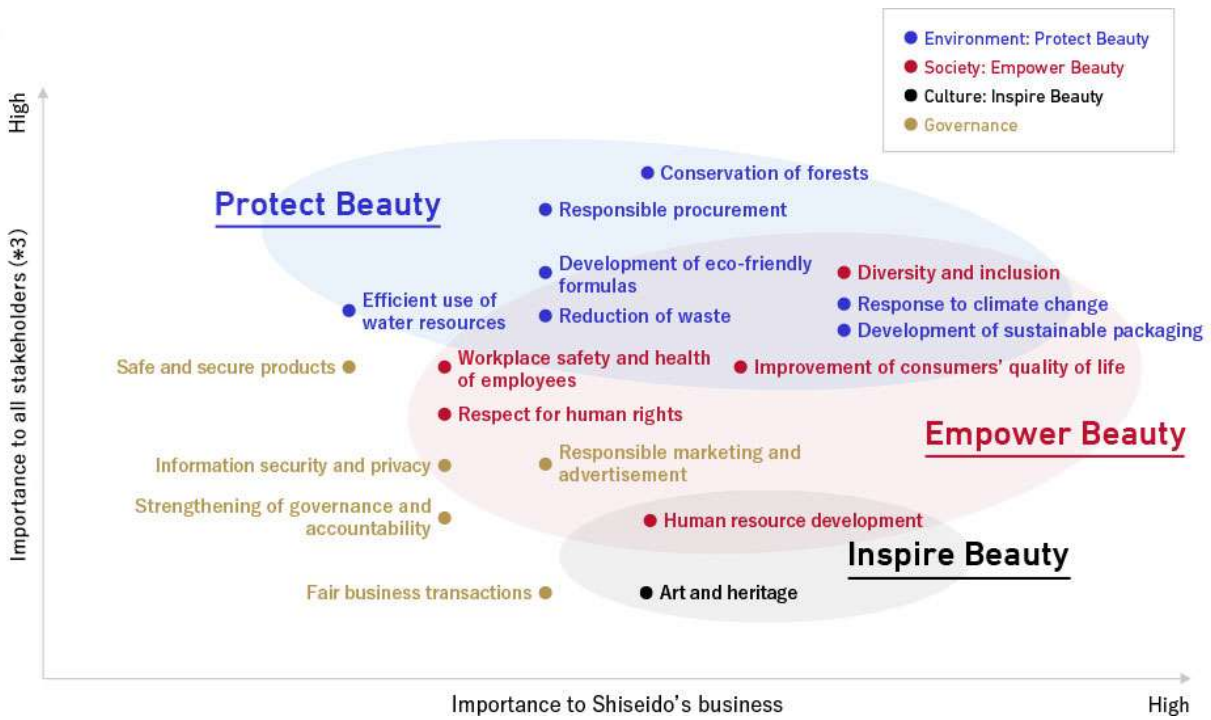


What is Shiseido's Sustainability

Shiseido established "BEAUTY INNOVATIONS FOR A BETTER WORLD" as our corporate mission. We certainly aim for further business growth as a company, and at the same time, the genuine mission of Shiseido is to offer solutions to social problems and achieve a sustainable society, helping people find happiness through our mainstay beauty business.

The Shiseido Group's Materiality Map (Revised in 2019)

We gave consideration to a framework for creating social value as a beauty company and selected Shiseido Group's materiality*1 as follows in 2019. We categorized the issues from two perspectives: the impact on all stakeholders (consumers, business partners, employees, shareholders, society and the earth) and the impact on the Company's businesses. We then established an order of priority*2 and selected 18 materiality issues. In addition, with our core focus on beauty, we redefined our definition of social value from the perspectives of the environment, society, and culture.



Protect Beauty	Empower Beauty	Inspire Beauty
Protect our living, Beauty of the earth	Empower our people, Beauty of the society	Inspire our culture with Japanese beauty
Protect the beauty of the earth and the beauty of the people who call Earth home. Protect the beauty of all other life that exists on the earth as well.	Motivate and empower all people who make up our society.	Use Japanese beauty to raise beauty awareness around the world and encourage the realization of beauty as a culture.

