

Shiseido Group's Sustainability

Realizing a Sustainable Society through Social Value Creation.

Although the target period for the information included in this back number is mainly FY2020 (from January 1 to December 31 of 2020), part of the information also includes contents prior to/after the said

Table of contents

○ SUSTAINABILITY	1
○ Top Commitment	5
● Approval and support for international norms	10
○ Clean Environment	11
● Reducing our Environmental Footprint	13
● Developing Sustainable Products (Formula and Packaging)	20
● Our Environmental Approach	25
● Collaboration with Stakeholders and Evaluation from External Parties	27
● Environmental Accounting	29

○ Respectful Society	31
● Performance in 2019	34
● Striving to Address Gender Issues in Japan: 30% Club Japan's Initiatives and Support for Women's Empowerment	41
● Global Action for Gender Equality	47
● Shiseido Life Quality Makeup	53
● Shiseido Life Quality Beauty Seminar	57
● Support for Patients with Xeroderma Pigmentosum(XP), a UV-Sensitive Intractable Disease	63
● Basic Policy Regarding Personnel Affairs	65
● Diversity and Inclusion	66
● Realizing a Rewarding Workplace	70
● Fair Evaluation of Employees	75
● Utilization and Development of Human Resources	77
● Employee Safety and Health	78
● Employment and Labor	89
● Good Relationship with Labor Union	91
● Our Human Rights Approach	92
● Human Rights Promotion System	94
● Primary Initiatives	95
● Promoting Sustainable and Responsible Procurement	97
● Response to the United Kingdom's Modern Slavery Act 2015	108
● Shiseido Modern Slavery Statement (Year ended December 31, 2019)	109
○ Enriched Culture	117
● Performance in 2019	119
○ Compliance and Risk Management	124
● Risk Management	125
● Activities to Enhance Corporate Ethics	128
● Information Security Management	130
● Protection of Intellectual Properties	134
● Tax Policy	135
● Global Tax Policy	136
● Shiseido UK Tax Policy	138

○ Governance	140
● Process of Evolution	143
● Corporate Governance System	144
● Committees	147
● Evaluation of the Effectiveness of the Board of Directors	148
● Remuneration for Directors, Audit & Supervisory Board Members and Corporate Officers	150
● Succession Plan and Training	159
● Audit Structure	161
● Compliance and Risk Management	164
● Internal Control Systems of the Company	167
○ Customer Satisfaction and Product Safety	171
● Promotion of Safe and Reliable Manufacturing	173
● Excellent Services to Enhance Consumer Satisfaction	176
● Reflecting Consumer Feedback	177
● Universal Design Initiatives	184
● Information for Consumers	185
● Initiatives in Response to Animal Testing and Alternative Methods	188
● In Cases in Which We Must Explain the Safety to Society	189
● Shiseido Safety Assurance System	190
● Alternative Methods	191
○ Social Contribution Activities	192
● Shiseido's initiatives in the fight against COVID-19	195
● Social Contribution Activities by Region and Facility	200
● Social Contribution Club	204
● Disaster Support Activities	207
● Aid Initiatives in the Wake of the Great East Japan Earthquake	208
● Activities for Children	219
○ Stakeholder Engagement	221
● The Ten Principles of the UN Global Compact	223
○ External Evaluations and Awards	224
○ Sustainability Data	227
● Environmental Data	228
● Assurance Statement for Environmental Data	233
● Social Data	236
● Independent Assurance Statement for Social Data	256
○ Editorial Policy and GRI Content Index	259

SUSTAINABILITY

REALIZING A BETTER WORLD THROUGH SOCIAL VALUE CREATION.

[Our Commitment](#)

[Sustainability Report 2019](#)



Shiseido Sustainable Beauty Initiative

Since our company's founding in 1872, we have demonstrated our respect for society, the environment and nature. Shiseido's approach has been to create social value across our business activities, and now with our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, we aim to solve social issues through an approach unique to a beauty company, while working towards greater sustainability, and enriching people's lives. Advancement of Shiseido Sustainable Beauty Initiative is centered on the management of our "ESCG" principle, featuring the addition of Culture to the ESG (Environment, Society, and Governance) principles.



Clean Environment

Striving for the ideal of a global environment that supports lives of vibrancy.

1. Reducing our environmental footprint.
2. Developing sustainable products (packaging and formula).
3. Promoting sustainable and responsible procurem

Clean Environment



Respectful Society

Advancing a society that embraces diversity through respect, and supports lives of beauty.

1. Encouraging a society of full acceptance and vibrant participation.
2. Empowering people through the power of beauty.
3. Working in support of a society that respects human rights.

Respectful Society



Enriched Culture

Creating new value to enrich culture by transforming beauty.

1. Inheriting our corporate heritage and culture, and refining them for the future.
2. Inspiring a new sense of beauty to create new value, originating in Japan.

Enriched Culture

Trustworthy Governance

Striving to maintain and improve transparency, fairness and agility of management, while maximizing corporate value over the medium to long term, for all stakeholders.

Compliance and Risk Management

Governance

Customer Satisfaction and Product Safety

Annual Report 2019

Top Commitment



‘Shiseido Sustainable Beauty Initiative’ Realizing a Better World

Since its founding in 1872, Shiseido has pursued unprecedented new value and worked to deliver it across society. The establishment of Japan's first Western-style private pharmacy, the introduction of the soda fountain, and the creation of the cosmetics business are all examples of how Shiseido has incorporated Western lifestyle practices and culture into Japanese society to realize new value.

The name "Shiseido" comes from a passage in the ancient Chinese divination text Yi Jing. The passage reads, "Praise the virtues of the earth, which nurtures new life and brings forth significant value." We have always felt that our ongoing business activities are only possible thanks to the abundance of nature and the sustainability of the environment. To that end, we firmly believe that our business activities must place importance on the creation of social value, in addition to economic value. We also believe that a sustainable society is a prerequisite for sustainable business. Guided by these beliefs, we are engaging in a broad range of activities to create a virtuous cycle for a better society.

This virtuous cycle is put into motion by our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD. Our sustainability strategy centers on ESCG. "ESG" stands for "environment," "society," and "corporate governance" and is a concept on which modern society places value, while "C" represents "culture," a unique strength of Shiseido. Accordingly, we are working to promote the Shiseido Sustainable Beauty Initiative, which aims to realize a better world, and has defined the following key areas that require our attention as a beauty company.

Clean Environment :

Striving for the ideal of a global environment that supports lives of vibrancy.

Respectful Society :

Advancing a society that embraces diversity through respect, and supports lives of beauty.

Enriched Culture :

Creating new value to enrich culture by transforming beauty.

Trustworthy Governance :

Striving to maintain and improve transparency, fairness and agility of management, while maximizing corporate value over the medium to long term, for all stakeholders.

In regard to environmental areas, we are focusing efforts on establishing targets and timelines for reducing our environmental footprint, such as CO₂ emissions, palm oil, paper, and water resources, as we aim to achieve further sustainable growth. We are prioritizing measures to address climate change, in particular, and promptly expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2019. In addition, we are strengthening initiatives such as reducing marine pollution through the development of eco-friendly packaging. Also, we continue to protect people's skin and bodies from the damage of UV rays by leveraging our sunscreen technologies, which have garnered high praise.

For social areas, we are leading the way in terms of empowering women, a major issue facing Japanese society. With regard to our offices in Japan, we are currently aiming to raise the ratio of female leaders to 40% by the end of 2020. In addition, President and CEO Masahiko Uotani has been appointed as the inaugural chair of the 30% Club Japan, a chapter aiming to boost female representation on company boards. Amid the current conditions in Japan, which ranks 121st* in gender equality, we are working together with other companies to resolve issues that impede the empowerment of women. Globally, we will expand activities unique to a beauty company to empower senior citizens and those with serious concerns about their skin and appearance, including changes in skin color caused by the side effects of cancer treatment, through the power of beauty.

In areas related to culture, where the Company boasts strengths, we will pass on our long-cultivated corporate culture and DNA to future Group employees, as we strengthen our unity through shared value and evoke our power to innovate that has enabled us to constantly transform in response to changing times. By doing so, we will explore and discover new aesthetic sensibilities and create new value through collaboration with our businesses.

As for governance, we have adopted a monitoring board structure under which the Board of Directors exercises supervisory functions with respect to the Shiseido Group's business execution. We have also ensured the diversity of the Board in order to improve the quality of our global management. Moreover, the Board listens carefully to the feedback received from consumers and consistently brings attention to and deliberates issues based on the motto, "bad news fast." In these ways, our management maintains its transparency.

Positioning these efforts as important elements of its ESG management, Shiseido will strive to remain vital for the next 100 years and be the world's most trusted beauty company.

*The Global Gender Gap Report 2020, World Economic Forum (released in December 2019)

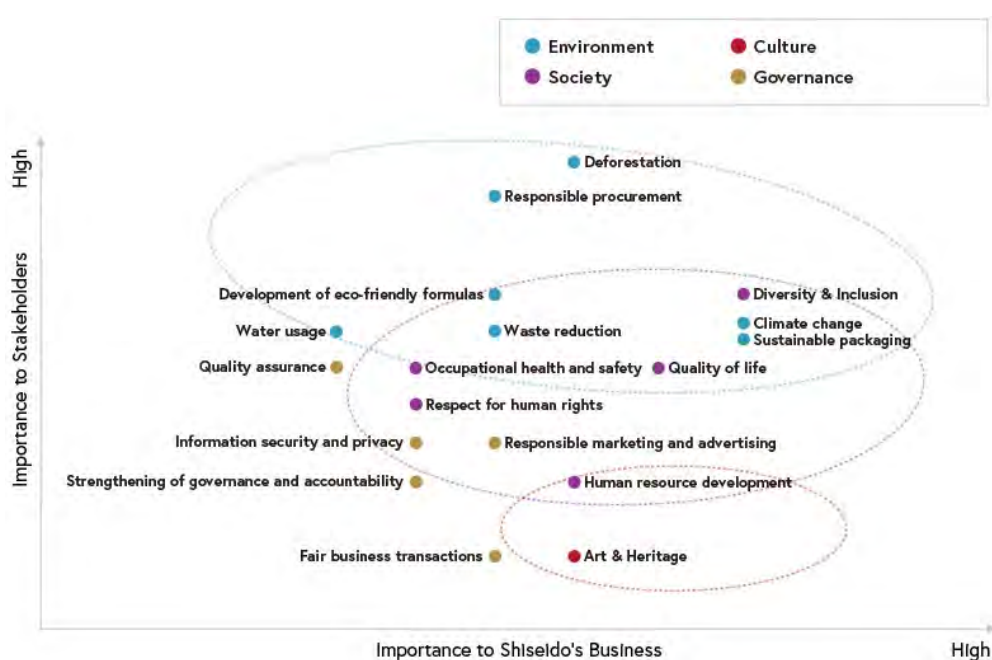
Jun Aoki
Executive Corporate Officer
Chief Social Value Creation Officer



Shiseido's Material Issues

As a framework for creating social value unique to a beauty company, we defined the Shiseido Group's material issues in April 2019 based on interviews and discussions with our stakeholders. Categorizing issues taking into consideration their impact on all our stakeholders (consumers, business partners, employees, shareholders, society and the earth) and their impact on the Company's businesses, we established an order of priority and selected 18 material issues. In addition, we revised our definition of social value from the perspectives of the environment, society, and culture.

The details and positioning of each issue were reviewed, as needed, through discussions by corporate officers at Executive Committee in 2019 and Sustainability Committee in 2020.



The following process was implemented to define materiality.

Step1>Identify social issues in consideration of all stakeholders based on their expectations and demands along with various perspectives collected from:

- Experts in environmental and social fields in Japan and overseas
- Consumer feedback (from company surveys conducted in five countries)
- External surveys, reports from major international organizations and investor feedback
- Employee and board member feedback (in Japan and overseas)

Step2>Shortlist the identified issues based on their relevance to business management and make an advanced analysis by following the process below:

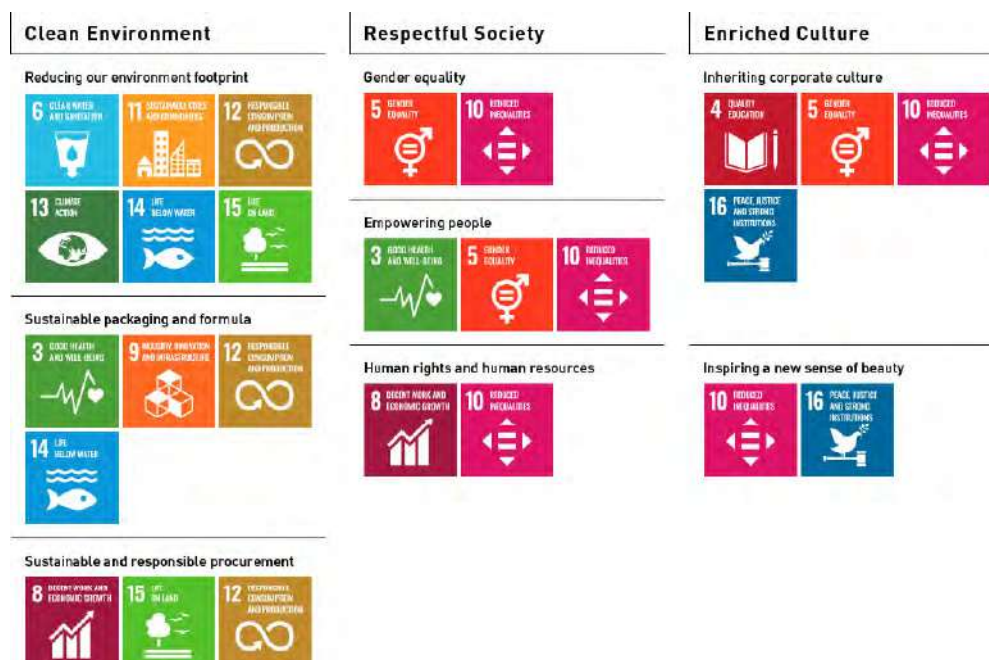
Discussions are held with corporate officers and board members and various divisions to select issues highly relevant to business management. The selected issues are subjected to impact assessment based on two perspectives — importance to all stakeholders (consumers, business partners, employees, shareholders, society and the earth) and Shiseido's businesses. The assessment scores are used to narrow down the list and finalize the 18 material issues. The details and strategic actions for the 18 issues are confirmed by the board members.

Step3>Submit the finalized materiality list to the management committees for approval

Social Issues Addressed by Shiseido and Corresponding SDGs

We promote the Shiseido Sustainable Beauty Initiative and contribute to the achievement of Sustainable Development Goals.

Our social challenges organized in line with SDGs



Sustainability Promotion Structure

Shiseido is pursuing and promoting sustainability across the company, including in our brand/regional sales businesses and corporate divisions.

- In 2019, the Social Value Creation Division was newly set up to accelerate social value creation by integrating three key functions; Sustainability Strategy, CSR, and Corporate Culture. The new division's major responsibilities are: (1) Defining areas that need particular focus, (2) Setting company-wide goals and KPIs, (3) Committing to internal and external achievements, (4) Tracking progress and support as necessary, and (5) Educating our employees and all stakeholders.
- In 2020, we launched the Sustainability Committee, a dedicated meeting aimed at ensuring timely management decisions and a stronger recognition of this theme. The committee is held at a regular basis to discuss group-wide sustainability initiatives, to decide the strategies, policies, and activity plans, and to monitor progress. The committee consists of the CEO and corporate officers in charge of Corporate Strategy, Finance, R&D, Supply Networks, Corporate Communications, HR, and Brand Holders, as well as corporate auditors. Other corporate officers can be involved according to the matter at hand.
- Particularly important matters are submitted to the board of directors for approval.

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)

Clean Environment

Striving for the ideal of a global environment that supports lives of vibrancy.



1. Reducing our environmental footprint.

As a corporate citizen, Shiseido aims to reduce its environmental footprint and contribute to the well-being of our planet by promoting both sustainable resource use and minimal material procurement on a global scale.

In support of these ambitions, we are pursuing activities globally to minimize our environmental impact. These include a reduction in CO₂ emissions—a factor in climate change—clean-sourced water use, endeavors to decrease waste while increasing recycling, and the ethical procurement of resources such as certified palm oil and paper products.

KPIs

- CO₂ emission: Carbon neutral by 2026
- Palm oil: 100% sustainable palm oil usage by 2026
- Paper: 100% sustainable paper (e.g. certified paper, recycled paper)*¹ by 2023
- Water: Water consumption \triangle 40% (vs. 2014)*² by 2026
- Waste: Zero landfill use*³ by 2022

*1 only for products

*2 At all business sites of Shiseido, per unit of sales

*3 only at Shiseido factories

2. Developing sustainable products (packaging and formula).

Utilizing the results of over 100 years of extensive dermatological research and formulation technologies, Shiseido has been developing formulas that meet high standards of safety and quality.

Today, we continue to evolve our cutting-edge technologies through a sustainable approach* that respects people, society, and our environment.

We have been developing sustainable packaging since 1926, the year we introduced to the market the first refillable product inspired by the philosophy of "万物資生", the origin of our name. The types of packaging that followed include biomass containers, recycled PETs, and low-temperature burning materials.

Our target is to achieve 100% sustainable packaging with our 5Rs: "Reduce" (e.g., thinner and lighter packaging), "Reuse" (e.g., refilling), "Recycle" (e.g., packaging that is easy to dismantle and separate), and "Replace" (e.g., development of biodegradable packaging), supplemented with "Respect" to manifest our respect for the earth.

*Based on ethical processes, non-adverse physical effects and low environmental impact.

3. Promoting sustainable and responsible procurement.

Our aim is to grow with society — to progress and thrive together by promoting respect for human rights and advocating for environmental protection across all our business activities, including the procurement of raw materials.

In our endeavor toward an ethical supply chain, we have issued the Shiseido Group Supplier Code of Conduct and undertaken a regular program of supplier assessment and monitoring. In addition, the Shiseido Group Sustainable Raw Materials Procurement Guidelines provide a robust framework to ensure the procurement of sustainable raw materials around the world (e.g., palm oil and paper).

We strive to share and resolve issues with all stakeholders, including international human rights specialists and partners working in raw material producing regions.

Reducing our Environmental Footprint

Across all areas of our business, we are promoting initiatives that reduce the environmental impact of our activities and ensure a sustainable use of resources.

To help combat climate change, we are stepping up efforts to reduce greenhouse gasses (GHG) emissions, particularly carbon dioxide (CO₂) emissions. To put a halt to deforestation, we are promoting the ethical procurement of palm oil and paper. And to make the best use of natural resources, we are continuing to find ways to minimize water and energy consumption, reduce and recycle waste, and develop new sustainable solutions for products and packaging.

Reducing CO₂ Emissions

To mitigate climate change, we work to reduce the emission of CO₂ and other greenhouse gasses (GHG) at all our production sites and business locations.

In February 2020, we announced our commitment to CO₂ reduction*: We aim to be carbon neutral by 2026.

In order to achieve this target, we are taking actions such as to improve energy efficiency and to use renewable energy.

*CO₂ emissions of scope 1 & 2

Improving Energy Efficiency

We have been making dedicated efforts to reduce GHG emissions related to energy consumption by introducing and installing equipment and using electric power. We introduced a cogeneration system*¹ at our Kuki factory, and CO₂ emissions have been reduced by improving energy efficiency.

At all our production sites*², we carefully select equipment in order to save and use energy efficiently, as well as improve environmental measures based on the environmental management system ISO 14001.

We will continue our efforts to further improve energy efficiency across the Shiseido Group. This includes formulating an energy efficiency improvement plan that sets the direction for investments in in-house power generation equipment as well as equipment that reduces environmental impact.

*1 : Cogeneration system: An efficient system that simultaneously obtains different energies (electricity, heat) from a single energy source.

*2 : Except at our Nasu factory, which began operation in Dec. 2019.

Using Renewable Energy

We have been increasing the use of renewable energy, particularly in our factories that have high power consumption. In 2019, we increased our usage of renewable energy by 52% versus the previous year. In particular, at our East Windsor factory in Shiseido America, Inc. (New Jersey, USA), 100% of electricity is now derived from renewable energy.

● Utilizing water power

About 54% of the electricity used in our Osaka, Kuki, and Kakegawa factories is sourced from hydroelectric power, which contributes to a reduction in CO₂.

● Utilizing solar power

Our East Windsor factory in Shiseido America, Inc. has been equipped with a fixed-tilt solar power system since 2007, and a solar-tracking solar power system since 2010. With an annual power generation of approximately 2.3 million kWh, more than 70% of the factory's annual power consumption was covered by solar power. This amounts to a total reduction of 1,100 ton CO₂ annually. These efforts meant that the factory won the 2010 New Jersey Governor's Environmental Excellence Awards.



Solar power generation equipment

Assessing Climate Risks

In April 2019, Shiseido announced its support for the Task Force on Climate-related Financial Disclosures (TCFD), recognizing that the mitigation of climate-related risks is critical to our continued sustainable growth.

Based on the TCFD recommendations, we identify and report on the climate-related risks and opportunities pertinent to our business.

Scenario Analysis

We have identified significant potential risks we may encounter by the end of this century based on the important geographic points for our business, and scientific insights such as meteorology, hydrology, and statistical data. The risks resulting from the transition towards a decarbonized society, and the physical risks brought about by changing environmental conditions, are considered in the 1.5°C scenario and in the 4°C scenario, respectively.

The 1.5 ° C scenario identifies transition risks such as carbon pricing and market trend changes. When carbon pricing is determined by taking into account the social cost of carbon – such as the costs of climate measures and compensation for the predicted damage caused by climate disasters – the financial impact will be significant.

In the 4° C scenario, we expect to face physical risks due to rising temperatures and associated phenomena. According to the IPCC reports, water-related issues will occur more frequently. We anticipate that changing weather conditions will affect factory operations and disrupt logistics; we also expect that they will have an impact on crop cultivation for the production of raw materials. We have to prepare long-term measures that take into account the natural conditions of each region.

In the meantime, increasing awareness among consumers will open new opportunities for environmentally conscious products and brands. Especially the products and services that support climate adaptation, such as UV care products and cool touch products, are expected to meet consumers' needs.*

In order to mitigate climate-related risks, we have committed to the long-term target of carbon neutral operations by 2026. Moreover, we are taking action on our climate change risks and will actively seek out ways to realize opportunities and benefits that arise across our value chain, in line with the outputs from the scenario analysis.

*JAMSTEC (Japan Agency for Marine-Earth Science and Technology) has shown that harmful UV radiation reaching the Earth's surface is projected to increase in the northern mid-latitudes, including Japan, in the latter half of the 21st century – despite the expected recovery of the stratospheric ozone layer. In fact, an increase in UV radiation has been observed by the Japan Meteorological Agency during the last 20 years. JAMSTEC suggested some reasons for this increase, one of them being climate change.

Water

Across the Shiseido Group, we aim to ensure the sustainable use of water by preserving water circulation in water systems as well as the water utilization by local communities.

To that end, we identified the actual use of water resources across our value chains. Based on this assessment, we work to reduce the impact of our business activities on water circulation and water utilization.

In February 2020, we announced our commitment on water: We will reduce water consumption by 40% compared with 2014 across all Shiseido Group, per unit sales*, by 2026.

In order to achieve this target, we are taking two actions. One is to install equipment that can reuse and recycle water; the other is to introduce water-saving initiatives in product development and at production sites.

*Per unit sales: unit value is the total amount of water consumed per product manufactured.

New Instalments

Our production sites have been working to reduce water consumption since they were established. In order to make more effective use of water, we will be making capital investments, particularly in water circulation equipment.

In the manufacturing process, water for cooling and cleaning of equipment accounts for about half of the total water consumption in our factories. In the coming years, we will gradually introduce equipment that will enable us to use water more efficiently.

At our Val de Loire factory in France, the water used for cleaning equipment is recycled and new cleaning equipment has been introduced to significantly improve the water utilization.

Water-saving Initiatives

At the Osaka factory, we also looked into the rinsing process to verify the effect of reducing the temperature of the water used for cleaning equipment. By using lukewarm rather than hot water, we reduced the amount of water lost to evaporation in the process, which subsequently reduced CO₂ emissions.

Our Gien factory in France switched their water-cooled vacuum pump to an air-cooled type. In addition, the water cleaning of the fragrance manufacturing equipment was changed to alcohol cleaning, and the alcohol used for this process is recycled. These measures significantly improved water utilization at the factory by reducing water usage by 77%*.

In 2019 the Shiseido Group reduced water consumption by 30,000 m³, in absolute terms.

*77% reduction compared with 2009 in terms of water usage per production. (Water consumption (L) per content production (kg)).

● In product development

To contribute to the protection of water resources, we develop products that can reduce water consumption when used by our consumers.

In 2016, Shiseido developed a new foamy facial wash that can be rinsed off quickly, and with less water consumption, by improving dispersibility of dirt into the water. This facial wash reduced the amount of water necessary for rinsing by about 35% compared to standard cleansers. We are expanding the technology developed for water-saving to products such as Clé de Peau Beauté SOFTENING CLEANSING FOAM and UNO Whip Speedy

Waste

Across the Shiseido Group, we work to accelerate our contribution to the reduction of waste.

In February 2020, we announced our commitment on waste: We aim to divert all solid waste from landfills, achieving zero landfill by 2022 at all Shiseido Group factories.

To reach this goal, firstly, we conducted the thorough classification of waste, turn waste to resource for accelerating the reuse and recycle.

In addition, 47% of unnecessary materials such as plastics and metals are sold as recycled resources, contributing to resource recycling by separating and collecting waste at the factories. The activities at our sites resulted in a 94% rate of recycling* in 2019. And, 10 out of 11 factories have achieved this target.

We have also taken actions to improve manufacturing and packaging processes to minimize production losses and optimize the transportation of packaging in factories and through distribution.

On top of that, we are optimizing our use of materials, and minimizing the total volume of industrial waste across the value chain by taking part in circular economy initiatives locally and globally.

Our specific initiatives include the redesign of products (e.g. using less wrapping for our packaging, launching refillable packaging, simplifying packaging design, eliminating the need for inserting leaflets inside the packaging, designing light-weight cardboard), and the redesign of the ordering management system, using the business transformation framework (BTF).

In 2019, the Shiseido Group reduced waste at factories by 394 t in absolute terms.

*Including thermal recovery

Employee Training for Proper Disposal of Industrial Waste

We hold industrial waste seminars twice a year for all managers and people in charge of industrial waste in all departments and Shiseido Group companies in Japan. The aim is to share knowledge, understanding and compliance with laws and regulations.

As a result of these activities, there were no accidents or legal violations associated with waste in 2019.



Industrial waste workshop

Deforestation(Palm Oil and Paper)

To promote environmental protection, we have committed to sustainable procurement across all our business activities, including the procurement of raw materials especially palm oil and paper. This is because the rainforest, where palm oil and paper pulp are procured, conserves valuable biodiversity and provides valuable ecosystem services.

We are strengthening our response to the protection of the environment, particularly with regard to the use of sustainable palm oil and paper, both of which can contribute to preventing deforestation.

Sustainable Use of Palm Oil

Palm oil is a raw material used in cosmetics for its moisturizing and texturizing properties. It is mainly produced from oil palms in Southeast Asia. A vast tropical rainforest extends to Southeast Asia. The chaotic development of tropical rainforests not only destroys these forests and the valuable ecosystems they grow, but also releases large amounts of carbon into the atmosphere, accelerating climate change.

Environmental protection in palm oil production areas, and consideration of human rights of the people working on plantations, are essential to building an ethical supply chain.

As part of our efforts in this area, we joined the Roundtable on Sustainable Palm Oil (RSPO), an international non-profit organization, in 2010.

In order to support the sustainable production of palm oil, since 2018 we have purchased certificates (credits) equivalent to 100% palm oil and palm-derived materials. In 2019 the Shiseido Group purchased credits equivalent to around 9,700 tons of palm oil and palm kernel oil derivatives.

For our next step, we aim to achieve usage of 100% RSPO-certified sustainable palm oil and palm kernel oil derivatives from physical supply chain options (identity preserved, segregated and/or mass balance) by 2026.



Sustainable Use of Paper

To protect the environment and prevent deforestation, we are promoting the procurement of sustainable paper such as (third-party) certified paper and recycled paper.

We aim to achieve 100% use of sustainable paper by 2023. We are currently in the process of switching to (third-party) certified paper (e.g., FSC, PEFC) or recycled paper for all Shiseido products.

Developing Sustainable Products (Formula and Packaging)

Utilizing our extensive dermatological research and formulation technologies, developed over more than 100 years, we have been cultivating formulas that comply with high standards of quality and safety.

Our approach to the development of these cutting-edge technologies has always been informed by a sustainable mindset, reflecting our wish to protect and respect people, societies, and environments touched by our activities.

Complying with 5Rs (Respect, Reduce, Reuse, Recycle, and Replace), we aim to make the packaging* of our products 100% sustainable by 2025. Going forward, we also want all our products to be developed according to 5Rs, minimizing the environmental impact throughout the product life cycle.

*For selling products with plastics packaging

Sustainable Formula

We are committed to developing and offering products and services that are safe and meet high quality standards by leveraging over 100 years of our extensive research and results on dermatological and material science.

Reflecting our wish to protect the health of the human body as well as the environment, we have published our corporate policies on product development. In terms of ingredients, we have screened and assessed key ingredients (e.g. microplastic beads, oxybenzone, parabens), and stated our actions such as not-using/ stop-using/ continuously using to our products*.

UV Care

As a result of climate change*1, the total UV radiation that our consumers are exposed to is likely to increase during this century, and people living in certain regions will be more exposed than others*2.

Based on the results of our dermatological research and development activities, we have initiated new research that explores the relationship between environment and the skin (including UV rays). We will use these results to develop innovative products and services (e.g., UV care, anti-aging care) that protect the skin.

*1:The fact that climate change influences on atmospheric circulation (Hadley circulation) and the total amount of UV ray exposure increase in the middle latitudes was indicated by the research result of JAMSTEC (Japan Agency for marine-earth science and technology).

*2:Most affected are the densely populated regions in the earth's middle latitudes where economic activity is booming.

Animal Testing

Shiseido's mission is to provide safe and effective products to consumers, and to comply with the cosmetics regulations in force, while understanding and respecting the principles behind animal protection.

For all our products, we have established a safety assurance system based on methods that do not involve animal testing. We continue to develop effective alternative methods for testing products safety, and work with administrative agencies in various countries to get these methods certified as official, according to laws and regulations of the given countries/regions*.

*We do not test our cosmetic products or ingredients on animals except when mandated by law.

Actions Towards Consumer Needs

Shiseido responds to the increasing number of consumers that put social responsibility and environmental impact at the top of their purchasing decisions by promoting brands that focus on sustainability such as *bareMinerals*, and *BAUM*, a new brand that was launched in Japan in 2020.

bareMinerals, the original pioneers of natural mineral-based makeup since 1995, was acquired by the Shiseido Group in 2010. Since then, it has been our flagship natural brand, and today, it is positioned as a clean brand with a significant level of natural ingredients and free of controversial ingredients such as parabens, phthalates, chemical sunscreen, and microbeads. Our last addition to our clean brand portfolio is Drunk Elephant. Acquired in 2019, it is free of essential oils, drying alcohols, silicones, chemical sunscreens, fragrances/dyes and SLS (the Suspicious 6™), and it is committed to use only ingredients that either directly benefit the health of the skin or support the integrity of its formulations.

Sustainable Packaging

Respecting and protecting the planet and its resources lies at the heart of our culture; it is also the premise for the circular economy, which is why we support this concept.

Within packaging, we have set our mid-term target with 5Rs. Based on it, the packaging guidelines were developed.

The guidelines on packaging based on this policy were issued globally various kinds of environment-friendly packaging such as refills, mono material containers, recyclable PET packaging.

Shiseido's 5Rs

In order to reduce our environmental footprint and support the concept of a circular economy, Shiseido defined 5Rs as follows:

- **Respect** : Respect people, society, and the environment. Based on this, we aim to achieve 100% sustainable packaging*.
- **Reduce** : Reduce the amount of plastics by optimizing packaging weight, and the usage of plastic promotion materials.
- **Reuse** : Reuse regular packaging by launching refills. Implement recharging systems that guarantee product integrity.
- **Recycle** : Recycle by designing easy-to-be-taken-apart packaging and by using materials suitable for each country's recycling streams. Use PE/ PP/ PET mono materials.
- **Replace** : Replace virgin materials with bio-degradable, bio-based or postconsumer recycled (PCR) materials.

*For selling products with plastics packaging

Reduce/Reuse

● Refill

Since the launch of our first refill products in 1926, Shiseido has led the refill innovation in cosmetics. Currently, we offer refill solutions for more than 1,200 SKU globally.

By providing refill products and by making containers lighter and easier to separate after use, we are reducing the resources used for containers across a wide range of categories, such as skincare, makeup, and personal care.

Reuse also helps to stop single-use plastic usage and accelerate the move towards refill containers as primary packaging.

We have been offering refill containers for *HAKU* Melano Focus V, since 2011. By using a refill container, we reduced the amount of plastics used by 60% compared with the amount used for the original product container.

In order to make it easy to recycle the used containers, we are working to provide packaging that can be easily separated for products that combine different materials such as plastic and metal (e.g. brand *SHISEIDO*).

We also work on innovations that help to reduce the use of plastics. In 2019, we partnered with the Loop program to develop non-plastic packaging products.



Original product container and refill



Recycle

Since 2015, we have been using mechanically recycled PET* resin which has been reproduced from post-consumer packaging waste for the bottle material of SEA BREEZE Super Cool Body Shampoo.

Most of the glass we use for packaging skincare products contains recycled glass cullet. Recycled cullet contributes to decreasing the glass melting temperature. It also cuts down on the amount of silica sand needed for the process. As a result, energy consumption as well as CO₂ emissions are reduced. In addition, we have standardized the glass material to colorless and transparent soda-lime glass for its high recyclability.

*Mechanical recycling: A technology for efficiently producing high-quality recycled PET resin from PET bottles for beverages. Compared to using petroleum-derived PET resin, CO₂ emissions could be reduced by 39 tons in 2018.

Replace

Since 2009, we have been switching the material of the cartons for our skincare products (single-unit cases), such as lotion and emulsion, from plastic to paper.

With regard to paper materials, we actively promote the use of FSC-certified paper*1 and recycled paper.

Since 2011, sugarcane-derived polyethylene*2 has been adopted as the packaging material for the domestic hair care brand, *SUPER MiLD*. This has reduced CO₂ generated from the packaging by more than 70% throughout the product life cycle.

In April 2019, we started a collaboration with Kaneka Corporation, with a view to utilizing Kaneka Biodegradable Polymer® PHBH® – a proprietary material with high biodegradability in seawater – for our cosmetics containers, tools, fixtures, etc. By combining Kaneka's proprietary technology on material development with our knowledge in container development for cosmetics, which we have accumulated over many years, we will further minimize the environmental impact of our products.

*1:FSC-certified paper: Certified to the international standard of Forest Stewardship Council® (FSC®) as materials used in this product are responsibly sourced and have low risk of environmental and social problems such as deforestation and illegal logging.

*2:Sugarcane-derived polyethylene: The CO₂ generated when sugarcane-derived polyethylene is incinerated is equivalent to the CO₂ absorbed as the sugarcane grow. In addition, the energy consumption in the manufacturing process is less than that of petroleum-derived polyethylene due to the lower temperature in the process and the electricity consumed by the raw material production being generated from the incineration of sugarcane fiber. Sugarcane-derived polyethylene can reduce the CO₂ emissions by over 70% throughout the life cycle compared to petroleum-derived polyethylene.

Product Life Cycle Assessment (LCA)

The development of sustainable products is carried out by applying Life Cycle Assessment (LCA), which helps to confirm whether the environmental footprint will be reduced or not.

For example, 40% of the environmental footprint of skincare lotion comes from the processes and materials related to the packaging of these products. In order to reduce the environmental footprint of cosmetic packaging, Shiseido has provided more than 1,200 SKU of refillable products. In the case of Elixir lotion, LCA indicates that using refillable product can reduce over 50% of its carbon footprint.

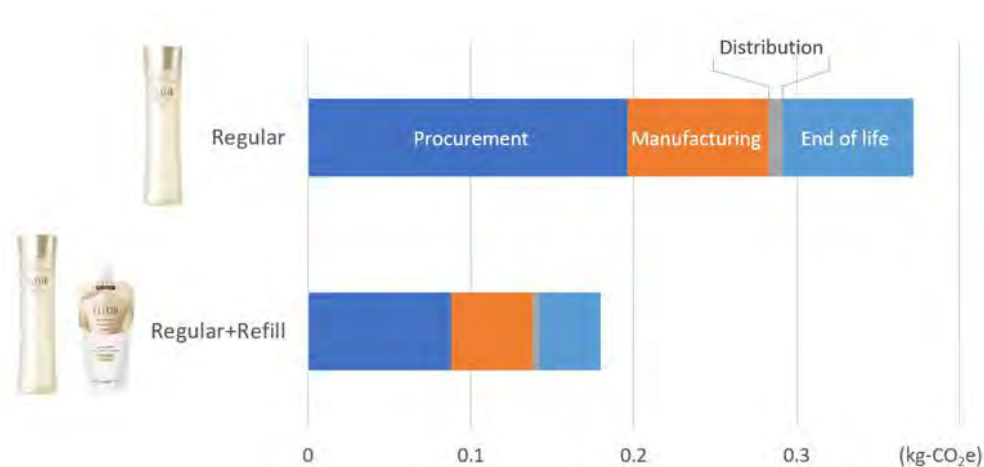


Fig.1 Carbon footprint of Elixir Lifting Moisture Lotion packaging

Our Environmental Approach

Striving for the ideal of a global environment that supports lives of vibrancy.

Respect for the planet and its people is written into our name and embedded in our culture. 'Shiseido' comes from a phrase in the Chinese, I Ching: "Praise the virtues of the Earth, which nurtures new life and brings forth significant values."

In everything we do – from procurement and development to production and packaging – we work to protect the global environment that we all depend on. That is how we create sustainable value.

Environmental Management

●Implementation framework

In 2020, we launched the Sustainability Committee, a dedicated unit aimed at ensuring timely management decisions and a stronger awareness of this theme. The committee is held on a regular basis to discuss Group-wide sustainability initiatives, to decide on the strategies, policies, and activity plans, and to monitor progress. It consists of the CEO and corporate officers in charge of Corporate Strategy, Finance, R&I, Supply Network, Corporate Communications, HR, and Brands, as well as corporate auditors. Other corporate officers are periodically involved depending on the matter at hand.

Particularly important matters are submitted to the Board of Directors for approval.

●Promotional activities

The Shiseido Group's production sites introduced the ISO 14001 environmental management system for the first time in 1997. All our production sites worldwide have obtained ISO 14001 certification*. We place an Environmental Management Representative in each production site, set environmental policies and targets, promote environmental activities, confirm compliance with environmental regulations, properly manage chemical substances, educate employees on the environment, and conduct the PDCA cycle. By so doing, we improve the management system and reduce the environmental impact. The progress of these activities is validated through third-party audits.

Under this promotion system, the Shiseido Group had no major environmental incidents, violations of environmental laws or regulations, or lawsuits related to environmental issues in 2019. We will continue our endeavor to maintain appropriate environmental management.

*Except at our Nasu factory, which began operation in Dec 2019.

The Shiseido Group Environmental Management Status

Descriptions	Targets	2019 results
Maintain and expand environmental management system	Maintain ISO 14001 certification	Continued ISO 14001 certification

Status of ISO14001 Certification

Production sites		Date of certification
Shiseido Company, Limited	Shiseido Kuki Factory	October 27, 1997
	Shiseido Kakegawa Factory	October 5, 1998
	Shiseido Osaka Factory	March 24, 1999
Taiwan Shiseido Co., Ltd. Hsinchu Factory	-	August 31, 1999
Shiseido America, Inc.	East Windsor Factory	March 31, 2000
Shiseido International France S.A.S.	Unité de Gien Unité du Val de Loire	August 8, 2000 February 8, 2002
Shiseido Liyuan Cosmetics Co., Ltd.	-	August 17, 2000
Shiseido Citic Cosmetics Co., Ltd.	-	November 9, 2004
Shiseido Vietnam Inc.	-	December 15, 2011

Cooperating companies

Production sites		Date of certification
Shiseido Honeycake Industries Co., Ltd.*	-	September 29, 1999

*Although Shiseido Honeycake Industries Co., Ltd. is not a consolidated subsidiary it obtained certification in 1999 in line with Shiseido policies.

Collaboration with Stakeholders and Evaluation from External Parties

Agreements with external organizations

2017	In Japan, Shiseido updated the content of our declaration on environmental protection, the Promise of eco-first and certified as an "Eco-First Company" by the Minister of the Environment. (Re-certified in 2012 and 2017, respectively, with a plan to update our declaration in 2020.)
2009	In Japan, Shiseido became the first company in the cosmetics industry to receive the "Eco-First Company" certification from the Ministry of the Environment thanks to our declaration on environmental protection, the "Promise of eco-first."
2008	We agreed with the United Nations Global Compact's Climate Change Initiative on Caring for the Climate.



Environmental study with local residents

Environmental study with children

The Shiseido Kakegawa Factory (Kakegawa City, Shizuoka Prefecture) holds environmental learning sessions for local elementary school students every year. In 2019, 20 children from Kakegawa participated in the sessions. We introduced eco-friendly packages and waste reduction initiatives and learned about the problem of ocean plastics. Everyone checked small pieces of plastic collected from the beach by employees and made kaleidoscopes. The Shiseido Kakegawa Factory continues to provide environmental education in cooperation with the community.



