	<ul style="list-style-type: none"> • What is Shiseido Sustainability? • Risk Management • Annual Securities Report(Japanese only) 	

Organizational Profile

Section	Indicator	Reference	GC
3	Report the name of the organization.	<ul style="list-style-type: none"> • Corporate Information 	
4	Report the primary brands, products, and services.	<ul style="list-style-type: none"> • Business Overview • Brands 	
5	Report the location of the organization's headquarters.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Business Overview • Corporate Information • Major Offices 	
7	Report the nature of ownership and legal form.	<ul style="list-style-type: none"> • Corporate Information 	
8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	<ul style="list-style-type: none"> • Business Overview 	
9	Report the scale of the organization, including: <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 Sustainability? • 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 Sustainability? • 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 Sustainability? • External Collaboration 	

Identified Material Aspects and Boundaries

Section	Indicator	Reference	GC
17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	<ul style="list-style-type: none"> • Editorial Policy • Annual Securities Report(Japanese only) 	
18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	<ul style="list-style-type: none"> • What is Shiseido Sustainability? • 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 Sustainability? 	
20	For each material Aspect, report the Aspect Boundary within the organization.	<ul style="list-style-type: none"> • What is Shiseido Sustainability? • 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 Sustainability? • 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 	
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 • Fair Competition and Comprehensive Transactions • Basic policy regarding personnel affairs • Personnel affairs and fair evaluation 	
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"> • Initiatives in Response to Animal Testing and Alternative Methods 	

Report Profile

Section	Indicator	Reference	GC
28	Reporting period (such as fiscal or calendar year) for information provided.	<ul style="list-style-type: none"> • Editorial Policy 	
29	Date of most recent previous report (if any).	Jun-2017	
30	Reporting cycle (such as annual, biennial).	Published annually	
31	Provide the contact point for questions regarding the report or its contents.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • GRI Guidelines Index 	

Assurance

Section	Indicator	Reference	GC
33	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 Sustainability? 	

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 Sustainability? 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 Sustainability? 	
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 Sustainability? Directors, Audit & Supervisory Board Members and Corporate Officers 	
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.	<ul style="list-style-type: none"> General Meeting of Shareholders 	
38	Report the composition of the highest governance body and its committees by: Executive or non-executive <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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).	<ul style="list-style-type: none"> Corporate Governance 	

40	<p>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:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 Sustainability? • Management and Execution Structure • Corporate Governance 	

Highest Governance Body's Role in Setting Purpose, Values, and Strategy

Section	Indicator	Reference	GC
42	<p>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.</p>	<ul style="list-style-type: none"> • Top Commitment • What is Shiseido Sustainability? • Management and Execution Structure 	

Highest Governance Body's Competencies and Performance Evaluation

Section	Indicator	Reference	GC
43	<p>Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.</p>	<ul style="list-style-type: none"> • What is Shiseido Sustainability? • 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 Sustainability? • Audit Structure 	
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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 Sustainability? • 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 Sustainability? • 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 Sustainability? • 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 Sustainability? 	

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 Sustainability? • 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.	<ul style="list-style-type: none"> • 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 help-lines 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	<p>a. Report why the Aspect is material. Report the impacts that make this Aspect material.</p> <p>b. Report how the organization manages the material Aspect or its impacts.</p> <p>c. Report the evaluation of the management approach, including:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • What is Shiseido Sustainability? 	

Category: Economic

Aspect: Economic Performance

Section	Indicator	Reference	GC
EC1	Direct economic value generated and distributed	<ul style="list-style-type: none"> Annual Securities Report(Japanese only) 	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	<ul style="list-style-type: none"> FY2016 environmental impact results 	Principle 7
EC3	Coverage of the organization's defined benefit plan obligations	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Personnel Related Data 	Principle 1
EC6	Proportion of senior management hired from the local community at significant locations of operation	<ul style="list-style-type: none"> 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 2016(January - December) Raw materials: 71% Materials: 97%</p>	

Category: Environmental**Aspect: Materials**

Section	Indicator	Reference	GC
EN1	Materials used by weight or volume	<ul style="list-style-type: none"> • FY2016 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"> • FY2016 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"> • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 8
EN4	Energy consumption outside of the organization	<ul style="list-style-type: none"> • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 8
EN5	Energy intensity	<ul style="list-style-type: none"> • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 8
EN6	Reduction of energy consumption	<ul style="list-style-type: none"> • FY2016 environmental impact results • Production initiatives 	Principle 8,9
EN7	Reductions in energy requirements of products and services	<ul style="list-style-type: none"> • FY2016 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"> • FY2016 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	<ul style="list-style-type: none"> • Initiatives to conserve biodiversity 	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"> • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 8
EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	<ul style="list-style-type: none"> • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 8
EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	<ul style="list-style-type: none"> • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 8

EN18	Greenhouse gas (GHG) emissions intensity	<ul style="list-style-type: none"> • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 8
EN19	Reduction of greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> • Environmental policies and targets until year 2020 • FY2016 environmental impact results • Environmental Activity-performance Data 	Principle 7,8,9
EN20	Emissions of ozone-depleting substances (ODS)	NA	Principle 8
EN21	NOx, SOx, and other significant air emissions	<ul style="list-style-type: none"> • FY2016 environmental impact results • 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"> • FY2016 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"> • FY2016 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"> • FY2016 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	NA <ul style="list-style-type: none"> • 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"> • FY2016 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	<ul style="list-style-type: none"> • Fair Competition and Comprehensive Transactions 	Principle 7,8
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	<ul style="list-style-type: none"> • 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, Audit & Supervisory Board Members and Corporate Officers • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Personnel affairs and fair evaluation • Good Relationship with labor union • Fair Competition and Comprehensive Transactions 	

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	<ul style="list-style-type: none"> • Policy and Statement on Human Rights 	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	<ul style="list-style-type: none"> • Personnel Related Data • Enhancement of corporate ethics • Human Rights Enlightenment (Education) 	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	NA	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 and Statement on Human Rights • 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 and Statement on Human Rights • 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	• Promotion System	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 	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	NA <Targeting all business offices inside and outside Japan>	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 2016:"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 2016:"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 2016 : "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 <p>Result in FY 2016: "One violation against rules and regulations as well as voluntary codes" (recall & voluntary collection) <target areas : Japan></p>	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 <p>Result in FY 2016 : "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></p>	

Aspect: Customer Privacy

Section	Indicator	Reference	GC
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<p>Result in FY 2016 : "5 examples" (incidents of reporting personal information disclosure to Ministry of Economy, Trade and Industry authority) <target areas : Shiseido Co., Ltd.></p>	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 2016 : "No penalties against violating rules and regulations" <target areas : Japan>	