*1 Materiality goals and progress

- Please check the details of the goals and progress of Diversity and inclusion in “The ratio of female leaders (Japan),” and “The number of participants in internal and external awareness-raising activities on gender Equality.”
- Please check the details of the goals and progress of climate change measures in “CO2 Emissions Reduction.”
- Please check the details of the goals and progress of responsible procurement in “Procurement of sustainable palm oil.”

*2 Materiality identification process: Shiseido Group implemented the following process to define its materiality.

- Step 1: Interview 6 experts in environmental and social fields in Japan and overseas
- Step 2: Collect consumer voices using company surveys conducted in five countries around the world
- Step 3: Collect data on global trends and issues using external surveys, reports from major international organizations, and input from investors, etc.
- Step 4: Classify issues collected through Steps 1-3. Extract issues based on the priority of Shiseido’s business through discussions with executives. Score those issues and map them from two perspectives (importance to all stakeholders: consumers, business partners, employees, shareholders, society and the earth, and importance to Shiseido’s business), and define our materiality
- Step 5: Propose and approve the decision at the management meeting

*3 Consumers, business partners, employees, shareholders, society and the earth

Social issues Shiseido addresses and corresponding numbers of SDGs

We will contribute to the achievement of SDGs (Sustainable Development Goals) by addressing materiality issues.

Protect Beauty	Empower Beauty	Inspire Beauty
<p>UV ray protection and care</p>	<p>Gender equality</p>	<p>Utilization of Shiseido's cultural assets</p>
<p>Eco-friendly packaging</p>	<p>Support for empowerment</p>	
<p>Reduction of environmental burden</p>	<p>Business and human rights</p>	<p>Communication of Japanese beauty</p>

Promotion system

- The Shiseido Group deliberates and determines issues related to social values in the Executive Committee. The Executive Committee will be chaired by the CEO (Corporate Executive Officer) and will be attended by management executives consisting of Corporate Officers from finance, legal, HR, social value creation, and supply networks. Important matters, in particular, are subject to the approval of the Board of Directors and the supervision of business execution.

- Company-wide efforts to promote sustainability practices will be made across the board, including the brand/regional sales business and corporate divisions. In 2019, we nominated the Chief Social Value Creation Officer and established the Social Value Creation Division. The Social Value Creation Division reports to the Chief Social Value Creation Officer on progress and issues related to social values and receives supervision on sustainability management. Other activities of the Division include: (1) Define areas of activities that need particular focus, (2) Set company-wide goals and KPIs to be achieved, (3) Commit to the achievement internally and externally, (4) Monitor progress and support as necessary, and (5) Educate our stakeholders with a focus on our employees.

Approval and support for international norms

2019	We expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) , which was established by the Financial Stability Board (FSB), and will commit to measures against climate change and promote disclosure of relevant information.
2010	We signed the Women's Empowerment Principles (WEPs) (a joint initiative of UN Women and the UN Global Compact) and have been promoting initiatives to give opportunities to women so that they can play more active roles.
2008	We agreed to and signed the Caring for Climate, a climate change initiative in the United Nations Global Compact, in an effort to conserve the environment.
2004	We signed the United Nations Global Compact and support the ten principles in the four areas (Human rights, Labor, Environment, and Anti-corruption) together with all group companies. Please check Shiseido Modern Slavery Statement for the statement of support by the Chief Executive Officer.



UN Global Compact



Women's Empowerment Principles (WEPs)

The Ten Principles of the UN Global Compact

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

■ Human Rights

Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 : make sure that they are not complicit in human rights abuses.

■ Labor

Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 : the elimination of all forms of forced and compulsory labor;

Principle 5 : the effective abolition of child labor; and

Principle 6 : the elimination of discrimination in respect of employment and occupation.

■ Environment

Principle 7 : Businesses should support a precautionary approach to environmental challenges;

Principle 8 : undertake initiatives to promote greater environmental responsibility; and

Principle 9 : encourage the development and diffusion of environmentally friendly technologies.