Environmental study in the roof garden at the Ginza Office

The Ginza Office (Chuo-ku, Tokyo) has a rooftop "Shisei Garden" created with biodiversity conservation in mind. We hold environmental learning sessions for local residents in the garden. In October 2016, we invited 29 children to take part in a workshop in which they observed the plants in the roof garden and squeezed oil from Camellia, a cosmetics ingredient.



Awards won

Month/Year	Award	Organizer	Reason for award
August 2017	Technical Packaging Award of The Japan Packaging Contest 2017	Japan Packaging Institute	Using mechanically recycled PET: SEA BREEZE Body Shampoo Cool & Deodorant, SEA BREEZE Super Cool Body Shampoo S
August 2016	Accessible Design Packaging Award of the Japan Packaging Contest 2016	Japan Packaging Institute	Development of new refill replacement mechanism for Clé de Peau Beauté LA CRÈME n

Environmental Accounting

In Japan, we use the Environmental Accounting Guidelines 2005 edition issued by the Ministry of the Environment to quantify the environmental conservation costs and outcomes.

Target period: From January 1 to December 31, 2019

Scope: Domestic sites (production sites, research institutes, departments in the Headquarters), overseas sites (production sites)

1. Environmental Conservation Costs (Unit: 1 million yen)

Category		Main Initiatives	Investment	Expenses
(1) Costs breakdown by operation			49	1,305
Breakdown	(1)-1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	3	136
	(1)-2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	41	4
	(1)-3 Resources recycling costs	Waste processing, recycling, Wastewater re-use, reducing materials, etc.	4	1,162
	(1)-4 Chemical substance reduction cost		1	4
(2) Upstream/downstream costs		Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc.	-	185
(3) Administrative costs		Personnel expenses (excluding R&D), environmental management costs	18	281
(4) Research and Development costs		R&D for environmentally friendly products, etc. (including personnel expenses)	-	-
(5) Social contribution costs		Support of environmental groups, disclosure of environmental information, environmental advertising, etc.	-	54
(6) Environmental remediation costs		Environmental remediation costs, etc.	-	1
(7) Other costs			-	0
Total			67	1,826

2. Environmental Conservation Outcomes (Unit: 1 million yen)

Outcomes		Economic effect
Earnings	Revenue from the recycling of waste generated in main business activities and the recycling of used products, etc.	48
Cost savings	From energy conservation	48
	Waste-related	10
	From resource conservation	8
	Other	1
Total		117

Respectful Society

Advancing a society that embraces diversity through respect, and supports lives of beauty.



1. Encouraging a society of full acceptance and vibrant participation.

For almost 100 years*, Shiseido has supported, empowered, and inspired women around the world through cosmetic innovations and new perceptions of beauty. We will continue to strive to increase women' s visibility and elevate their roles in society. Consequently, our commitment to accelerating gender equality in Japan is crystallized through our association with 30% Club Japan and Shiseido CEO Masahiko Uotani' s role as chair. With the Gender Gap Index 2020** ranking Japan 121st in the world, the challenge before us is clear.

Shiseido also supports women' s education, particularly in Asia, inspiring a society where, regardless of gender, all may feel respected, find contentment, and live to their fullest potential.

*In Apr 1934, Miss Shiseido, the predecessor of Beauty Consultants, was born.

** The Gender Gap Index is an indicator of gender disparities in countries published by the World Economic Forum. It ranks each country by analyzing 14 items in the areas of politics, economics, education, and health.

KPIs : Ratio of female managers (Japan)
40% by end of 2020

2. Empowering people through the power of beauty.

For many years, Shiseido has supported, through multiple activities in beauty and makeup seminars, those suffering from serious skin concerns, such as bruises, scars, and changes in skin appearance due to cancer treatments. Our support for consumers through the power of beauty is ongoing, as we strive to empower a society where people can feel at ease and lead fulfilling lives with confidence.

KPIs : Shiseido Life Quality Make-up Activity Development
14 countries/regions by 2022

3. Working in support of a society that respects human rights.

Respect for human rights is a core pillar in all our business activities. We value employee diversity and fully support open, inclusive, and respectful workplaces. The Shiseido Group's Human Rights Policy is modeled on the United Nations Guidance Principles on Business and Human Rights. To ensure that the rights of our employees, partners, and stakeholders (including those in raw material production) remain intact, we resolve any such issues in full cooperation with any and all involved parties.

Human Resources

Basic Policy Regarding Personnel Affairs

Shiseido Group's basic policy regarding personnel affairs.

Diversity and Inclusion

Specific initiatives to promote diversity.

Realizing a Rewarding Workplace

Systems and measures introduced at Shiseido to enable all employees to realize work-life balance and increase productivity.

Fair Evaluation of Employees

Rules and guidelines regarding the handling of evaluations and other relevant matters that have been established as personnel affairs policy.

Utilization and Development of Human Resources

Shiseido Group's human resources development policy, its promotion and career support measures in Japan and overseas.

Employee Safety and Health

Support systems to protect the invaluable health of each and every employee.

Employment and Labor

Basic information on the number of employees, welfare and benefit programs, and employment in the Shiseido Group companies.

Good Relationship with Labor Union

Shiseido Group is working to build and maintain a sound employer-employee relationship through communication among management, labor unions and employees.

Respecting Human Rights and Ensuring Responsible Procurement

Our Human Rights Approach

Shiseido has established the Shiseido Group Human Rights Policy based on the United Nations Guiding Principles for Business and Human Rights and its basic corporate philosophy, which is described in the group-wide code of ethical behaviors.

Human Rights Promotion System

Shiseido Group's Human Rights Risk Assessment is undertaken by the following personnel in the Shiseido Company, Limited (Global Headquarters).

Primary Initiatives

Here listed are Shiseido's primary initiatives regarding respect for human rights and ensuring responsible procurement.

Performance in 2019

Promotion of women's empowerment and gender equality in Japan

Shiseido promotes women's empowerment and gender equality within and outside the company to realize a society free of gender barriers where everyone can be active.

Women's empowerment within Shiseido

Shiseido positions and assertively promotes women's empowerment as one of its key management strategies to establish an organizational culture that manifests the potential of individual employees and continuously improves results. As of January 2020, our ratio of female on the Board of Directors is 45.4% and that of female leaders in Japan is 33.1%. We aim to increase our ratio of female leaders to 40% by the end of 2020.

Since 2017, we have been holding the "Next Leadership Session for Women," a leadership training program for female employees, as part of our support for women's empowerment. In 2019, 18 female employees aspiring to become senior leaders have participated in the program and learned management skills and discovered their own unique-to-women leadership style.

Efforts are also made to create an employee-friendly corporate environment where employees can balance work with childcare and nursing care; this includes an in-house day nursery, paid two-week childcare leave to encourage male employees to also take such leave, and the Kangaroo Staff system* enabling beauty consultants (BCs) to take time off for childcare.

The number of employees who take leave or work short hours in relation to childcare and nursing care has been increasing; in 2019, 1,390 employees took childcare leave, 2,300 took time off for childcare, 29 took nursing leave, and 28 took time off for nursing care.

*Kangaroo Staff system: introduced in 2007 to allocate substitute employees (Kangaroo Staff) to storefront operations for Beauty Consultants (BCs) who take time off for childcare. The system has contributed greatly to the balance of work and childcare for BCs raising small children.



Next Leadership Session for Women



In-house day nursery "Kangaroom Shiodome"

Participation in 30% Club Japan for healthy gender balance in decision-making

Shiseido includes in its mission the elimination of gender inequality in society. In 2019, 30% Club Japan* was established to increase the ratio of female management in Japanese companies, and Masahiko Uotani, Representative Director, President and CEO of Shiseido, was appointed the post of first chair. At the end of the year, "TOPIX Presidents' Committee" was also launched, wherein members discuss the fundamental barriers against women's empowerment in their companies.

*The 30% Club was established in the UK in 2010 to increase gender diversity at board and senior management levels. The Club is active in 14 countries and regions including Japan and has been contributing to improved gender balance among female directors. 30% Club Japan is a platform which includes the participation of companies, corporate investors, government, media, professional firms and universities, to successfully realize corporate diversity.



30% Club Japan launch event

Efforts toward gender equality awareness for young people (2017-2019)

Since 2017, in collaboration with United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), we have implemented the Gender Equality Awareness Program* targeting young people who will be responsible for the future of Japanese society, where gender issues continue to persist. This is a program to learn about and discuss common gender issues and to propose solutions to the public.

In 2019, approximately 900 students from 41 schools across Japan participated in the workshop. Over three years since 2017, 74 schools across Japan participated in the workshop and raised awareness on gender equality among 2,405 people, including general participants in the event.

*The Gender Equality Awareness Program, co-hosted by UN Women, was concluded upon completion of a three-year contract at the end of March 2020.



Participating high school students

Supporting for female researchers

Shiseido started "Shiseido Female Researcher Science Grant" in 2007 in order to support research activities of superior female researchers and thereby contribute to nurturing leading female researchers. In 2019, 10 female researchers were awarded, each receiving a research grant of one million yen. We have supported 119 researchers to date, and over 40% of those awarded by 2018 have been promoted to a higher post.



The award of "Shiseido Female Researcher Science Grant"

Promotion of women's empowerment and gender equality in overseas

The Shiseido Group promotes a variety of initiatives to solve gender issues and empower women, not only in Japan but around the world.

In 2019, global luxury brand Clé de Peau Beauté launched a global charity program, the "Power of Radiance Awards." Advocating for girls' education as key to social advancement empowerment, this annual program honors inspirational women who have contributed to women's education and supports their activities through donations. Also, on International Day of the Girl Child on October 11, Clé de Peau Beauté announced a global partnership with the United Nations Children's Fund (UNICEF) to support girls' education and empowerment around the world. Through the three-year partnership, Clé de Peau Beauté will make the world's largest contribution of US\$8.7 million to support UNICEF programs toward gender equality.

In 2019, clean beauty brand bareMinerals launched "The Power of Good Fund by bareMinerals," a charitable initiative supporting women's empowerment. As part of this program, the brand has donated 1% of sales from US boutiques and bareMinerals.com to organizations that support women's education, mentorship and entrepreneurialism. Additionally, its employees have the opportunity to dedicate 1% of their time to volunteerism as part of this program.

In 2019, the brand donated US\$750,000 and helped empower 142,000 women and girls around the world. Employee volunteers dedicated a total of 600 hours.

Shiseido Asia Pacific (Singapore) collaborated with The Asia Foundation to run the Girls Learning & Leading (GLL) Program in 2019 as educational support for female students in Cambodia. The program provided 102 students in Cambodia with material supplies such as books and rice, soft skills training in leadership and communication, and mentorship to further their academic endeavors.



Clé de Peau Beauté
Global partnership with UNICEF



Female students in Cambodia
supported by the program

Support programs and activities beyond in-store counseling

Overseas efforts to support those with serious skin concerns

Shiseido opened its new Shiseido Life Quality Beauty (SLQ) Center in Singapore in May 2019, which offers makeup advice for people with skin concerns ranging from bruises and scars to hair loss as a side effect of cancer treatment. This is the fifth overseas center.



Reception at SLQ Center in Singapore

Efforts to support cancer survivors

We first published the "Beauty Book for Cancer Patients" in October 2019. The Beauty Book, which contains beauty techniques to cover skin discoloration and loss of eyebrows and eyelashes as a side effect of cancer treatment, has been provided to 385 designated cancer hospitals in Japan. The contents of the Beauty Book are available free on the Shiseido Life Quality Makeup website. Major activities to support cancer survivors include LAVENDER RING MAKEUP & PHOTOS WITH SMILES, which was held three times in 2019 with participation by 71 groups, and photos taken of over 200 individuals. We have held exhibitions of their photos 17 times at different public facilities, hospitals, and cancer patient group meetings. These activities received the gold IAUD International Design Award* 2019 (social design category) sponsored by the International Association for Universal Design (IAUD). We also organize seminars and, upon request from medical facilities and patient groups, provide appearance care seminars for cancer patients throughout Japan, in approximately 1,500 patients have participated in total.

*IAUD International Design Award: Recognizes groups and individuals who have conducted or proposed particularly noteworthy activities aimed at realizing a Universal Design (UD) society in which everyone can live comfortably



Beauty Book for Cancer Patients



Photo exhibition

Efforts to support elderly people

The RE-CARE Award, sponsored by the RE-CARE JAPAN Executive Committee, recognizes and commends organizations and companies that provide services and products in preventative care, protection against frailty, rehabilitation for elderly people, and independent living not covered by public insurance schemes. We have received the gold RE-CARE Award in the category of industry, government and academic cooperation category for our cosmetic therapy program for two consecutive years. The award recognizes our locally-oriented activities in cooperation with local governments and dental clinics. Our "Ikilki Beauty Seminar," which supports activities for elderly people, is provided upon request to medical facilities, nursing facilities and local governments. A total of more than 25,000 people have participated in the seminar around the country. We also provide a training lecture for healthcare professionals and nursing care providers as well as the general people to learn about cosmetic therapy, which has reached approximately 1,200 participants in total. This lecture has been added to credited classes at the Faculty of Pharmaceutical Sciences of Setsunan University since 2019 and a total of 18 students have acquired skills for cosmetic therapy.



Award certificate



Lecture at Setsunan University

Efforts to support people with disabilities

Shiseido developed "Guide Make (trademark registration pending)", a makeup method for those with visual impairments with the cooperation of organizations for the visually impaired. In October, we started providing Guide Make seminars. We also provide social contribution-oriented lectures on grooming and appearance, designed not only for the visually impaired but those with other disabilities as well as children in orphanages, upon request to schools for students with special education assistance needs and welfare facilities for the disabled throughout Japan. A total of approximately 7,000 people have participated in these lectures. In addition to seminars, we participated in the Work Fair for People with Disabilities 2019 held in November in Aichi Prefecture. At the Shiseido booth in the fair, staff offered skin diagnoses and provided makeup advice for approximately 230 visitors.



Guide Make seminar



Work Fair for People with Disabilities 2019

Human Resources

Shiseido promotes the development of worker-friendly workplaces for all employees by placing importance on employee diversity.

Talent Development

We expect our employees to acquire leadership, functional expertise, and change management capability while encouraging them to consistently learn to realize self-driven career development. In addition to learning opportunities for each function and job level, we provide various development opportunities for selected talent and also employees with high aspiration and motivation to grow.

Leadership: The Shiseido Leadership Academy provides opportunities to selected talent to elevate their leadership to the next level. It helps participants gain richer self-awareness, enhance their strategic insights and business acumen, and build global networks. In 2019, 380 employees participated, with 241 young employees participating in the Future Leadership Program. Eighteen female employees participated in the Next Leadership Session for Women.

Global Talent Development: The Asia Learning Center was established in Singapore in January 2019 to provide opportunities for employees in Asia Pacific Region, China and Japan to learn together. The Shiseido Group in Japan has been supporting the enhancement of English language skills in accordance with the adoption of English as the official business language within the company. In 2018-2019, a total of 8,155 employees participated in English language programs.

Diverse Employee Activities and Flexible Working Styles

Diversity in the workplace is a source of innovation, which delivers value to a wide range of customers. We respect individuals and strive to maximize each employee's strengths.

Mindset Change: Conducted training to raise awareness of unconscious biases that could impede diversity and inclusion. In 2019, 79 senior managers, including corporate officers, participated in the training. In another program called Reverse Mentoring, young employees provide mentoring sessions to corporate officers and vice presidents to create an organizational culture in which opinions can be openly exchanged in a flat manner regardless of position or seniority. In 2019, 494 employees participated in these diversity promotion initiatives. On the company's intranet, an internal newsletter entitled "Hello Beautiful!" has been published. In 2019, through this column, 89 employees introduced themselves and their values to help cultivate a culture of mutual respect.

Women's Empowerment: In January 2020, the ratio of female managers in the Shiseido Group in Japan reached 33.1%, and we plan to increase this to 40% by the end of the year. The ratio of female directors, audit & supervisory board members was 45.4% in 2019 and 46.2% in March 2020. Candidates are selected by corporate officers and vice presidents while ensuring that women are included on the list.

In order for diverse employees, such as employees with limited working hours, to exert their full potential, we promote flexible working styles that increase options for when and where to work. We have been working on improvement that suits each department and location. Shiseido Japan switched from sales cars that were owned by each business site to car-sharing, more direct journeys were possible, leading to a reduction in overtime. In 2019, the annual percentage of paid leave taken per person reached 84.6% for the Shiseido Group in Japan.

Striving to Address Gender Issues in Japan: 30% Club Japan's Initiatives and Support for Women's Empowerment

Shiseido promotes initiatives internally and externally to foster women's empowerment and gender equality toward a society where all people can play active roles, regardless of gender.

Internal Support for Women's Empowerment

Shiseido positions women's empowerment as one of its key management strategies to establish an organizational culture that manifests the potential of individual employees and continuously improves results. To this end, we actively promote the appointment of female leaders and enhancement of human resource development.

The ratio of female on the Board of Directors is 46.2% as of March 2020 and that of female leaders in Japan is 33.1% as of January 2020. We aim to increase our ratio of female leaders to 40% by the end of 2020. Since 2017, we have been holding the "Next Leadership Session for Women," a leadership training program for female employees, as part of our support for women's empowerment. For female employees who aspire to become senior leaders, the program provides unique management training that focuses on specific concerns and challenges facing female leaders. We also promote various other initiatives such as correcting long working hours which prevent women from active participation, and reviewing how employees work from a perspective of achieving employee work-life balance.



Next Leadership Session for Women

Joining 30% Club Japan: Striving for Sound Gender Balance in Corporate Decision-Making Bodies

According to the Global Gender Gap Report 2020, annually published by the World Economic Forum to measure gender inequalities in different countries, Japan ranked 121st out of 153 countries. As a leading company in the promotion of women's empowerment, Shiseido has been expanding activities in this area, as it also sees closing the gender gap throughout Japanese society as its mission.

In May 2019, "30% Club Japan" started activities with the aim of increasing the ratio of female executives on Japanese company boards. Masahiko Uotani, Representative Director, President and CEO of Shiseido, was appointed as the first chair of 30% Club Japan, and sent a strong message: "Given that Japan's gender gap index ranks 121st, Japanese companies should play a central role in promoting social change."

At the end of 2019, 30% Club Japan also set up the TOPIX Presidents' Committee, consisting of TOPIX 100, TOPIX Mid400 and other members, to discuss essential issues that prevent women's empowerment. It strives to accelerate women's participation in management while promoting actions that will lead to the resolution of these issues.

Shiseido will continue contributing to eliminating the gender gap above and beyond the corporate framework.



30% Club Japan launch event

The Gender Equality Awareness Program for Young People

Since 2017, in collaboration with United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), we have implemented the Gender Equality Awareness Program* targeting young people who will be responsible for the future of Japanese society, where gender issues continue to persist. This is a program to learn about and discuss common gender issues and to propose solutions to the public.

Every year, we have co-hosted an event in which representative schools, selected from workshop participants, propose solutions to gender issues at the United Nations University in Tokyo. In 2019, approximately 900 students from 41 schools across Japan participated in the workshop. At the third event, under the theme of "Thinking about the issues of SDGs from the perspective of gender equality," eight representative schools, selected from across Japan, took the stage to raise gender issues and propose solutions as well as personal achievable actions. Over three years since 2017, 74 schools across Japan participated in the workshop and raised awareness on gender equality among 2,405 people, including general participants in the event.

*The Gender Equality Awareness Program, co-hosted by UN Women, was concluded upon completion of a three-year contract at the end of March 2020.



Participating high school students



Presentations by high school students

Supporting Female Researchers

Shiseido has awarded the Shiseido Female Researcher Science Grant since 2007 with the aim of contributing to research development through the activities of talented female researchers. In 2019, 10 female researchers were awarded, each receiving a research grant of one million yen. The grant provides unique flexibility, allowing female researchers to use the money in support of life events (childbirth, childcare) in the course of advancing research.

We have supported 119 researchers to date, and over 40% of those awarded by 2018 have been promoted to a higher post. By supporting female researchers, Shiseido will continue to contribute to innovation not only in the field of cosmetics but science and technology as a whole.



The award of "Shiseido Female Researcher Science Grant"

Supporting Childcare

Shiseido not only supports our employees in realizing a balance of "work" and "childcare," we promote efforts to share the various concerns of families in the child-raising stage with all of society.

Based on the concept of "improving the child-rearing environment through cooperation with other companies," Shiseido opened Kangaroom Shiodome in 2003 and Kangaroom Kakegawa in 2017 as in-house nurseries. These facilities also accept a certain number of children whose parents work or live in the neighborhood. They have made significant contribution to transforming employees' awareness on how to work and realizing work-life balance, and have been well received parents for reasons such as "being able to return to work with peace of mind," "feeling secure in the knowledge one's child is nearby," and "allowing the effective use of time not spent on pickup travel to focus on work."



In-house day nursery "Kangaroom"

In 2017, Shiseido also entered the childcare business with the establishment of KODOMOLOGY Co., Ltd. Its main business is the operation of in-house nurseries at corporate sites. In addition to the operations of Kangaroom Shiodome and Kangaroom Kakegawa, it provides support services to other companies in establishing in-house nurseries and operations. Since 2019, KODOMOLOGY also organizes workshops for employees who are raising children, including those whose spouse also works, and develops play programs while leveraging its corporate assets cultivated through the cosmetics business. Through these activities, we continue to work towards realization of a sustainable society that puts children at the center and ensures healthy development for all.



Workshops for employees

Supporting the creation of a “third place” for working women (Sponsor of the Corporate Ladies Team Golf Tournament)

Shiseido has been supporting the Corporate Ladies Team Golf Tournament as a special sponsor since 2019. This tournament focuses on the significance of a "third place" bridging women's work and private lives. Shiseido seeks to support the creation of this place where working women with common interests can gather, form relationships, and motivate one another towards shining further at home and work.

We promote the concept of "a third place for working women," and see this tournament as an opportunity for increasing women's empowerment within Japanese society.

Overcoming concerns that the event would not be held in this second year due to the COVID-19 pandemic, taking preventive measures, we held qualifiers at four locations nationwide in July-August, and the final tournament was held on Saturday, December 12th.

The tournament was specially positioned and held under the theme "Power of Women 2020: Let's expand the circle of support!" To extend support to medical staff and essential workers struggling in COVID-19, we incentivized good plays during the qualifiers and held a charity event, donating incentives and part of participation fees to the Japan Visiting Nursing Foundation.

The final tournament in December was held on a smaller scale than last year, but the 60 participating teams (120 players) could enjoy golf, networking, and invigoration for the future.



Supporting Female Athletes

For the last 40 years, Shiseido has organized Shiseido Running Club to develop professional-level female athletes. With the slogan "Strong, Fast, Beautiful," and through its support activities, Shiseido Running Club encourages health and beauty unique to Shiseido in three respects: mind, performance, and body. The club nurtures not only the "strength to win over yourself" and "ability and technique to run faster," but also the "spirit of omotenashi (hospitality)."

In addition to developing athletes affiliated with the club, we actively promote classes and lectures and participation in local running events as social contribution. In doing so, we spread the joy of running and promote health among runners in general, ranging from children to the elderly.



Local running event

Global Action for Gender Equality

Shiseido promotes a variety of initiatives to solve gender issues and empower women, not only in Japan but around the world.

2020 WCD Award for Leadership and Governance of a Public Company

Shiseido received 2020 WCD Visionary Award



Shiseido Company, Limited ("Shiseido") received the 2020 WCD Award for Leadership and Governance of a Public Company at the 2020 Visionary Awards by the WomenCorporateDirectors Foundation (WCD)*, a network of female directors who are active on the boards of directors of companies in each country and region. The award ceremony was held online on September 9th, and Mr. Uotani sent the following video message.

● Message from Mr. Uotani (excerpt)

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

"To us, gender diversity is imperative to Japan's economic and social future. Despite recognizing diversity as a key issue, Japan ranks 121st in the Gender Gap Index. To me, this is totally unacceptable. Therefore, we are driving gender diversity initiatives. I became chair of 30% Club Japan to share our best practices with other Japanese companies. Together, business leaders in Japan are committed to proactively changing this situation, not just simply relying on the government's legislation.

"Shiseido is proud to act in a leadership role.

"Diversity is the most important theme for corporate growth. We at Shiseido have a corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD with the aim of creating society in which people with diverse backgrounds can fully demonstrate their respective abilities."

●Message from WCD Japan Chapter International Committee Member

Yoko Ishikura
External Director (Independent)
Shiseido Co., Ltd.

"One of the reasons Shiseido has received this prestigious Visionary Award, which has significant global impact, is because Shiseido's efforts toward enhancing diversity for governance is well appreciated. Our corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD reflects this strong belief very well. I trust our corporate activities, which respect and appreciate the unique beauty of each person, to further drive society and the world for the better.

"This award is proof of the constant effort and daily activities of each person working for Shiseido. I hope it renews their sense of pride in that work and the company they work for. I trust this award will encourage all of us to take up new initiatives and new challenges. I hope our continued effort will earn your praise in the future."



Ms. Ishikura

*The WomenCorporateDirectors Foundation(WCD) is the world's largest membership organization and community of women corporate board directors.

WCD Announces Shiseido as 2020 Visionary Award Honoree

The WomenCorporateDirectors Foundation (WCD)^{*1} has announced Shiseido Company, Limited ("Shiseido") as a 2020 Visionary Award honoree for Leadership and Governance of a Public Company. WCD is the world's largest membership organization and community of women corporate board directors and provides opportunities for female board members around the world to promote board diversity and improve the corporate governance of each company. The Award for Leadership and Governance of a Public Company is awarded to that which is a recognized industry leader with continuously strong financial results and promotes diversity and inclusion within the company. Shiseido is the first Japanese company to be selected for this award and has been evaluated in particular for its product development and innovation, which recognize and reflect the diversity of female consumers with different needs and experiences.

●Women who play an active part at the top of the company

Women still represent approximately 25%^{*2} of senior management in companies globally, with only 5.2%^{*3} female directors among listed companies in Japan. In the Shiseido Group, the global ratio of female managers is 52.7% (33.1% in Japan), and in terms of top management diversity, the ratio of female officers is 46.2%^{*4}. We believe that the board of directors of our company can make more effective decision-making by comprising various members with various viewpoints, experience and skills. Gender-balanced top management creates high value not only internally but also for stakeholders and society in terms of corporate governance and securing talented human resources.

^{*1} : The WomenCorporateDirectors Foundation(WCD) is the world's largest membership organization and community of women corporate board directors.

^{*2} : The WomenCorporateDirectors Foundation(WCD)2019 survey.

^{*3} : Gender Equality Bureau of the Cabinet Office data, as of July 2019. Officers refer to directors, corporate auditors, representative executive officers and executive officers of a company with a nominating committee, etc.

^{*4} : For details of our personnel data, please see the "Social Data" page of our corporate site.

Clé de Peau Beauté: Supporting Girls' Education

In 2019, global luxury brand Clé de Peau Beauté launched a global charity program, the "Power of Radiance Awards." Advocating for girls' education as the key to women's social advancement and empowerment, this annual program honors inspirational women who have contributed to women's education and supports their activities through donations^{*1}.

The second "Power of Radiance Awards" in 2020 recognized Binita Shrestha and Pratiksha Pandey from Nepal, who have made incredible contributions to the education and empowerment of girls in Science, Technology, Engineering and Math (STEM)^{*2}.



THE POWER OF RADIANCE AWARDS 2020 Recipient
Pratiksha Pandey (L) and Binita Shrestha(R)

Furthermore, on International Day of the Girl Child on October 11, Clé de Peau Beauté announced a global partnership with United Nations Children's Fund (UNICEF) to support girls' education and empowerment around the world. Through the three-year partnership, Clé de Peau Beauté will make the world's largest contribution of US\$8.7 million to support UNICEF's Gender Equality Program.

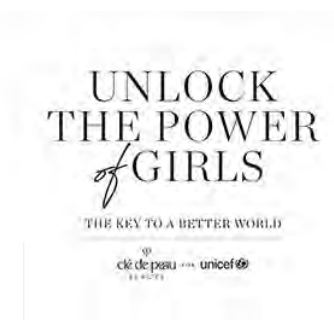
The partnership will provide support at a global level, and also at a national level in countries such as Bangladesh, Kyrgyzstan and Niger, to promote STEM education –traditionally stifled by stereotypes and gender expectations toward girls – as well as to develop life skills. We will contribute to the achievement of the Sustainable Development Goals (SDGs) "quality education" (goal 4) and "gender equality" (goal 5), protecting the rights of 6.5 million girls as we work toward international goals to ensure their educational and employment opportunities, and provide support to help them unleash their potential.



*1 The Power of Radiance donations are contributed from global sales of Le Sérum, the best-selling product of Clé de Peau Beauté, to organizations chosen by the awardees to promote women's education.

*2 STEM: A general acronym for educational fields in Science, Technology, Engineering and Mathematics. The STEM educational method develops skills such as spontaneity, creativity, judgment and problem solving, thereby developing talents who are well adapted to a technological and global society and can compete on the international stage.

*UNICEF does not endorse a specific company, brand, product or service.



bareMinerals: Supporting Women

In 2019, clean beauty brand bareMinerals launched "The Power of Good Fund by bareMinerals," a charitable initiative supporting women's empowerment. As part of this program, the brand has donated 1% of sales from US boutiques and bareMinerals.com to Hopewell Fund* to benefit organizations that support women's education, mentorship and entrepreneurialism. Additionally, bareMinerals employees have the opportunity to dedicate 1% of their time to volunteerism as part of this program.

In 2019, the brand donated US\$750,000 and helped empower 142,000 women and girls around the world. Employee volunteers dedicated a total of 600 hours.

As a clean, good-for-skin beauty brand, bareMinerals aims to inspire change both big and small. Through "The Power of Good Fund by bareMinerals," the brand is proud to help women look good, feel good and do good for themselves and the world around them.

*Donations will be made on sales, less any returns or discounts, starting April 1, 2019 through December 31, 2020 and include a minimum contribution of US\$1 million. Hopewell Fund is a public charity that specializes in helping donors, social entrepreneurs, and other changemakers launch new, innovative social change projects.



Girls' mentorship by bareMinerals employees



Shiseido Asia Pacific: Supporting Girls' Education

Shiseido Asia Pacific (Singapore) collaborated with The Asia Foundation to run the Girls Learning & Leading (GLL) Program in 2019 as educational support for female students in Cambodia. The program provided 102 students in Cambodia with material supplies such as books and rice, soft skills training in leadership and communication, and mentorship to further their academic endeavors.



Female students supported by the GLL program



International Women's Day: Shiseido Global Action



The Shiseido Group sent a global message on International Women's Day, March 8, to empower women around the world. Regional headquarters also organized various internal and outside programs to support women, to celebrate the day.

Global headquarters in Japan were unable to hold the scheduled event due to the impact of the Coronavirus. Nevertheless, with the 2020 International Women's Day global theme "Gender bias: Recognize invisible bias and be yourself," the Shiseido Group shared its message through various channels including social media.

Shiseido China, through the China Women's Development Foundation, donated 77,000 pcs of hand cream and body cream to healthcare workers on the front lines providing care to people affected by the Coronavirus, and to the families of these workers to ease their fatigue from this difficult fight.

Shiseido Asia Pacific issued an International Women's Day feature article through their internal communication channel to raise awareness among employees. Original novelty gifts were also given out to employees to celebrate the day.

Shiseido EMEA put up posters in the office, introducing International Women's Day and the company's efforts to promote gender equality. A movie was also produced and internally distributed, featuring interviews with employees on the theme "Bias within ourselves."

Shiseido Americas invited Girl Scout members to their offices to introduce their marketing and social activities. They also partnered with CEW (Cosmetic Executive Women) to produce a movie on gender equality and distributed it internally to raise awareness among employees.

Shiseido Group will continue to work as one to realize a society free of gender barriers, where everyone is respected for who they are and can achieve their maximum potential.



Distribution of original novelty gifts
(Singapore)



Relief supplies for healthcare workers
(China)

Shiseido Life Quality Makeup

For those with serious skin concerns (bruises, scars, side effects from anticancer drugs)

In 1956, Shiseido launched Japan's first-ever makeup items for wartime burn scars and developed Shiseido Life Quality Makeup, a makeup application method to address serious skin injuries such as bruises and scars. Since 2008, we have further evolved and applied this method to address changes in skin appearances caused by the side effects of cancer treatment. Shiseido participated in "Living with Cancer" in 2017 and, in 2018, cosponsored "LAVENDER RING," an event to support cancer survivors. Since 2017, we have also organized "MAKEUP & PHOTOS WITH SMILES," a yearly makeup and photo shooting event. Shiseido Life Quality Beauty Center, our specialized facility, provides advice to individuals on makeup techniques using dedicated products according to individual concerns, and holds an appearance care seminar for cancer patients upon request from medical facilities around Japan.

We at Shiseido support all persons with concerns about their appearance through makeup solutions that provide the freedom to enjoy day-to-day life.

What is Shiseido Life Quality Makeup?

There are those who suffer from serious skin concerns that prevent them from social participation and who need makeup to live their day-to-day lives. Changes in outward appearance due to the side effects of cancer treatment, birthmarks, vitiligo, or skin irregularities such as scars and burns can greatly affect one's quality of life. We at Shiseido believe in the power of makeup to comfort and encourage such persons, and we're hard at work developing makeup products and methods to treat their concerns. We call it: Shiseido Life Quality Makeup.

Active Regions

Shiseido Life Quality Makeup is expanding globally, with the aim of a society in which all persons with concerns about their appearance can live happily.

- Tokyo
- Shanghai
- Hong Kong
- Taiwan
- Singapore

SINGAPORE: Shiseido Life Quality Beauty Center



The first in South East Asia, the Shiseido Life Quality Beauty Center in Singapore is committed to empowering customers with more confidence through private sessions with our specialised beauty consultants. Designed for comfort, support and learning, its spacious rooms are also fitted with sofas for family and friends.



Address:

Shiseido Life Quality Beauty Center
182 Cecil Street, #15-03 Frasers Tower
Singapore 069547

Consultations are by appointment only.

To arrange for one, please call +65 6430 9969
or email SLQC@shiseido.com.sg

Social Activities



The Power of Makeup

Shiseido supports the activities to realize a society where people can live life in their own way even with cancer. We look to the future where everyone, with or without cancer, can spend their days filled with joy.



Perfect Cover Foundation

Perfect Cover Foundation developed by Shiseido covers various skin concerns including blueish, reddish, or brownish discoloration, severe skin dullness due to treatment, unevenness and vitiligo. Thanks to technical development, Perfect Cover Foundation is now easily available on Shiseido total beauty website "watashi+"(Japanese only).



Shiseido Life Quality Beauty Center

A unique facility specialized in Shiseido's cover makeup. The Shiseido Life Quality Beauty Center also researches and develops products and offers educational makeup lessons across the region.



For Cancer Patients

Booklet Supporting Appearance Care

We made a booklet to suggest makeup techniques to cover appearance changes caused by the side effects of cancer treatment. "Appearance Care Book for Cancer Patients" was published to support cancer patients who want to be themselves every day of their lives.



Information Service for Medical Professionals

We supply medical professionals with information on Shiseido's appearance care services so that they can introduce such services to patients who suffer from skin discoloration or eyebrow and eyelash loss caused by the side effects of cancer treatment.

History of Our Activities

Shiseido's appearance care activities started in 1956, when there were many people who had suffered serious burns from World War II.

Shiseido Spots Cover was launched with the aspiration to do something only Shiseido can do to relieve the heartache of those people distressed by keloid scars. Then Shiseido launched Perfect Cover, a foundation that naturally covers various skin concerns including birthmarks, scars, and burn scars applying the light technology (complementary colors). It has led to our activities today. Shiseido, since its establishment, has been continuing research and information development on cosmetics aiming not only to help bring out individual consumers' beauty but also to enrich their mind.



For all who need it

There are men, as well as women, who have appearance concerns saying, "I can't smile," or "I don't want to go outside for people to see me." We wish everyone, regardless of age or gender, could cover their skin concerns to spend their days just as they like.

We are extending Shiseido Life Quality Makeup activities to deliver our beauty service to people of all generations across the world who need it. Shiseido's activities will go on to inspire more people to take a step forward supported by the "power of makeup."

Shiseido Life Quality Beauty Seminar

For elderly people

In 2013, we developed an evidence-based cosmetic therapy program, which is an integration of elder care skills acquired since 1975 through volunteer makeup services at nursing facilities and many years of research findings. At present, we hold seminars for healthy people as well as those who need care, with the aim of extending healthy life expectancies, upon request from nursing facilities and various organizations throughout Japan.

For those with visual disorders

In 1984, Shiseido developed beauty teaching materials regarding beauty to support the visually impaired, such as beauty textbooks in Braille, adhesive labels printed in India ink and embossed in Braille, and adhesive labels for quantities of use in Braille. Since 1987, we have published a CD four times a year entitled "Oshare-na Hitotoki (Fashionable Moment)," which contains beauty information. We donate the CD to about 80 Braille libraries throughout Japan. In 2002, we launched the website "Shiseido Listener's Café (Japanese language)," where text-to-speech (TTS) software reads explanations on how to use cosmetics and information on beauty contained in "Oshare-na Hitotoki," our quarterly beauty magazine. In 2019, we developed "Guide Make," a makeup method for people with visual impairments with the cooperation of organizations for the visually impaired. We are planning to provide Guide Make seminars throughout Japan.

For those with serious skin concerns (bruises, scars, side effects from anti-cancer drugs)

In 1956, Shiseido launched Japan's first-ever makeup items for wartime burn scars and developed Shiseido Life Quality Makeup, a makeup application method to address serious skin injuries such as bruises and scars. Since 2008, we have further evolved and applied this method to address changes in skin appearances caused by the side effects of cancer treatment. Shiseido holds an appearance care seminar for cancer patients upon request from medical facilities around Japan.

Introduction to our seminars

In 1949, Shiseido started providing lectures on grooming and makeup to expecting high school graduates to help them learn essential skills as working members of society.

Over 60 years later, we continue to provide seminars throughout Japan with the hope that all may live beautifully, designed for people with various backgrounds and for various purposes to help maintain and improve their quality of life (QOL). These activities are now collectively called the "Shiseido Life Quality Beauty Seminar."

In July 2013, Shiseido started offering sustainable seminars that aim to address social issues through the power of beauty. As a social contribution activities, we hold lectures on grooming and appearance at facilities for disabled people and schools and appearance care seminars for cancer patients at medical facilities. These seminars are provided by dedicated beauty therapists stationed mainly at Shiseido's offices throughout Japan.

Now we are mainly holding the following seminars throughout Japan.

Seminar participants	Name of seminar	Venue
<ul style="list-style-type: none"> • Healthy persons and those in nursing care • Those in direct contact with elderly persons (healthcare/nursing care staff, volunteer staff, general attendees, etc.) 	<ul style="list-style-type: none"> • Ikilki Beauty Seminar*1 • Lecture on cosmetic therapy*2 	<ul style="list-style-type: none"> • Medical facilities, nursing facilities, local government offices, etc. • Organized by our company
<ul style="list-style-type: none"> • Persons with disabilities 	<ul style="list-style-type: none"> • Social contribution-oriented lecture on grooming and appearance 	<ul style="list-style-type: none"> • Welfare facilities for the disabled, schools for students with special education assistance needs, etc.
<ul style="list-style-type: none"> • Cancer survivors, healthcare professionals 	<ul style="list-style-type: none"> • Appearance care seminar for cancer patients 	<ul style="list-style-type: none"> • Medical facilities, patient groups

*1 A makeup session in a group provided by visiting specialist staff of Shiseido

*2 A lecture on skills for cosmetic therapy, which aims to maintain and improve mind and body functions through makeup application

Specific efforts (activities in FY 2019)

Efforts to support elderly people

Our "Ikilki Beauty Seminar" is held upon request from medical facilities, nursing facilities and various organizations around Japan, and in 2019, a total of more than 25,000 elderly people participated.

Each seminar was organized in response to requests from Silver Human Resources Centers in 28 regions in Japan for women who register with the centers. In the seminar, Shiseido beauty therapists gave makeup tips not only on how to look beautiful, they taught exercises for the mouth and arms in order to maintain health physically and mentally. At some venues, the seminar was so popular that the seat capacity was reached within 30 minutes of opening registration. All venues were filled with smiles.

Lectures on cosmetic therapy were also held as a training program for healthcare professionals, nursing care providers and general attendees to learn about cosmetic therapy. In 2019, a total of approximately 1,200 people participated.

Dental clinics in Hokkaido offered beauty seminars which were provided by dental hygienists and dental staff who are qualified Shiseido cosmetic therapists*. They visited local municipal hospitals to fun, practical lectures on dental care for inpatients through cosmetic therapy.

*Unique Shiseido qualification



Beauty seminar provided by dental hygienists

It has recently been said that we are entering the era of the 100-year lifespan. Going forward, we will continue to support healthy longevity through makeup and beauty services.

Efforts to support those with visual disorders

In 2019, we developed "Guide Make," a makeup method for people with visual impairments with the cooperation of organizations for the visually impaired. We are planning to provide Guide Make seminars throughout Japan.

Shiseido "Guide Make" Thoughts:

- 1) Assisting totally and partially blind people in applying makeup
- 2) Assisting aging people in taking care of their skin
- 3) Assisting those who want to go out and meet somebody, through makeup



SHISEIDO

資生堂「ガイドメイク」

自信を、笑顔に。

見えない・見えにくい方のためのメイクアップ

資生堂 ライフオリティビューティーセミナー
<https://www.shiseidogroup.jp/seminar/memo/>
資生堂「ガイドメイク」は視覚に障がいのあるすべての方に、化粧の楽しさを、笑顔にもっと広げていきます。
※「ガイドメイク」は登録商標です。

<Comments from Guide Make seminar participants>

It was a very useful seminar. I was able to understand what was wrong with my makeup and also able to learn tips for makeup.

