

## With Business Partners

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### Cooperation with Business Partners

Initiatives for stronger partnership with business partners

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

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

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

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

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

#### Process for a New Partnership

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

##### First Contact with New Suppliers

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



## Study of Proposals and Presentations

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

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

## Evaluation of New Suppliers

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

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

## Detailed Study and Evaluation for Actual Product Development

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

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

Evaluation samples should also be examined.

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

## Final Negotiation / Conclusion of Purchase Agreement

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

### Items to be Purchased

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

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

Package and cosmetic tools: Resin, glass, paper, metal and other materials or processed goods.  
Collaterals: POP displays, premiums, etc.

### Number of Business Partners

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

### **Shiseido Group Supplier Code of Conduct**

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