■ Anti-Corruption

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

Source: United Nations Global Compact website

Stakeholder Engagement

We actively engage ourselves in the following opportunities together with our stakeholders to reflect their expectations and opinions.

Stakeholders	Major engagement opportunities	Responses
Consumers	<ul style="list-style-type: none"> ▪ Shiseido Consumer Communication Center ▪ SNS (Social Networking Services) 	<p>FY2018: Approximately 150,000 opinions and inquiries were directed to the Communication Center, while 90,000 consumers provided feedback to Beauty Consultants at storefronts. Increasing points of contact with various consumers. We make efforts to enhance consumer support, focusing on the younger generation using SNS such as Twitter, Yahoo! Chiebukuro, and the chat feature of LINE.</p>
Suppliers	<ul style="list-style-type: none"> ▪ Consulting/reporting desk for suppliers ▪ Briefing session on purchasing activity policy ▪ Awarding business partners who have contributed to the development of business 	<p>The Business Partner Hotline was opened in Japan to prepare the system for receiving opinions from suppliers and giving advice to them. Holding annual briefing sessions on purchasing activity policy in Japan and China with the aim of the wide dissemination of the procurement policy. Business partners who have contributed to the development of business were selected on the three aspects of quality, cost reduction and technical development and given the award.</p>
Business Partners	<ul style="list-style-type: none"> ▪ Dialogue with owners of chain stores 	<p>We organized the Platinum Shop Convention in which top management directly expresses company policy and brand strategies to shop owners and employees who sell Shiseido cosmetics. FY2018: 472 shops (542 participants)</p>
Employees	<ul style="list-style-type: none"> ▪ The Shiseido Group Engagement Survey ▪ Points of contact for employee inquiries/Whistleblower system ▪ Management councils/Labor-management discussions ▪ Training for all employees/Position-specific training 	<ul style="list-style-type: none"> ▪ The Shiseido Group Engagement Survey is conducted every two years, targeting all Group employees as a structure for listening to employee opinions. ▪ We have established the in-house Shiseido Consultation Office and Shiseido External Hotline receiving inquiries and reports covering a wide range of topics regarding the workplace, and the Compliance Committee Hotline specializing in reported cases. The above entities received and quickly resolved 241 inquiries in Japan in FY2018. ▪ Holding labor-management talks on the themes of “working conditions and benefits package for employees” and “work style reform.” ▪ Human rights enlightenment and corporate ethics training are conducted at all business locations of the Shiseido Group in Japan once a year.
Local Communities	<ul style="list-style-type: none"> ▪ Social contribution activities including environmental education by each corporation and business office 	<ul style="list-style-type: none"> ▪ The Kakegawa Factory offers an environmental study session every year for elementary school students in cooperation with Kakegawa City, Shizuoka Prefecture. FY2017: 12 participants

NPOs/NGOs	<ul style="list-style-type: none"> ▪ Dialogue with stakeholders ▪ UN Women ▪ Support by the Shiseido Camellia Fund 	<ul style="list-style-type: none"> ▪ Engaging in dialogue with human rights and environmental experts and received advice on how to advance due diligence regarding human rights, on 4 cases in FY2018. ▪ Promoting gender equality in cooperation with UN Women. ▪ Supporting 10 NPOs/NGOs in FY2018 by the Shiseido Camellia Fund (donations made by Shiseido Group employees).
Shareholders/Investors	<ul style="list-style-type: none"> ▪ General Meeting of Shareholders ▪ Financial results ▪ Briefing session for individual investors ▪ Annual report ▪ Shareholders' meeting 	<ul style="list-style-type: none"> ▪ Holding the general meeting of shareholders and disclosing information on the corporate information website. FY2018: 1,408 participants ▪ Conducting the briefing of financial results, disclosing information on the corporate information website. ▪ Conducting a briefing session for individual investors, distributing video. ▪ Publishing the annual report. ▪ Organizing a facility tour for shareholders. FY2018: 17 participants