I like the naming "Guide Make." The lecturer explained the meaning of the name and I was impressed by the thoughts I want to share what I have learned with as many people as possible. (woman, 40s, from Osaka)

The lecturer recommended me a lipstick in red, which I would never choose. I am glad that I was encouraged to use a new color. (woman, 50s, from Osaka)

It was the first time in 25 years that I applied full makeup. I found it very easy and would like to do it by myself. (woman, 50s, from Gifu)



Guide Make Seminar

Going forward, we will continue to help and empower those with disabilities in applying makeup and grooming through these services.

Efforts to support cancer survivors

Upon request from medical facilities and patient groups, we provide appearance care seminars for cancer patients throughout Japan, in which approximately 1,500 patients have participated.

<Comments from appearance care seminar participants>

When I go to hospital for treatment, I wear a mask without any makeup on. I feel pumped up when I applied makeup at the seminar. Makeup makes me feel happy and I now can think about the future positively. (woman, 50s, breast cancer)

It was a very enjoyable experience. I want to make it as a fun habit learned from illness. My goal is, "I got sick and became beautiful". (woman, 30s, breast cancer)

On October 19, "Relay for Life," an event to support cancer survivors, was held at Ueno Park in Tokyo. Shiseido employees participated in the event as part of their CSR activities.

Forming a team named "Touch the Healing Shiseido," employees provided free "touch care" and "hand care" to approximately 120 visitors. Many recipients ranging from cancer survivors to overseas tourists made positive comments, including "I'm feeling warmed up and relaxed. Thank you," and "My hands became warmer and felt nice!"



Relay for Life

There are an increasing number of cancer patients who receive treatment while working, thanks to advanced medical technologies. We support cancer patients with the power of beauty to help them live an active life and keep smiling throughout their treatment.

Support for Patients with Xeroderma Pigmentosum (XP), a UV-Sensitive Intractable Disease

Support outline

Our employee-based activities include financial aid for holding patient exchange meetings using donations accumulated in a fund, which are withdrawn from employees' salaries (Shiseido Camellia Fund), and sending volunteer staff to support the patient exchange meetings.

By providing high-quality sunscreen products and teaching beauty methods their use, we help XP patients effectively protect their skin and enjoy outdoor activities as well.



Purpose

We position Society (Activities to motivate and empower people) as one of our materiality issues, which includes "Improvement of consumers' quality of life (QOL*)." We believe that protecting people's health through our products in the face of environmental changes is an important social contribution of our core business. We have a long history of research into sunscreen products that protect skin from UV rays, as well as insights into effective sunscreen usage, and sell a broad range of high-quality sunscreen products. Support for UV-sensitive patients suffering from an intractable disease is an activity that can contribute to the resolution of social issues by taking advantage of our strengths.

*QOL: An acronym for Quality of Life

About xeroderma pigmentosum (XP)

XP is an intractable disease that causes a severe sunburn reaction, such as redness and swelling of areas exposed to UV rays. There are multiple types of XP, with varying symptoms and severity. A severe form may involve the progression of neurological symptoms (e.g., walking difficulty, hearing loss, intellectual disability). As the fundamental treatment has not yet been established, a proper light shield (i.e., blocking UV rays) is the only viable countermeasure. When patients go outdoors, they have to wear sunscreen and UV protective clothing. Even indoors, windows and fluorescent lights are shielded with UV-blocking plastic film. The number of patients in Japan is estimated to be 500.

The Japanese National Network of Xeroderma Pigmentosum (XP)* conducts activities with the aim of building better lives for XP patients and their families.

*Japanese National Network of Xeroderma Pigmentosum (XP): A network consisting of three XP patients groups in Japan (Osaka, Kobe, and Tokyo). We are working to achieve more fulfilling daily lives for XP patients and their families.

*For details on support, please refer to Social Data.

Words from patients and their families

We received a thank-you note from the families of XP patients: "Throughout the year, sun-screen products are indispensable in protecting the sensitive skin of children with XP from UV rays and the onset of skin cancer. Thank you very much for letting us use your products with peace of mind. We appreciate your heartfelt support, which helps us cherish our lives with our children."

Basic Policy Regarding Personnel Affairs

In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, The Shiseido Philosophy (comprising OUR MISSION, OUR DNA, and OUR PRINCIPLES) is our guiding light.

To create value globally, a company needs to develop its people as the most important management resource. Believing this, and based on our policy of PEOPLE FIRST, we will promote personnel development vigorously, to "increase individual competencies" and "fulfill individual potential" to increase organizational competencies, thereby "enhancing corporate strength."

We should have effective leadership development programs to increase individual competences and appropriate performance management systems to fulfill individual potential. For this purpose, the global personnel department is leading a task force to develop a range of talent management and development programs and evaluation systems in line with THE SHISEIDO PHILOSOPHY.

We will introduce to our global operations the personnel affairs regulations established and revised so as to increase individual and organizational competencies and activities aimed at enhanced engagement and inclusive corporate culture. In doing this, we will respect specific needs of each regional headquarters, answering the call to "Think Global, Act Local."

Diversity and Inclusion

Having created a slogan to "love the differences," Shiseido endeavors to build a corporate culture that respects the diversity of its workforce, irrespective of gender, age, nationality and any other individual attribute, and encourages dynamic discussions aimed at creating new value. We pursue this endeavor as part of ongoing efforts to fulfill our corporate mission to create BEAUTY INNOVATIONS FOR A BETTER WORLD.

Support for Women's Empowerment

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.

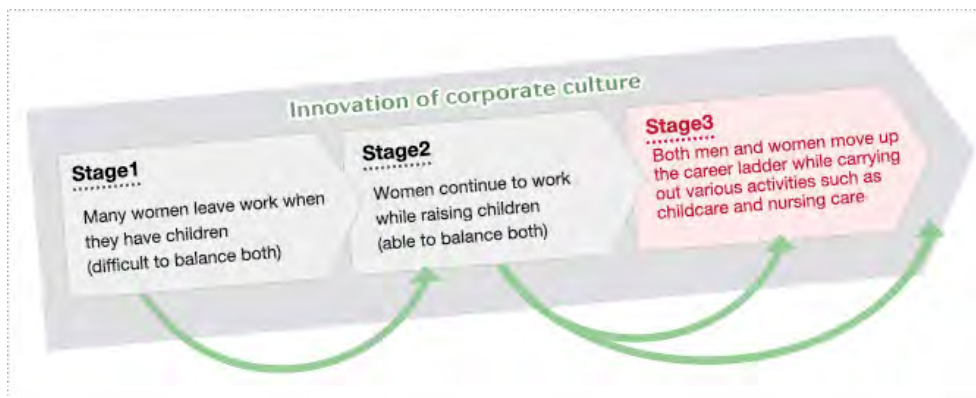
In fiscal 2005–2012, we formulated the "Gender Equality Action Plan" and promoted the "cultivation of the corporate culture", in which we pursued a reform in awareness and actions to enable women to take active roles. We also worked on "strengthening the appointment and promotion of female managers and 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 have sizably increased career awareness among female employees. The ratio of female managers (Japan) has risen to 33.1% as of January 2020, a significant improvement from before the plan formulation. Also, upon reviewing how employees work, we carried out a number of measures, introducing teleworking programs, and company-wide Lights Out and Go Home On Time Day campaigns. These have achieved certain results, particularly in decreasing the number of long-shift workers and halving overtime work hours.

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.

Please check the details in the Social Data.

<Three Steps for Women Taking Active Roles>



We have intensively cultivated a company culture in which diverse employees, including women, play active roles while demonstrating their skills and proactively building their career.

Also, expecting to see a woman president in the future, we aim to raise women's ratio in our company's senior management such as department directors and hold "NEXT LEADERSHIP SESSION for WOMEN", leadership training sessions for women employees, headed by the president. As one of our constant efforts to foster future women leaders, we held the first series of the sessions in 2017 and plan to have two more, in which participants go through a 10-month comprehensive leadership development program that offers lectures given by women leaders from outside the company, a workshop to learn from horses' demeanor, individual coaching sessions and other lessons. The goal of the program is to help participants have a clear image of their future job with greater responsibilities and influence, discover their own unique-to-women leadership style to become more confident in themselves, and upgrade their management skills. The contents of the program include, therefore, not only general leadership development training but also assistance in solving concerns and problems unique to women.



"NEXT LEADERSHIP SESSION for WOMEN"



Workshop to learn from horses' demeanor

Horses swiftly respond to your action (leadership) regardless of your title or social position. We hold a workshop to provide participants with an opportunity to reconsider their actual leadership by watching the horses' response (feedback).

Ratio of Female Managers

To facilitate the promotion of female managers, the Company has launched the "individual personnel development" program targeting candidate employees. Program participants are given opportunities particularly to engage in higher levels of work duties (work assignment) and expand areas of professional focus (workplace transfer), learning the basics of management while working to achieve solid results. As a result, the ratio of females to total managerial positions has reached 30% as of January 2017.

For further advancement, we promote leadership training, digital skills improvement and other programs to develop global business professional capabilities. In social contribution, we established KODOMOLOGY CO. LTD. in February 2017 to entrust the operation of in-house nurseries. Through this service, we will help many working parents achieve work-life balance, thereby helping realize a society where everyone can play an active role.

Please check the details in the Social Data.

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 Gold, the highest grade, in 2017 by "work with Pride", an organization that evaluates companies' LGBT support efforts.

Employment of persons 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 310 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 no special treatment" and "we willingly support those with the passion to work hard", and continuously reinforce the recruitment and retention of employees who may bring diversity to our organization.

In a special subsidiary, Shiseido's Hanatsubaki Factory Co., Ltd., 50 employees, primarily developmentally challenged individuals, are working at the four locations in Tokyo, Osaka and Kakegawa.

As of June 1, 2019, the number of employees with disabilities accounts for 3.25% in Shiseido Company, Limited and 2.21% in the Shiseido Group in Japan as a whole.

Please check the details in the Social Data.

Employment of Non-Japanese Nationals

Shiseido has become more active in employing a diverse workforce, regardless of nationality, at the head office in Japan, in addition to overseas subsidiaries. Persons with wide-ranging backgrounds are now assigned to various sections and departments in the Company. For non-Japanese nationals hired by the head office, the Company conforms to Japan's immigration control systems, especially related to resident status requirements, and treats them appropriately based on relevant employment regulations.

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.

In FY2014, we launched the EL Partner System to reemploy those wishing to continue working, and in FY2018, we enhanced reemployment conditions for assuming more important responsibilities. Particularly in areas such as R&D, we re-hire "senior scientists" to hand down their highly specialized techniques and know-how to future generations.

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.

Starting from FY2018, in accordance with the law, for fixed-term employees of five years or more at the Company, we switch their employment contract to a permanent type upon request.

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

Realizing a Rewarding Workplace

Realizing a Rewarding Workplace

Shiseido aims to "become a company where both mentally and physically healthy employees fully enjoy their time for personal development and create innovation." We call this "WORK LIFE BEAUTY." We are working to implement flexible work arrangements and resolve the issue of long working hours to create a rewarding workplace where every employee can work with enthusiasm.

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 relevant activities 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

At all Shiseido Group's business sites* in Japan, including affiliated companies, office lights are switched off at 10 p.m. and the lights-off time at Shiodome Office is set to be 8 p.m.

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

Furthermore, working from home, which had been introduced in headquarters, Global Innovation Center (GIC), Shiseido Japan Co., Ltd. and some of the affiliated companies, has been formalized as a teleworking system since April 2017 (qualified workers and jobs are determined by each workplace). As a measure of introducing diverse work styles, use of satellite offices and other practical systems are available for all employees including working mothers and those who are 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, 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 to use short working hours for employees with 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. We also 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.

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 work shorter hours for childcare.

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 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 BC faces.

As a result of promoting these reforms, 98% of BCs working short hours for childcare 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 consumer service activities so that the BCs could work short hours 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% consumer-oriented" philosophy.

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.

Please check the details in the Social Data.

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 working child-rearing hours.
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 working child-rearing or nursing hours.
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.
Kangaroom Kakegawa	2017	An in-house daycare center for Shiseido employees' children. Accommodating a fixed number of children, the center is also partially open to the children of employees of nearby companies.

Fair Evaluation of Employees

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 personnel affairs 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.

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.

Please check the details in the Social Data.

Utilization and Development of Human Resources

Human Resources Development Policy

Shiseido has been earnest in its human resources development since it was founded. The Company, in fact, was once known in society as "Shoseido" which translates to "hall of scholars."

We continue focusing on developing personnel as the most important management resource, as we have over past years upholding our policy of PEOPLE FIRST, and now, specifically aiming to fulfill our mission to create BEAUTY INNOVATIONS FOR A BETTER WORLD.

Toward this end, we are striving to "increase individual competencies" and "fulfill individual potential" to increase organizational competencies, thereby "enhancing corporate strength." And for this purpose, we are stepping up HR development efforts, defining core competencies in line with THE SHISEIDO PHILOSOPHY to provide a basis for capability-building programs and evaluation systems.

Performance Management

For fulfilling individual potential, we have established Performance Management systems based on core competencies defined in line with THE SHISEIDO PHILOSOPHY, looking to help all employees around the world achieve professional growth and produce expected results.

The basic concept of the systems is that each employee sets challenging goals, works to attain the goals using support from managers and capability-building programs, and achieve fast growth and produce high-level performances. Managers, a key player in the above process, undergo training in necessary management skills, such as for coaching and feedback-giving, and receive feedback from subordinates through 360-degree surveys. These plans aim to foster a culture that encourages reciprocal feedback activities for organizational development, in addition to improvement of management skills.

Global Talent Management

For increasing individual competencies, we have launched Global Talent Management programs, designed to accelerate the development of global business professionals through strategically planning a range of HR-related processes from recruiting, screening, training to assignment. Specifically, we identify superior talents having potential for global business activities, promote inter-regional HR mobility, and run level-based, targeted training programs at the Shiseido Leadership Academy. These efforts are directed at optimal personnel assignment and effective capability-building from global and long-term perspectives.

Particularly, the Shiseido Leadership Academy, committed to its mission to "inspire, ignite, and connect Shiseido leaders to lead BEAUTY INNOVATIONS FOR A BETTER WORLD," offers training programs to selected candidates for future global business leaders, with a focus on leadership qualities and management insights.

In addition, each regional headquarters develops their own leadership and business skill-building programs to address local needs and issues, in order to enhance respective talent pipelines.

Employee Safety and Health

Health management initiatives

I believe that 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.

To realize this mission, it is important for our employees to maintain inner and aesthetic beauty as well as solid motivation.

To that end, it is essential to support the health of employees and the health of their families. In collaboration with the Shiseido Health Insurance Society, we created a health declaration to clarify our promise to help our employees live beautifully.

Shiseido delivers beauty to consumers. We are fully committed to health management. In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond.



Representative Director, President and CEO

A handwritten signature in black ink, appearing to be 'K. Takemura'.

Shiseido Health Declaration

Our mission is BEAUTY INNOVATIONS FOR A BETTER WORLD. To that end, based on our perception that beauty and health are sources of vitality, we promote initiatives for employees and their families to live beautifully and healthily.

[Our principles]

- As members of a company delivering beauty, each and every employee shall have awareness and knowledge, and take action proactively to work healthily, physically and mentally.

Shiseido will endeavor to provide opportunities for our employees to speak freely with each

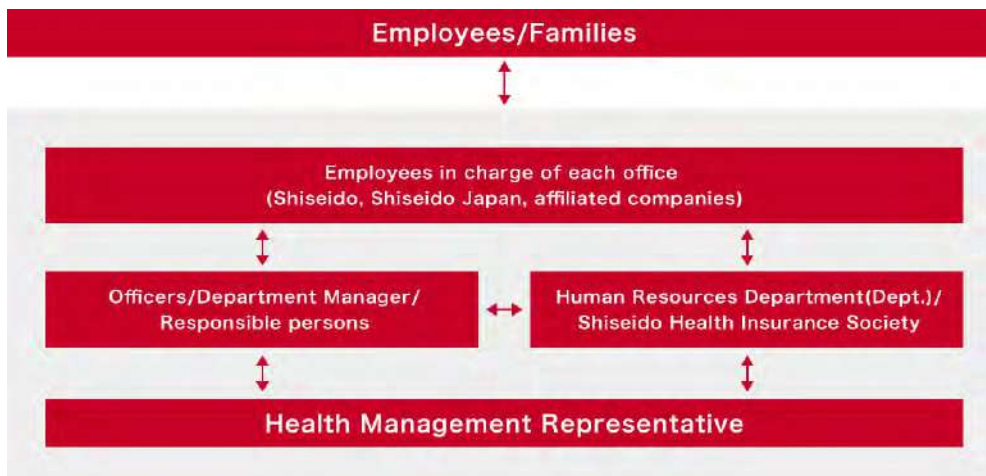
- other about beautiful lifestyles and health for mutual growth.

Shiseido will endeavor to create a safer and more comfortable work environment and will

- actively support the efforts of employees and their families in cooperation with the Shiseido Health Insurance Society.

Promotion system

Regarding promotion, the officer in charge of human resources acts as the Health Management Representative (Chief Wellness Officer), and the Human Resources Department Wellness Support Group and Shiseido Health Insurance Society collaborate to support each office (of the Shiseido Group in Japan) to take the initiative to maintain and promote employee health. In addition, the Health Management Representative and each officer, department manager, and responsible person jointly discuss support for employee voluntary health initiatives.



A Message from the Chief Wellness Officer

To respond to the coronavirus threat, we all need to adopt a new daily lifestyle. Under these circumstances, the Shiseido Group's mission to help consumers improve their quality of life through various products and services with "beauty" as the keyword has become more important than ever. To provide products and services that are well-received by consumers, it is essential for employees and their families to maintain beautiful and healthy lifestyles and ensure a high quality of life. The Human Resources Department Wellness Support Group and Shiseido Health Insurance Society, in collaboration with Shiseido's officers, department managers, and responsible persons and staff members in charge of human resources at offices, proactively help employees and their families address their health issues and improve their lifestyles. As employee diversity grows each year, in terms of age, sex and nationality, we provide more individually tailored support than ever before. Our serious approach to health management should serve as the most important and effective foundation to achieve "People First." With this in mind, we will further enhance our efforts to create a work environment where employees feel comfortable and fulfilled.



CWO - Chief Wellness Officer -
CPO - Chief People Officer -
President, Shiseido Health Insurance Society
Minoru Nakamura

Health issues and future initiatives of the Shiseido Group in Japan

The Shiseido Group in Japan considers and works to resolve the following issues.

1. Reconstructing the foundation of the occupational health system that supports health-related initiatives

More frequent patrolling inspections of workplaces by members of the Health Committee, Safety and Health Committee, and occupational physicians; maintenance of a 100% health checkup rate; encouragement for undergoing reexamination and/or detailed examinations based on health checkup results to ensure early treatment; improvement of health guidance rules to make health guidance more effective and efficient and the addition of more information and resources; multifaceted analysis of health data; enhancement of mental health measures; development and implementation of a mental health promotion plan

2. Implementation of health-related initiatives

The Shiseido Group in Japan and the Health Insurance Society will jointly promote health initiatives that take into account each office's health issues with the aim of promoting beautiful lifestyles, improving women's health, providing mental healthcare, facilitating smoking cessation, preventing cancer, and improving the work environment.

Measures	Issues	Initiatives	
		Shiseido Group in Japan	Shiseido Health Insurance Society
Beautiful lifestyles	Improvement of lifestyles	<ul style="list-style-type: none"> ■ Organization of exercise seminars (provided by instructors from RIZAP and Tanita Health Link) ■ Promotion of self-care using health point apps and wearable terminals ■ Thorough implementation of health guidance ■ Organization health fairs 	<ul style="list-style-type: none"> ■ Provision of specified health checkups ■ Implementation of health support programs (specified health guidance) (While national age eligibility for above specified health checkups and guidance begins at age 40, Shiseido begins at age 35 to enable early detection/treatment.) ■ "Dental Examination Campaign" partial subsidy for dental checkup fees (promotion of regular preventive dental care by family dentist) ■ Organization of lifestyle improvement seminars provided jointly by KENPO and RIZAP ■ Efforts to prevent worsening of diabetic nephropathy (program subsidized by Ministry of Health, Labour and Welfare) ■ Addition of "recipes for prevention of lifestyle-related diseases" on Health Insurance Society website
Women's health	Addressing female-specific health issues	<ul style="list-style-type: none"> ■ Monthly dissemination of health-related information ■ Dissemination of information in lunchtime sessions (live streaming) 	<ul style="list-style-type: none"> ■ Full subsidy for cervical cancer and breast cancer screening ■ Encouragement for women to undergo above screening (provision of information leaflets on necessity and advantages and disadvantages of gynecological examinations for all target employees) ■ Addition of "Women's Health Promotion Office Healthcare Lab" banner on Health Insurance Society website and provision of relevant information
Mental health	Acquiring stress tolerance; reduction of repeated long absences from work	<ul style="list-style-type: none"> ■ Organization of seminars for self-care and line-care practices (new employees, new managers, guidance training, training for managers) ■ Launch of e-learning courses on mental health self-care ■ Interviews by department managers, and improvement of work environment based on group analysis of stress check results 	<ul style="list-style-type: none"> ■ Placement of "Interviews about Mental Toughness" articles in Health Insurance Society public relations magazine (since 2020 spring/summer)
		Telephone consultation with Health Support Dial 24 (24 hours/day, 365 days/year), mental health consultation support	
Measures against smoking	Promotion and maintenance of non-smoking	<ul style="list-style-type: none"> ■ Measures for complete prevention of secondhand smoke in workplace (posters and leaflets) ■ Provision of educational lectures on smoking behavior ■ Provision of health guidance on non-smoking 	<ul style="list-style-type: none"> ■ Subsidy for outpatient consultation fees to quit smoking (year round)
		<ul style="list-style-type: none"> ■ Distribution of "Invitation to Quit Smoking DM" with information on "Quit Smoking" Victory 2020" (full subsidy for programs to quit smoking for a limited period) 	

Measures against cancer	Early detection; balancing treatment and work	<ul style="list-style-type: none"> ■ Launch of e-learning programs to improve cancer literacy, and support to balance work and treatment ■ Introduction of support measures for treatment/work balance* ■ Participation in "Cancer Control Promotion Company Action" 	<ul style="list-style-type: none"> ■ Participation in "Cancer Control Promotion Company Action" (since FY2018) ■ "Recommendation for Cancer Screening" (author: Dr. Keiichi Nakagawa) enclosed with Health Insurance Society public relations magazine ■ Partial subsidy for cancer screening ■ Encouragement and confirmation of followup consultation (necessary medical care /detailed examination) in cases indicating risk ■ Addition of "Cancer Information Service" banner from National Cancer Center on Health Insurance Society website, and provision of relevant information
Work-style reform and improvement of work environment	Encouraging frequent communication	<ul style="list-style-type: none"> ■ Establishing measures for fostering communication between supervisors and subordinates in ABW (new work-style in new office environment) ■ Revitalizing health committee based on workstyle reform ■ Questionnaires for employees working from home, and improvement of work environment ■ Provision of information to employees within Human Resources community website 	—

*Measures scheduled in and after FY 2021

Outcomes of key initiatives

1.Measures against smoking	<ul style="list-style-type: none"> ● Reduction of smoking rate and provision of support to quit smoking ● Complete prevention of secondhand smoke in workplace
2.Beautiful lifestyles	<ul style="list-style-type: none"> ● Improvement of health guidance and specific health guidance implementation rate ● Active usage of seminars and apps to improve employee lifestyles ● Thorough follow up interviews after health checkup results (retests, etc.)

1. Initiatives and outcomes of measures against smoking

The smoking rate in our company had been slightly higher than the national average. In response, we introduced initiatives such as No Smoking Day within the company and a support program to quit smoking using a nicotine substitute. In 2010, a support program to subsidize fees for treatment to quit smoking was launched. In the following year, smoking was banned in all company buildings. In addition, employees in uniform working in stores have been prohibited from smoking since 2012 and, since May 2019, no employees are permitted to smoke during working hours. The company also has joined the "No Smoking Promotion Business Consortium" to share the latest information on non-smoking initiatives. Thanks to these efforts, the smoking rate has seen a reduction to 22.2% in 2018 and 20.8% in 2019 (down 10 points compared to 2010). To accelerate this tendency, we will enhance our efforts to promote non-smoking, such as placing non-smoking posters at offices and distributing information leaflets to new employees. Following the subsidy for treatment to quit smoking that commenced in 2010, the Health Insurance Society launched the "O-Yen Quit-Smoking Challenge Program" in 2019, which subsidized all treatment costs to assist employees and dependents attempting to quit smoking. The program received 106 employee participants, which exceeded the target of 100. Of these, 54 participants successfully quit smoking.

In FY 2020, in a joint project between employers and the Health Insurance Society, an "Invitation to Quit Smoking DM" (message from the CWO, original information leaflet, and information on a full subsidy for program fees to quit smoking) will be sent to smokers, and "Quit Smoking: Victory 2020," a full subsidy program for program fees to quit smoking, will be available for a limited period.

■ "Smoking Cessation: Victory 2020"

The O-Yen Quit-Smoking Challenge Program in FY 2019 has been replaced by "Smoking Cessation: Victory 2020" for FY2020, which aims to enroll 100 participants and help at least 50 successfully quit smoking.



<"Smoking Cessation: Victory 2020" application>



<Information leaflet on quitting smoking>

Participation in the "No Smoking Promotion Business Consortium"

We joined the "No Smoking Promotion Business Consortium" in April 2019. Since then, we have participated in Consortium workshops to share information with other companies that have implemented progressive non-smoking programs.



<"No Smoking Promotion Business Consortium">

Target smoking rate

- Our corporate average rate in FY 2020: 17.0% (actual rate in FY 2019: 20.8%)
- Increase in number of participants to start outpatient treatment to quit smoking: More than 100 (of which at least 50 successfully quit smoking)
(FY2019: 54 out of 106 participants successfully quit smoking.)

2. Initiatives for a health-conscious lifestyle

Our implementation rate of health support programs (specific health guidance) is particularly high at 55.4% compared to the national average (21.4%), and a certain level of effect can be seen in the reduction of BMI among participants.

Implementation rate of health support programs

Reporting fiscal year to the government (Report the previous year's results in November of the following year)	Specific health guidance	Implementation target
	Implementation rate (%)	Government (Ministry of Health, Labour and Welfare) (%)
FY2015	50.6	60
FY2016	52.0	
FY2017	49.1	
FY2018	55.4	55

BMI reduction rate among program participants

BMI	Male		Female	
	Guidance participants	Guidance non-participants	Guidance participants	Guidance non-participants
After health guidance (2016)	25.66	26.23	27.59	27.78
After health guidance (2017)	25.50	26.26	27.47	27.75
Numerical improvement	▲0.16	0.03	▲0.12	▲0.03

Health fairs

Every year, we conduct health fairs tailored to the health issues of each of our facilities, and launch measurement events, health education sessions, and collaborative events with cafeterias.



<Health fair at Kuki Factory>



<Health fair at Shiodome Office>



<Health fair special menu in collaboration with cafeteria>

[Participating employee feedback]

- "It's good to have events that raise health awareness."
- "I've heard a lot about basal metabolism, but this is the first time that I learned what my basal metabolism rate is. It was a good learning opportunity."

Health seminars

The company has since FY2019 provided seminars on exercise and diet that are designed to address health issues in each organization, which have been well-received by participants. Results from questionnaires given to seminar participants showed that those who exercise increased by 13% after attendance and indicate that the seminars have contributed to helping more than 10% of participants continue exercising.

We will provide further seminars designed to motivate participants to make exercise a regular habit.



<Seminar participants>

[Participating employee feedback]

- "The seminar reminded me that a healthy lifestyle is the source of beauty. It made me recognize that it's important to find an image of what I want to become."
- "If I was alone, I may have given up. Together with other participants, I was able to finish the course."

Future lifestyle improvement objectives

Ratio of participants continuing exercise: 10% higher after seminar

Responses to coronavirus taken by the Shiseido Group in Japan

The Shiseido Group in Japan has adopted a "New Working Style," which places the highest priority on the safety and health of employees, with the aim of preventing and minimizing the spread of coronavirus infection as well as improving the performance and productivity of employees and organizations.

Since the adoption of the New Working Style, which allows employees to work either at the office or home depending on their roles, employee workstyles have become more diverse. The Shiseido Group in Japan has started taking measures to address health issues associated with remote work that are different from those previously experienced.

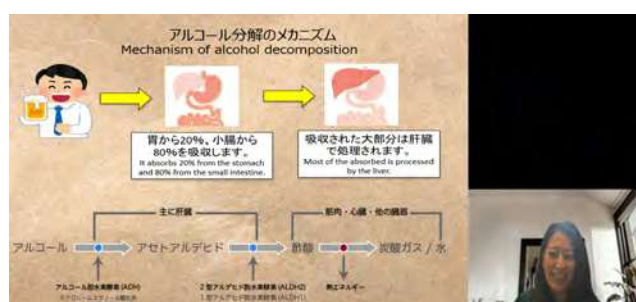
- Provision of information for employees

We conducted a survey among employees working from home to understand their situations and needs. Based on the survey results, we are providing information on dieting and exercise, advice and input from occupational physicians and counsellors, and tips on how to manage teleworking.

- Lunchtime session (live streaming)

We stream information useful to employees to reduce their stress and promote communication.

Themes include lower back pain, weight gain during quarantine, response measures to the coronavirus, women's health, and preventive measures against alcoholism.



<Lunchtime session>

- Online consultation

We have started providing online video consultation to employees working from home as part of our efforts to prevent the spread of infection. This has facilitated employees to communicate with occupational health care staff, enabling rapid response to health concerns.

- Measures for infection control taken by the Health Management Office

The Health Management Office takes rigorous measures to prevent the exposure and spread of coronavirus, such as the placement of hand sanitizer dispensers and installation of acrylic barriers and plexiglass partitions in consultation spaces. The objective of these measures is to prevent infection when employees coming to the office from outside visit the Health Management Office.

Safety and health promotion system

In accordance with laws and regulations, we have established an office hygiene committee at domestic facilities of the Shiseido Group and strive to create a safe and comfortable work environment through surveys and deliberation.

We have established an occupational safety and health policy at the Global Innovation Center and factories and have inaugurated a safety and health committee to improve and modify hazardous locations and dangerous acts. For domestic factories, our objective is zero accidents that require time off from work and we strive to prevent the occurrence of serious accidents.

Shiseido Group Health Management White Paper

We have created and published a health management white paper to clarify changes in the management of employee health and the evaluation of each measure.

Employment and Labor

Wage

The wage system of Shiseido is based on abilities and results, which eliminates 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 is aimed at 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: Male 105: Female 100; General management: Male 100: Female 100; and Beauty staff: Male 85: Female 100 (as of January 1, 2019).

Employee Benefits and Welfare

Aiming for our employees and their families to enjoy "prosperous and comfortably affluent life," we are focusing on employee benefits and welfare as well as improving our working conditions so that employees can actively engage in corporate and social activities.

Welfare System to Support Employees

to Advance Their Business Career and Design Their Own Life Style

Shiseido is supporting 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 diverse welfare system.

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 other 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 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 supports employees' life planning management.

Retirement allowances in Shiseido Group companies consist of "defined benefit pension plan", "defined contribution pension scheme" or "prepaid retirement allowance" and "lump sum retirement pay".

Employees enjoy benefit after selecting a plan between defined contribution pension scheme and prepaid retirement allowance. With regards to defined contribution pension scheme, Shiseido helps support employees to actively practice post-retirement life design planning through periodical provision of asset management and investment information. Some local subsidiaries are providing defined benefit type plan, lump sum retirement pay and defined contribution type plans.

Employment

In Shiseido Group, 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 and country. In employing workers, upholding The Shiseido Group Standards of Business Conduct and Ethics, we try to respect diversity and to realize such a working environment that employees could feel rewarded.

Basically, Shiseido introduces regular employment system, 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 committee 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.

Labor unions have been organized in Shiseido and certain Group companies (including overseas subsidiaries). 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.

In the union agreement document, Shiseido and Shiseido's labor union confirm 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.

To be more precise, we actively hold labor-management discussions on the themes of "working conditions and benefit package for employees," "work style reform," and "reduction of long working hours" to ensure appropriate business operations. In addition, each office discusses their own labor-management 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.



Labor-management discussion

Our Human Rights Approach

Shiseido has established the Shiseido Group Human Rights Policy based on the United Nations Guiding Principles for Business and Human Rights and its basic corporate philosophy, which is described in the group-wide code of ethical behaviors. We will contribute to the realization of a sustainable global society by promoting various efforts to respect human rights in all Shiseido Group businesses, including in the creation of our products.



The descriptions of human rights in various policies and standards are as follows.

Shiseido Group Standards of Business Conduct and Ethics

It summarizes the actions that each employee working in the Shiseido group should perform and it sets out a specific code of conduct to work with a stronger sense of ethics. In addition to complying with national and regional laws and regulations, as well as internal regulations, we declare that we respect human rights for all our stakeholders and that we will not engage in child labor or forced labor leading to human rights abuses. Also, in addition to not violating human rights, we have clearly specified that we select business partners according to the impact on society.

Shiseido Group Policy on Human Rights

It was formulated based on the United Nations Guiding Principles on Business and Human Rights and the Shiseido Group Standards of Business Conduct and Ethics. It promotes the Shiseido Group's efforts to respect human rights and sets guidelines to fulfil their responsibilities. In order to become a company trusted by consumers and societies all over the world, and to continue developing along with the global society, all our business activities are based on respect for human rights. The policy was formulated in June 2017, published with the approval of the Board of Directors and revised in 2020. This policy applies to the Shiseido Group and our business partners.

Shiseido Group Supplier Code of Conduct

We require all business partners related to Shiseido's products and services to comply with the code of conduct. In the wake of our participation in the United Nations Global Compact, we documented our standards related to human rights, our compliance with related laws and regulations, labor practices, intellectual property protection, confidentiality, environmental protection, and impartial dealings in 2006. In April 2018, it was revised in order to require business partners to comply with laws and regulations, prevent corruption, respect human rights, provide a safe and healthy working environment, and protect the environment. In June 2019, we also added a provision for the proper management of working hours, days-off, and leave of employees.

Shiseido Group Procurement Policy

In order to achieve an ethical supply chain, the policy was established in 2018 based on the principle of coexistence with consumers, business partners, and society. The policy indicates the following: Our purchasing is based on a consumer-oriented perspective; we carry out procurement activities aiming to create better products through co-creation with business partners; we comply with all relevant laws and regulations, as well as placing the foremost priority on respect for human rights and consideration of the global environment; finally, we actively promote sustainable procurement.

Shiseido Group Sustainable Raw Materials Procurement Guidelines

This is a guideline formulated in 2018 for palm-derived materials, and paper, which exacerbate environmental and human rights problems in the country of origin, in order to promote sustainable procurement under the Shiseido Group Procurement Policy. We promote sustainable procurement that respects human rights and considers the environmental protection in the place of origin.

Approval and support for international norms

2010	We signed the Women's Empowerment Principles (WEPs)(Joint initiative of UN Women and the United Nations Global Compact), which are the principles of action for companies that actively work to promote the full participation and leadership by women in the workplace, and we are working to implement WEPs with UN Women and various stakeholders.
2004	Our company signed the United Nations Global Compact and supports the ten principles in all four areas (Human rights, Labor, Environment, and Anti-corruption) together with all our group companies.

Human Rights Promotion System

The human rights issues included are those related to child labor, forced labor, discrimination, harassment, wages, working hours, occupational safety and health, etc. The scope of the target also extends to all business activities and is not limited to our company but also applies to our business partners. In our everyday duties, relevant departments in the Global Headquarters (Human Resources Department, Risk Management Department, Social Value Creation Division, Purchasing Department) work together with various departments and domestic and overseas group companies to further the promotion of human rights.

The Shiseido Group

The Shiseido Group's Human Rights Risk Assessment is undertaken by the following personnel in Shiseido Company, Limited (Global Headquarters). Once a year, human rights policies and human rights risk mitigation efforts are reported at the Board of Directors meeting and receive approval and supervision from the Board of Directors.

- Chief Social Value Creation Officer
- Chief Supply Network Officer
- Chief People Officer

Supply Chain

The Supply & Purchasing Department, Risk Management Department, and Social Value Creation Division work on human rights issues among suppliers. As one of the systems to gather information on human rights risks and promptly address them (a mechanism to deal with complaints), we have established the Business Partner Hotline where suppliers can report and consult on human rights issues with our company.

The Shiseido Group in Japan

At the Shiseido Group in Japan, the Human Rights Development Committee, chaired by the head of human resources at Shiseido Company, Limited, reviews the human resource issues and training contents for employees to reduce risks. In collaboration with the Human Rights Development Subcommittee, the Human Rights Secretariat within the Human Resources Department works to raise human rights awareness in-house, and the Social Value Creation Division is working on gender equality. A Human Rights Enlightenment Promotion Representative is nominated at each business site inside domestic Shiseido Group companies, and they provide human rights training. As one of the systems to gather information on human rights risks and promptly address them (a mechanism to deal with complaints), we have established a center* where employees can report and consult on human rights issues.

*We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from workplaces. There is also the Compliance Committee Hotline which specializes in receiving reports and the Report Mail to Auditors which receives reporting on officers.

Primary Initiatives

Here listed are our primary initiatives regarding human rights and responsible procurement.

Society

Amid progress in the globalization of corporate activities and the expansion of the supply chain, we believe it is important to strengthen our response to human rights issues.

● Understanding risks throughout the supply chain

We procure raw materials and indirect materials (promotional materials) for our products from various suppliers in the global market. Of these, there are more than 900 primary suppliers who conduct direct transactions. In order to evaluate and confirm the status of compliance with the Shiseido Group Supplier Code of Conduct, Sedex (Supplier Ethical Data Exchange, that is one of the world's leading ethical trade service providers), original Self-Assessment Questionnaire (SAQ) revised in 2019, and EcoVadis are used in cooperation with the supplier.

With regard to raw materials (palm oil/mica), which our company considers to carry high risks for human rights, we will strengthen our measures by participating in international initiatives. In order to procure sustainable palm oil, we joined RSPO*1 in 2010 and have reduced risks since then by procuring RSPO-certified raw materials, taking into consideration environmental protection and human rights in the places of origin. In addition, in order to procure sustainable mineral mica and strengthen our responsible supply chain, we joined RMI*2 in 2017. Going forward, we aim to improve traceability and transparency in the supply chain of these raw materials.

*1 RSPO: Roundtable on Sustainable Palm Oil

*2 RMI: Responsible Mica Initiative

● Dialogues with stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, Shiseido works with various stakeholders to discuss both the environment and society and share and resolve issues. In dialogues with human rights experts, we received advice on how to proceed with human rights due diligence and reflect it in our activities.

● Reporting and consultation center for suppliers

Since 2013, we have been hearing opinions from/consulting with our business partners using the Business Partner Hotline, a center which receives reports from/consults with suppliers in writing and by email (No reporting was made in FY2019).

Employees

●Human rights risk assessment

Since FY2017, Shiseido has been conducting the Shiseido Group Engagement Survey for employees throughout Shiseido Group, encompassing Japan and overseas countries, to investigate human rights risks in the workplace, such as discrimination and harassment.

●Reporting and consultation center for employees

A consultation center was set up to handle consultations and reports on various employee human rights and labor issues. We set up the In-house Shiseido Consultation Office and the External Shiseido Hotline to receive a broad range of consultations and reports from various workplaces. The Compliance Committee Hotline specializes in receiving reports and Report Mail to Auditors receives reporting on officers.

●Human rights education training for employees

Since human rights issues are diverse, the Human Resources Department, Risk Management Department, and Social Value Creation Division are playing the central role in the initiative, working in partnership with the Shiseido Group companies. With regard to the Shiseido Group Standards of Business Conduct and Ethics and related policies and rules, we conduct regular training and education according to position and job type to deepen our understanding of the human rights of employees and to work to reduce human rights risks. We hold training sessions for top-level employees including the Global Headquarters officers and department directors in Japan, division/department heads of domestic and overseas offices, employees in various divisions/departments, and new employees once a year.

Employees of the Shiseido Group in Japan

At each business location in Japan, there is a Human Rights Enlightenment Promotion representative in each department, and the Human Resources Department conducts training for those representatives who themselves deliver human rights training to other employees in each of their respective departments. We are enlightening people to eliminate discrimination and prejudice on various human rights issues, such as social integration, women's empowerment, children, people with disabilities, LGBT, and harassment.

Promoting Sustainable and Responsible Procurement

At Shiseido, we strive to grow our business as well as stimulate the growth of the societies we work in. But we want this growth to be sustainable. In all our activities, we seek ways to prevent human rights problems and preserve the environment.

We have issued the Shiseido Group Supplier Code of Conduct and conduct supplier assessments and monitoring on a regular basis to ensure an ethical supply chain. In addition, the Shiseido Group Sustainable Raw Materials Procurement Guidelines have been enforced across the Group to ensure the procurement of sustainable raw materials (e.g., palm oil and paper) on a global scale.

We strive to share and resolve issues with our stakeholders and liaise with international human rights experts and people working in raw material producing regions to make sure our actions always rely on expert knowledge.

Ethical Supply Chain Policies and Standards

Following our participation in the United Nations Global Compact, we have been working closely with our business partners to define and update principles and policies on ethical business conduct. These are reflected in the Shiseido Group Supplier Code of Conduct, which we issued in 2006. This code stipulates the standards that govern and direct our behavior on human rights, legal compliance, labor practices, intellectual property protection, confidentiality, environmental protection, and fair trade.

In addition, we have defined and issued the following policies to ensure better supplier management:

●Shiseido Group Supplier Code of Conduct

The business partners that are subject to the Shiseido Group Supplier Code of Conduct have agreed to the standards. In this code, suppliers are required to accept periodic monitoring through surveys and audits. In the event that any supplier is identified to have violated it, they are requested to implement corrective actions by following guidance.

●Shiseido Group Procurement Policy

We established this policy in 2018 based on positive collaboration with consumers, business partners, and society. Our procurement policy is based on a consumer-oriented perspective, including the following principles:

- we carry out procurement activities to create better products, through co-creation with business partners
- we comply with all relevant laws and regulations, prioritizing respect for human rights and protection of the global environment

●Shiseido Group Sustainable Raw Materials Procurement Guidelines

we created guidelines for palm-derived materials and paper, which exacerbate environmental and human rights problems in the countries of origin.

Overview of our Suppliers and Purchasing Commodities

●Purchasing Commodities

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

1. Packaging, Cosmetics: Raw materials and processed products such as resin, glass, paper, metal
2. Sales support tools: POPs, premiums, etc.

●Overview of our suppliers

Our relationship with our suppliers is based on the following philosophies stated in the Shiseido Group Procurement Policy: "Building a Good Partnership," "Fair Purchasing Transactions," "Toward Global Procurement," and "Performance of Contract."

We purchase materials for our products from about 900 suppliers*1 around the world—268 suppliers*2 used by the Global Headquarters purchasing department (in fiscal 2019), 225 (in used by EMEA Regional Headquarters purchasing department (in fiscal 2019), and other suppliers numbering about 400 used by purchasing departments in other regions (Americas Regional Headquarters, China Regional Headquarters, etc.).

*1 : Companies belonging to the same corporate group are counted as one company. (Tier 1 suppliers only))

*2 : Each company is counted only once even if it appears in more than one category.

●suppliers by region/category

suppliers by purchasing category



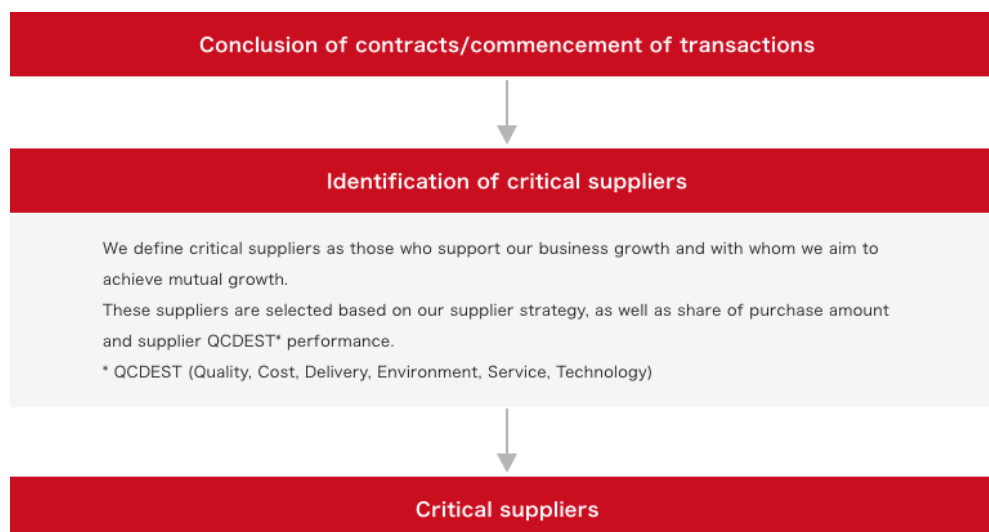
suppliers by region (location of suppliers)



Critical Suppliers

● Identification of critical suppliers

We identify critical suppliers once a year by the following process



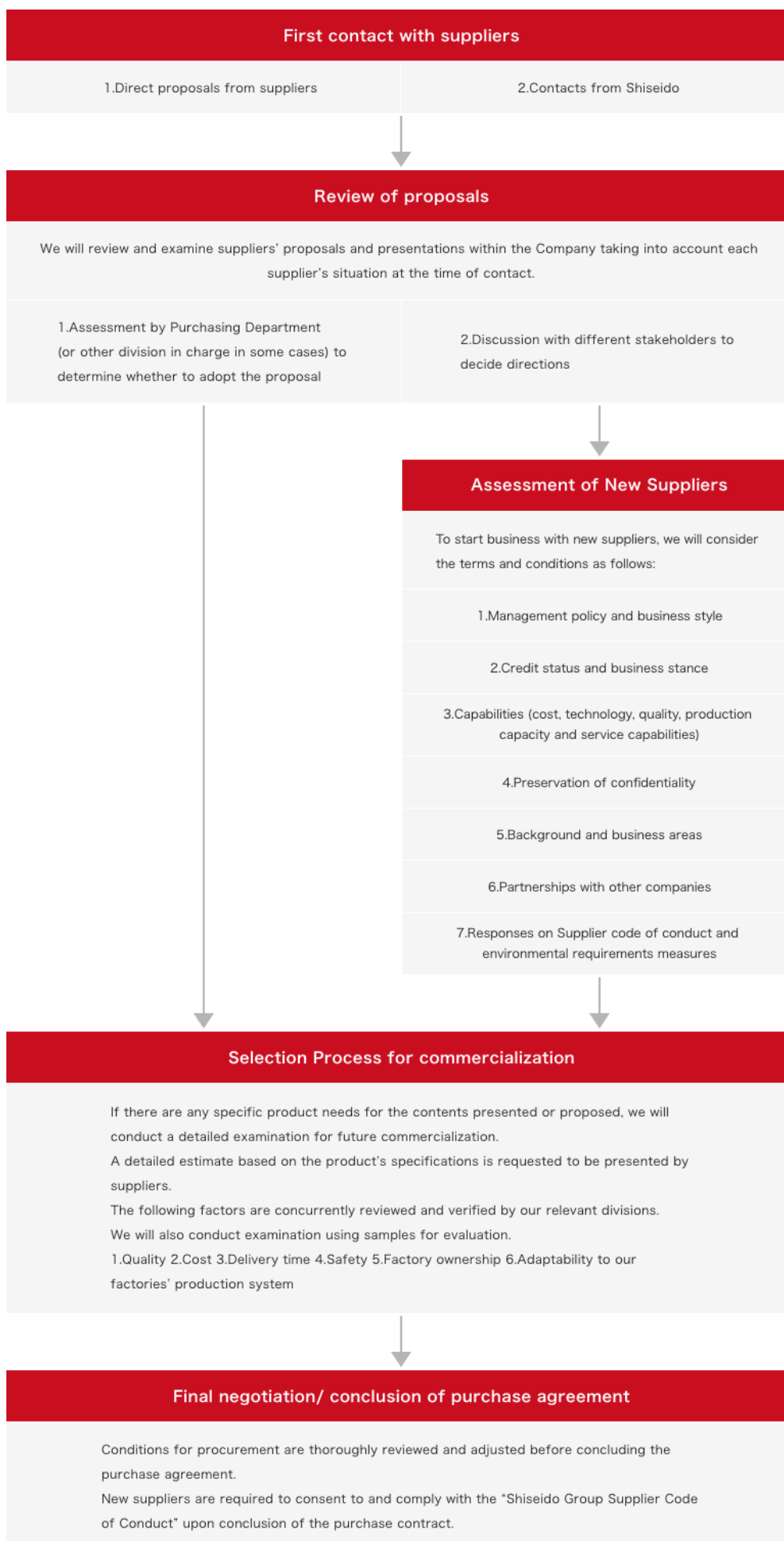
● Number of critical suppliers in fiscal 2019*1

	Suppliers
Tier 1	170 companies
Non-Tier 1	31 companies
Total	201 companies

*1 : Suppliers of purchasing departments in Global Headquarters and EMEA Regional Headquarters.

Starting New Business with Shiseido

Below is the process to be followed when we start business with new suppliers.



Supplier Assessment

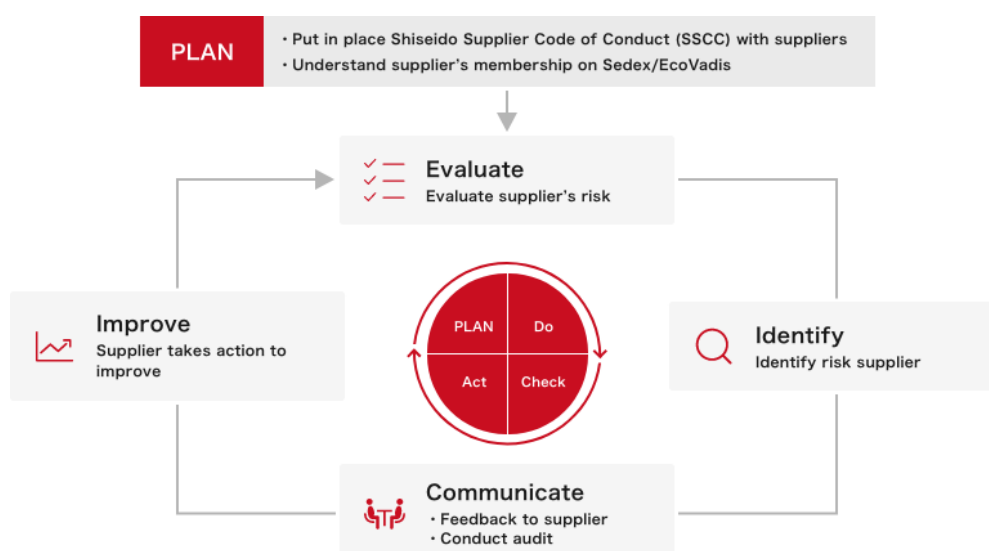
In light of sustainability, we assess our suppliers regularly and continuously to build and maintain sustainable supply chains and ensure responsible procurement. Before entering into business with a new supplier, credibility, business policy and attitude, level of confidentiality, and other important factors are thoroughly reviewed. We then sign a purchase agreement only with those who consent to the Shiseido Group Supplier Code of Conduct. After starting business, we evaluate their efforts related to sustainability and risks once a year using one of the following methods: Shiseido SAQ*1, Sedex*2, or EcoVadis*3. Based on this assessment result, we rank the suppliers according to their level of risk. To those ranked as high risk, we provide feedback and request that they implement corrective action plans. We also audit some suppliers using a third party.

*1 : Self-Assessment Questionnaire

*2 : Joined in August 2017

*3 : SAQ is used to assess a supplier that is not a member of either Sedex or EcoVadis.

Shiseido's supplier assessment flow



●Supplier assessment results

We expanded the scope of assessment since fiscal 2019 beyond the Global Headquarters purchasing department. In doing so, we have reexamined KPIs and updated targets. To perform global assessments, we will strengthen cooperation between regions and further expand scope.

In fiscal 2019, the Global Headquarters purchasing department conducted assessments of 271 suppliers that it had business with in the previous fiscal year and in fiscal 2019. Of these, 162 suppliers were assessed using SAQ, 86 using the Sedex platform, and 23 using the EcoVadis platform. All suppliers were successfully assessed. Additionally, the EMEA Regional Headquarters purchasing department assessed 85 suppliers using the EcoVadis platform.

(KPI1) % of suppliers assessed (Tier 1 suppliers, calculated by number of suppliers)*1

	2016	2018	2019	2021 (target)
Scope of assessment	Global Headquarters purchasing department	Global Headquarters purchasing department	Global Headquarters and EMEA Regional Headquarters purchasing departments	Purchasing departments in all regions
% of suppliers assessed (number of suppliers assessed)*2	90% (224)	89% (229)	72% (356)	70%

*1 : Not conducted in 2017

*2 : % of suppliers assessed = number of suppliers assessed / total number of suppliers in scope of assessment.

(KPI2) % of critical suppliers assessed (Tier 1 suppliers, calculated by number of suppliers)

	2019	2021 (target)
Scope of assessment	Global Headquarters and EMEA Regional Headquarters purchasing departments	Purchasing departments in all regions
% of critical suppliers assessed (number of suppliers assessed)	77% (131)	100%

●Identifying risk and implementing corrective actions

We categorize suppliers based on assessment results from SAQ, Sedex or EcoVadis into four groups: low risk, medium risk, high risk, and non-assessable due to insufficient response; and request those categorized as high risk to implement corrective action plans. In fiscal 2019, 49 suppliers were categorized as high risk. The Global Headquarters purchasing department directly provided their high-risk suppliers with an explanation of the identified risks and why they were placed in the high-risk category, and requested them to take corrective actions. Specific risks that were identified and required to be addressed included working hours and continuous working days exceeding those legally defined, and non-compliant management of chemical substances. Of Tier 2 critical suppliers, a total of 15 were also assessed, with none categorized as high risk.

Partnership with Suppliers

●Supplier's Day

To keep pace with the changing times and respond to social requirements, Shiseido considers it important to communicate our concept of procurement with business partners in a timely and accurate manner. Therefore, with the aim of widespread dissemination of the procurement policy, the procurement departments in Japan and China hold an annual Supplier's Day to share purchasing activities and strategies with suppliers. Taking this opportunity, our procurement department in Japan promulgates Shiseido's procurement policy, various tasks, and requests in the fields of raw materials, packaging, and indirect materials, and responds to questions and requests from business partners.

209 suppliers participated in the session held in Global Headquarters in fiscal 2019; and 89 suppliers in China Regional Headquarters. We respect all our suppliers who share our credo and join us on the journey for sustainable growth.



●Shiseido Suppliers' Awards

High-performing suppliers in conformity with our purchasing policy are invited to the annual Shiseido Suppliers' Awards. In fiscal 2019, 43 suppliers participated in the event held at "S/PARK," which was newly opened in the Minato-Mirai area, Yokohama in April. The top five suppliers were awarded in fiscal 2019 based on the QCDEST evaluation. We expressed our gratitude to our suppliers, shared our view for the future and reaffirmed our commitment to forge a strong partnership.



Global Purchasing Collaboration and Education for Buyers

●Global purchasing collaboration

Every year, we host the Shiseido International Procurement Meeting (SIPM), which all purchasing leaders from each of our global facilities attend. We share not only immediate issues but also mid-to-long-term goals, and discuss global purchasing strategies. We are also promoting the global implementation of sustainability activities through this meeting.



●Education for buyers

To ensure responsible procurement for the company, we proactively provide education on relevant issues mainly to staff members of purchasing departments.

Education provided for members of purchasing departments in 2019

Time	Theme	Participants
September 2019	Responsible procurement and supplier assessment programs (internal seminar)	EMEA Regional Headquarters: Buyers
October 2019	Business and Human Rights Conference (CRT Round Table Japan)	Global Headquarters: Staff in charge of sustainability
November 2019	Labor/human rights audit to suppliers (external consultant and NPO)	Global Headquarters: Category managers, Staff in charge of sustainability
December 2019	RSPO and palm oil (external lecturer)	Global Headquarters: Buyers of raw materials
December 2019	Sustainability and responsible procurement (external lecturer)	Global Headquarters: Buyers involved in supplier management



Education on sustainability and responsible procurement (December 2019)

(KPI) % of employees in procurement department who attended training in ESG

	2019*1	2022 (target)
Departmental ESG education participation rate	85%	90%

*1 : Total of actual participants from purchasing department of Global Headquarters and EMEA Regional Headquarters combined.

Sustainable Procurement of Palm oil and Mica

Palm Oil

Palm oil and mica production can be subject to cases of human rights abuses . By participating in international initiatives, we are strengthening our measures to prevent this.

Environmental protection in palm oil production areas and consideration of human rights of people working on plantations are essential to building an ethical supply chain.

Shiseido joined RSPO (Roundtable on Sustainable Palm Oil) in 2010 and formulated Shiseido Group Sustainable Raw Materials Procurement Guidelines to procure palm oil and palm kernel oil that is environmentally and socially friendly.

Since 2018, we have been supporting sustainable production of palm oil by purchasing certificates (credits) equivalent to 100% of palm oil and palm-derived materials. In 2020, we acquired RSPO supply chain certification* at our three new plants, bringing our certification status to a total of 10 plants. We will continue to promote sustainable procurement, including the procurement of certified raw materials, using physical supply chain options, identity preserved, segregated, and/or mass balance.

In 2018, we became a member of the Consumer Goods Forum (CGF), and Japan Sustainability Local Group Palm Oil Working Group, and in 2019 we joined the Japan Sustainable Palm Oil Network (JaSPON). Through the activities of CGF and JaSPON, sustainable use of Japanese palm oil is now possible, and we will contribute to the promotion of this.

Mica

Mica is a mineral used in various industries such as electrical machinery and painting. It is also used as an ingredient mainly in cosmetic products to add shimmer, sparkle or a glow effect to the skin.

In recent years, there have been cases where child labor is suspected to have been involved in the mining of India-produced mica. In May 2017, we joined the Responsible Mica Initiative (RMI), an initiative to ensure sustainable mica procurement. The goal of the RMI is to work with members of various industries to turn all Indian mica into a sustainably produced raw material by 2022. Through the activities of RMI, we will also cooperate with NGOs to improve the working conditions of mica miners and the educational system for local children.

Dialogues with Stakeholders

In order to ensure sustainable and responsible procurement and respect for human rights in the course of our business activities, we work with various stakeholders to discuss environmental and social issues, share information, and create solutions.

●Working with NGOs/NPOs and oil palm smallholder farmers

To understand human rights issues in palm oil procurement, we participated in the Stakeholder Engagement Program in 2019. This program was held in Indonesia and hosted by Caux Round Table, Japan. Through conversations with NGOs/NPOs and oil palm smallholder farmers, we deepened our understanding of the human rights risks, abuses, and labor issues involved in palm oil production. In order to be a company that fulfils our responsibility to human rights, we will act on these discussions by setting up an ethical supply chain.

●Working with human rights experts

In October 2019, we had a series of talks with World Benchmarking Alliance/ Corporate Human Rights Benchmark, the leading research company, Verisk Maplecroft, and Rishi Sher Singh—business and human rights experts and supply chain experts in India. Their experts advised us on key areas and elements we should investigate in our company. We are currently working to implement this knowledge through our supply chain following the results of our Self-Assessment Questionnaire.

Biodiversity Conservation

We recognize that the activities of the Shiseido Group have a considerable impact on the biodiversity of our planet – from procurement of raw materials, through sales and distribution, to the disposal of our products.

To preserve biodiversity, we have defined a number of initiatives. We understand the importance of biodiversity and will work more proactively.

●Afforestation at raw material production sites in Nagasaki, Japan

Since 2011, we have promoted camellia planting and conservation activities at the abandoned farmlands of the Goto Islands in Nagasaki Prefecture, the production site of raw material for our hair care brand, TSUBAKI.

To ensure sustainable and socially responsible raw material procurement, we protect and grow camellias in collaboration with the local residents. Over nine years, 352 Shiseido employees have joined this activity and planted 738 seedlings of camellia japonica across 0.194 hectares of land in Nagasaki.



●Honeybee protection in production sites in France

Many crops rely on bees to be pollinated. But in Europe, there are concerns about the decline in the number of bees*1. At our Val de Loire Factory and Gien Factory (Shiseido International France S.A.S.), we have included the conservation of bees and the ecosystem of the local community in our sustainability plan. Along with setting up beehives, we have banned the use of agrochemicals on the factory premises. About 150kg of honey was produced in only a year from the beehives installed*2.

*1 : Regarding the bee population, a beehive counts around 15,000 bees in winter and 80,000 in summer

*2 : The beekeeper gives 600 jars of honey each year, which are distributed to employees



Response to the United Kingdom's Modern Slavery Act 2015

Based on the United Kingdom's Modern Slavery Act 2015 enacted in March 2015, we disclose the Shiseido Modern Slavery Statement.

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Shiseido Modern Slavery Statement (Year ended December 31, 2019)

The statement below is the report for FY2019 as of December 31, 2019. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2019 and the initiatives planned for FY2020 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 the “Slavery Act”) and discloses the measures implemented by the Company and its subsidiaries (collectively referred to as the Shiseido Group, hereafter “Shiseido”) to ensure that neither Shiseido’s business operations nor its supply chains 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 its business and supply chain operations. With this statement, Shiseido follows the definitions and concepts of slavery and human trafficking stipulated in the Slavery Act.

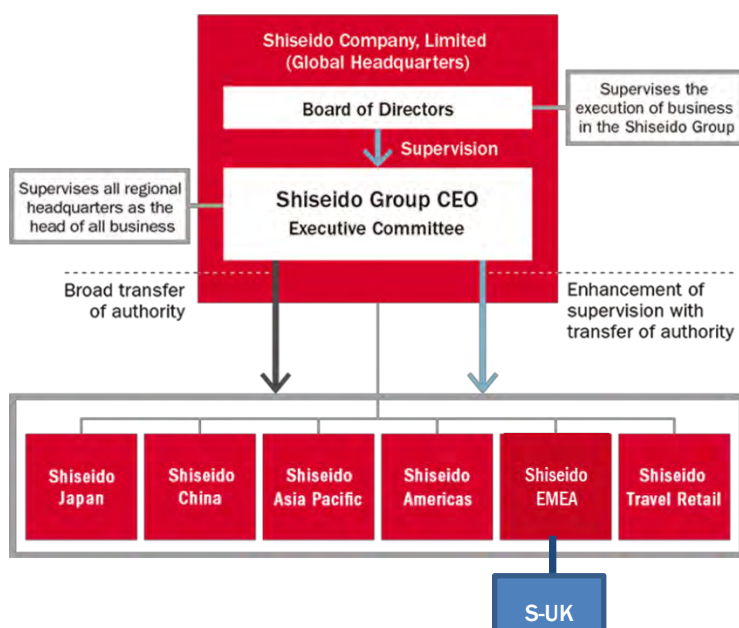
2 Business Operations and Organization

The Company is a cosmetics manufacturer established in 1872 in Japan. While the core of Shiseido’s business operations revolves around cosmetics, such as skincare, makeup, and fragrance, the scope of our business activities extends into a wide range of areas, including restaurants and education/childcare. Our desire and purpose is to contribute to society by creating new value that enriches the lives of our stakeholders globally. It operates cosmetics businesses in more than 120 countries and areas with over 46,700 employees and a global turnover of 1,131.5 billion yen. In the UK, Shiseido currently sells cosmetics through its subsidiary Shiseido UK Limited.

Business Overview: <https://corp.shiseido.com/en/company/business/>

Key Figures: <https://corp.shiseido.com/en/company/glance/>

The Shiseido Group management structure



3 Supply Chain

Shiseido is engaged in purchasing, factory production, and logistics in cooperation with the global headquarters (hereafter “GHQ”) and each region. Shiseido procures raw materials, packaging materials and promotional materials for our products through more than 900 business partners in the global marketplace (hereafter “suppliers”). Of these, the global headquarters purchasing department (hereafter “GHQPD”) worked directly with 284 first-tier suppliers in 2019. The remaining 600 or more supplier relationships are handled by the purchasing departments of other regional bases, such as EMEA, Americas, and China. Our first-tier suppliers are all required to follow the Shiseido Group Supplier Code of Conduct, and they are responsible for adapting it to their second-tier and upstream suppliers.

4 Policies in Relation to Slavery and Human Trafficking

Shiseido is striving to ensure that neither our business nor the supply chain related to the business involves the practices of enslavement or human trafficking. This is done by establishing corporate policies applicable to Shiseido and thoroughly communicating them to employees and suppliers, including first-tier and upstream suppliers. These policies are drafted by the person responsible for human rights at the GHQ and are approved by the Company’s Board of Directors. Our Chief Social Value Creation Officer, Chief Supply Network Officer, and Chief People Officer are responsible for promoting all human rights policies to our employees and throughout our supply chain, including human rights due diligence and risk assessment.

Shiseido's policies include the following:

- **Shiseido Group Policy on Human Rights**
Adopted in 2017 and revised in May 2019 adding a new corporate philosophy, the Shiseido Group Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights to prevent slave labour (child labour and forced labour) and other work under slavery and human trafficking. This Policy applies to the Shiseido Group and its business partners.
<https://corp.shiseido.com/en/sustainability/human/pdf/policy01.pdf>
- **Shiseido Group Standards of Business Conduct and Ethics**
The Shiseido Group Standards of Business Conduct and Ethics stipulate the mandatory behaviours expected of every individual working for the Shiseido Group.. The Company has established a specific code of conduct to address its business with high ethical standards, as well as to comply with the laws and regulations of the country, local government, and company rules.
<https://corp.shiseido.com/en/company/standards/>
- **Shiseido Group Supplier Code of Conduct**
Updated in 2019, this code of conduct clearly states that the use of child labour, forced labour, and human trafficking is prohibited. The Shiseido Group takes any abuses of the code seriously and does not hesitate to terminate such relationships where necessary. Shiseido applies this code as a prerequisite for selecting first-tier suppliers and Shiseido recommends that these suppliers request second-tier and upstream suppliers to also comply with the code. This code applies to purchasing contracts in order to strengthen solidarity and fulfil social responsibilities together with suppliers.
<https://corp.shiseido.com/en/sustainability/rights/procurement.html#01>
- **Shiseido Group Sustainable Raw Material Procurement Guidelines** Shiseido is striving to achieve the sustainable procurement of palm oil by 2026 through the use of a reputable certification system (RSPO with more than Mass Balance type). This is a particular area of concern which is exposed to slave labour and human rights abuses in Indonesia and Malaysia, which are major countries of origin.

In addition to the above policies, in 2004 the Company signed the United Nations Global Compact and endorsed the principles of the Global Compact for Shiseido. Furthermore, in September 2010, the Company signed the Women's Empowerment Principles developed by UN Women and the United Nations Global Compact as a set of practical guidelines for private business and non-governmental organizations working for women's

empowerment.

5 Human Rights Due Diligence

Through dialogues with domestic and global human rights experts, and various NGOs and NPOs, we have deepened our understanding of human rights abuses and labour problems, and identified areas where the related risks are likely to be high seen especially at procuring raw materials such as Palm oil, mica.

- Following FY2017, Shiseido participated in a stakeholder engagement program—operated by Caux Round Table Japan in Tokyo, Japan—and identified important human rights issues for each industry through discussions with experts, NGOs, and NPOs with reference to the human rights guidance tool produced by the United Nations Environmental Programme / Finance Initiative (UNEP FI) in FY2019. It was confirmed that there is a possibility of child labour and forced labour in the cosmetics industry supply chain.
- Furthermore, Shiseido and global experts (World Benchmarking Alliance/ Corporate Human Rights Benchmark, Verisk Maplecroft, and Rishi Sher Singh—business and human rights experts and supply chain experts in India) had a dialogue on the issue of human rights in 2019 (Venue: Tokyo), identifying issues to be addressed in this field in business and society.

From the above two activities, Shiseido has identified that the human rights risk of slave labour (child labour and forced labour) and other labour under slavery at our company is upstream of the supply chain, including the sourcing of raw materials, such as with palm oil and mica origins.

6 Risk Assessment and Management

Shiseido continues to assess and manage human rights risks in our cosmetics products supply chain using the following two approaches:

- Approach 1: Risk identification in the supply chain as a whole
With the cooperation of our suppliers, Shiseido has evaluated the implementation of various activities, including the prohibition of child labour and forced labour, in accordance with the Shiseido Group Supplier Code of Conduct, utilizing the Sedex (Supplier Ethical Information Sharing Platform), which Shiseido joined in August 2017, and our own Self-Assessment Questionnaire (hereafter “SAQ”), which was revised in 2019.
In FY2019, the following activities were implemented for first-tier suppliers at the

GHQ and EMEA:

- The GHQPD discussed the use of the Sedex platform with its first-tier suppliers and it received ethical information including but not limited to corporate activities related to compliance, the environment, human rights, and occupational safety from more than twice as many suppliers as in the previous year to assess the risks.
- Among the first-tier suppliers with whom the GHQPD trades, the non-Sedex suppliers were provided with the evaluation results of EcoVadis and were evaluated using the SAQ.
- In 2019, EMEA participated in EcoVadis to assess 100% of their suppliers. Suppliers have to also send all pieces of information such as annual report, sustainability report, certifications, procedures, code of conduct to EcoVadis. EcoVadis will take into account the information provided in the company's questionnaire and the attached supporting documents.
EMEA also engaged an external auditing firm, which conducted audits at supplier factories that were deemed to be potentially "non-compliant" with the Shiseido Group Supplier Code of Conduct. When cases of non-conformity are identified, a Corrective Action Plan (CAP) is shared with the suppliers that must implement such CAP within a deadline that is defined by Shiseido EMEA.

■ Approach 2: Direct approach in terms of raw materials

In addition to the activities described above, as a direct action for raw materials that Shiseido has determined to have a high human rights risk, we have continued to promote the application of the certification system and participation in international initiatives.

- Shiseido has devised ways to reduce the risks associated with palm oil, which is widely known to carry human rights risks including child labour and forced labour in the country of origin, by joining the Roundtable on Sustainable Palm Oil (RSPO). The goal is to procure raw materials certified by the RSPO in consideration of environmental protection and human rights in the place of origin. In February 2017, the Kakegawa Factory in Japan obtained RSPO Supply Chain Certification, followed by the Kuki Factory and the Osaka Factory in Japan, along with factories in Vietnam, the United States, and Taiwan. All factories in China and France have obtained the certification.
- In FY2019, all palm oil sourced by Shiseido had the Book & Claim certification from the RSPO.
- Following Malaysia in FY2017 and Indonesia in FY2018, Shiseido also participated in the Stakeholder Engagement Program (Asia) hosted by Caux Round Table Japan in FY2019 (Venue: Indonesia).
- With respect to mica (which is a raw material for cosmetics), where the issue of

child labour in India is becoming more apparent, Shiseido joined the Responsible Mica Initiative (RMI), which strives to achieve a responsible mica supply chain, in May 2017. As one of RMI's activities, the RMI has implemented community empowerment programs in 80 villages, resulting in 31 % of out of school children returning to school. The Company continues to strive for traceability in the mica supply chain and to ameliorate the slave labour situation, including child labour, in India.

7 Performance Assessment

Shiseido strives to prevent slavery (child labour and forced labour), other forms of labour under conditions of servitude, and human trafficking in its supply chain. We aim to establish traceability not only with first-tier suppliers but also second-tier and upstream suppliers on a global basis. In FY2019, Shiseido conducted performance measures on workers' rights, health and safety, the environment, and business ethics in the supply chain for GHQPD and EMEA's first-tier suppliers, with the Sedex assessment results, and for non-Sedex suppliers using the SAQ and EcoVadis.

■ The GHQPD's activities

In 2019, the GHQPD conducted evaluations for the 271 first-tier suppliers* with whom it does business. (Sedex: 86, EcoVadis: 23, and SAQ: 162, 100% recovery rate)
(*Variance from 284 actual suppliers in FY2019: duplication of suppliers across categories)

■ EMEA activities

As for December 2019, 93 suppliers were invited to join the platform and 62 were already evaluated. In addition, a third-party audit company was used by the EMEA region to carry out audits at factories that were considered to be potentially “non-compliant” with the Shiseido Group Supplier Code of Conduct. In the last quarter of 2019, 3 audits were carried out.

All the suppliers' factories we evaluated achieved the grade “A”, (on a scale of A to D – “A” being the highest score). These results indicate a very good performance of the factories from a social, ethical & environmental perspective and confirm that the Shiseido Group Supplier Code of Conduct is being respected.

■ Business Partner Hotline

A hotline service for suppliers was established in 2013. All suppliers were informed of its existence. Any reports including human rights, labour, or safety from Shiseido's suppliers—either sent by electronic mail or submitted in writing—are accepted.

8 Education and Training

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

■ Officer and department manager training

The Company and Shiseido Japan Co., Ltd. held harassment training sessions for their officers and department managers in July 2019, with a total of 129 attendees. (Participation rate: 97%)

■ Japan Domestic Employees

The departments at respective business sites in Japan have Human Rights Enlightenment Promotion Committee members (a total of 243 people in 18 branch offices and business departments in the Sales Division and 92 departments other than the Sales Division). The Human Resources Department provides training for employees, who then provide human rights training to other employees in their respective departments. In FY2019, the Company also provided equality training ("Realizing a work environment where all employees can work in an equal and fair way regardless of whether or not they have disabilities") for all Shiseido employees in Japan. (Participation rate: 97%)

■ Supply chain

In December 2019, 35 buyers belonging to the GHQPD were trained by an external lecturer to learn about social trends in sustainable procurement, what is required and assumed risks in human rights and labour, health and safety, the environment, and ethics. (Participation rate: 70%)

In addition, in 2019 in EMEA, 100% of EMEA buyers attended responsible procurement training sessions to support the implementation of EcoVadis and the new social and environmental audit system.

9 For the Future

Shiseido continues to take the perspective of the UN Guiding Principles on Business and Human Rights and strives to prevent the initiation of its involvement in human rights abuses for its own business and throughout its supply chain.

In FY2020, Shiseido will expand its supplier evaluation activities to regions outside of

Japan and EMEA to confirm compliance with the Shiseido Group Supplier Code of Conduct. Shiseido will also formulate specific measures to approach second-tier and upstream suppliers.

Japan and EMEA will provide feedback to its suppliers who become high-risk after being assessed and request corrective action. In this regard, we will ask suppliers who are of particular need of investigation to conduct audits and ask them to take appropriate actions to resolve their issues.

As for palm oil, which poses human rights risks, Shiseido will purchase and use RSPO-mass-balance-certified oil in accordance with our new target on palm oil, which will also improve traceability.

This statement was approved by the Board of Directors of the Company and signed on behalf of the board by the following person:

A handwritten signature in blue ink, appearing to read 'Uotani', is positioned above the printed name.

Masahiko Uotani

Representative Director

President and CEO

Shiseido Company, Limited

May 28, 2020

Enriched Culture

Creating new value to enrich culture by transforming beauty.



1. Inheriting our corporate heritage and culture, and re-finishing them for the future.

Since our founding 150 years ago, we have uninterruptedly been creating new value through innovative, first-to-market products, aesthetic sensibilities and design, and the careful stewardship of our corporate culture from generation to generation. The Shiseido Corporate Museum is a cultural destination that showcases a comprehensive collection of corporate materials and design masterpieces created by Shiseido's designers, giving visitors and researchers valuable insights and a unique perspective on Japanese beauty expressions and cosmetic culture.

Internally, we are continuing to ensure our corporate philosophy and DNA are adopted and consistently expressed by our increasingly diverse and global workforce. Through this, we hope to create ongoing value by accelerating our mission of beauty innovation in the marketplace, while also continuing to secure the trust and commitment of the Shiseido Group workforce.

2. Inspiring a new sense of beauty to create new value, originating in Japan.

Shiseido has long contributed to cultural richness in Japan by studying, creating, and offering new perspectives and expressions of beauty. The Shiseido Gallery, active since 1919, and the Shiseido Art House regularly display the works of both established and up-and-coming artists. In pursuit of new value and a contemporary aesthetic sense, we also offer ongoing collaborations with a variety of artists. Such initiatives include shiseido art egg, a program to attract promising new talent, and Hanatsubaki, a publication examining beauty, art, culture, and lifestyle through the lens of Shiseido.

Through these activities, we express our commitment to communicating our sense of beauty to the world from our unique Japanese perspective.

Performance in 2019

1. Inheriting our corporate heritage and culture, and refining them for the future.

1-1 Enhance sharing and passing along the corporate culture of Shiseido

We contributed to exhibitions by lending archival assets and products denoting our history and heritage of beauty, such as perfume bottles, to museums and cultural facilities in Japan. In addition, by sharing materials on past advertisements and the culture of makeup with the media, those were widely introduced in magazines and books.

Staff were encouraged to take part in tours and training sessions at our Shiseido corporate museum for the purpose of education on the corporate philosophy and culture of Shiseido and thereby increasing loyalty. We also created a movie in collaboration with the Human Resources Department, through which staff around the world can learn about Shiseido's DNA.



1-2 Held the Shiseido exhibition at Nihombashi Takashimaya S.C.

From September 18 to 29, we held our first exhibition in collaboration with Takashimaya titled "Bi to, Bi to, Bi. -Shiseido no Sutairu- (Beauty, and Beauty, and Beauty. -Shiseido Styles-)" at Nihombashi Takashimaya S.C. The exhibition introduced our sense of beauty, which flows through the foundation of all creations at Shiseido, through past advertisements and products including perfume bottles. Many visitors attended; information was also circulated via social media (Twitter, Instagram, Facebook, etc.), became a first point of contact with younger new customers.



2. Inspiring a new sense of beauty to create new value, originating in Japan.

2-1 Artists supported by Shiseido Gallery were awarded Art Encouragement Prizes

Shiseido Gallery marked its 100th anniversary in 2019. The gallery is said to be the oldest art gallery in Japan and has supported up-and-coming artists of contemporary art. For the achievement of the exhibition "Shuta Hasunuma: ~ ing," held in 2018, Shuta Hasunuma was awarded the 69th Art Encouragement Prize for New Artists in the field of media arts by the Ministry of Education, Culture, Sports, Science and Technology in 2019. Past supported artists of the Shiseido Gallery also received recognition: Tsuyoshi Ozawa and Rei Naito were awarded the 69th Art Encouragement Prize in the field of fine arts, and Junya Ishigami was awarded the 69th Art Encouragement Prize for New Artists in the same field.



2-2 Globalization of the corporate culture magazine "Hanatsubaki" and the success of "Dull-chan," an online Hanatsubaki comic series

Our quarterly corporate culture magazine "Hanatsubaki" covers themes related to new corporate activities, such as the opening of a new research laboratory in April and the Shiseido Anessa Ladies Open in July, and gives readers tips for beautiful and rich life. As of the summer issue, the magazine has also been published in English and distributed in five cities in North America and Europe, spreading Shiseido's sense of beauty globally. The comic series "Dull-chan" featured on online Hanatsubaki was published in a book by Shogakukan Inc. after serialization concluded and became a huge success, selling over a hundred thousand copies and picked up in various media.



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2-3 The opening of S/PARK Museum

S/PARK Museum is on the second floor of the Shiseido Global Innovation Center, a new research laboratory opened in April 2019. The theme of S/PARK Museum is a "Place to Encounter Inspirations of Beauty" and as the theme suggests, it is an experience-based museum, where visitors can learn firsthand about the state-of-the-art technology of the research laboratory. Exhibitions in the Future Zone of the museum allow visitor participation and let them feel the future of beauty. In 2019, S/PARK Museum was visited by fifty thousand people.



2-4 Nurture the sense of beauty of our staff through art

We organized training programs to nurture the sense of beauty and inspiration of our staff through exhibitions at Shiseido Gallery, Shiseido Art House, and other sponsored exhibitions. In 2019, staff attended the sixth Tsubaki-kai* member artist, Chiharu Shiota's large-scale solo exhibition "The Soul Trembles" at Mori Art Museum, and a dialogue by participating artists of the exhibition "Craft for All of Us II" held at Shiseido Art House.



Uncertain Journey

2016/2019

Metal frame, red wool

Dimensions variable

Courtesy: Blain | Southern, London/Berlin/New York

Installation view: Shota Chiharu: The Soul Trembles, Mori Art Museum, Tokyo, 2019

Photo: Sunhi Mang

Photo courtesy: Mori Art Museum, Tokyo

**"Tsubaki-kai" is a group exhibition established when Shiseido Gallery resumed activities after temporary disruption during the Second World War, with hopes for peace, revival, and manifestation of Japanese art culture. It was named Tsubaki-kai after Hanatsubaki ("camellia flower" in Japanese), the corporate mark of Shiseido. Since its start in 1947, the Tsubaki-kai exhibitions have become one of the Gallery's most popular and representative activities. The membership of the group has changed with each iteration over seventy years. Upon the conclusion of the seventh Tsubaki-kai in 2017, a total of 86 artists participated.

Compliance and Risk Management

Risk Management

Shiseido's basic policy of risk management

Activities to Enhance Corporate Ethics

Here are our activities to ensure an environment for employees to work with a high-level sense of ethics.

Information Security Management

Shiseido's activities to protect the Group's various information assets

Protection of Intellectual Properties

Shiseido's initiatives to ensure the protection of intellectual property and preservation of confidentiality

Tax Policy

Global Tax Policy and Shiseido Group's Tax Policy in the United Kingdom

Risk Management

Shiseido promotes risk management in order to increase its ability to execute its mid-to-long term strategies. In this light, we define risk as uncertainty that can affect the execution of strategies, spanning downside (threats to success) to upside (opportunities), and develop appropriate structures and systems to control these risks and take necessary actions.

We have installed Risk Management Department in the head office, and Risk Management Officers (RMOs) in each regional headquarters to centrally manage related information. The Global Risk Management & Compliance Committee, composed of corporate officers/regional CEOs and chaired by the CEO, meets on a regular basis to recognize risks and discuss countermeasures.

Risk Management

To implement the five priority strategies for 2020, we have carried out risk management plans according to the following steps: 1. Perform risk-awareness surveys (interview and questionnaire) for HQ corporate officers/ regional CEOs and questionnaires for regional RMOs to identify risk factors 2. Set risk assessment criteria for the following three areas: extent of impact the risk may have on business and other performance; likelihood and timing of the risk having an actual impact; and adequacy of countermeasures against the risk; and 3. Identify and prioritize relevant risks that can affect the execution of the 2020 strategies and examine current risk control situations at the Global Risk Management & Compliance Committee. Reflecting our corporate policies, risk assessment plans have been designed to attach due weight to issues related to personal health (& safety), corporate property, business continuity, and reputation.

Risk factors identified from risk assessment results have been categorized into four parameter groups, according to risk characteristics: Strategies, Business Foundations, Operations, and Others. We have also adopted risk ownership approach, appointing owner to each risk category to take on clearly defined responsibilities of implementing countermeasures and mechanism to enable regular monitoring by the Global Risk Management & Compliance Committee/ Board of Directors.

Business Strategy Risks	Core Business Risks	Operational Risks	Other Risks
<ul style="list-style-type: none"> • Geopolitical Risks* • Innovation* • Changes in Consumer Values* • ESC (Environment, Society and Culture) Unique to Shiseido* • Changes in Competitive Environment 	<ul style="list-style-type: none"> • Information Security* • Organizational Management and Governance • Global Information Network • Supply Network • Acquisition and Securing of Outstanding Human Resources and Corporate Culture 	<ul style="list-style-type: none"> • Quality Assurance and Control • Brand Image • Natural and Human-Made Disasters • Compliance 	<ul style="list-style-type: none"> • Exchange Rate Fluctuations • Material Litigation

*Important Risks 2020(As of March 25, 2020)

At the same time, compliance programs are being prepared for four priority areas: personal data protection, anti-bribery*, anti-cartel, and supplier risk reduction.

*We prohibit bribery not only in the form of entertainment or gifts that may raise suspicion of gaining illegal profits, but also in the form of political donations, sponsorships, and charitable activities.

Incident Response

Shiseido has established the Shiseido Group Crisis Management Policy, a guide for incident response to enable swift and appropriate actions, effective damage control, and early recovery. In Japan, departments in which an incident occurs take initial actions to understand the situation and prevent damage from spreading while promptly reporting to Risk Management Department. The department determines incident level from the perspective of severity of damage, possibility of the damage spreading, social impact, and other factors, and assigns members from necessary HQ functions to organize a task force. The task force examines a range of actions to prevent damage from spreading, respond to victims, and disclose information, while continuously monitoring investigation into cause, progress and response results, and implementation of recurrence prevention measures. Outside of Japan, regional CEOs and RMOs are responsible for leading incident response activities. Any incidents exceeding a certain level, such as those posing high risk of affecting operations in other regions, will be immediately reported to the Risk Management Department at the head office so necessary actions are taken without delay.

Shiseido Group Crisis Management Policy

1. Ensure the safety of employees and their families
2. Preserve company assets
3. Continue operations
4. Earn the trust of stakeholders

Business Continuity Management (BCM)

We have formulated business continuity plan (BCP) to prepare for major natural disasters and other emergency situations. To enable prompt and appropriate actions by employees according to the BCP in the event of an emergency, we provide periodic training and education programs and use the findings from these programs to revise the BCP periodically.

• Business Continuity Plan (BCP)

Our BCP is formulated based on the Shiseido Group Crisis Management Policy and the Shiseido Group BCP Concept as described below.

Shiseido Group basic approach to formation of BCP

1. Protecting peoples' lives is the most important thing. Place the highest priority on ensuring the safety of employees and their families and confirm if they are safe.

After this, when conducting business operations, consider the safety of employees and prevent secondary disasters.

2. Protect finances, IT systems, buildings, equipment, and other company assets.

3. Perform operations essential to recovery and operations that should be continued in the event of an emergency by the target time, without fail.

4. Through the above, minimize the impact on customers, business partners (clients and suppliers, etc.), shareholders, employees, society, and other stakeholders; prevent damage to corporate value; and earn the trust of society by providing various forms of support to the local community, etc.

Our BCP consists of basic plan to provide a general guide, and action plans to specifically describe recovery activities to be carried out by each department.

The BCP is designed primarily for natural disasters and other emergency situations, such as large earthquakes, that can seriously affect business continuity. In order to minimize damage and facilitate early recovery, the plan describes "restoration tasks" (necessary actions to restore basic operations) and "business continuity tasks during an emergency" (actions that must be taken to keep business operations going during disaster situations) and set "recovery time objectives" to complete the said tasks. The plan also specifies information to collect, items to decide on, and reporting lines for each phase set in the timeline. This plan is executed under the leadership of the HQ Emergency Task Force and activated as required, with the risk management corporate officer appointed as director and members from necessary divisions to address issues related to employee relations, facilities, information and communication systems, public relations, funding, and consumer relations. The task force undertakes overall management in cooperation with two other special functions: The Product Supply Continuity Task Force (to recover and sustain supply networks) and the SJ Emergency Task Force (to be responsible for Japan Region operations). In addition to the BCP for sudden and unexpected incidents such as earthquakes, we have separately developed BCP for emergencies with gradual/long-term impact, such as infectious disease outbreaks, which sets forth items to be considered and implemented by each phase (infectious disease BCP).

• HQ Emergency Task Force Drill

HQ Emergency Task Force Drill is held on regular basis as training for effective command center and appropriate execution of the BCP. Findings from the drill are used to review and revise existing action plans and BCP related documents. Relevant parties are notified of the changes, keeping BCP up-to-date and preparing all for immediate action.

• Emergency education for employees

To promote individual employee awareness and knowledge of emergency preparedness, we run various trainings and education programs. Briefings on the BCP are given to heads of departments/offices to increase their understanding and ensure that all staff under their leadership act swiftly according to HQ Emergency Task Force instructions in the event of a major emergency. Also, safety confirmation system is tested for all employees twice a year, and new hire orientation programs include lectures to raise awareness of emergency preparedness.

Activities to Enhance Corporate Ethics

Shiseido has put in place the Shiseido Group Standards of Business Conduct and Ethics in order for employees to act upon a strong sense of ethics, based on which we set up a Whistle-Blowing System to facilitate the early detection of non-ethical behaviors and conducted surveys to identify latent risk factors. At the same time, we provide training and education to build mutual respect among employees regardless of their background and to win the confidence of all our stakeholders. Maintaining high quality ethics is a key to realizing a workplace where individual persons deliver their best performance, thereby driving corporate ethics and business growth alike.

Training for Employees

(1) Enhancement of Corporate Ethics in Workplaces

We have assigned the Corporate Ethics & Compliance Leaders in each office in Japan to be in charge of the thorough informing and promotion of corporate ethics. In other regions outside Japan, Risk Management Officers take charge of ethics promotion in each region. The Risk Management Officers are supported by the Business Ethics Officers at the affiliate level.

(2) Training for All Employees (Once a Year)

Human rights and corporate ethics trainings are conducted for all employees of the Shiseido Group in Japan with emphasis on raising awareness through employee discussions. Various trainings are held to improve communication culture at workplace.

(3) Position-Specific Training (Once a Year)

According to one's position (corporate officers, managers, new recruits) and work location, all employees receive a training once a year.

Ethics & Compliance Hotline

We have established Ethics/Compliance Hotlines* to receive reports and consultations regarding behaviors which violate the Shiseido Group Standards of Business Conduct and Ethics.

*As a means of reporting, we have established the Compliance Committee Hotline specialized in whistle-blowing, "Sodan Room (in-house Shiseido Hotline)" to deal with workplace issues in general, and an external Shiseido Hotline. For reports related to corporate officers, a separate and direct reporting route to audit & supervisory board is secured.

*Shiseido also has the Business Partner Hotline for suppliers/partners to report concerns or receive consultations on human rights and compliance.

To make known these hotlines to employees, we have distributed Shiseido Ethics Card, posters, messages on the intra-company bulletin board etc., all of which clearly state that no employees will be dismissed/discharged from service or receive other disadvantageous treatment due to reporting. Overseas branches and offices have a local/regional hotline, in addition to which, there is a Shiseido Group Global Hotline at the company headquarters for direct reports from overseas employees.

Surveys on Employee Harassment and Compliance

Shiseido conducts regular surveys for employees in Japan to identify workplace harassment / compliance risk factors and to mitigate such risks. Survey results are shared with relevant departments to implement necessary measures, including additional training.

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Information Security Management

Policy Related to Information Security

Shiseido establishes "Shiseido Group Information Security Policy" for all persons working in the Shiseido Group to protect and maintain various essential information assets owned by business sites of the Group by setting robust information security. Under this Group-wide basic policy, we strive to manage and operate various information assets. Employees receive continuous education on information security, such as annual training through e-learning.

Policy Related to Protection of Personal Information

Shiseido deeply recognizes the importance of personal information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Therefore, we have established the "Shiseido Group Privacy Rule" to which all employees of the Shiseido Group should adhere. All companies in the Shiseido Group endeavor to ensure the protection of personal information.

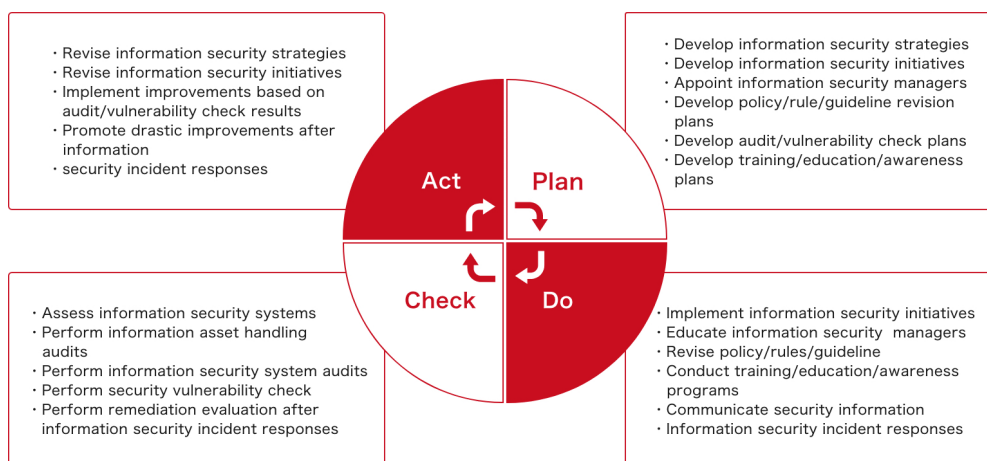
Details of Shiseido's policy on the protection of personal information are available in its Privacy Policy.

Information Security Management Systems

(1) Management structure

The Shiseido Group has established information security management systems, and the Chief Information Security Officer (CISO) has been appointed their representative. The CISO assumes overall responsibility for the handling of information assets and information systems, and engages in the planning and implementation of information security strategies and initiatives while communicating with the management team.

The CISO also supervises the activities carried out by each Group company to promote information security management. Those activities are related to the development and enforcement of rules and guidelines regarding confidential information control, personal information protection, information system management and information security measures; installing safety measures; and providing training/education/awareness programs. The heads of offices, departments and affiliates in Japan are appointed as information security managers responsible for the implementation of information security-related initiatives at their respective organizations. At regional headquarters outside Japan, an information security contact has been installed to regularly communicate with the CISO, in order to ensure continued efforts to maintain and improve the Group's overall information security activities.



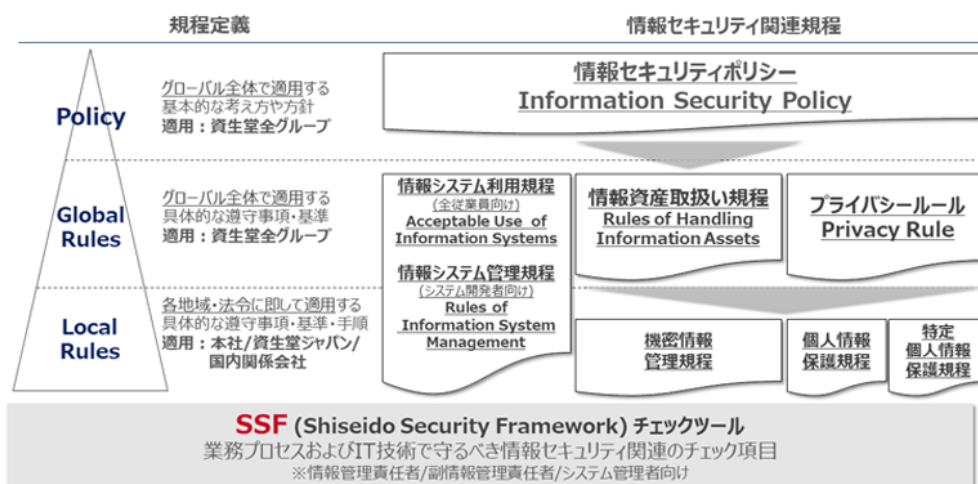
Shiseido Information Security Management

(2) Development of policies and rules

To promote information security management systems, we have formulated the Shiseido Security Framework in reference to a number of major related guidelines, such as the ISO 27001 international standard for information security management systems, the NIST Cybersecurity Framework/special publications, and the Center for Internet Security Critical Security Controls (CIS-CSC).

To put the Framework into practice, a range of more specific guidelines and rules have been created. These include the above-mentioned "Shiseido Group Information Security Policy" and "Shiseido Group Privacy Rule", in addition to rules and regulations regarding information asset handling/management and information system development, operation and management. We are working to promote compliance with these guidelines and rules on a global scale by encouraging the engagement of overseas offices.

To ensure information security in activities involving external business partners, we ask them to observe the Shiseido Group Supplier Code of Conduct [PDF : 876KB], which includes requirements for proper handling of confidential information and protection of personal information. When outsourcing operations involving personal information, we verify the information management capability of potential outsource service providers in advance.



Establishment of information security-related rules

Information Security Enhancement Initiatives

(1) Employee training/education/awareness

The Shiseido Group conducts information security e-learning programs on a regular basis to maintain and improve employee awareness. We provide guidance to new graduate and mid-career hires during orientation sessions to instill the importance of information security management in our personnel from the time they start with the Group.

To keep employees updated about information security issues, the latest information is posted on our internal portal site and sent to the entire workforce via e-mail.



Training for all employees



Internal email magazine

(2) Information security audit/vulnerability check

At the Shiseido Group, we ensure the proper handling of information assets as well as the implementation of appropriate information security measures for information system development, operation and management. Information system and operational audits are performed at all offices, departments and affiliates, where supervision is conducted over improvements to any issue detected.

Also, we periodically perform a vulnerability check on information system infrastructures and application programs, and if vulnerability issues are detected, instructions and improvement advice are provided.

(3) Information security incident response

At the Shiseido Group, the information security department responds to accidents and emergency situations involved in information security. It executes the necessary actions in cooperation with the risk management and information system departments depending on the impact of specific situations. The information security department works to improve emergency response capabilities through organizing periodic drills and revising associated sections of the manual based on issues revealed through such training opportunities.

Shiseido has registered with the Nippon CSIRT Association (Shiseido CSIRT) to share information with relevant agencies and with similar departments at other companies.



(4) Third-party assessment

In order to verify that the Shiseido Group's practice of its information security initiatives and management systems are appropriate, the information security department is subject to periodic third-party assessment performed by the Group's audit department as well as external assessment services entrusted by the department. Issues and challenges identified through each assessment session is used to develop information security strategies and initiatives.

Protection of Intellectual Properties

Shiseido Group invests in R&D and marketing to develop innovative technologies and increase our brands' value. Therefore, enhancing our Intellectual Property (IP) value is a crucial activity for our sustainable growth. IP includes intangible assets such as patents, trademarks, copyrights, industrial designs, trade secrets, etc. We protect our inventions, brands, marketing ideas and other IP outcomes properly, as these assets play key roles in our future success. We also respect third parties' IP rights and provide internal trainings for our employees to raise the awareness.

Note: Intellectual properties refer to intellectual property rights (patent rights, trademark, design rights, copyrights, etc.) and business confidentiality (know-how, etc.).

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Tax Policy

Shiseido's Tax Policy

Shiseido Group's Tax policy in the United Kingdom

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Global Tax Policy

Shiseido Group complies with the laws and regulations in all countries in which we run business. "Shiseido Group Standards of Business Conduct and Ethics" 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 "Shiseido Group Standards of Business Conduct and Ethics" 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 global headquarters manages the tax compliance of the group, and CFOs at each regional headquarters manage the tax compliance in their region.

Employees with tax expertise are assigned as necessary for the smooth operation of our global tax risk management organization. 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.

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Shiseido UK Tax Policy

SHISEIDO Group complies with the laws and regulations in all countries in which we run businesses. THE SHISEIDO PHILOSOPHY, "OUR MISSION, DNA and PRINCIPLES" and Shiseido Group Standards of Business Conduct and Ethics 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 in 2021 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 Shiseido Group Standards of Business Conduct and Ethics and shared with all employees to ensure tax transparency.

The Chief Financial Officer (CFO) / The Finance Director (FD) 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 and/or the FD. To manage the global tax risk effectively, the tax team of Global Head Quarters (HQ) manages the tax compliance of the group, and CFOs and/or the FDs 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.

Governance



Corporate Governance Policy

The Shiseido Group including the Company sets out "BEAUTY INNOVATIONS FOR A BETTER WORLD" as the Shiseido Philosophy, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling the Philosophy".

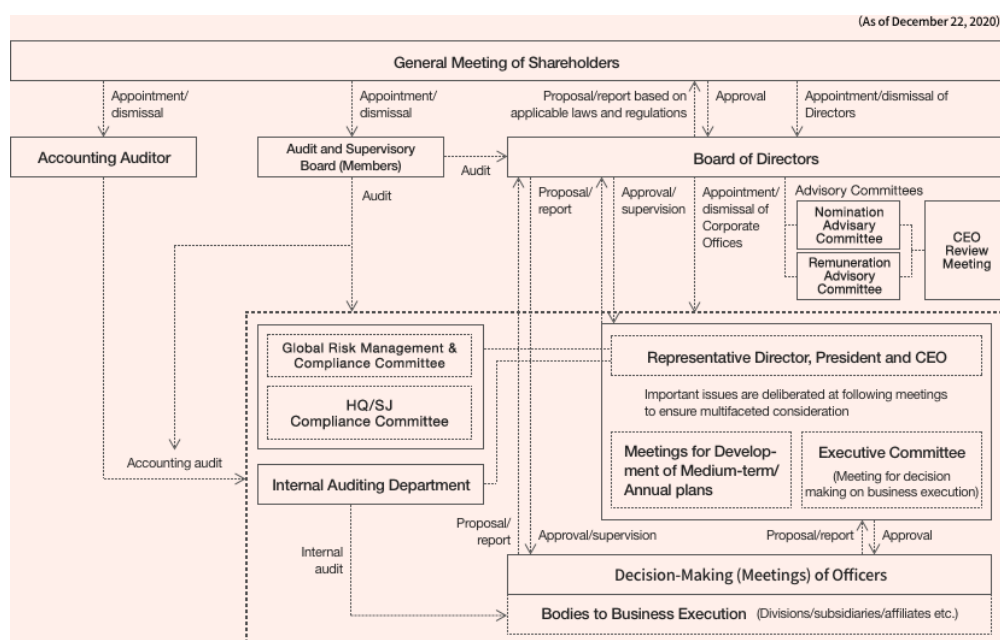
The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, "consumers", "business 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.

Shiseido's Governance by the Numbers



Skills and Expertise Required of Directors and Audit & Supervisory Board Members

Company's System for the Management and Execution of Business



Board of Directors and Committees Associated with Corporate Officers

Composed of eight members including four external directors and presided by the President and 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 meetings of the Executive Committee, in which corporate officers' study and discuss matters of important business execution from various aspects before final decisions, and the the Board of Directors 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 business execution. The President and CEO chairs the Executive Committee and Board of Directors. 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 directors and corporate officers is one year.

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

In addition, one of the four internal directors, concurrently serving as CEO, has built a career outside of Shiseido, while the remaining three have had a long career inside the Company and possess knowledge and expertise in the following fields: one, in research, innovation and technology; another, in various brands of the Shiseido Group as well as new business development; yet another, in marketing and product development, finance and accounting, supply network and other areas. Thus we ensure diversity among our directors. We are also recruiting younger members for corporate officers, thereby aiming to strengthen the executive function.

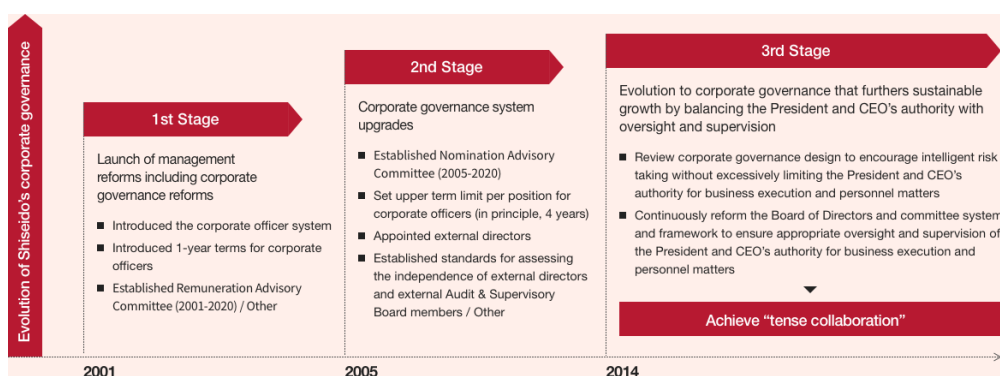
Process of Evolution

Process of Corporate Governance Evolution

The Shiseido Group (hereinafter "Shiseido" or the "Group") defines corporate governance as its "platform to realize sustainable growth by fulfilling its corporate mission," and is enhancing corporate governance to achieve the objectives of its medium-to-long-term strategy, VISION 2020.

We began full-fledged initiatives toward strengthening corporate governance in 2001, and the ongoing reforms to date can be divided into three stages.

Moving to the Third stage of Corporate Governance



The first stage initiated corporate governance reform. Initiatives to separate the functions of management supervision and execution included the introduction of the corporate officer system. At the second stage, we implemented many initiatives for creating the framework of our corporate governance such as the establishment of the Nomination & Remuneration Advisory Committee (formerly, "the Nomination Advisory Committee") and the appointment of external directors. In this way, we have set out objective quantitative and pro forma standards. We enhanced the quality of corporate governance by rigorously employing this framework and actively disclosing the outcomes. We have now begun the third stage, in which we are targeting corporate governance that furthers sustainable growth. We will achieve "tense collaboration" by balancing management oversight and supervision with the broad authority vested in the President and CEO, which he or she needs in order to exercise ultimate leadership of Shiseido's global management.

This tense collaboration does not excessively limit or decrease the CEO's authority, but rather establishes a process driven by full accountability of the CEO to the Board of Directors and other supervisory organs to regularly evaluate the CEO and management execution given the broad authority vested in the CEO. This process also sets a precedent for evaluations by the Nomination & Remuneration Advisory Committee which are carried out on a regular basis.

Corporate Governance System

Reason for Choosing the Current Structure

The Company has selected the framework of a company with an Audit & Supervisory Board structure with double check functions for business execution: supervision by the Board of Directors and audits of legality and adequacy by audit & supervisory board members. In order to maintain and improve management transparency, fairness, and speed as per the basic policy for corporate governance, the Company has reinforced the supervisory function of the Board of Directors by incorporating outstanding functions including those of a company with nominating committee, etc.

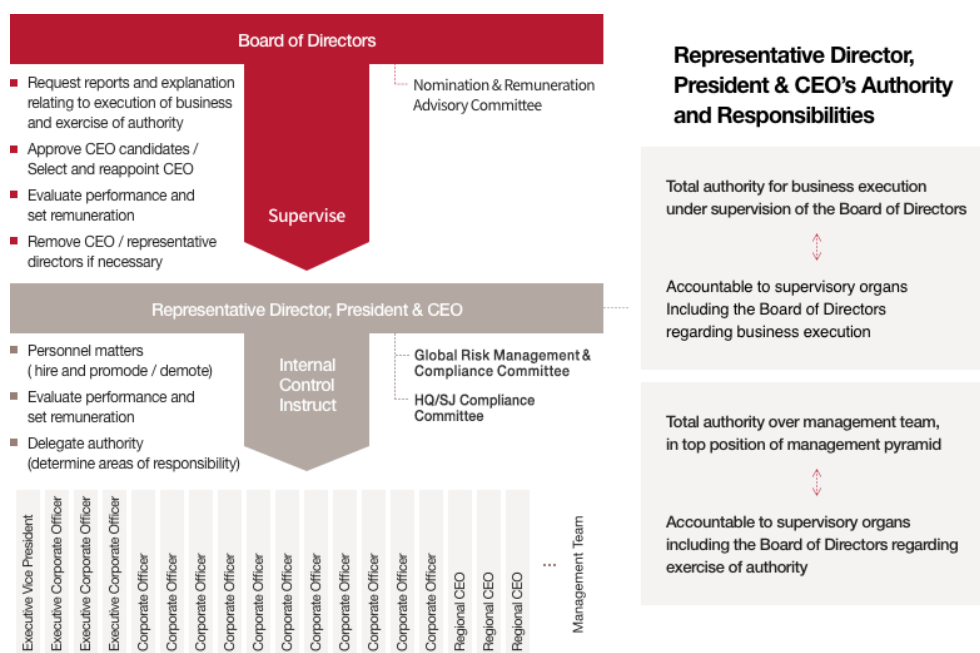
Effective January 2016, Shiseido committed to a new matrix organization encompassing five brand categories and six regions. Under this organization, the Company serves as the global headquarters responsible for providing overall supervision of the Group and the support it requires, and is promoting localization of responsibility and authority by delegating much of the authority formerly exercised by the Company to respective regional headquarters for Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail. The Board of Directors frequently discussed issues including the composition and operation of the Board of Directors to determine an ideal corporate governance system, premised on this organization and management structure. As a result, the Board of Directors concluded that adopting a monitoring board structure would be appropriate for ensuring adequate overall supervision of Shiseido. Accordingly, the Company has been implementing "monitoring board corporate governance" while leveraging the advantages of being a company with an Audit & Supervisory Board.

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 diverse and 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 diversity, the Company selects candidates based on attributes of personality and insight regardless of gender, age, or nationality, etc. in order to stress diversity of these attributes as well as diversity in terms of competencies including professional skills and experience in various fields related to business management.

In addition, the Company has set term limits for external directors and external Audit & Supervisory Board members so that management can benefit from views that are not bound by the Company's existing structures, and ensures appropriate transition to newly appointed external directors and external Audit & Supervisory Board members by allowing a handover period from those who have served for an extended period.

Management Supervision System



Ratio of External Directors on the Board of Directors

The Company's Articles of Incorporation limit the number of directors to 12. The Company considers issues including business portfolio and scale in electing the optimum number of directors to appropriately supervise management.

The Company shall have at least three external directors to ensure that they have a certain degree of influence within the Board of Directors. The Company has established a target of making at least half of the directors external. Independence is emphasized in selecting external directors and Audit & Supervisory Board members. In principle, external director and Audit & Supervisory Board member candidates must meet the Company's criteria for independence and have an independent mindset.

Criteria for Independence of External Directors and Audit & Supervisory Board Members (summary)

- Not a person who is or has ever been responsible for executing the business of the Company or its affiliated companies (collectively, the Shiseido Group)
- Not a person for whom the Shiseido Group is or has ever been a major client or a person who has executed business for an entity for which the Shiseido Group is or has ever been a major client
- Not a person who is or has ever been a major client of the Shiseido Group or a person who has executed business for an entity that is or has ever been a major client of the Shiseido Group
- Not a person who executes or has ever executed business for an entity in which the Shiseido Group is a major shareholder
- Not a person who is or has ever been a major shareholder of the Company or a person who has executed business for an entity that is or has ever been a major shareholder of the Company
- Not a professional such as an attorney or a consultant who has received a large amount of money from the Shiseido Group
- Not a person who is receiving or has ever received a large donation from the Shiseido Group or a person who has executed business for an entity that is receiving or has ever received a large donation from the Shiseido Group
- Not a person who is or has ever been an accounting auditor of the Company or a person who has belonged to an entity that is or has ever been an accounting auditor of the Company
- Not a spouse or close relative of any person excluded above
- Not a person affiliated with a company that reciprocally appoints a director or Audit & Supervisory Board member from the Shiseido Group
- Not a person who could otherwise be reasonably judged unable to fulfill the duties of an independent director or independent Audit & Supervisory Board member

(Please refer to the corporate Governance Report available at Shiseido's corporate website for details.)

Committees

Basic Policy

With a view to promoting transparency and objectivity in management, the Company has established the Nomination & Remuneration Advisory Committee to make recommendations to the Board of Directors on director and corporate officer candidates and promotions, as well as on executive remuneration and performance evaluation standards. The chair shall be appointed from external directors to ensure objectivity.

In addition, the Global Risk Management & Compliance Committee and the HQ/SJ Compliance Committee have been established as committees that handle compliance and risk management and report directly to the President and CEO. These committees collaborate with compliance organizations at regional headquarters located in major regions around the world and provide overall direction for activities that improve corporate quality, including the promotion of legal compliance, fair business practices, and risk countermeasures across the Group. The President and Representative Director makes proposals and reports on important issues and progress of compliance activities to the Board of Directors as appropriate.

CEO Review Meeting

Within the Company's corporate governance, there is a need to appropriately concentrate authority in the CEO while maintaining a strong oversight function to counterbalance that authority.

Accordingly, the Company has established the CEO Review Meeting as a shared organization of the Nomination & Remuneration Advisory Committee to discuss and consider matters relating to the CEO, including reappointment and replacement. The CEO Review Meeting conducts performance evaluation that includes a personal evaluation of the CEO, and confirms the appropriateness of the CEO's remuneration. In this way, the CEO Review Meeting comprehensively oversees the CEO from two aspects: appointment and dismissal, and incentives. To emphasize its independence from the CEO and the CEO's business execution framework, the CEO Review Meeting consists solely of external directors and external Audit & Supervisory Board members.

Members of the Nomination & Remuneration Advisory Committee

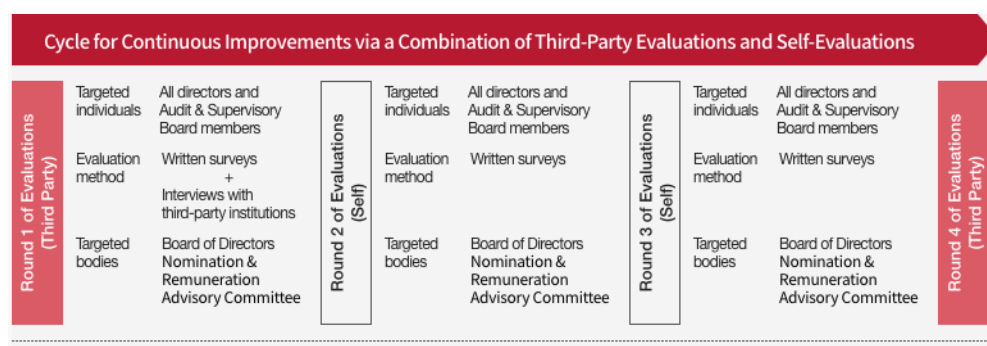
Chair	External Director	Yoko Ishikura
Member	External Director	Yoshiaki Fujimori
	External Director	Shinsaku Iwahara
	External Director	Kanoko Oishi
	Representative Director, President and CEO	Masahiko Uotani

Evaluation of the Effectiveness of the Board of Directors

Basic Policy

The Company conducts an evaluation concerning effectiveness of the Board of Directors with the aim of identifying issues and improvements required to enhance effectiveness of the Board of Directors. Questionnaires and interviews for all directors and Audit & Supervisory Board members are conducted every year to evaluate and analyze the activities of the Board of Directors, the Nomination & Remuneration Advisory Committee and the Audit & Supervisory Board as well as the support system by the secretariat, and the secretariat of the Board of Directors conducts analysis using the data after aggregation.

Cycle for continuous improvement of effectiveness



Result of 2019

For the Board of Directors meetings in 2019, while the overall evaluation of business conditions, the size and composition of the Board of Directors and the effectiveness of the Board of Directors was high, we recognize that there is room for improvement in the selection of agenda items that can be concentrated on discussions on important management issues, communication outside the Board of Directors, etc., and the need for further strengthening the Board of Directors secretariat system.

In light of these results, we are continually working to improve the effectiveness of the Board of Directors by optimizing agenda items, sharing information inside and outside the Board of Directors to deepen discussions, improving operations, and reinforcing the secretariat system in order to further strengthen the monitoring functions of the Board of Directors.

Result of 2020 will be disclosed when the aggregation and analysis are completed.

Ongoing Initiatives-Developing Succession Plans for the CEO, External Directors and External Audit & Supervisory Board Members

Within the evaluations of the effectiveness of the Board of Directors, the Company determined that the development of succession plans for the CEO is a task that should be continuously examined by the Board of Directors and the Nomination & Remuneration Advisory Committee. The Company believes that the CEO should have the responsibility and authority to select his or her own successor and that the CEO should be in charge of drafting succession plans. In addition, the Nomination & Remuneration Advisory Committee, which is responsible for certain functions of the Board of Directors, should receive sufficient reports from the CEO regarding the details of the succession plans and the candidates chosen. After the exchange of opinions, the committee should provide feedback to the CEO, evaluating the candidates chosen from an independent standpoint and examining their appropriateness based on management issues the Company is facing.

In addition, the evaluations of the effectiveness of the Board of Directors have highlighted the need for developing succession plans for external directors and external Audit & Supervisory Board members, who play an essential role in monitoring the Company's management. The Company believes that the development of succession plans, which should include oversight on various conditions pertaining to term of office and clear criteria for successor candidates, is an issue that should be constantly on the agenda of the Nomination & Remuneration Advisory Committee rather than something only addressed prior to the succession event.

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

Overview of the Policy for Remuneration for Directors, Audit & Supervisory Board Members and Corporate Officers

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

The remuneration policy for directors, Audit & Supervisory Board members, and corporate officers shall

1. contribute to realizing the 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 to strongly motivate directors, Audit & Supervisory Board members, and corporate officers eligible for remuneration to achieve medium-to-long-term growth;
4. have a mechanism incorporated to prevent wrongdoing and overemphasis on short-term views; and
5. be designed to be transparent, fair, and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and shall ensure these points by determining remuneration through appropriate processes.

The Company sets appropriate remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas, 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. Shiseido also abolished its officers' retirement benefit plan as of June 29, 2004, the date of the 104th Ordinary General Meeting of Shareholders.

Directors, Audit & Supervisory Board Members and Corporate Officers Remuneration Aligned to the Three-Year Plan for Fiscal 2018 through Fiscal 2020

The Company has dedicated the three years from fiscal 2018 through fiscal 2020 to pursuing new strategies aimed at accelerating growth.

From fiscal 2018 through fiscal 2020, the Company will hasten growth by creating a virtuous cycle while continuing to pursue structural reforms, and will accordingly design the remuneration scheme to place more focus on the notion of "pay linked to the corporate mission," which constitutes a step beyond the notion of "pay for performance" whereby remuneration paid to an officer reflects his or her accomplishments. Under the notion of "pay linked to the corporate mission," the Company evaluates the extent to which long-term strategies reflecting its management approach and Corporate Philosophy have been achieved, in addition to considering net sales, operating profit, and other quantitative financial results.

Furthermore, given that the Company has achieved some of its financial targets set forth in its VISION 2020 quantitative targets three years ahead of schedule, in 2018, its set new long-term targets of net sales of ¥2 trillion yen and operating profit of ¥300 billion yen, geared to further achieving sustainable growth over the long term with its sights set on goals further off into the future. As such, the Company has introduced performance-linked stock remuneration as a new long-term incentive type remuneration (LTI), wherein performance share units replace stock compensation-type stock opinions, starting from fiscal 2019.

Proportion of Remuneration by Remuneration Type for Each Rank of Director

Remuneration Type for Each Rank of Director

Rank as Corporate officer	Composition of remuneration as corporate officer			Total
	Basic remuneration	Performance-linked remuneration		
		Annual bonus	Long-term incentive remuneration	
President & CEO	46%	27%	27%	100%
Executive Vice President	54~56%	22~23%	22~23%	
Corporate Executive Officer	54~60%	20~23%	20~23%	
Corporate Officer	56~64%	18~22%	18~22%	

Notes

1. In this model, the basic remuneration amount is the median of the applicable role grade, and the amount paid for performance-linked remuneration is based on 100% of a reference amount determined by the Company. The proportions stated above may change depending on changes in the Company's performance and changes in the share price.

2. There is no difference in the proportion of remuneration 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 remuneration by remuneration type will vary even within a same rank.

4. A fixed amount of remuneration separately provided in accordance with roles such as Chairman of the Board is not included in the table.

Performance indicators and evaluation weights for annual bonus

Evaluation Item	Performance Indicators	Evaluation Weight							
		President and CEO		Corporate Officers in Charge of Businesses				Corporate Officers Other than Those in Charge of Businesses	
				Regional Headquarters President		Other		CFO and Other	
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	20%	30%	70%
	Consolidated operating profit	40%		10%		10%		40%	
		Net profit attributable to owners of parent	If this amount ends up below the threshold, the Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the whole group performance component						
Performance of Business Unit in Charge	Business performance evaluation	—		50%		50%		—	
Personal Evaluation	Level of achievement of strategic goals set individually	30%							
		Setting no more than five priority objectives which contribute to realizing long-term strategies reflecting the Company's management approach and Corporate Philosophy.							

Notes

There is no difference in the performance indicators and the weight of performance indicators applied to directors based on whether a director has a representation right or otherwise.

Basic Remuneration

Basic remuneration corresponds to each officer's role grade, which is based on the scale and scope of their responsibilities and impact on Group management. Moreover, basic remuneration may increase within the same role grade within a designated range in accordance with the performance of respective directors or corporate officers in the previous fiscal year in terms of numerical business performance and personal performance evaluation. This mechanism allows the Company to adjust basic remuneration in light of the achievements of respective directors and corporate officers.

The Company will continue to pay external directors and Audit & Supervisory Board members fixed basic remuneration with no variable component as under the previous system.

Annual Bonus

The Company has determined evaluation items for the annual bonus linked to performance in accordance with the scope of responsibilities of the respective director or corporate officer as described in the table below. The achievement rates for consolidated net sales and consolidated operating profit targets are common performance indicators used for all directors and corporate officers. Although it is essential that the entire management team remains aware of matters involving net profit attributable to owners of parent, it is also crucial that management not allow such a benchmark to weigh too heavily on proactive efforts particularly involving future growth-oriented investment. As such, after deliberations by the Remuneration Advisory Committee, the Company has provisionally established certain standards (thresholds) as described in the table above, with the evaluation framework designed so that the Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual bonus payment attributable to the Company-wide performance component of the total annual bonus, if results fall below the thresholds. In addition, as was the case for remuneration policy up to 2017, the Company has set personal performance evaluation components for all directors and corporate officers to provide a standard for evaluating the level of achievement of strategic goals in initiatives that cannot be measured with financial performance data, such as rebuilding the business foundation for sustainable growth.

Long-Term Incentive-Type Remuneration (LTI)

Performance-Linked Stock Compensation / Performance Share Units (from Fiscal 2019)

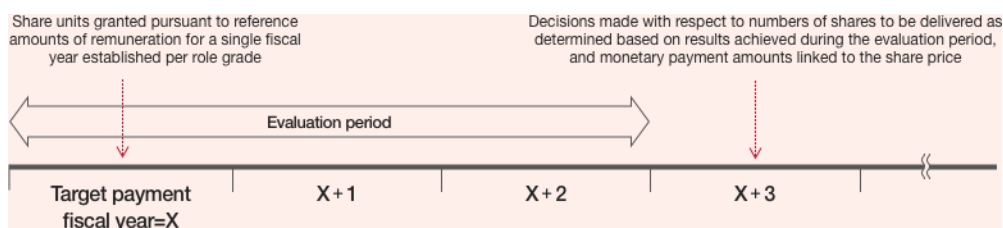
Purposes of introducing the LTI

The LTI is adopted for the purposes of establishing effective incentives for creating and maintaining corporate value over the long term, and ensuring that the directors' interests consistently align with those of our shareholders. To such ends, the LTI will help:

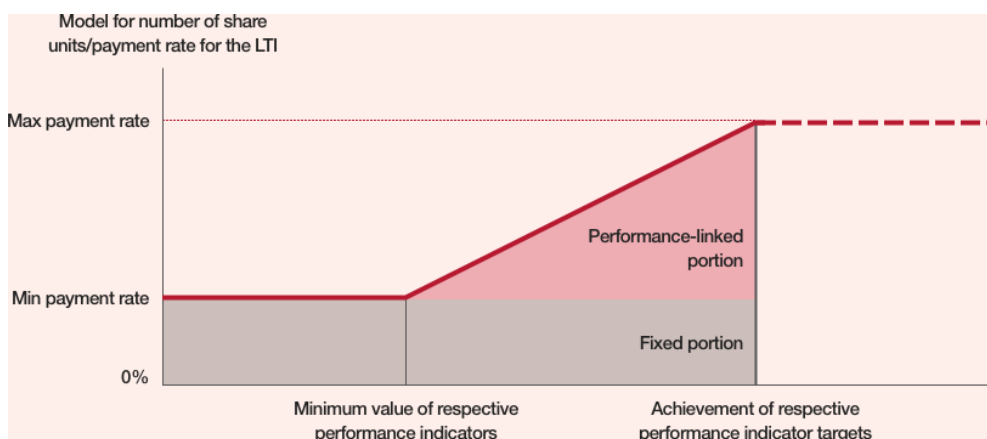
- i) promote efforts to create value by achieving our long-term vision and strategic goals,
- ii) curb potential damage to the corporate value and maintain substantial corporate value over the long-term,
- iii) attract and retain talent capable of taking on leadership in business, and
- iv) realize a "Global One Team" by fostering a sense of solidarity among management teams of the entire Shiseido Group and instill the consciousness of participating in the running of the Company.

Under the LTI, performance share units are adopted to act as a type of performance-linked stock compensation in lieu of the stock compensation-type stock options granted annually thus far. With respect to the Company's performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall establish multiple performance indicators beforehand, and three fiscal years, including the fiscal year that the payment relates to, shall be used as the evaluation period. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate after the end of the evaluation period, and it shall use the payment rate to increase or decrease the number of share units. The eligible parties shall be paid monetary remuneration claims and cash for the delivery of a number of shares of the Company's common stock corresponding to the applicable number of share units, and then each eligible party shall receive delivery of shares of common stock of the Company by paying all the monetary remuneration claims using the method of contribution in kind.

LTI schedule



The financial benefits ultimately gained by the eligible parties are linked not only to performance outcomes associated with the performance indicators, but also to the Company's share price. As such, the LTI substantially links the financial benefits with both performance and the Company's share price. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion, thereby emphasizing the notion of consistently granting stock compensation to the eligible parties. As such, the LTI is designed to help eligible parties realize the aims of more robustly ensuring that their sense of interests consistently aligns with those of our shareholders, curbing potential damage to corporate value and maintaining substantial corporate value over the long term, and helping to attract and retain competent talent.



The performance indicators are determined by the Board of Directors upon the matter having been adequately deliberated on by the Remuneration Advisory Committee. To achieve our long-term targets, the performance indicators are configured so that the LTI underpins efforts to enhance our corporate value in terms of both economic value and social value. As such, the performance indicators include (as benchmarks to measure economic corporate value): compound average growth rates (CAGR) of both consolidated net sales and consolidated operating profit; and (as benchmarks pertaining to social value) multiple internal and external environmental, social and governance (ESG) indicators with special emphasis placed on the area of "empowered beauty," in which we aim to achieve our notion of beauty innovation through providing support to others. Moreover, the performance indicators now also include consolidated return on equity (ROE) which acts as an important benchmark for measuring corporate value from the perspective of establishing a sense of common interests with our shareholders.

Among the performance indicators, we have set target values and minimum values for each CAGR for consolidated net sales and consolidated operating profit. Accordingly, the Company will apply the maximum percentage amount of payment attributable to each of the indicators in the event that the target values are achieved, and the Company does not make payment of the performance-linked portion with respect to each of those indicators in the event that performance falls short of the minimum values. As for environmental, social and governance (ESG) indicators, upon having determined whether each of the multiple benchmarks have been achieved or not, we will set the maximum percentage amount of payment attributable to each of the benchmarks in the event that the targets have been achieved, and will not make payment of the performance-linked portion with respect to each of the benchmarks in the event that the targets have not been achieved. In terms of consolidated return on equity (ROE), as we deem it necessary to ensure that our focus on that benchmark doesn't excessively impede our active efforts with respect to investing in future growth and resolving challenges with our sights set on achieving long-term growth, we will set preliminary ROE targets at certain thresholds per deliberations carried out in that regard by the Remuneration Advisory Committee, and the committee will then discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below such thresholds. In addition, the LTI is designed with a view to extending payment to management teams at regional headquarters outside of Japan in the future, with the aim of realizing a "Global One Team" by fostering a sense of solidarity among management teams around the world and promoting a participatory approach to business.

Performance indicators and evaluation weights for performance-linked portion of the LTI

Evaluation Item	Performance Indicators	Evaluation Weight	
Economic Value Indicators	Consolidated net sales compound average growth rate (CAGR)	45%	100%
	Consolidated operating profit compound average growth rate (CAGR)	45%	
Social Value Indicators	Multiple internal and external indicators such as those related to environmental, social and governance (ESG) with focus on the area of “empowered beauty”	10%	
Economic Value Indicator	Consolidated ROE (return on equity)	If this ends up below the threshold, the remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

Long-Term Incentive-Type Remuneration Until Fiscal 2018

Until fiscal 2018, as long-term incentive-type remuneration included in performance-linked remuneration, we applied a stock compensation-type stock option using stock acquisition rights as stock options with an amount of 1 yen invested when exercising a stock acquisition right as a means of paying stock as compensation, etc., instead of cash-based compensation, etc. The limits on this long-term incentive-type remuneration apply on two occasions: when the stock acquisition rights are allotted, and when the allotted stock acquisition rights have vested. When actually allotting the stock acquisition rights after obtaining 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 in the range of 0 to the maximum by using the performance indicators for annual bonuses for the preceding fiscal year. In addition, the Company has introduced a mechanism when the stock acquisition rights vest that limits the exercise of stock acquisition rights to 30 to 100 percent of the allotted number, according to consolidated results and other indicators up to the preceding fiscal year.

Remuneration for Directors and Audit & Supervisory Board Members for the Year Ended December 2019

(Millions of yen)					
	Basic Remuneration	Bonus	Former Long-Term Incentive (Stock Option)	Long-Term Incentive (Stock Compensation)	Total
Directors (6 persons)	286	130	189	122	729
External Directors Among Directors (3 persons)	45	—	—	—	45
Audit & Supervisory Board Members (7 persons)	104	—	—	—	104
External Audit & Supervisory Board Members among Audit & Supervisory Board Members (4 persons)	39	—	—	—	39
Total	391	130	189	122	834

Notes

1.The total amount of the basic remuneration and bonus for directors has a ceiling of ¥2.0 billion annually (including a total of ¥0.2 billion or less for external directors) as per the resolution of the 118th ordinary general meeting of shareholders held on March 27, 2018. Basic remuneration for audit & supervisory board members has a ceiling of ¥10 million per month as per the resolution of the 105th ordinary general meeting of shareholders held on June 29, 2005.

2.The bonuses of directors for fiscal 2019 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1.

3.The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2019, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.

4.The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2019, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.

5.In addition to the above payments, other remuneration of ¥8 million was recorded for the fiscal year ended December 31, 2019 as expenses associated with stock options granted to two directors of the Company, at the time the directors served as corporate officers not holding the office of directors.

6.None of the directors or the audit & supervisory board members will be paid remuneration other than described above (including that described in notes 1. through 5.).

Remuneration by Type to Representative Directors and Directors Whose Total Remuneration Exceeded 100 Million Yen for the Year Ended December 2019

(Millions of yen)					
	Basic Remuneration	Bonus	Former Long-Term Incentive (Stock Option)	Long-Term Incentive (Stock Compensation)	Total
Masahiko Uotani, Representative Director	153	99	157	89	500
Yoichi Shimatani, Representative Director	42	14	23	15	96

Notes

1.The bonuses of directors for fiscal 2019 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the ordinary general meeting of shareholders, as stated in note 1. of 2) Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2019.

2.The amount of former long-term incentive-type remuneration (stock options) for directors indicated above represents the total amount of expenses associated with the stock options (stock acquisition rights) recorded for the fiscal year ended December 31, 2019, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.

3.The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized for the fiscal year ended December 31, 2019, on the performance-linked stock compensation (performance share units), upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.

4.In addition to the above payments, there is other remuneration of ¥3 million recorded for the fiscal year ended December 31, 2019 as expenses associated with stock options granted to Representative Director Yoichi Shimatani at the time he served as corporate officer not holding the office of director.

5.None of the two directors above will be paid remuneration other than described above (including that described in notes 1. through 4.).

Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors

(Millions of yen)					
Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%	Actual Performance	Achievement Rat	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0%–200%	1,172.0	1,131.5	96.5%	76% (Note 4.)
Consolidated Operating Profit	0%–200%	120.0	113.8	94.8%	113% (Note 4.)
Net Profit Attributable to Owners of Parent	—	(Note 1.)	73.6	—	Not subject to lowering of the payment amount percentage
Performance of Business in Charge	0%–200%	No one eligible (Note 2.)	No one eligible	No one eligible	No one eligible
Personal Performance Evaluation	0%–200%	(Note 3.)	—	—	113.3% (Average)
				Total payment rate	108.6%

Notes

1.With regard to net profit attributable to owners of parent, the Remuneration Advisory Committee has set a threshold to consider lowering the percentage amount of payment calculated based on the whole group performance (consolidated net sales and consolidated operating profit) in the event of the amount of consolidated net profit below a predetermined level. The threshold for the fiscal year ended December 31, 2019 was net profit attributable to owners of parent of ¥37.75 billion.

2.Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business.

3.Each individual's priority targets are set in personal performance evaluation considering not only a single fiscal year performance but also initiatives to realize long-term strategies that reflect management approach and Corporate Philosophy, such as improvement in organizational skills.

4.With regard to consolidated net sales and consolidated operating profit, in the calculation of the payment factor, adjustments are made to exclude effects, such as purchase/sale of businesses or brands occurring during the period and significant changes in the geopolitical risk status, in order to compare targets set at the beginning of the period and actual performance for the fiscal year in the practically same situation. The adjustment amount is reduced from the actual performance when an item subject to adjustment affects consolidated net sales and consolidated operating profit positively, while the adjustment amount is added when such an item affects them negatively. Specific items subject to adjustment and their amount of reduction or addition are determined by the Board of Directors through adequate deliberations. In addition, similar adjustments are made in the calculation of bonus paid to employees in Japan.

Succession Plan and Training

Succession Plan of President and CEO

The Company considers that the appointment of a successor candidate for the President and CEO requires the involvement of the incumbent one, and the incumbent one is also responsible for formulating the successor plan. (In the event that an incumbent person has difficulties in selecting a successor candidate, the Nomination & Remuneration Advisory Committee may play a leading role.)

On the other hand, when the Company needs to discuss the reappoint of current President and CEO, discussion regarding necessity of reappointment is examined only by independent chairperson and members of the Nomination & Remuneration Advisory Committee who are external directors, in order to ensure the fairness. In addition, the Nomination & Remuneration Advisory Committee, which performs certain functions of the Board of Directors, receives full reports from President and CEO on the succession plan and the specific nomination for successor, then exchanges opinions and discusses the matter in light of an evaluation to President and CEO from an independent perspective as well as the Company's management issues, and Internal provides feedback. For the evaluation of the specific successor candidate, the CEO Review Committee judges whether the candidate is suitable.

In fiscal 2019, external directors—members of the Nomination & Remuneration Advisory Committee (formerly, "the Nomination Advisory Committee"), conducted fair and thorough deliberations on the succession plan, including the reappointment of the current President and CEO. The members of the CEO Review Committee also confirmed the appropriateness of the plan. As a result, considering the difficulty of formulating and implementing a growth strategy to accelerate further globalization in order to realize THE SHISEIDO PHILOSOPHY, it was concluded that continuing the term of office of the current President and CEO was the best choice for all stakeholders of the Company. At the Board of Directors meeting held on September 26, 2019, the extension of the term of office of the current President and CEO and the framework of the concrete succession plan were approved.

Succession Plan of External Directors and External 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 & Remuneration Advisory Committee as a matter that needs to be paid attention to at all times.

Training for Directors, Audit & Supervisory Board members and Corporate Officers

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.

Audit Structure

Internal Audit

The Internal Auditing Department, which reports directly to the President and 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 advice, 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:

Audit by Accountants (As of March 25)

1. Name of the auditing firm

KPMG AZSA LLC

2. Name of certified public accountants who have conducted audit work

Koichi Kobori and Ryoji Fujii

3. Composition of assistants for audit work

The composition of personnel other than engagement partners is 13 certified public accountants, 4 qualified professionals, and 19 others (tax related and IT audit staff etc.)

4. Selection policy, reason of the selection and evaluation of the auditing firm

The election and dismissal of the Company's Accounting Auditor is determined by the unanimous consent of members of Audit & Supervisory Board, after discussion based on the deliberates on the results of evaluations by each member of Audit & Supervisory Board, as well as evaluations by CFO and heads of related departments including financial accounting department and internal auditing department.

Our policy for decision making of dismissal or non-reappointment of our accounting auditor is as follows; Audit & Supervisory Board will dismiss the accounting auditor if the Company considers that there is a serious obstacle to be the accounting auditor of the Company, such as violation or default of its duties, or having delinquency not suitable as an the Company's accounting auditor. On such an occasion, Audit & Supervisory Board of the Company will dismiss the Accounting Auditor pursuant to

Article 340 of the Companies Act. In addition, when Audit & Supervisory Board finds it difficult for the accounting auditor to properly carry out its duties, or when it is determined that the change of Accounting Auditor is appropriate in order to further enhance the appropriateness of the audit, Audit & Supervisory Board decides the contents of the proposal regarding the dismissal or non-reappointment of Accounting Auditor in consideration of the views of the executive members, and the Board of Directors submits the proposal to the General Meeting of Shareholders based on the decision of Audit & Supervisory Board.

As from June 29, 2006, the Company has selected KPMG AZSA LLC as Accounting Auditor. By leveraging their strengths, having a deep understanding of Shiseido's management and business, KPMG AZSA LLC offers swift and effective advice on the increasingly complex accounting processes that accompany our rapid globalization. In addition, by utilizing KPMG Group's global network, we obtain Internal auditing data of our subsidiaries. We believe that this information will lead to timely and appropriate management decisions. For these reasons, Audit & Supervisory Board has selected KPMG AZSA LLC as the Company's accounting auditor.

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.

Remuneration, etc. to the Accounting Auditor

(Millions of yen)	
Category	Amount
Remuneration paid for services rendered as the accounting auditor for the fiscal year ended December 31, 2019	186
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	390

Note : In the audit contract between the Company and its accounting auditor, 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 the accounting auditor for the fiscal year ended December 31, 2019" 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 the Japan Corporate Auditors Association as a guide, and by way of necessary documents obtained from directors, internal relevant departments and the accounting auditor as well as interviews to obtain information from them, and determined that the fees, etc. of the accounting auditor were appropriate, in agreement with Article 399, Paragraphs 1 and 2 of the Companies Act.

Compliance and Risk Management

Organization

The Global Risk Management & Compliance Committee and the HQ/SJ Compliance Committee have been established as committees that handle compliance and risk management and report directly to the President and CEO. These committees collaborate with compliance organizations at regional headquarters located in major regions around the world and provide overall direction for activities that improve corporate quality, including the promotion of legal compliance, fair business practices, and risk countermeasures across the Group. The President and Representative Director makes proposals and reports on important issues and progress of compliance activities to the Board of Directors as appropriate.

Group companies and offices are responsible for promoting legal and fair business practices and risk countermeasures across the Group and regularly plan and promote training and awareness-raising activities related to corporate ethics, as well as respond to incidents and manage risks. The divisions in charge of risk management and the committees in charge of compliance and risk management periodically share information with the personnel in charge at each Group company and business unit.

Risk Monitoring by the Board of Directors

Monitoring risks on a Group-wide basis is one of the key responsibilities of the Board of Directors. The Board reviews reports on risks factors identified by the Compliance Committee and provides feedback on the measures the Committee has developed to prevent incidents/mitigate risks. Also, for individual reports and strategies proposed, the Board makes inquiries on the prerequisites, risk tolerance, and risk limit of each to confirm risks are being considered in an appropriate manner. Through these means, the Board urges the Management to identify risks, implement measures to prevent incidents/mitigate risks, and take risks appropriately.

In addition to receiving individual reports/proposals and Compliance Committee reports, the Board compiles risk-related information through sharing of information with the Audit & Supervisory Board, also contributing to the realization of highly effective risk monitoring.

Review of Risks

In 2019, the Risk Management Department held interviews and surveys with the Company's CEO, HQ corporate officers, and regional CEOs on Group risks. We also conducted Risk Management Officer (RMO) targeted surveys in each region. Based on the findings, we conducted risk assessment to identify key risks facing the Company. Our risk assessment utilized the following three evaluation criteria: "impact on business performance in the event a risk materializes", "timing and likelihood of potential risk materialization", and "adequacy of measures toward a given risk". On the basis of these evaluation criteria, the Global Risk Management & Compliance Committee has identified and prioritized risks that could potentially impact the Company to achieve the 2018-20 Five Key Strategies and evaluated measures. For evaluation of each risk, we took into consideration potential impact on people's lives, Shiseido's assets, and overall business continuity in accordance with the Group's Risk Management Policy. Impact on reputation was also considered.

Risks identified through our risk assessment have been organized into the following categories according to the overall nature of each risk: "Business Strategy Risks", "Core Business Risks", "Operational Risks", and "Other Risks". We have also identified "risk owners" for each risk category in an effort to clarify responsibility for countermeasures. Moreover, we have implemented a monitoring framework within the Global Risk Management & Compliance Committee and the Board of Directors to regularly assess our progress in addressing these risks.

From the risk assessment results mentioned above, the five most impactful risks (threats and opportunities) for 2020 in relation to the realization of our 2018-20 Five Key Strategies are: "Geopolitical Risks", "Innovation", "Changes in Consumer Values", "ESC (Environment, Society, and Culture) Unique to Shiseido", and "Information Security".

*2018-20 Five Key Strategies

1. Further selection and concentration of brands and businesses
2. Acceleration of digitalization and New business development
3. New value creation through innovation
4. Talent and organization development to be a global winner: "PEOPLE FIRST"
5. New global management structure

Business and other Risks

Business Strategy Risks	Core Business Risks	Operational Risks	Other Risks
<ul style="list-style-type: none"> • Geopolitical Risks* • Innovation* • Changes in Consumer Values* • ESC (Environment, Society and Culture) Unique to Shiseido* • Changes in Competitive Environment 	<ul style="list-style-type: none"> • Information Security* • Organizational Management and Governance • Global Information Network • Supply Network • Acquisition and Securing of Outstanding Human Resources and Corporate Culture 	<ul style="list-style-type: none"> • Quality Assurance and Control • Brand Image • Natural and Human-Made Disasters • Compliance 	<ul style="list-style-type: none"> • Exchange Rate Fluctuations • Material Litigation

*Important Risks 2020(As of March 25, 2020)

Whistle-Blowing System

To discover acts which violate laws, the Articles of Incorporation, or other regulations within Shiseido and to promptly correct such issues, the Company has established a means of reporting compliance-related issues. For overseas, the Company has set up local/regional hotlines, in addition to which it has established a Shiseido Group Global Hotline at the Head Office for direct reports from overseas employees. In the Japan region, the Company has established the Compliance Committee Hotline specialized in whistle-blowing, an in-house Shiseido Helpline staffed with in-house counselors, and an external Shiseido Hotline as a means of reporting. The Company has also created a reporting route to audit & supervisory board members for reports related to corporate officers. Shiseido is working to make known these hotlines to employees. To secure the effectiveness of this whistle-blowing system, the Company has developed internal regulations to ensure directors, audit & supervisory board members, corporate officers, and employees are not dismissed, discharged from service, or receive other disadvantageous treatment due to reporting. These regulations are made known to employees.

Internal Control Systems of the Company

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 members.

The Company has defined THE SHISEIDO PHILOSOPHY, shared across the Group and built upon three elements: OUR MISSION, which determines our purpose, OUR DNA, which embodies our unique heritage of over 140 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Group Standards of Business Conduct and Ethics, which set out action standards for business conduct with the highest ethical principles, promote corporate activities that are both legitimate and fair. (*)

The Company shall establish a basic policy and rules in line with the Shiseido Group Standards of Business Conduct and Ethics, with which the whole Shiseido Group is required to comply. Every Group company and business site shall be fully aware of this policy and rules, along with THE SHISEIDO PHILOSOPHY and the Shiseido Group Standards of Business Conduct and Ethics, so that environments for the formulation of detailed internal regulations of the Company will be created at every Group company and business site.

The Committee that oversees compliance and risk management has been set up in the Company, and while coordinating with organizations that have been set up to fulfill the compliance and risk management functions in the respective regional headquarters located in the major regions across the globe, this committee shall be responsible for corporate quality improvement by enhancing legitimate and fair corporate activities of the Group, and risk management. The Committee shall propose and report important matters and the status of their progress to the Board of Directors through the Representative Director, President and CEO as necessary.

The Company deploys a person in charge of promoting legitimate and fair corporate activities of the Group and risk management at each Group company and business site, plans and promotes regular training and educational activities on corporate ethics, and responds to incidents and manages risks. The department in charge of risk management and the Committee that oversees compliance and risk management will share information regularly with the persons in charge deployed within each Group company and business site.

For the purpose of detection and remediation of types of conduct within the Group that are in violation of laws, the Articles of Incorporation, and internal regulations of the Shiseido Group, the Company shall set up, as a contact for whistle-blowing, a hotline in each Group company as well as a hotline where employees can directly report and consult with the officer in charge of risk management. In the Japan region, the Company shall establish one hotline as an in-house-counselor staffed internal point of contact, and one outside-counselor-staffed external point of contact.

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.

***Basic Policy on Exclusion of Anti-Social Forces and Its Implementation Status**

The Shiseido Group Standards of Business Conduct and Ethics declare 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 is established in the department in charge of risk management 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 in an organization that promotes the exclusion of anti-social forces.

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 realize 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. Corporate executive officers shall fix specified targets in the assigned fields, including all Group companies, and set up a business system by which the targets shall efficiently be achieved.

Furthermore, with respect to the execution of important business, the relevant meeting for decision-making on business execution, consisting of corporate officers, shall deliberate the business execution from various viewpoints.

The Board of Directors and the relevant meeting for decision-making on business execution shall confirm the status of progress versus the target and implement necessary improvement measures.

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 of relevant meetings for decision-making on business execution shall be managed pursuant to laws and regulations, 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. Regulations Regarding Control of Risk for Loss at the Company and All Group Companies and Other Regulation Systems

Organizations for the purpose of fulfilling the compliance and risk management functions are set up in the respective regional headquarters located in the major regions across the globe, which will be responsible for overseeing risks related to corporate activities through Group-wide cross-sectional communication.

The Committee that oversees compliance and risk management recognizes and evaluates risks associated with management strategy and business execution, and takes necessary measures, or assists the regional headquarters located in the major regions across the globe to prepare their own contingency responses to deal with emergency situations.

In the case of emergency, countermeasure headquarters shall be set up by the regional headquarters of the region where the emergency occurred, the Company, or both, pursuant to the situation, the seriousness of the impact on the Group and other factors, and that headquarters shall take the 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 to Be Performed Efficiently

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.

(As of February 7, 2020)

Customer Satisfaction and Product Safety



Shiseido is working to manufacture safe, reliable products and disseminate information with the aim of being consumer-oriented.

Promotion of Safe and Reliable Manufacturing

Shiseido's research and production activities to ensure consumers use our products with peace of mind

Excellent Services to Enhance Consumer Satisfaction

Shiseido's counseling services to meet consumer needs and expectations by suggesting best products and beauty tips at the counters

Reflecting Consumer Feedback

We are strengthening our efforts to make the most of consumer feedback for product development and service improvement.

Universal Design Initiatives

We are working on developing products that can be used safely and comfortably by all consumers.

Information for Consumers

We ensure that the information and websites we offer reflect consumers' feelings and meet their needs.

Initiatives in Response to Animal Testing and Alternative Methods

Shiseido's initiatives aimed at eliminating animal testing in the development of cosmetic products

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Promotion of Safe and Reliable Manufacturing

Our 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).

Safety is our first and non-negotiable priority. We fully comply with the regulations of the countries in which we operate and impose an extra layer of our own strict ingredient-standards, which are set in addition to our safety standards, based on environmental considerations and an ethical attitude for selecting ingredients. This is a minimum commitment across the organization: Each brand either already has or is in the process of putting in place its own ingredient policy that reflects its values, and develops products based on that policy.

Finally, we conduct patch tests and dermatologist-supervised trials to ensure that the resulting formulations will be free of problems when used in products.

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.

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. Shiseido observes environmental laws and regulations thoroughly by conducting compliance evaluation based on ISO14001 standards in production sites.

Shiseido's Response to Microplastic Beads in its Products

Shiseido Company, Limited has completed the replacement of microplastic beads* in its products such as cleansing foam, etc. with alternative ingredients as of August 2018.

* Microplastic beads: Water insoluble solid plastic particles with a size of less than 5mm, intentionally added to exfoliate or cleanse in rinse-off personal care products.

Comprehensive Safety of Chemical Substances and Safety Management

We comply with REACH regulations in substances imported into Europe, and we not only satisfy the legal reporting requirements set out in the Pollutant Release and Transfer Register (PRTR) Law and Promotion of Chemical Management but also proactively conduct voluntary management of the use and disposal of chemical substances such as ingredients and reagents in factories and laboratories.

System for Stable Supply of High Quality Products

At Shiseido, quality and safety take priority over all other matters. We have continuously worked on maintaining and controlling product quality not only by observing all applicable laws and regulations but also by keeping our own rules of the Global Quality Policy so that consumers can use our products with complete confidence. We conduct thorough quality control at all stages of the raw materials selection, commercialization, production and distribution in order to ensure the quality and safety of our medical and food products as well as cosmetics. In doing so, we manufacture products that our consumers can use regularly without any concerns.

At the raw materials selection stage, we collect and check information on raw materials, including their components, from all over the world to make sure that we use only safe raw materials.

For the commercialization, production, and distribution stages, we also have systems in place to ensure a stable supply of high-quality products at all times by complying with various standards, such as Good Manufacturing Practice (GMP), ISO 22000, and HACCP*, as well as our own product standards. For our cosmetic products, for example, we comply with all items (e.g. organizations and systems, buildings and facilities, manufacturing management, and inspections) stipulated in the Cosmetics GMP set by ISO22716, an international standard that gives guidelines for the production, control, storage and distribution of cosmetic products, to provide consumers with safe and secure products of high quality manufactured under strict quality control.

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

Response to Product Problems

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 problem prevention. We also have our own manuals for dealing with any product problems so that we can respond to problems in a concerted manner and promptly bring the situations under control while putting customer safety first. Thus, we are committed to strengthening and comprehensively promoting quality assurance and product problem prevention activities at Shiseido and the Group companies.

In the unlikely event of a quality problem and/or product liability problem 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 Risk Management Department. The Risk Management Department will decide on the problem 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.

Appropriate Provision of Product Information

Shiseido Group Standards of Business Conduct and Ethics 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 expressions as well as observing respective countries' and regions' laws and regulations and corporate regulations."

Compliance Status of Laws and Regulations Related to Advertising Expressions

Details that should be indicated on cosmetics are stipulated under the Regulatory 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, September 29, 2017). Based on these standards, the Japan Cosmetic Industry Association (JCIA) has established Appropriate Advertising Guidelines including Cosmetics as self-imposed industry standards that provide 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 Regulatory 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 Expression 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.

Nutrition and Health

Through the Shiseido Group Standards of Business Conduct and Ethics, the company declares its best efforts to provide safe, high-quality products and services for the satisfaction of consumers.

Ethical Measures in the Food Business

1. Organic

The Shiseido Parlour restaurant FARO uses organic vegetables grown with reduced amounts of agricultural chemicals and fertilizers. Organic vegetables are used in 80% of the course menu.

* FARO (target_blank): An innovative Italian restaurant in Ginza, Tokyo operated by Shiseido Parlour Co., Ltd.

2. Sugars and fats

Shiseido Parlour Co., Ltd., the Ginza main store, and the main store's Salon de Café provide menus in consideration of sugar levels. FARO, as operated by the company, provides desserts with no refined sugars, as well as full course meals with reduced animal fats for vegetarians. In addition, the Shiseido Group distributes health and beauty products throughout Japan. Among these, its core product collagen drinks* contain no fats, no caffeine, and no added preservatives. Artificial ingredients are not used at the Shiseido Parlour restaurant FARO nor in the health and beauty products distributed by the Shiseido Group in Japan.

* Collagen drinks: Drinks in Shiseido The Collagen series

3. Other

- Shiseido Parlour Co., Ltd. distributes gluten-free boil-in-bag food products to cater to consumers with diverse diet needs. (Available since April 1, 2019)
- Beauty Princess, a beverage by Shiseido Parlour Co., Ltd., is compounded with hyaluronic acid and collagen peptide.

Excellent Services to Enhance Consumer Satisfaction

Beauty Consultants (BCs) have major roles in responding to consumer needs at the counters and introducing products and beauty information according to each and every consumer's skin and cosmetic lifestyle. Since 1998, 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 consumer satisfaction, we have distributed and put into daily use Shiseido's action indicator for Beauty Consultants, aimed at realizing "omotenashi spirit" at the storefronts worldwide. Also, to improve consultants' response and suggestion capabilities at the storefronts, Shiseido has developed original software, a convergence of its accumulated service know-how and beauty techniques, to be effectively used as a globally applicable tool.

In June 2013, tablet computers named "Beauty Tablet" were distributed to approximately 10,000 Beauty Consultants across Japan. Since July of the same year, exclusively designed application software has been installed in those tablets and been used at the storefronts. "The Makeup Simulator" is one of the contents of the software, with which consumers can try virtual makeup, without removing their makeup, by simply positioning their face in front of the tablet just like looking into a mirror. Other features include Foundation Finder, Skincare Consultation and Healthcare that help Beauty Consultants select the most suitable items for individual consumers from a wide variety of products. Also, to create opportunities for consumers from overseas to meet Shiseido products and to enhance their beauty, some contents are displayed in foreign languages such as Chinese (traditional and simplified), English and Thai.

We aim to increase consumer satisfaction by using such tools developed by the latest technologies, intriguing consumers at the storefronts, and helping them discover their inherent charm unknown to themselves. At the same time, we try to promptly share the voice of our consumers by inputting their opinions into the Beauty Tablet and then transmitting the data to relevant departments by the following day.

In addition, in order to further improve and develop the service skills of domestic Beauty Consultants, we began from July 2016 to appoint Lead Beauty Consultants, who work at store counters with other consultants to encourage their steady growth. By creating an environment where Beauty Consultants can constantly develop their abilities, we make an extra effort to enhance consumer satisfaction.



Reflecting Consumer Feedback

Consumer Services: Action Policy

Shiseido Japan's Consumer Communication Center is promoting initiatives to make effective use of consumer feedback in an effort to realize its medium-to-long-term strategy VISION 2020. The initiatives aim to ensure that feedback, including consultations and requests received, is shared in the company adequately to be used more effectively for the purpose of product development and service enhancement. We gather and analyze such valuable information, share resultant findings throughout the company, and request individual divisions to consider reflecting specific findings in developing and improving products, services and beauty information.

In January 2017, Shiseido Japan announced the Voluntary Declaration of Consumer-Focused Management, which has compiled a set of relevant concepts and policies. Following this, the Consumer Communication Center has been relocated under direct control of the President to strengthen its structure in line with the Declaration.

Having solidified the structure, we will work to be quicker to detect vital changes in consumer and social trends and make appropriate requests to enhance business activities, in order to contribute to increasing corporate value from the consumer-focused perspective.

Major Initiatives

Shiseido Consumer Communication Center was originally established in 1968, and in the five decades since, it has continued to listen to opinions and inquiries of consumers, respond to each in a sincere and flexible manner, and provide useful information. To better serve in this role, efforts have been made to raise the quality of the contact service, which was awarded five stars by HDI*1 -Japan's Quality Ranking Monitoring in 2016, a first in the cosmetics industry. We have continued working toward further improvement, such as by introducing the mystery call and mystery chat*2 programs.

The service's capability-building efforts have been expanded, particularly from 2018, with the launch of new programs such as factory and lab tours and seminars inviting internal and external experts. We have also begun to provide support for individual efforts to obtain Consumer Affairs Advisor and Consumer Affairs Professional (CAP) industrial qualifications, seeking to raise the professional performance levels of all consumer contact personnel.

At the same time, we are implementing various measures to increase consumer convenience, primarily by adding brand-specific toll-free numbers and expanding online chat-based service functions. As a result, the service has received a growing number of contacts while maintaining an outstandingly high response rate.

For global consumer support operations, we are working to develop appropriate capabilities in cooperation with responsible functions at each regional headquarters of the Shiseido Group.

*1 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. HDI-Japan performs the HDI Benchmarking assessment of the companies' consumer help desks in order to improve support service levels.

*2 Third-party surveys to assess the quality of telephone and online chat (e.g. LINE Chat) service.

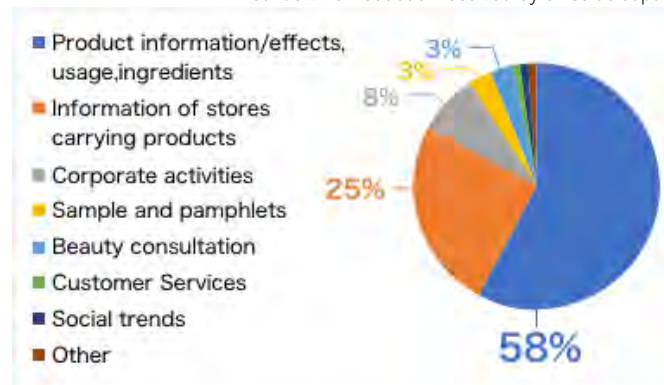
Gathering/Sharing/Utilizing Consumer Feedback

In Japan, Shiseido gathers consumer feedback via multiple media and channels. Our consumer contact service and offices are accessed approximately 140,000 times per year through toll-free numbers, electronic and postal mail, LINE and other communication services; our Beauty Consultants report approximately 90,000 comments per year from storefronts using dedicated tablets; and additional feedback is collected from blogs, Twitter and other social media. All gathered data are managed by the internal system, except for some related to a number of affiliated companies' products to be subjected to independent control.

Collected feedback is processed so as to be shared by the management and workforce alike via internal mail and intranet, with the aim of using it to add value to our products and services. For instance, as part of the product planning process, we develop packaging design and label description in due consideration of various factors involving intended users; perform user surveys on the target products or services before and after market launch; and utilize survey findings promptly for possible improvements.

Integrated data management and sharing systems are in place to allow reporting to responsible officers and related divisions in a safe and timely manner.

Breakdown of feedback received by Shiseido Japan



Result in FY2019

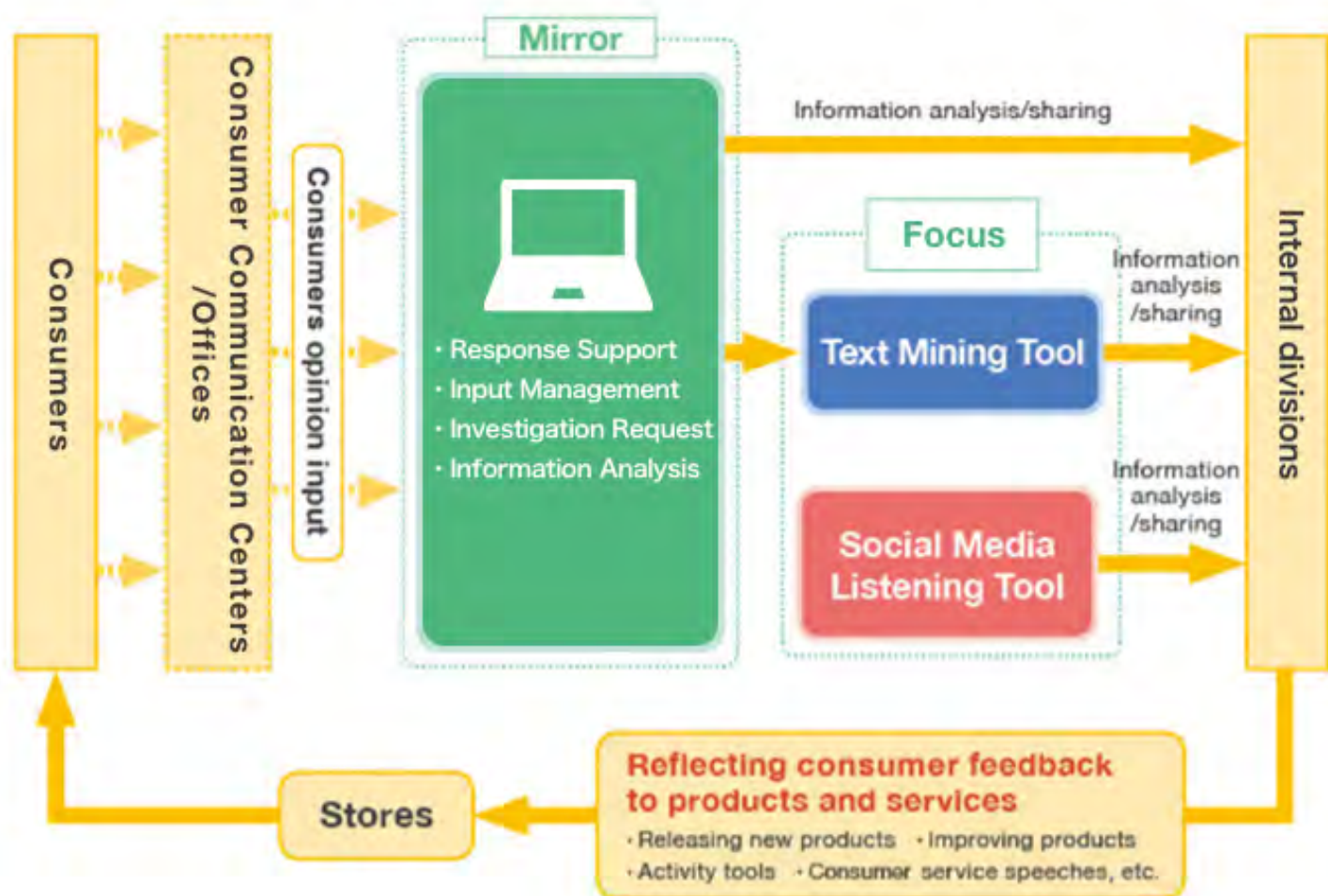
Consumer Feedback Information Management Systems

Shiseido has upgraded its consumer feedback information management system in accordance with business globalization strategies. To replace the previous program installed in 1996, "Mirror*3" was introduced in 2011 in Japan and overseas to address feedback from consumers around the world. With Mirror currently in operation in about 20 countries and regions, we are undertaking challenging tasks to amass and analyze relevant data from around the world efficiently to be able to help create new value for the Shiseido Group.

In Japan, data gathered and stored in Mirror is fed into "Focus," a text mining tool, to extract and visualize useful information, a system offering an easy-to-use, well-organized consumer feedback database accessible to the entire workforce. Additionally, we employ social media listening tools to retrieve useful consumer opinions not directly delivered to the company.

*3 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



Increasing Points of Contact with Various Consumers

Seeking to provide support to social media-savvy younger generations, we launched accounts on Twitter (2015), Yahoo! Chiebukuro (2017) and the LINE app (2018). Using these digital tools, we are broadening consumer communication activities.

Also, the Consumer Support FAQ webpage has been redesigned, particularly by introducing a chatbot program in June 2018 to respond to a growing number of questions relating to transporting cosmetic products, such as flash temperature and alcohol concentration.

We have introduced AI technology to the "Beauty Consultation on LINE" app to improve consumer convenience and satisfaction from the program. To further improve consumer convenience, the Web Beauty Consultant*4 has been installed to cooperate with "AI Mimi-chan," the program's chatbot character, in performing consultation tasks. Users can choose either of two options: AI Mimi-chan, who is available around-the-clock to respond to relatively simple, general questions; or the Web Beauty Consultant, available having substantial experience in storefront service and during operational hours and suitable for more personalized advice. To increase consumer satisfaction, we are striving to raise the accuracy of AI-programmed responses and quality of human consultation skills.

We are also enhancing our Twitter-based consultation service, implementing a number of measures in addition to simply responding to inquiries. Major measures include expressing our appreciation for praise from users; increasing assistance with addressing problems; and providing guidance to Beauty Consultation on LINE. We are thus building multi-media structures aiming to boost consumer satisfaction, thereby increasing Shiseido fans.

*4 The Web Beauty Consultant offers LINE Chat-based consultation service.

Collaborative Education Activities to Learn on Consumers' Perspective

Shiseido promotes education activities to deepen employees' understanding of users' viewpoints—how they feel about using cosmetic products and how they have chosen specific items—in an effort to help improve our products and services, thereby increasing consumer confidence in Shiseido.

The Consumer Communication Center receives an average of 400 calls and e-mails every day. To be able to satisfy any requests and expectations delivered to the Center, communicators participate in product workshops and e-learning programs on a regular basis. Some of them have honed their specialist skills as call center operators to win awards at industry competitions and become qualified instructors, and are often invited to lecture at seminars outside the company.

In 2017, we organized hands-on workshops to facilitate employees' better understanding of the physical and mental circumstances of elderly consumers. Participants engaged in telephone support simulations with consumers wearing age-enhancing prosthetics. This program aimed to promote consideration for various needs of users in the process of product development and improvement. Relevant findings were incorporated into the "Manual for Consumer Support Leaders" when it was revised in March 2018, in order to share the information with related persons in the Group and affiliated companies across Japan, in addition to consumer contact personnel.

Shiseido Japan appoints Consumer Support Leaders (CSLs) in major cities in Japan, who are assigned to spearhead office-wide consumer support service initiatives at each location. The Consumer Communication Center organizes a range of upskilling programs for CSLs, including: lectures by invited specialists; study meetings with internal researchers on measures to ensure product safety; information exchange sessions for CSLs from different locations; and assistance with obtaining industrial qualifications.

We work to share with all personnel, including communicators and CSLs, various information on consumer relations in a timely manner, aiming to help each individual employee think and act for the benefit of our consumers.

Based on our belief that consumer feedback is a valuable company asset, we offer internal opportunities to monitor consumer contact operations at will, register more than 100 applications every year from broad-ranging sections and functions from corporate officers and auditors to factories, research labs, divisions in charge of quality control, product development, marketing and sales, and affiliated companies. In addition, monitoring opportunities have been incorporated in the curriculum of Shiseido Beauty Academy's Beauty Consultant course with an enrollment capacity of 90, starting last year. For factories, in addition to monitoring we also offer follow-up workshops to help them with using consumer feedback effectively to improve their activities.

Furthermore, especially targeting employees with difficulty taking collective training, Shiseido Japan runs e-learning courses which are available to the entire workforce. This year's courses were designed to offer work-specific programs, which were attended by a total of 3,500 participants.



Consumer feedback seminar at factories in Japan and overseas



National-level CSL training meeting (Japan)

Product Manufacturing that Reflects Consumer Feedback

PRIOR Rich Cream

Cream added to lineup (2019)

In October 2019, PRIOR added a cream to its line of existing toner and milky lotions. The category was introduced in response to the request from many long-time users of the brand for a more complete skincare lineup.



AVÈNE Milky Gel Enrich

Offered in large size (2019)

AVÈNE Milky Gel Enrich has been made available in large size starting from September 2019. The rollout of the new size variation reflects the desire of many loyal users to use the product in generous portions and from longer-lasting reserves.



AQUA LABEL High-Performance Skincare

Redesigned flip-top bottles (2019)

The container for the full lineup ranging from toner and milky lotion to cream has been redesigned with a flip-top solution to the need for quick, one-handed operation and no additional clutter, both concerns voiced in feedback. The new bottles were released for all products in August 2019.



SEA BREEZE Bodysheet

Offered in tamper-proof packaging (2019)

After eco-packaging the product by removing the transparent outer plastic bag, we further addressed consumer concerns about possible product tampering by adopting a tamper-proof nonreusable seal.



CLÉ DE PEAU BEAUTÉ Refined Lip Luminizer

New package design to display product color (2019)

The lipstick holder has been redesigned to display the color of the product without the need to open the package. The new packaging has been available since January 2019.



MAQUILLAGE Perfect Black Liner

"Cartridge included" indicated on each package (2018)

To resolve the issue of customers mistakenly believing that the product includes only a holder and no cartridge, we altered the package description with a number of indications that a cartridge is included.



Universal Design Initiatives

Universal design takes into account the environments in which all kinds of consumers live. It is an important approach for Shiseido given our commitment to create products that all consumers can enjoy with confidence and peace of mind.

Shiseido has further developed the Shiseido Universal Design Guidelines, adopted in 2005 based on expert theory and legislation, and renewed them in 2017 into more comprehensible, specific guidelines following our basic policy of "creating more attractive designs while giving priority to safety, security and user-friendliness."

In the current new product development process, we share actual information among related divisions, in line with the guidelines, about potential consumers who will use the products, possible situations where they will use them and how they will use them, in order to successfully carry out the design work.

"Is this designed as intuitively usable?", "Are appropriate amounts to be used and the usage instructions clearly displayed?" or "Will this be comfortably finished up?" – Asking ourselves those questions, we always seek safe, easy-to-use and comfortable package/container designs for every user of various physical sizes and abilities

<Specific examples>

Shiseido launched PRIOR (in Japan)



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.

To develop the containers and packages, we directly interviewed a number of consumers 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 use the prototype. We have reflected the requests, which we heard in the course of this process, in the containers and package designs shown in the above photos.

The comprehensive brand PRIOR for women over 50 won a Gold Award at the IAUD International Design Awards 2018 organized by the International Association for Universal Design.

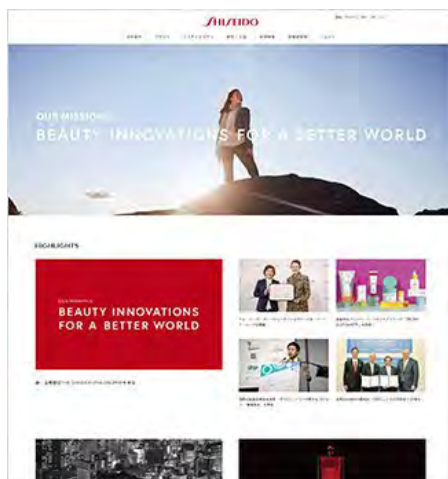


<the IAUD International Design Awards>

Information for Consumers

Shiseido Website

Shiseido provides extensive product, beauty, and company information on Shiseido Company Website and watashi+(Japanese only), reflecting efforts to create appealing content and administer the site in response to consumers' desires and needs.



Shiseido Company Website



watashi+

Efforts to support those with visual disorders

Providing Audio Information for the Visually Challenged

"Listeners' Café" provides a speech-based introduction to the basic use of cosmetics and other information 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 "Listeners' Café" and "Osharena Hitotoki" are provided only in Japanese.



"Guide Make" seminar for persons with visual impairments

Since 1984, Shiseido has been providing various services, such as the creation of Braille stickers and the operation of the "Shiseido Listeners Cafe" site, which introduces seasonal beauty information in voice and text, as an initiative for the visually impaired.

From 2019, "Guide Make" offers makeup methods that can be practiced by persons with visual impairments as a menu for grooming courses at the Shiseido Life Quality Beauty Seminar.






The beauty therapists at Shiseido provide easy-to-follow verbal guidance using inobtrusive, natural finger techniques for everything from skincare to point makeup such as lipstick.

In the seminar, rather than learning techniques exactly, we prioritize the enjoyment of every participant who can smile while grasping makeup tips and gaining confidence.



What Skincare and Makeup Can Do for Healthier Days of Various Generations

Taking advantage of its strength, Shiseido will continuously contribute to society and people's health to realize a sustainable society.

For All Generations	Makeup	 <p>Shiseido Life Quality Makeup</p> <ul style="list-style-type: none"> ● Activities powered by makeup to improve the quality of life(QOL) of people who have serious skin concerns such as appearance changes caused by side effects of cancer treatment, birthmarks and scars. ● Shiseido Life Quality Beauty Center A unique facility specialized in Shiseido's cover makeup.
For Working Adults For Elderly People	Skincare Makeup	 <p>Shiseido Life Quality Beauty Seminar</p> <ul style="list-style-type: none"> ● Beauty Seminars Grooming and makeup lessons for new graduates, company executives and other working adults. Favorable appearance upgrades your first impression and trustworthiness. ● Shiseido Cosmetic Therapy Elderly people can improve their daily movements and activities by doing skincare and makeup for themselves.
For Babies and Toddlers	Skincare	 <p>● Skincare for babies to prevent allergies.</p>
For Children	Skincare	 <p>● Face cleansing, UV protection methods and other day-to-day beauty information provided to protect children's healthy skin.</p>
For Expectant Mothers and Mothers	Skincare	 <p>● Skincare to energize the sensitive skin and minds of expectant mothers and mothers.</p>

Initiatives in Response to Animal Testing and Alternative Methods

Initiatives towards Abolishing Animal Testing

Shiseido has established a safety assurance system based on alternative methods and has discontinued animal testing in cosmetics/quasi drugs that are developed in April, 2013 or later. This excludes cases in which we must explain the safety to society.

We will continue to develop effective alternative methods in the future and proactively and sternly work with administrative agencies in various countries with the aim of establishing alternative methods as official methods (to be certified as official experimental methods according to laws and regulations of various countries/regions).

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Initiatives in Response to Animal Testing and Alternative Methods

In Cases in Which We Must Explain the Safety to Society

This refers to cases in which we must prove again the safety of ingredients that are in the market and the only option in order to do so is animal testing, as well as cases in which animal testing is essential to assure the safety of cosmetics in some countries*.

* some countries : In China, in order to guarantee the safety of imported cosmetics, safety studies including animal testing may be required.

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Initiatives in Response to Animal Testing and Alternative Methods

Shiseido Safety Assurance System

Shiseido has established a system that assures the safety of raw materials without animal testing through the three steps of safety assurance by existing toxicological data, safety assurance by alternative methods, and final safety assurance by human-testing (regular use test and patch test on people under the supervision of doctors, etc.). We have also established the Discussion Panel on Cosmetics Safety Assurance Independent of Animal Testing, involving external experts and researchers, with the aim of discussing the scientific validity and social acceptance regarding this system.

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Alternative Methods

Shiseido makes every possible effort to eliminate animal testing, through combined use of official safety information and literature information, accumulated safety databases, safety prediction systems based on chemical structures, and safety evaluation results from in vitro tests (tests carried out under artificially-constructed conditions, such as in test tubes) and tests on humans.

In Japan, we have set up a joint research of the Alternative Method Consortium with specialists outside the company, and have made public our successes at the symposium that we hold jointly with the Japanese Society for Alternative to Animal Experiments (JSAAE). Furthermore, we have actively participated in projects for validation and evaluation of alternative methods conducted by research groups supported by the Japanese Ministry of Health, Labor and Welfare, and by the JSAAE since the initial periods of these research projects, working to encourage the spread and expansion of alternative methods in place of animal testing.

As for our efforts abroad, we have cooperated in developing and evaluating alternative methods, as an expert panel for the U.S.'s Interagency Coordinating Committee on the Validation of Alternative Methods (ICCVAM), and as a member of an industry-government-academia project for the European Partnership for Alternative Approaches to Animal Testing (EPAA) and Cosmetics Europe (CE). For skin sensitization tests, which are vital for evaluating the safety of cosmetic ingredients, in partnership with Kao Corporation, we are currently developing the human Cell Line Activation Test (h-CLAT), and as a result of joint research both in Japan and abroad, verification research is now being commenced at the European Union Reference Laboratory on Alternative to Animal Testing (EURL ECVAM).

We continue to work even more actively to improve alternative methods, in cooperation with the industries, government and academic bodies, both domestically with the Japan Cosmetic Industry Association, JSAAE and the Japanese Center for the Validation of Alternative Methods (JaCVAM), and overseas with CE, EURL ECVAM, EPAA, the Personal Care Products Council (PCPC), and ICCVAM.

Social Contribution Activities

The Shiseido Group established Environment, Society and Culture as the core areas of its corporate sustainability initiatives in 2019. We aim to achieve sustainable development together with society and the earth, and we will contribute to society through activities related to our core areas of sustainability and solutions that address local issues through our corporate strengths.

Guidelines for Social Contribution Activities

The Shiseido Group aims to achieve sustainable development together with society and the earth. In accordance with the Shiseido Group Standards of Business Conduct and Ethics, we will contribute to the realization of a sustainable society through our efforts to resolve social issues and leveraging our business practices, as well as through activities that address issues of each local community, to gain support from various stakeholders across the world for years to come.

Shiseido Group Standards of Business Conduct and Ethics "With Society and the Earth"

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.

Core Areas of Social Contribution Activities

We established six core areas in accordance with the Shiseido Group Standards of Business Conduct and Ethics and our corporate materiality issues. In addition to the three areas (key issues) of Environment, Society (cosmetics, beauty, and support for women), and Culture, we are also engaged in Community and Disaster Support, Academic Support, and Activities for Children, in response to the needs of local community.

Initiatives

Here is an outline of the six core areas of our social contribution activities. Please follow the link below for details.

1.Environment

We manufacture our products from many plant-derived raw materials by making use of the bounty of the Earth, and we strive to raise employee awareness through environmental greening and environmental education.

Cleaning Activities at the Shiseido Osaka Factory

The Shiseido Osaka Factory continues its monthly activity of cleaning the riverbed of the Kan-zaki River, which flows next to the factory.

2019 results

Total number of activities: 9

Total number of participating employees: 280

Amount of waste collected: 59 kg

2.Society (Cosmetics, beauty, and support for women)

Making the most of our beauty technology and know-how to support job opportunities for women, we aim to raise awareness of the cosmetics business and realize a better society for everyone.

Shiseido Female Researcher Science Grant

3.Culture

Making the most of our high-quality artisanship skills and know-how accumulated over more than 100 years, we support contemporary art and experimental expression activities.

4.Community, Disaster and Various Support

Insight into society and self-growth through relationships with society will lead to the growth of our employees and eventually, the growth of our company.

5.Academic Support

We actively provide support (research support) for cutting-edge studies which will lead to the development of next-generation science engineers and improvement of our corporate research competency.

- Shiseido Female Researcher Science Grant to support leading female scientists
- JSID's Fellowship Shiseido Research Grant to support advanced dermatological research and development initiatives
- Japanese Dermatological Association Basic Medical Science Research Fund (Donation by Shiseido) supporting basic medical research in dermatology

6.Activities for Children

We carry out activities to give opportunities to children so that they can gain the right knowledge through various experiences.

- Participation of 3 Shiseido factories in Japan in the Youngsters' Science Festival National Convention.

On July 27 and 28, 2019, our three domestic factories (Kuki Factory, Kakegawa Factory, and Osaka Factory) jointly exhibited the "Create Your Own Lip Color" experience booth at the Youngsters' Science Festival National Convention held at the Science Museum. The purpose of the exhibition is to give children an opportunity to experience the fun of science and technology through hands-on experiments and crafting.

2019 results

Number of participating employees: 12

Number of booth visitors: Approx. 200

Shiseido's initiatives in the fight against COVID-19



The spread of COVID-19 is an urgent issue that all humans should work together to tackle. In addition to individual efforts to prevent infection in our daily lives and supporting medical professionals, we ask: what can we do to help the world in this difficult predicament? Our Group companies are focusing on local communities, considering measures by making use of our knowledge, technologies, and facilities as we continuously conduct various initiatives.

Initiatives in each country and region

Japan

■ Producing Hand Sanitizer (Designated Quasi Drug) at Four Factories in Japan



Shiseido has uniquely developed a new hand sanitizer (designated quasi drug) with special attention to sensitive and raw hands, and started production at four factories in Japan from April 2020. The company distributes a total monthly quantity of 200,000 bottles (approximately 100,000 liters) mainly to medical institutes and facilities in Japan.

*Shiseido have disclosed information on the formula for this hand sanitizer, approved by the Ministry of Health, Labour and Welfare in Japan, for other companies to use in their production as well.

■ Donating Hand Sanitizer to Japan Medical Association



Shiseido has donated 200,000 bottles of hand sanitizer (designated quasi drug) produced in Japan to the Japan Medical Association. These will be delivered to medical institutions through the association.

■ Providing Skincare Cosmetics to Medical Professionals



Shiseido has provided its skincare cosmetics free of charge to medical professionals through the Japan Medical Association to express its sincere respect and appreciation, in the hope that these products help alleviate stress.

■ Brand SHISEIDO Responds to United Nations' Global Call for Creative Solutions



Global prestige brand SHISEIDO creates and distributes digital content to connect people and share kindness without physical contact as a preventive measure against the spread of COVID-19.

■ Releasing "Now is the Time to Cherish Little Things in Everyday Life"



Shiseido provides information about beauty, health, and everyday life on its website with the aim to help people care for their own bodies and lead beautiful lives today and tomorrow.

■ "Shiseido Hand in Hand Project" Launched



Shiseido strives to support medical professionals by providing information useful to the public about hand hygiene and hand care and by conducting initiatives for infection control in cooperation with our business partners and customers.

We affirm that all profits obtained from the hand soaps, sanitizers, and hand creams we sell throughout the course of the project will be donated to medical professionals working on the front lines.

Asia Pacific

■ The "Relay of Love" Project



Shiseido has supported those struggling during the COVID-19 pandemic, as well as medical professionals, and will conduct charity events in seven cities in China to uplift customers with the power of cosmetics.

■ Donating Masks and Shiseido Products in Indonesia



Shiseido has donated 90,000 masks to NPOs and 3,000 sets of "SENKA Perfect Aqua Rich Mask" to medical institutions in Indonesia.

■ 100 Million Won Donation in Korea



Shiseido has donated 100 million won to relief funds for infected patients in South Korea.

■ Donating Skincare Products to Medical Institutions in Singapore



Shiseido has donated 200 sets of skincare products to medical institutions in Singapore.

■ Donating Skincare Products to Medical Institutions in Taiwan



Shiseido has donated cleaning, skin-care and haircare products to help the front-line medical workers of National Taiwan University Hospital in Taiwan.

■ Donating Face Shields in Thailand



Shiseido has donated 3,000 sets of face shields to medical institutions in Thailand.

■ SHISEIDO Ultimune Donated



Shiseido Asia Pacific, Shiseido Travel Retail, and Shiseido Singapore which have agreed to the basic concept of "SG Cares Giving Week," donated SHISEIDO Ultimune products to more than 4,500 medical professionals in 13 regional medical facilities.

■ A Portion of Sales Donated



Shiseido donated a portion of its sales to CARE Philippines.

Americas

■ Producing Sanitizers at US Factory



At its East Windsor, New Jersey factory, Shiseido Americas produced and donated 120,000+ units of hand sanitizer to more than 75 hospitals and non-profit organizations, helping address a shortage of sanitizer at these facilities.

■ NARS Donates Care Package to Hospitals



NARS partnered with Donate Beauty, a platform facilitating beauty donations, to thank those on the frontlines of COVID-19. 6,000 U.S. healthcare workers across 44 hospitals received a care package including NARSskin and Afterglow Lip Balm to help hydrate and comfort skin irritated by PPE.

EMEA

■ Producing More Than 350,000 Sanitizers at French Factories



In order to compensate for the shortage of sanitizers at hospitals and elderly care facilities, Shiseido has produced more than 375,000 units of sanitizers at its two French factories located in the Cosmetic Valley.

■ One Million Euro Donation to Red Cross



Shiseido has donated one million euro to the Red Cross which was split between the five arms of the organization in France, Italy, Spain, Germany, and the UK.

Social Contribution Activities by Region and Facility

Insight into society and self-growth through relationships with society will lead to the growth of our employees and eventually, the growth of our company.

Japan

Touch Care and Hand Care Activities at Cancer Charity Event

The Shiseido Japan ACPC Trade Marketing Department participated in the "Relay for Life" cancer charity event held in Tokyo's Ueno Park on October 19, 2019.

We sent 15 members to the event. They offered free touch care* and hand care services to approximately 120 total visitors who enjoyed their relaxing and comforting effects. At the same venue, we also introduced Shiseido's Life Quality Makeup initiatives (target_blank), which are driven by the company's long-time commitment to providing makeup-based solutions to those troubled by changes in appearance due to cancer treatment or other reasons, which can produce positive psychological effects.

*Touch care: Shiseido's original care system based on the comforting and healing effect of rubbing the back and shoulders



Students and Teachers Offer Beauty Care Services at Local Welfare Facilities

At Shiseido Beauty Academy, students and teachers form a volunteer group called Wakatsubaki-kai to run volunteer programs directed at the elderly and the disabled on a regular basis.

One such program took place on April 22, 2019. The group invited 10 patrons of the nearby day care center for the elderly to the Academy, and provided makeup, hand massages and haircuts by teachers.

Wakatsubaki-kai carries out various activities throughout the year, demonstrating its capabilities as a beauty school. Major examples include visiting local nursing homes to provide haircuts, makeup, hand care and other beauty care services, and participating at events hosted by welfare facilities for the disabled where it offers nail care services.



"Lip Gloss Making" Workshop Returns at Youngsters' Science Festival

Three domestic Shiseido factories (Kuki, Kakegawa and Osaka) jointly participated in the national meeting of the Youngsters' Science Festival which was held at the Tokyo Science Museum on July 27 and 28, 2019. The joint hosted a booth for "lip gloss making," encouraging visitors to create their own original colors.

The Youngsters' Science Festival offers experimental demonstrations and handi-craft workshops targeted to children, aiming to inspire their interest in science and technology. The event attracts numerous visitors every year.

At the 2019 event, Shiseido's booth welcomed approximately 200 visitors in total over two days. A total of 12 employees played the role of instructor and assistant in helping participants with lip gloss making activities, introducing and sharing in the joys of makeup and benefits of cosmetic products, with each creator's one-of-a-kind color samples becoming treasured keepsakes and reminders of the summer vacation.



Street Cleanup in Omotesando

Ettusais Co., Ltd. is a supporter of "green bird," the non-profit organization with a clean streets initiative. Since February 2010, we have continuously participated in street cleanup activities in the Omotesando area where our office is located. In the first half of fiscal 2019, five employees joined activities on January 23.



Participation in Inclusive Design Project for Chigasaki City Museum of Art

The Shiseido Global Innovation Center participated in a fieldwork project with an inclusive design approach for the Chigasaki City Museum of Art in Kanagawa Prefecture from 2018 to 2019.

The project examined the issue of prohibitive geographical access the museum, generally due to complex, tangled paths in the surrounding area, from different viewpoints and considerations including people with disabilities. Awareness gleaned from these activities was applied in artwork as aromatic expression, then displayed in an exhibition within the museum under the title "Path to (from) the Museum.



Photo: kenji kagawa

Provided by : Chigasaki City Museum of Art

The exhibition was from July 14 to September 1, 2019.

Asia Pacific

Participation in "Run for Girls" to Protect Women's Rights

Shiseido Hong Kong (SHK) was a participant in "Run for Girls 2019."

Run for Girls, a women-only charity run, is organized with the aim of promoting women's rights and protecting women from discrimination, inequality and violence in developing countries.

The SHK team, consisting of 18 runners from frontline and back-office forces, ran the distance of 64 kilometers in total for the purpose of raising money to help environmentally disadvantaged girls.



Hand Massages to Parents of Children with Cancer

Shiseido Korea hosts hand massage sessions for parents of children with cancer as a regular volunteer activity.

The latest session was held on March 26, 2019. Seven employees gave hand massages to 18 family members of young cancer patients, for a relaxing time accompanying peace of body and mind.



Year-end CSR Event at Girls Shelter

On December 13, 2019, Shiseido Asia Pacific and Shiseido Singapore jointly held a year-end CSR event at Gladiolus Place, a residential refuge for disadvantaged girls between the ages of 12 and 19.

Around 50 employees from the two companies volunteered to serve the event, organizing a number of programs such as skincare and haircare workshops, a food and drink party, and interior painting for the library and computer room in the house. The participating employees worked hard to ensure the girls were having a good time.



Americas and EMEA

Over 500 Employees Volunteer! The Hosting of Camellia Day

Shiseido EMEA's regional headquarters and local offices in Europe ran operations for Camellia Day in May 2019, where employees from these offices volunteered and engaged in various activities with women's support groups in the region to support women's empowerment.

On the day, more than 500 employees from 11 countries contributed their professional skills and abilities to different projects to support women in need, such as renovation work at women's shelters and homes for the elderly, operational assistance to refugee support groups, and face and body care services for women for various difficulties.

At Shiseido Spain, 30 employees engaged in volunteer activities on May 13 and 14, hosting a workshop on makeup application and skincare techniques for women with cancer, and offering face and hand massage services for elderly people at local homes.



Employees Volunteer Throughout the Year

Shiseido America's regional headquarters provides employees with various volunteer work opportunities on a year-round basis. Among major programs are working at Ronald McDonald Houses, support for housing projects for disaster victims, and participating in cancer charity runs.



Social Contribution Club

The Social Contribution Club was voluntarily established by employees in Japan in 2005. Its activity programs vary from Shiseido Camellia Fund to donations for disaster-affected areas, Volunteer Activity by Collecting Various Items, TABLE FOR TWO (TFT) and Volunteer Menu. A paid-leave system named Social Studies Days* supports employees who do voluntary activities during working hours on weekdays. We aim to establish a company climate in which "each and every employee possesses a perspective for social issue solutions and an opportunity to voluntarily consider and take action," and utilize in daily work and activities the findings and knowledge obtained through social participation and taking a broader view. We believe these efforts will lead us to the creation of greater value.

*Social Studies Days: A system that allows employees to participate in social contribution activities instead of coming to work for up to three days a year.









Shiseido Camellia Fund

Shiseido Camellia Fund is a social contribution activity promoted through donations made by Shiseido Group employees and friends of the company to support the activities of NPOs and NGOs that aim to resolve social issues. Shiseido Group employees who support the cause participate in this initiative by saving money in the unit of 100 yen from their monthly salary, and retirees of the company also participate by transferring money in the unit of 1,000 yen. Also, they hold a review meeting every year to assess support contents of each organization and select new organizations to support.

Donations for Disaster-affected Areas

We donated to disaster-affected areas around the world. The combined goodwill of each of our employees and company friends has a tremendous impact.

Organizations and activities supported by the Camellia Fund in FY2020

Areas	Supported organizations		Support activities of the Camellia Fund
Environment	WWF Japan		Fostering producers of sustainable, certified palm oil to protect the global environment
Social	The National Women's Shelter Network		Protect women and children from domestic violence
	JOICFP		Providing health facilities and childbirth kits to protect the lives of mothers in Zambia
	Save the Children Japan		Securing food and nutritional sources for mothers and children living in mountainous areas of Vietnam
	Shiseido Social Welfare Foundation		Support for children raised by facilities and foster parents
	Japanese National Network of Xeroderma Pigmentosum (XP)		Purchasing UV protection products and medical care products for patients with the intractable disease XP and raising awareness for XP
	Japan Cancer Society		Free consultation for cancer patients and their families and support for cancer survivors
Culture	Arts Initiative T		Through the power of art, help cultivate a spirit can overcome disability and environmental factors

Efforts of "TABLE FOR TWO"

TABLE FOR TWO. This is an effort representing a concept that we, who live in advanced countries, share a table with children in developing countries beyond time and space. Our placing an order for one designated healthy meal delivers a meal to one child through TABLE FOR TWO (TFT), a specified non-profit corporation. In June 2017, TFT gave us a certificate of appreciation praising our annual contributions to the activity as a Silver Supporter company. Providing meals for children in developing countries enhances not only their physical growth but also their awareness of the joy of learning and their steady motivation for studying.

Volunteer Activity by Collecting Various Items

Since 2005, Shiseido has been engaged in a company-wide activity to support women, mothers and expectant mothers and to offer educational support to children in developing countries by collecting used stamps and miswritten postcards.

Collected used stamps and miswritten postcards will be turned into cash and will be used for various purposes in developing countries, including the shipping cost for recycled bicycles as well as the rescue activities for mothers and babies through the Japanese Organization for International Cooperation in Family Planning (JOICFP) , and the Darunee Scholarship Fund to support middle school education for children in need in Thailand, Laos, Cambodia, Vietnam and Myanmar through the Education for Development Foundation (EDF).

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.

Disaster Support Activities

Employees and Friends of the Company Present Donations for the Victims of Typhoons in 2019

Typhoon Faxai and Typhoon Hagibis in September and October 2019 caused serious damage to wide areas of Japan.

The Shiseido "Social Contribution Club" presented donations collected from employees and friends of the company group (a total of 1,712,500 yen from 2,344 supporters) to the authorized NPO Japan Platform (JPF) for disaster relief.

The donated funds were used for disaster-struck areas and victims through the JPF in line with the Emergency Response to Typhoon Faxai and Typhoon Hagibis (target_blank) program.



Japan Platform donation



Certificate of appreciation from Japan Platform

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.

■ 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 consumers and business partners, in which we can see each other's face and providing thorough response.

Since FY2013, we have been promoting beauty support activities leveraging the "power of makeup", which can only be offered by a cosmetics company, and reconstruction activities 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.



1. Activities with Hopes of Industrialization

We promote camellia tree-planting activities every year so that camellia can become a new industry for the city and that they can be utilized as a tourism resource.

Since FY2014, we have been transporting and planting 30-year-old camellia trees 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 Held 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 support 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) Commemorative Mature 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 Fukushima-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-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 its industrialization 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 explore the potential of camellia with local residents through food experience.

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, "Meat Croquette", which was fried in camellia oil.

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 to experience harvesting camellia fruits, which will be important in industrialization, in another venue (Goishi District, a tourist spot for camellia in Ofunato), and picked 54 kg fruits with the local residents.

The harvested fruits were donated to Seishokan of Taiyo-kai, 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 at the request of local residents.

We were able to experience "camellia", which is much more than just flowers, together with them 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 front of the temporary building of the school, which was affected by the tsunami.

Plates of haiku, 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 camellias, which we planted with the students of Akasaki Junior High School.

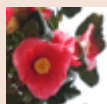
Students are passing down the responsibility to grow the camellias with care while communicating the possibility that these trees may become a seed for a new industry for Ofunato someday.



Haiku Works

The students in the 9th grade have been composing haiku (Japanese poems in 5-7-5 syllabic form) with the themes of "home of camellia: Ofunato" and "reconstruction of our home" annually since 2012.

We have organized their haiku works into 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 Pressing 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 camellia through an event to experience this important process with local students and by deepening their interest in 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 camellia fruit 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 pressing 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

Activities for Children

We carry out activities to give opportunities to children so that they can gain the right knowledge through various experiences.

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 2009, and we have reached out to about 7500 children in total.



Onsite Education Activities



Shiseido Kodomo Seminar

Shiseido Kodomo Seminar is a free, onsite class given at elementary schools all over Japan. We provide prepubertal fourth- to sixth-grade students with information on skin and hygiene as well as on correct skincare methods as a lifelong habit through hands-on practice.

Knowledge about taking care of the skin, keeping the skin clean and about correct methods to protect the skin would encourage children to solve their future skin problems, such as pimples and roughness, without unduly worrying or being over self-conscious. We believe that will accordingly improve their confidence.

Two seminars



School Health Committee



We present a lecture entitled "For your healthy days – UV protection and correct facial cleansing" at the School Health Committee meetings attended by parents and teachers.

School Health Committee is a meeting organized mainly by nursing teachers of each local school. School doctors such as physicians, otolaryngologists, ophthalmologists, dentists or pharmacists give presentations on students' health and growth status with the aim of providing information to be shared by teachers and parents.

Recognizing the seminar as a supporting tool to promote health education at elementary schools, we present lectures with some demonstrations for adults, who are close to children, on UV protection and the importance of facial cleansing, which are key contents of our Kodomo Seminar.

Nursing Teachers' Study Meeting



We present a lecture entitled "For your healthy days – UV protection and correct facial cleansing" at Nursing Teachers' Study Meeting attended by nursing teachers of elementary and junior high schools.

Nursing Teachers' Study Meeting is a study group of nursing teachers organized by each municipality. We present a lecture on UV protection and correct facial cleansing with many hands-on demonstrations aiming to broadly deliver information useful to protect children's healthy skin.

Website

Beauty and lifestyle information for children is available on our website, "Kirei Club for Kids."



Educational Materials for Supporting Healthcare Lessons

To support healthcare lessons, we provide free of charge visual educational materials (DVDs) and leaflets to be distributed to children.

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) 	FY2019: Approximately 140,000 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.
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 	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.
Business Partners	<ul style="list-style-type: none"> ● Dialogue with owners of chain stores 	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. FY2019: 543 shops
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. ● 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. FY2019: 20 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. ● Promoting gender equality in cooperation with UN Women. ● Supporting 10 NPOs/NGOs 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. ● 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. FY2019: 73 participants

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

External Evaluations and Awards

SRI Indexes Selection Status

Shiseido received positive evaluations from Socially Responsible Investment (SRI) evaluation institutions of countries worldwide and was selected for inclusion as a constituent company for SRI indexes, which take account of companies that are highly trusted by society in terms of ethics, environment, employment and safety in their operations, in Japan and overseas. The period of selection appears in brackets.

Global

SRI indexes that are announced by the UK's FTSE Russell and used by investors as one of the sets of ESG ratings. They are a series of indexes designed to promote investment in companies that meet global environmental/social/governance standards. (June 2020)



An index that is designed by the US's MSCI and selects companies that demonstrate strong environmental, social and governance (ESG) practices. (July 2020)



THE INCLUSION OF Shiseido Company, Limited IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Shiseido Company, Limited BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Japan

Shiseido was selected for inclusion in all three ESG indexes that the Government Pension Investment Fund (GPIF) adopted at the start of ESG investment operations in July 2017.

An index that is designed by the UK's FTSE Russell and selects Japanese companies that demonstrate strong environmental, social and governance (ESG) practices. (July 2020)

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.



An index that is designed by the US's MSCI and selects Japanese companies that receive positive evaluations of environmental, social and governance (ESG) practices. (July 2020) Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

**2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

An index that is designed by the US's MSCI and selects Japanese companies that receive a high score for empowering women and promoting gender diversity. (July 2020) Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

**2020 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**

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The SNAM Sustainability Index is a proprietary active index created by Sompo Japan Nipponkoa Asset Management which combines ESG (environment, social, and governance) and equity fundamental evaluation. (June 2020) Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2012.



Evaluations and Awards

WCD Announces Shiseido as 2020 Visionary Award Honoree

The WomenCorporateDirectors Foundation (WCD) has announced Shiseido Company, Limited ("Shiseido") as a 2020 Visionary Award honoree for Leadership and Governance of a Public Company.



Shiseido Selected as "Semi-Nadeshiko Brand" in the First Year of Reiwa Era

Shiseido has been selected as a "Semi-Nadeshiko Brand" by Japan's Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE). "Semi-Nadeshiko Brand" is the one below 'Nadeshiko' ; those companies selected as "Semi-Nadeshiko" are the potential candidates for 'Nadeshiko'.



Shiseido Selected as "Noteworthy IT Strategy Company" in "2018 Survey of Competitive IT Strategies"

Shiseido has been selected as a "Noteworthy IT Strategy Company" by Japan's Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE) in the "2018 Survey of Competitive IT Strategies." Under their "Competitive IT Strategy Company Stock Selection" program, METI and TSE select companies that are engaged in competitive strategic IT-related investment as a means of enhancing competitiveness and increasing corporate value in the medium-to-long term. Companies that are implementing remarkably progressive, forward-thinking initiatives receive recognition as "Noteworthy IT Strategy Companies."

Shiseido Receives 5-Star Customer Service Ranking, a Cosmetics Industry First

Our "Consumer Information Center" received the cosmetics industry's first ever 5-Star Customer Service Ranking, awarded by HDI-Japan.



Sustainability Data

Data detailing Shiseido's activity towards sustainability is available.

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Environmental Data

Data

The data marked with ● in the figure below has been third-party certified.

●CO₂

Scope1,2*

	Unit	2016	2017	2018	2019
Total of CO ₂	t	89,000	91,483	83,240●	83,709●
(Coverage rate**)	%	97%	97%	96%	97%
Scope1	t	31,638	31,332	29,623●	31,995●
(Coverage rate**)	%	95%	96%	94%	95%
Scope2	t	57,363	60,151	53,617●	51,714●
(Coverage rate**)	%	98%	98%	97%	98%

*The performance data was calculated based on the GHG Protocol. Scope 2 was based on the market-based method.

**All our sites

Scope3

	Unit	2019
Total of Scope3	t	2,649,895
Purchased goods and services (Category 1)	t	557,375●
Use of sold products (Category 11)	t	1,595,207●
End of life treatment of sold products (Category 12)	t	99,999●
Total of other categories*	t	397,314

*Total of the categories of 2, 3, 4, 5, 6, 7 and 13.

Avoided CO₂ emissions (2019)

Approximately 43,600 tons of CO₂, was reduced thanks to the sale of refill products.

Each stage of the value chain	Avoided CO ₂ emissions (Unit: k-ton)
Procurement	10.7
Product use	26.0
End of life	6.9
Total	43.6

Target period: From January 1 to December 31, 2019

●Energy

	Unit	2016	2017	2018	2019
Energy consumption	MWh	290,691	288,760	267,530●	297,784●
(Coverage rate*)	%	97%	97%	96%	97%
Electric power	MWh	117,145	115,933	108,452●	115,228●
Gas**	MWh	139,342	138,922	126,255●	131,330●
LPG	MWh	3,336	3,932	2,941●	2,771●
Fuel***	MWh	24,988	25,136	24,112●	24,169●
Steam	MWh	5,879	4,837	5,771●	24,286●

*All our sites

**Total value of city gas and natural gas consumption

*** Total value of gasoline, kerosene, diesel oil and fuel oil consumption

●Water

	Unit	2016	2017	2018	2019
Water consumption	Mil. m ³	1.2	1.2	1.2●	1.2●
(Coverage rate*)	%	100%	100%	100%	100%
Municipal water	Mil. m ³	0.9	0.9	1.1●	1.0●
Surface water	Mil. m ³	0.2	0.1	0.1●	0.1●
Ground water	Mil. m ³	0.1	0.1	0.1●	0.1●
Net fresh water consumption	Mil. m ³	0.2	0.3	0.3●	0.3●
Water discharged	Mil. m ³	1.0	0.9	1.0●	0.9●

*All production sites

●Waste

	Unit	2016	2017	2018	2019
Waste discharged	t	13,823	14,915	15,665	16,890●
(Coverage rate*)	%	89%	91%	88%	92%
Recycled**	t	13,041	14,423	14,425	15,944
Disposed	t	783	492	1,240●	946●

*All our sites

**Including thermal recovery

●Environmental pollution (Air/Water)

	Unit	2016	2017	2018	2019
NOx emissions	t	6	5	4	13
(Coverage rate*)	%	85%	54%	55%	82%
SOx emissions	t	1	0	0	0
(Coverage rate*)	%	77%	54%	55%	82%
Chemical Oxygen Demand t	t	213	98	116●	103●
(Coverage rate*)	%	85%	92%	100%	100%

*All production sites

●Responding to Environmental Risks

In terms of environmental law, key function of the company is Production sites. Including those functions, Shiseido observes environmental laws and regulations thoroughly by conducting compliance evaluation based on ISO14001 standards.

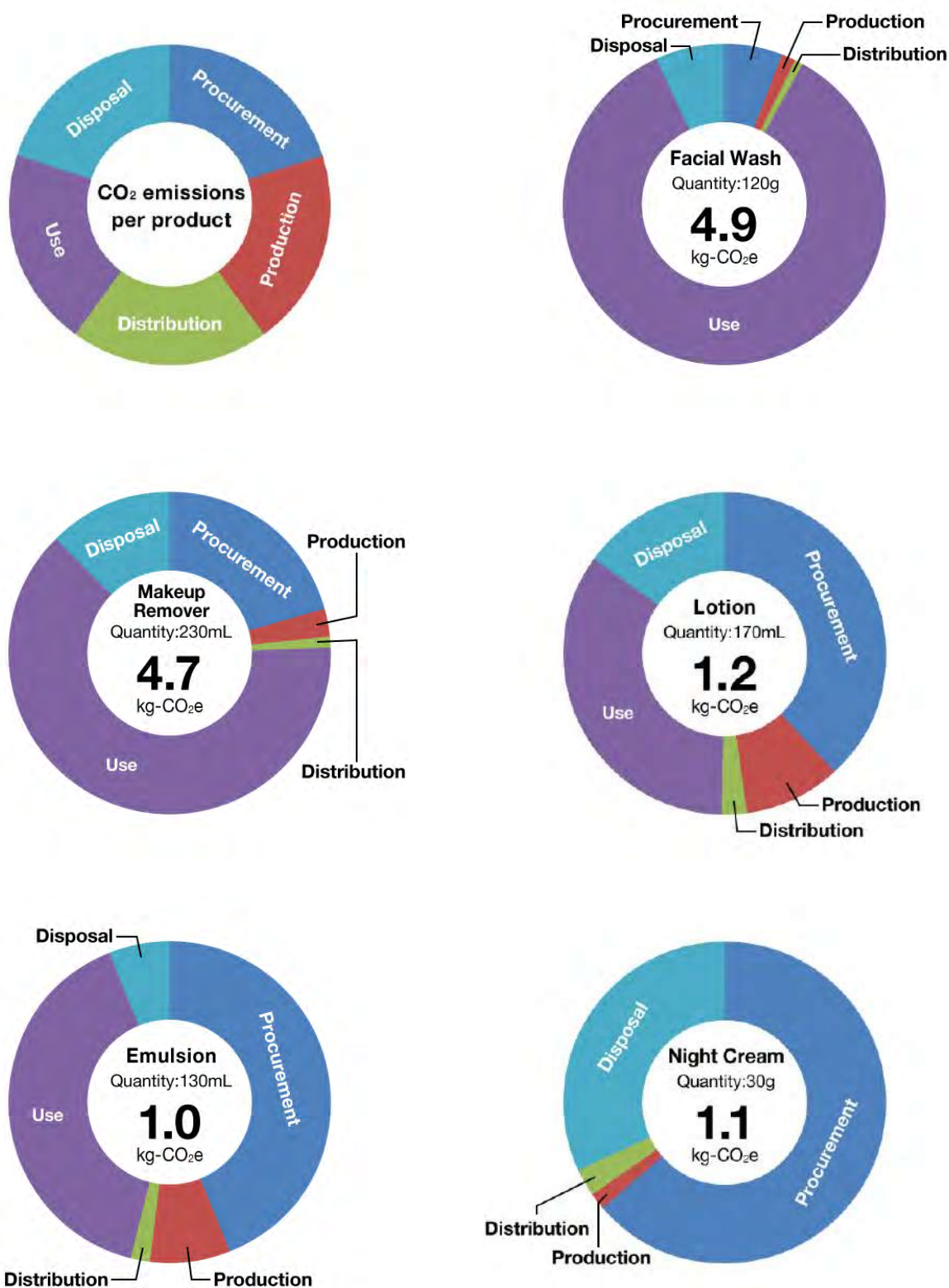
Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations in 2019.

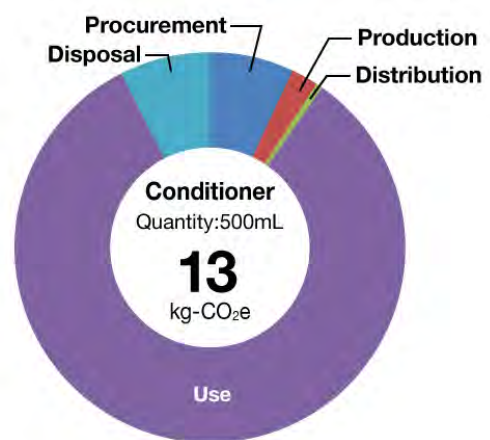
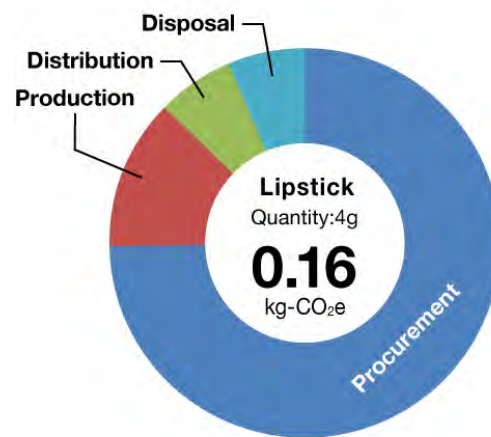
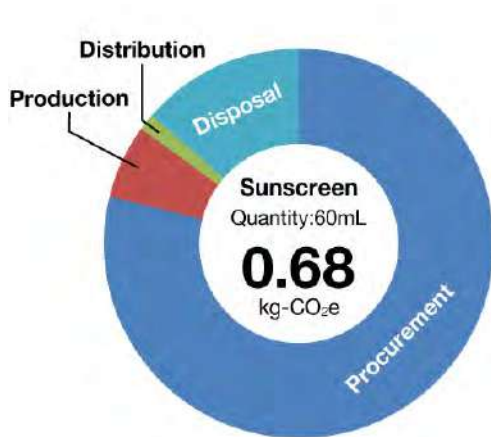
Shiseido is committed on appropriate operation that complies with the environmental laws and regulations continuously.

●CO₂ emissions from cosmetics and personal care products (environmental footprint)

We assess the environmental footprint including CO₂ emissions regarding cosmetics and personal care products.

Legend





*The calculation of usage phase was evaluated by setting the following usage scenarios.

Type	Usage scenario
Facial wash	Rinse the face with 4.11L of hot water at 40°C
Makeup remover	Rinse the face with 4.5L of hot water at 33°C
Lotion, emulsion	Use a cotton pad and apply all over the face
Shampoo, conditioner	Rinse the face with 15L of hot water at 40°C



ASSURANCE STATEMENT

SGS Japan's Report on Sustainability Activities in the Shiseido Group's Sustainability website.

NATURE AND SCOPE OF THE ASSURANCE

SGS Japan Inc. was commissioned by Shiseido Company, Limited (hereinafter referred to as "the Organization") to conduct an independent assurance of its Sustainability web site (hereinafter referred to as "the Report"). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, includes the stakeholder management process, data on greenhouse gas(GHG) emissions (Scope 1, 2, and category 1,4,5,11 and 12 of Scope 3), energy consumption, amount of water intake and drainage, BOD/COD, waste (waste discharged and waste disposed) and the management systems supporting the reporting process. Refer to the attached sheet for the detailed scope of assurance.

The information contained in the Report and its presentation are the responsibility of the governing body and the management of the Organization. SGS Japan Inc. has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data and statements within the scope of assurance with the intention to inform all the Organization's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured at a moderate level of scrutiny using our protocols for:

- Evaluation of content veracity;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008);
- Evaluation against the ISO14064-3(2006);

The assurance comprised a combination of pre-assurance research, interviews with the management, the division of responsible for CSR and the person in charge of producing the report at Shiseido main office, onsite visits to Shiseido head office and Kakegawa Plant, verification and confirmation of vouchers, and review of related materials and records. Some assurance procedures were carried out remotely by connecting via the internet to prevent the spread of COVID-19 infections.

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; and environmental, social and sustainability report assurance. SGS Japan Inc. affirms our independence from the Organization, being free from bias and conflicts of interest with the Organization, its subsidiaries and stakeholders.

The assurance team was assembled based on the knowledge, experience and qualifications of the each of the team members for this assignment, and comprised auditors registered with lead auditors of ISO9001, ISO14001, ISO45001 and lead verifiers of greenhouse gas emissions.

ASSURANCE OPINION

Within the scope of the assurance activities employing the methodologies described above, nothing has come to our attention that caused us to believe that the information and data contained within the Report does not

provide a fair and balanced description of the Organization's sustainability activities from 1 January 2019 to 31 December 2019.

The assurance team is of the opinion that the Report can be used by the Reporting Organization's Stakeholders. We believe that the Organization has chosen an appropriate level of assurance for this stage in their reporting.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity

The Organization recognizes the importance of the multi-stakeholders (consumers, business partners, employees, shareholders, society and the earth), and perceives the needs and expectations through various stakeholder engagements. The Organization conducts business activities to achieve a sustainable society with the mission "BEAUTY INNOVATIONS FOR A BETTER WORLD". The Organization, assessing the relevance of the mission and business activities to issues from stakeholders and SDGs, practices sustainability management by reflecting the results in the business strategy.

The series of processes is available in the Report. SGS Japan Inc. confirmed the above processes through the assurance.

Materiality

The material issues identified by the Organization are determined with consideration of business activities including the value chain and the expectations from society, and the Organization addresses the issues in the entire Organization and the relevant divisions through the business activities. The relevant actions addressing the issues are defined Clean Environment, Respectful Society, Enriched Culture as "the three key activity themes", and their detailed activities are available in the Report. Particularly regarding "Clean Environment, reduction in CO₂ emissions, promoting sustainable and responsible procurement(e.g.,palm oil), and developing sustainable packaging have been taken up as important issues and responded.

SGS Japan Inc. confirmed the above processes through the assurance.

Responsiveness

The Organization addresses the identified issues in the relevant divisions through the business activities. The Organization communicates with the stakeholders by various measures including direct dialogue. The correspondence to stakeholders is also disclosed in the report along with its direction and specific cases in point demonstrating such measures. In addition, by incorporating the organization's ESG outcomes into executive compensation practices, the organization integrates sustainability impacts into organizational decisions.

SGS Japan Inc. confirmed the above processes through the assurance.

For and on behalf of SGS Japan Inc.

Senior Executive & Director

Certification and Business Enhancement

Yuji Takeuchi



AA1000

Licensed Assurance Provider
000-8

19 June, 2020

Signed:

The details of the scope of verification

The scope		The boundary and period	The assertion
1	Scope 1 and 2 include energy related greenhouse gas emissions. Energy consumption	Domestic and overseas facilities (188 facilities) 1 January 2019~31 December 2019	GHG : 83,709 t-CO ₂
2	Scope 3 Category 1,4,5,11,12	All sites (190 facilities) *122 sites with Category 5 1 January 2019~31 December 2019	Category 1 : 557,375 t-CO ₂ Category 4 : 107,404 t-CO ₂ Category 5 : 30,690 t-CO ₂ Category 11 : 1,595,207 t-CO ₂ Category 12 : 99,999 t-CO ₂
3	Amount of water intake and drainage, BOD/COD	Domestic and overseas production facilities (12 facilities) 1 January 2019~31 December 2019	Intake : 1,200,000 m ³ Drainage : 930,000 m ³ BOD : 41 t, COD : 103 t
4	Waste (waste discharged and waste disposed)	Domestic and overseas sites (122 facilities) 1 January 2019~31 December 2019	16,890 t / 946 t

Social Data

Number of Shiseido Group Employees

Indicator		Period	2017	2018	2019	2020
Total (persons)		As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	45,094	44,900	45,493	46,763
Female Ratio (%)	All Shiseido Group	As of December 31 of the previous year	84.7	83.8	83.1	85.6
	Shiseido Group in Japan	As of January 1 each year	83.3	83.4	83.0	82.6

Number of Employees by Region (persons)

Indicator		Period	2017	2018	2019	2020
Japan		As of January 1 each year	23,276	23,505	☑24,346	☑24,884
China	As of December 31 of the previous year		9,375	8,792	8,264	8,975
Asia Pacific			3,653	3,663	3,699	4,635
Americas			6,399	6,169	4,314	3,685
Europe			2,391	2,861	4,675	4,386
Travel Retail			-	133	225	198

Data marked with ☑ has been third-party certified.

Scope: Shiseido Group in Japan (22 companies)

Number of Employees by Type of Employment (persons)

Indicator			Period	2017	2018	2019	2020
Japan	Employees	Total	As of January 1 each year	14,807	15,784	16,704	17,322
		Male		3,168	3,271	3,598	3,714
		Female		11,639	12,513	13,106	13,608
	Fixed-term contract employees	Total		8,469	7,721	7,642	7,562
		Male		706	628	559	605
		Female		7,763	7,093	7,083	6,957

Number of Leaders (persons)

Indicator			Period	2017	2018	2019	2020
Japan	Leaders*1	Male	As of January 1 each year	866	792	☑817	☑813
		Female		353	265	☑389	☑403
	Junior managers*2	Male		519	612	589	606
		Female		233	214	384	244

Data marked with ☑ has been third-party certified.

Scope: Shiseido Group in Japan (22 companies)

*1: Leaders: Manager position holders and annual salary system employees

*2: Junior managers: Manager position holders without subordinates and career path employees with subordinates

Ratio of Female Leaders (%)

Indicator		Period	2017	2018	2019	2020
All Shiseido Group	Ratio of female leaders	As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	53.2	53.9	54.8	52.7*1
Japan	Ratio of female leaders*2 Target: To achieve 40.0% in 2020	As of January 1 each year	29.0	25.1	☑32.3	☑33.1
	Ratio of female junior managers*3		31.0	25.9	39.5	28.7
China	Ratio of female leaders	As of December 31 of the previous year	57.6	66.3	57.0	61.2
Asia Pacific			63.8	66.3	65.4	69.8
Americas			77.4	74.6	72.6	70.5
Europe			61.7	65.9	63.4	73.9
Travel Retail			-	-	19.6	48.5

Data marked with ☑ has been third-party certified.

Scope: Shiseido Group in Japan (22 companies)

*1: Ratio of female junior managers in all Shiseido Group: 54.2%.

*2: Leaders: Manager position holders and annual salary system employees

*3: Junior managers: Manager position holders without subordinates and career path employees with subordinates

Diversity in Top Management

Indicator	April 2019	April 2020
Ratio of female directors and Audit & Supervisory Board members (%)	45.5	46.2
Ratio of external directors and Audit & Supervisory Board members (%)	54.5	53.8

Ratio of Employees with Disabilities*1 (%)

Indicator	Period	2017	2018	2019	2020
Shiseido Company, Limited	As of June 1 each year	3.3	3.19	3.25	3.06
Shiseido Group in Japan*2		2.02	☑2.05	☑2.12	2.21
Target		2.0	2.2	2.2	2.2

Data marked with ☑ has been third-party certified.

*1: Ratio of Employees with Disabilities: Physically and intellectually disabled persons are included, and the employment rate for disabled persons is indicated by three significant figures.

*2: Shiseido Group in Japan: 10 special subsidiary companies of Shiseido Group

Employee Diversity

Indicator		Period	Age group	2020
Ratio of employees by age group	Shiseido Group in Japan	As of January 1 each year	Under 30 years old	50.2
			30-50 years old	19.8
			Over 50 years old	29.9

Indicator		Period	2018	2019	2020
Number of non-Japanese hires in Japan	Shiseido Company, Limited	As of January 1 each year	330	390	467
Ratio of non-Japanese hires in Japan (%)			1.4	1.6	1.9

Average Service Years of Employees (years)

Indicator		Period	2017	2018	2019	2020
Shiseido Group in Japan Employees (excluding fixed-term contract employees)	Average	As of January 1 each year	16.5	15.6	14.9	14.5
	Male		18.2	17.3	15.5	14.9
	Female		16.0	15.1	14.7	14.4

Job Turnover Rate (%)

Indicator		2016	2017	2018	2019
Shiseido Group in Japan	Manager positions/Career path positions	2.4	2.1	2.9	3.4
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)	3.9	3.4	3.7	3.3

Working Hours

Indicator			2016	2017	2018	2019
Working hours	Total annual hours worked per person (hours/- years/persons)	Shiseido Company, Limited	1913.9	1915.4	1909.0	1878.0
		Shiseido Group in Japan	1828.8	1834.6	1817.5	1807.0
Prescribed working hours	Annual prescribed working hours (hours/- years/persons)	Shiseido Group in Japan	1844.5	1860.0	1844.5	1844.5
Overtime hours	Annual overtime hours per person (hours/- years/persons)	Shiseido Company, Limited	227.9	216.6	215.6	204.0
		Shiseido Group in Japan	104.3	102.1	102.7	101.7

Rate of Paid Leave Taken

Indicator		2016	2017	2018	2019	Target
Annual rate of paid leave taken per person (%)	Shiseido Company, Limited	76.8	79.0	77.4	78.8	To achieve 80.0% in 2019
	Shiseido Group in Japan	58.0	63.3	65.1	84.6	

Number of Employees Hired

Indicator			2016	2017	2018	2019
Shiseido Group in Japan	Periodic employment of career path positions	Male (persons)	66	83	70	62
		Female (persons)	83	72	93	82
		Female ratio (%)	55.7	46.5	57.1	56.9
	Periodic employment of Beauty consultant (BCs) positions	Male (persons)	3	2	2	5
		Female (persons)	238	255	269	268
		Female ratio (%)	98.8	99.2	99.3	98.2
	Mid-career employment	Male (persons)	-	53	72	106
		Female (persons)	-	44	54	111
		Female ratio (%)	-	45.4	42.9	51.2

Starting Pay (yen/month)

Indicator			2016	2017	2018	2019
Monthly amount paid*	Doctoral graduate	Employees who joined the company in April each year	265,000	265,000	265,000	265,000
	Master's graduate		235,000	235,000	235,000	235,000
	Undergraduate		215,000	215,000	215,000	215,000
	Technical/Junior college graduate		195,000	195,000	195,000	195,000

*An area allowance of 9,000 yen is provided to employees who live in Tokyo wards. (0 to 9,000 yen depending on area)

Average Annual Salary* (yen/year)

Indicator	2016	2017	2018	2019
Shiseido Company, Limited	7,177,618	7,239,104	7,313,401	7,165,467

*Including bonuses and extra wages

Equal Remuneration

Indicator		2019	2020
Shiseido Group in Japan	Manager positions	Male 105: Female 100	Male 106: Female 100
	Career path positions	Male 100: Female 100	Male 108: Female 100
	Beauty consultant (BC) positions	Male 85: Female 100	Male 88: Female 100

Number of Employees Rehired after Retirement (persons)

Indicator	Period	2017	2018	2019	2020
Shiseido Group in Japan	As of January 1 each year	333	275	374	114

Childcare Leave and Family Care Leave

Number of Employees who Used Childcare Leave System*1 (persons)

Indicator			2016	2017	2018	2019
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	14	18	30	30
		Female	1,439	1,465	1,300	1,360

Number of Employees who Used Childcare Time System*2 (persons)

Indicator			2016	2017	2018	2019
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	2	2	3	4
		Female	2,154	2,128	2,159	2,296
	In-store beauty consultants	Male	0	0	0	0
		Female	1,616	1,536	1,530	1,596

Reinstatement Rate after Childcare Leave*3 (%)

Indicator		2016	2017	2018	2019
Shiseido Group in Japan	Manager positions/Career path positions	98.2	97.5	97.5	95
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)	98.2	97.5	93.1	92.5

Retention Rate after Childcare Leave*4 (%)

Indicator		2016	2017	2018	2019
Shiseido Group in Japan	Manager positions/Career path positions	95.7	98.2	98.9	100
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)	90.8	98.5	92.1	98.8

Number of Employees who Used Family Care Leave System*5 (persons)

Indicator			2016	2017	2018	2019
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	3	3	0	1
		Female	20	34	22	28

Number of Employees who Used Family Care Time System*6 (persons)

Indicator			2016	2017	2018	2019
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	1	2	2	1
		Female	26	22	30	27

Kangaroo Staff*7 (persons)

Indicator	2016	2017	2018	2019
Shiseido Group in Japan	1,803	1,837	2,009	2,095

*1: Includes short-term childcare leave. Employees can use the system up to 5 years in total until the child turns 3 years old. (Employees are eligible to use the system 3 times for the same child under special circumstances)

*2: Employees can shorten their work hours by up to 2 hours a day until the child is in the 3rd grade of elementary school

*3: Reinstatement Rate = (Number of reinstatements from childcare leave in the current fiscal year)/(Number of scheduled reinstatements from childcare leave in the current fiscal year) × 100

*4: Retention rate = (Number of employees who stayed in the company as of December 31 of the current fiscal year since reinstatement from childcare leave in the year before)/(Number of reinstatements from childcare leave in the year before) × 100

*5: Up to 1 year per leave for 1 family member. Up to 3 years in total.

*6: Up to 2 hours a day. Up to 1 year per leave for 1 family member. Up to 3 years in total.

*7: Kangaroo Staff System: A system to allocate substitutes to support storefront operations for beauty consultant employees who take time off for childcare.

Labor accidents

Number of Work-Related Accidents*1

Indicator			2016	2017	2018	2019		
						Injury	Illness	Coverage of facilities (%)
Shiseido Group in Japan*2	Directly hired employees	Total(- factories/- contractors*3)	29(9)	23(3)	25(4)	☑30 (9)	☑0 (0)	100
Shiseido Group outside Japan	Directly hired employees	Total	111	72	54	65		80
Shiseido Company, Limited and Shiseido Japan Co., Ltd.	Indirectly hired employees (temporary staff) 3 major companies		-	-	0	☑0	☑0	39.6

Accident Severity Rate*4

Indicator		2016	2017	2018	2019	
					Injury	Illness
Shiseido Group in Japan*2	Directly hired employees	0.018	0.006	0.010	☑0.013	☑0.000

LTIFR*5 and OIFR*6

Indicator			2016 LTIR	2017 LTIR	2018 LTIR	2019	
						LTIFR	OIFR
Shiseido Group in Japan*2	Directly hired employees		0.96	0.59	0.73	☑0.87	☑0.00
		Employee coverage (%)	100	100	92.1	100	
	Indirectly hired employees (temporary staff) 3 major companies		-	-	0.00	☑0.00	☑0.00
		Employee coverage (%)	-	-	38.8	39.6	

Data marked with ☑ has been third-party certified.

*1: Number of labor accidents resulting in suspension of work

*2: Shiseido Group in Japan (2019): Shiseido Company, Limited and 9 consolidated subsidiaries

*3: The number of work-related accidents in factories in Japan is based on the number reported by our contractors

*4: Accident Severity Rate = Number of days lost due to work-related accidents/Total hours worked x 1,000

*5: Lost Time Injury Frequency Rate (LTIFR) = Number of work-related accidents/Total hours worked x 1,000,000

*6: Occupational Illness Frequency Rate (OIFR) = Number of occupational illness or disease cases/Total hours worked x 1,000,000

Labor Union

Percentage of Corporations with Labor Union (%)

Indicator	Period	2017	2018	2019	2020
Shiseido Group in Japan	As of January 1 each year	25.0	26.3	29.4	29.4
Shiseido Group outside Japan *1 (coverage 100%)		45.9	68.4	68.4	68.4

Number of Labor Union Members (persons)

Indicator	Period	2017	2018	2019	2020
Shiseido Group in Japan	As of January 1 each year	10,224	11,680	12,732	13,334

Ratio of Labor Union Members (%)

Indicator		Period	2019	2020
Shiseido Group in Japan	Ratio including fixed-term contract employees*2	As of January 1 each year	52.3	53.3
	Ratio excluding fixed-term contract employees*3		76.2	76.5

*1: Including work council

*2: Ratio of employees subject to collective bargaining agreement among all employees including fixed-term contract employees = Number of labor union members/Number of employees (including managerial position holders and fixed-term contract employees, but excluding temporary staff and corporate officers) × 100

*3: Ratio of employees subject to collective bargaining agreement among all employees excluding fixed-term contract employees = Number of labor union members/Number of employees (including managerial position holders, but excluding fixed-term contract employees, excluding temporary staff and corporate officers) × 100

Employee Satisfaction*

Indicator	2017	2019
All Shiseido Group	76	76

*Survey conducted every two years

Customer Satisfaction

In our Standards of Business Conduct and Ethics, we have committed ourselves "to strive continuously to improve consumers' trust in Shiseido and their satisfaction with our products and services at all points of contact." To measure our performance against this goal, we regularly conduct a corporate image survey and use the results to guide future corporate activities to further improve our performance in this area.

Favorability Rating

	2016	2017	2018	2019
"Impressions of Shiseido" among current Shiseido customers* (top 2 box scores <Very favorable / Favorable> on a 5-point scale) (%)	93.9	95.9	93.1	94.0

*Survey conducted in Japan only.

Compliance and Risk Management

Anti-Corruption

	Target	2016	2017	2018	2019
Operations assessed for risks related to corruption	All business offices inside and outside Japan	Significant risk identified: None	Significant risk identified: None	Significant risk identified: None	Significant risk identified: None
Confirmed incidents of corruption and actions taken	All business offices inside and outside Japan	Confirmed incidents of corruption: None	Confirmed incidents of corruption: None	Confirmed incidents of corruption: None	Confirmed incidents of corruption: None

Anti-Competitive Behavior

	Target	2016	2017	2018	2019
Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	All business offices inside and outside Japan	No legal action	No legal action	No legal action	No legal action

Operating Performance of Reporting and Consultation Desks for Employees

Reporting/consultation desks	Target	2016	2017	2018	2019
In-house Shiseido Consultation Office	Employees of the Shiseido Group in Japan	230 cases	224 cases	241 cases	265 cases
External Shiseido Hotline					
Compliance Committee Hotline					

Target and Performance of Human Rights Education Training for Employees

Type of training	Target	Target	2016 performance	2017 performance	2018 performance	2019 performance
Human rights enlightenment training (for Human Rights Enlightenment Promotion Representatives)	Representatives of each department of Shiseido Group in Japan	-	150 persons	258 persons	250 persons (93% attendance rate)	238 persons (98% attendance rate)
Human rights enlightenment training (for domestic employees)	Employees of Shiseido Group in Japan	100%	92%	93%	95%	97%

Activities to Enhance Corporate Ethics: Survey on employee harassment and compliance

Subjects	Type	Target	2019 results and improvement measures
Workplace compliance and harassment	Questionnaires*	<p>All employees of Shiseido Group in Japan</p> <ul style="list-style-type: none"> Number of departments involved: 105 Job type/position: Full-time employees (manager, comprehensive work main career track, beauty consultant, administrative work), fixed-term contract employees (including rehires), temporary staff. 	<ul style="list-style-type: none"> Number of respondents: 22,183 (response rate: 89.0%) Risk assessment method: Evaluate risks associated with workplace compliance and harassment by each organization on a scale of 1 to 5. Measures for latent risk factors: Increase opportunities for ethics education of the department head so that appropriate responses will be promptly taken for diverse issues specific to individual job types. Risk reduction measures: Shiseido headquarters shared assessment results with of the department head and provided teaching materials for ethics education. At the same time, gave an instruction to department head to make an action plan to reduce identified risks, for instance, providing additional education to prevent power harassment at work, and carry out the plan at each organization.

*Questionnaires were prepared in six languages in consideration and human rights awareness of the diverse workforce including non-Japanese speaking foreign national employees. As the surveys are intended to create a sound workplace environment, they were given not only to directly hired employees, but also those indirectly hired and seconded from partner companies. Results were analyzed by employment status, job type and job position.

Number of Serious Compliance Violations*

Target	2016	2017	2018	2019
Shiseido Group	None	None	None	None

*Determination and management of serious compliance violations within internal business operations of Shiseido Group

Donations to Political Parties

	2017 (million yen)	2018 (million yen)	2019 (million yen)
Shiseido Company, Limited	-	None	None
Shiseido Group in Japan*	-	None	None

*Shiseido Group in Japan: Shiseido Company, Limited and 19 domestic affiliated companies subject to consolidation (as of December 31, 2019)

Non-Compliance with Laws and Regulations in the Social and Economic Area

Incidents of Non-Compliance Concerning Health and Safety Impacts and Services

	Target	2016	2017	2018
Examples of administrative guidance based on the Pharmaceuticals and Medical Devices Act, etc.	Japan	No violations against regulations and voluntary codes (Examples of administrative guidance based on the Pharmaceuticals and Medical Devices Act, etc.)	No violations against regulations and voluntary codes	No violations against regulations and voluntary codes
Examples of recalls and voluntary collections that required announcement in newspapers, etc.	Japan		Violations against regulations and voluntary codes: 4 cases	Violations against regulations and voluntary codes: 1 case

	Target	2019
Examples of administrative guidance based on the Pharmaceuticals and Medical Devices Act, etc.	All business offices inside and outside Japan	No violations against regulations and voluntary codes
Examples of recalls and voluntary collections that required announcement in newspapers, etc.	Japan	Violations against regulations and voluntary codes: 4 cases

Incidents of Non-Compliance Concerning Product and Service Information and Labeling

	Target	2016	2017	2018
Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations and Pharmaceuticals and Medical Devices Act, etc.	Japan	Violations against regulations and voluntary codes: 1 case	Violations against regulations and voluntary codes: 1 case	No violations against regulations and voluntary codes

	Target	2019
Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations and Pharmaceuticals and Medical Devices Act, etc.	Japan	No violations against regulations and voluntary codes

Incidents of Non-Compliance Concerning Marketing Communications

	Target	2016	2017	2018
Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations and Pharmaceuticals and Medical Devices Act, etc.	Japan	No violations against regulations and voluntary codes	No violations against regulations and voluntary codes	No violations against regulations and voluntary codes

	Target	2019
Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations and Pharmaceuticals and Medical Devices Act, etc.	All business offices inside and outside Japan	No violations against regulations and voluntary codes

Incidents of Reporting Personal Information Disclosure to Personal Information Protection Commission

Target	2017	2018	2019
Shiseido Group in Japan	6 cases	3 cases	0 cases

Non-Compliance with Laws and Regulations in Social and Economic Areas

Target	2016	2017	2018
Shiseido Group in Japan	No fine imposed for violation of law	No fine imposed for violation of law	No fine imposed for violation of law

Social Contribution Activity Highlights

Number of Social Contribution Activities (activities)

Target	2018	2019
All Shiseido Group	408	1,337

Number of Participating Employees (cumulative persons)

Target	2018	2019
All Shiseido Group	10,040	9,197

Spending on Social Contribution Activities(millions of yen)

Target			2018	2019
Shiseido Company, Limited	Spending on donations		*203	*553
	Breakdown	Donations made in cash	*203	*552
		Donations made by product offerings	*0	*0.24
Shiseido Group in Japan a)	Spending on donations		*210	*563
	Breakdown	Donations made in cash	*210	*562
		Donations made by product offerings	*1	*0.37
Shiseido Group outside Japan b)	Spending on donations		114	124
	Breakdown	Donations made in cash	101	111
		Donations made by product offerings	12	13
All Shiseido Group	Spending on donations		324	687
	Breakdown	Donations made in cash	311	673
		Donations made by product offerings	13	14

a)Shiseido Group in Japan: Shiseido Company, Limited and 19 domestic affiliated companies subject to consolidation (as of December 31, 2019)

b)Shiseido Group outside Japan: 39 overseas affiliated companies subject to consolidation (as of December 31, 2019)

Data marked with * has been third-party certified.

Expenses other than donations in 2019 include the cost of the time that employees spent volunteering during working hours (119 million yen) and management costs of social initiatives such as activities of the Shiseido Life Quality Beauty Centers and artist support (381 million yen).

Social Contribution Activities - Cosmetics, Beauty, and Support for Women

Item	Indicator	2016	2017	2018	2019	Target
Shiseido Life Quality Beauty Centers	Number of facilities* (locations)	1			1	Japan
		4	4	4	5	Outside Japan
	Number of users (persons)	495	466	319	167	Japan
		828	935	1,022	1,043	Outside Japan
Shiseido Life Quality Beauty Seminars	Total number of participants (persons)	73,345	74,014	70,222	54,551	Japan

*Held in four locations in Hong Kong, Kaohsiung, Shanghai, Taipei, and Tokyo until 2018. Singapore was added in 2019.

Promotion of Gender Equality

Item	Results
Number of participants in Gender Equality Awareness Program Target: 1,500 participants from 2017 to 2019	Results: 2,405 participants (1,400 in 2019, 505 in 2018, 500 in 2017) Approx. 900 students from 41 schools across Japan participated in the workshop in 2019

Support for Patients with Xeroderma Pigmentosum (XP) (UV-sensitive intractable disease)

Item	Description	2018	2019
Donation of sunscreen products	We provided Shiseido Group's various sunscreen products (ANESSA, 2e, SUMMEDIC, Avene, etc.) to the Japanese National Network of Xeroderma Pigmentosum (XP)*.	1,821 items, 22 types of sunscreen products donated to 92 XP patients	2,171 items, 22 types of sunscreen products donated to 94 XP patients
Donations by employees	We make good use of donations by employees (Shiseido Camellia Fund) to support patient exchange meetings and purchase UV protective clothing.	2,164,977 yen	2,204,700 yen
Number of employees involved in support of activities of the Japanese National Network of Xeroderma Pigmentosum (XP)	<p>1. Seminar on usage of sunscreen products: Our research staff and beauty consultants provide patients and their families with the latest information on sunscreen products, as well as practical training and individual consultation on how to apply and remove sunscreen products correctly.</p> <p>2. Support for patient meetings: Our employees act as childcare volunteers during exchange meetings which are held to establish a network between patients.</p>	18 employees	12 employees
Number of XP enlightenment leaflets distributed	In order to raise awareness of XP, an intractable disease, we support the creation and distribution of patient group leaflets.	<ul style="list-style-type: none"> ● Approx. 120 patient group leaflets distributed ● 400 copies of 3rd XP national convention report produced 	<ul style="list-style-type: none"> ● 1,000 patient group leaflets produced and 285 copies distributed
Other focus topics	In February 2019, we won the Corporate Philanthropy Award from the Japan Philanthropic Association in recognition of our social contribution activities that utilize our management resources organically and sustainably to resolve social issues.		

*Japanese National Network of Xeroderma Pigmentosum (XP) : A network consisting of three XP patient groups in Japan (Osaka, Kobe, and Tokyo). We are working to achieve more fulfilling daily lives for XP patients and their families.

Social Contribution Activities - Culture

Item	Indicator	2016	2017	2018	2019	Target
Shiseido Gallery (Ginza)	Number of visitors (persons)	54,626	83,573	54,300	41,811	Japan
Shiseido Corporate Museum* (Kakegawa)		30,571	29,735	31,733	20,453	Japan
Shiseido Art House (Kakegawa)		31,939	23,536	35,177	31,590	Japan
S/PARK Museum (Yokohama)				-	49,215	Japan
shiseido art egg	Number of award winners (groups)	3	3	3	3	Japan

*The museum is open only on Friday, Saturday and Sunday from 2019.

Community and Disaster Support

Donations and social contribution activities by Shiseido Group employee volunteers (Social Contribution Club) are as follows.

Item	Unit	2017	2018	2019		Target
Amount of donations through Shiseido Camellia Fund	Yen	17,623,751	16,884,724	17,245,134	302,125,727 (FY2005-2019)	Japan
Amount of donations through Disaster Contribution	Yen	0	2,974,526	1,712,500	63,973,986 (FY2004-2019)	Japan

Academic Support

Item	Indicator	2016	2017	2018	2019	Target
Shiseido Female Researcher Science Grant	Number of award winners (persons)	10	10	10	10	Japan
JSID's Fellowship Shiseido Research Grant	Number of award winners (persons)	2	2	2	2	Japan
Japanese Dermatological Association basic medical research grant (Shiseido donation)	Number of award winners (persons)	6	6	6	6	Japan

Activities for Children

Item	Indicator	2016	2017	2018	2019	Target
Initiatives for Children Shiseido Kodomo Seminar for Juniors	Number of participants* (persons)	659	753	781	1,555	Japan

*Target audience: Upper grade students in elementary school after FY2017. Includes number of participants not only for seminars by employees but seminars in collaboration with teachers.

INDEPENDENT ASSURANCE STATEMENT

To: Shiseido Company, Limited

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Shiseido Company, Limited (Shiseido) to provide limited assurance over its sustainability information selected by Shiseido. This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over the following information included within Shiseido Corporate Website 'Sustainability' page (the 'Web page') or reported internally to Shiseido Group only for the purpose of internal management for the period of January 1, 2019 through December 31, 2019 (the 'Selected Information'):

Shiseido Group (Japan)

- Number of employees (Total)
- Number of leaders (Male / Female)
- Ratio of female leaders
- Ratio of employees with disabilities
- Number of work-related accidents (Directly hired employees)
- LTIFR: Lost Time Injury Frequency Rate
(Directly hired employees / Indirectly hired employees)
- OIFR: Occupational Illness Frequency Rate (Directly hired employees)
- Spending on social contribution activities
(Spending on donations / Donations made in cash / Donations made by product offerings)

Reporting criteria

The Selected Information included within the Web page needs to be read and understood together with the reporting criteria stated in the Shiseido Corporate Website.

The Selected Information reported internally to Shiseido Group only for the purpose of internal management needs to be read and understood together with the internal reporting criteria defined by Shiseido.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Any other information within the Web page, which is not listed as the 'Selected Information'.

This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.



Responsibilities

This preparation and presentation of the Selected Information in the Web page are the sole responsibility of the management of Shiseido.

Bureau Veritas was not involved in the drafting of the Web page or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of Shiseido.

Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board.

Summary of work performed

As part of our independent verification, our work included:

1. Conducting interviews with relevant personnel of Shiseido;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by Shiseido;
4. Reviewing Shiseido systems for quantitative data aggregation and analysis;
5. Verification of sample of data back to source by carrying out physical site visit to Shiseido's head office;
6. Repperforming a selection of aggregation calculations of the Selected Information;
7. Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information has not been properly prepared, in all material respects, in accordance with the Reporting Criteria;
- It is our opinion that Shiseido has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.

Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd.

Yokohama, Japan

April 30, 2020



Editorial Policy and GRI Content Index

Editorial Policy

The "Sustainability/CSR" section of the Shiseido Group corporate website is edited according to the following policy.

- We report the activities that lead to the solution of social issues and the role that we play in a sustainable society. We explain how we create social value that we provide as a company to various stakeholders.
- Scope: Based on Shiseido Company, Limited and the Shiseido Group (81 consolidated companies, as of December 31, 2019).
- Target period: Mainly fiscal 2019 (from January 1, 2019 to December 31, 2019). Some pages include content which is prior to the target period or is more recent.
- Reference guidelines: UN Global Compact, GRI Standards (Global Reporting Initiative), Environmental Reporting Guidelines of the Ministry of the Environment (2012 edition)
- Update period: September 2020 (next update scheduled August 2021, previous update July 2019)
- Our sustainability initiatives are also disclosed in our Annual Report.
- Some environmental and social data are backed by external guarantee. For details, please refer to "Sustainability Data."

GRI Content Index

This is a content index created in line with the GRI Standards, an international guideline for information disclosure on sustainability.

* Information related to the GRI Standards is described for reference. It does not indicate compliance with the GRI Standards.

* "Not applicable" indicates topics that are irrelevant or when there are no cases we are involved in at a significant level. "-" indicates topics that we do not disclose.

102: General Disclosures

1. Organizational profile		Reference
102-1	Name of the organization	Corporate Information
102-2	Activities, brands, products, and services	Business Overview
		Brands
		Annual Report
102-3	Location of operations	Corporate Information
102-4	Location of headquarters	Shiseido Group Standards of Business Conduct and Ethics
		Corporate Profile
		Major Offices
102-5	Ownership and legal form	Corporate Information
102-6	Markets served	Business Overview
102-7	Scale of the organization	KEY FIGURES
		Annual Report
		Major Offices

102-8	Information on employees and other workers	Social Data
		Corporate Information
102-9	Supply chain	Promoting Sustainable and Responsible Procurement
		Global Network
102-10	Significant changes to the organization and its supply chain	Annual Report
102-11	Precautionary Principle or approach	Top Commitment
		Risk Management
102-12	External initiatives	Top Commitment
		External Collaboration
102-13	Membership of associations	Top Commitment
		External Collaboration
2. Strategy		Reference
102-14	Statement from senior decision-maker	Top Commitment
102-15	Key impacts, risks, and opportunities	Top Commitment
		Risk Management
		Annual Report
3. Ethics and integrity		Reference
102-16	Values, principles, standards, and norms of behavior	Shiseido Group Standards of Business Conduct and Ethics
102-17	Mechanisms for advice and concerns about ethics	Activities to Enhance Corporate Ethics
		Fair Evaluation of Employees
4. Governance		Reference
102-18	Governance structure	Top Commitment
		Corporate Governance
102-19	Delegating authority	Annual Report
102-20	Executive-level responsibility for economic, environmental, and social topics	Directors, Audit & Supervisory Board Members and Corporate Officers
102-21	Consulting stakeholders on economic, environmental, and social topics	General Meeting of Shareholders
102-22	Composition of the highest governance body and its committees	Corporate Governance
		Annual Report
		Corporate Governance Report
102-23	Chair of the highest governance body	Corporate Governance

102-24	Nominating and selecting the highest governance body	Corporate Governance Report
		Corporate Governance
102-25	Conflicts of interest	Corporate Governance Report
		Annual Report
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance
102-27	Collective knowledge of highest governance body	Corporate Governance
102-28	Evaluating the highest governance body's performance	Corporate Governance
102-29	Identifying and managing economic, environmental, and social impacts	Risk Management
		Annual Report
102-30	Effectiveness of risk management processes	Corporate Governance Report
		Annual Report
102-31	Review of economic, environmental, and social topics	Our Environmental Approach
102-32	Highest governance body's role in sustainability reporting	Top Commitment
102-33	Communicating critical concerns	Corporate Governance
		Reporting and consultation center for employees
		Annual Report
102-34	Nature and total number of critical concerns	—
102-35	Remuneration policies	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Corporate Governance Report
102-36	Process for determining remuneration	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Corporate Governance Report
102-37	Stakeholders' involvement in remuneration	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		General Meeting of Shareholders
		Good Relationship with labor union
102-38	Annual total compensation ratio	Remuneration to Directors, Corporate Officers and Audit & Supervisory Board Members
		Social Data
102-39	Percentage increase in annual total compensation ratio	—

5. Stakeholder engagement		Reference
102-40	List of stakeholder groups	Shiseido Group Standards of Business Conduct and Ethics
102-41	Collective bargaining agreements	Social Data
102-42	Identifying and selecting stakeholders	Shiseido Group Standards of Business Conduct and Ethics
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Initiatives in Response to Animal Testing and Alternative Methods
		Reflecting Consumer Feedback
6. Reporting practice		Reference
102-45	Entities included in the consolidated financial statements	Editorial Policy
		Annual Report
102-46	Defining report content and topic Boundaries	Top Commitment
102-47	List of material topics	Top Commitment
102-48	Restatements of information	Annual Report
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	Editorial Policy
102-51	Date of most recent report	Editorial Policy
102-52	Reporting cycle	Editorial Policy
102-53	Contact point for questions regarding the report	Contact Us
102-54	Claims of reporting in accordance with the GRI Standards	Not Applicable
102-55	GRI content index	GRI content index (This page)
102-56	External assurance	Editorial Policy

200: Economic

201: Economic Performance		Reference
201-1	Direct economic value generated and distributed	Annual Report
201-2	Financial implications and other risks and opportunities due to climate change	Reducing Environmental Burden
201-3	Defined benefit plan obligations and other retirement plans	Annual Report
		Employee Benefits and Welfare
201-4	Financial assistance received from government	—

202:Market Presence		Reference
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Social Data
202-2	Proportion of senior management hired from the local community	—
203:Indirect Economic Impacts		Reference
203-1	Infrastructure investments and services supported	Social Contribution Activities
203-2	Significant indirect economic impacts	Social Contribution Activities
		Social Data
204:Procurement Practices		Reference
204-1	Proportion of spending on local suppliers	—
205:Anti-corruption		Reference
205-1	Operations assessed for risks related to corruption	Social Data
205-2	Communication and training about anti-corruption policies and procedures	Activities to Enhance Corporate Ethics
205-3	Confirmed incidents of corruption and actions taken	Social Data
206:Anti-competitive Behavior		Reference
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Social Data

300:Environmental

301:Materials		Reference
301-1	Materials used by weight or volume	—
301-2	Recycled input materials used	—
301-3	Reclaimed products and their packaging materials	Environmental Data
302:Energy		Reference
302-1	Energy consumption within the organization	Environmental Data
302-2	Energy consumption outside of the organization	—
302-3	Energy intensity	Environmental Data
302-4	Reduction of energy consumption	Environmental Data
302-5	Reductions in energy requirements of products and services	Environmental Data
303:Water		Reference
303-1	Water withdrawal by source	Environmental Data
303-2	Water source significantly affected by withdrawal of water	Reducing our Environmental Footprint

303-3	Water recycled and reused	—
304: Biodiversity		Reference
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Applicable
304-2	Significant impacts of activities, products, and services on biodiversity	Reducing our Environmental Footprint
304-3	Habitats protected or restored	Reducing our Environmental Footprint
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—
305: Emissions		Reference
305-1	Direct (Scope 1) GHG emissions	Environmental Data
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Data
305-3	Other indirect (Scope 3) GHG emissions	Environmental Data
305-4	GHG emissions intensity	Environmental Data
305-5	Reduction of GHG emissions	Environmental Data
305-6	Emissions of ozone-depleting substances (ODS)	Not Applicable
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Data
306: Effluents and Waste		Reference
306-1	Water discharge by quality and destination	Environmental Data
306-2	Waste by type and disposal method	Reducing our Environmental Footprint
		Environmental Data
306-3	Significant spills	Not Applicable
		Our Environmental Approach
306-4	Transport of hazardous waste	Not Applicable
306-5	Water bodies affected by water discharges and/or runoff	—
307: Environmental Compliance		Reference
307-1	Non-compliance with environmental laws and regulations	Our Environmental Approach
308: Supplier Environmental Assessment		Reference
308-1	New suppliers that were screened using environmental criteria	Promoting Sustainable and Responsible Procurement
308-2	Negative environmental impacts in the supply chain and actions taken	Promoting Sustainable and Responsible Procurement

400: Social

401:employment		Reference
401-1	New employee hires and employee turnover	Social Data
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment and Labor
		Realizing a Rewarding Workplace
401-3	Parental leave	Social Data
		Realizing a Rewarding Workplace
402:Labor/Management Relations		Reference
402-1	Minimum notice periods regarding operational changes	Employment and Labor
403:Occupational Health and Safety		Reference
403-1	Workers representation in formal joint management-worker health and safety committees	Safety and Health of Employees
		Social Data
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Social Data
403-3	Workers with high incidence or high risk of diseases related to their occupation	—
403-4	Health and safety topics covered in formal agreements with trade unions	Safety and Health of Employees
		Good Relationship with Labor Union
404:Training and Education		Reference
404-1	Average hours of training per year per employee	—
404-2	Programs for upgrading employee skills and transition assistance programs	Utilization and Development of Human Resources
404-3	Percentage of employees receiving regular performance and career development reviews	Performance measurement setting and appraisal on regular basis : 100%
		Fair Evaluation of Employees
405:Diversity and Equal Opportunity		Reference
405-1	Diversity of governance bodies and employee	Corporate Governance
405-2	Ratio of basic salary and remuneration of women to men	Employment and Labor
406:Non-discrimination		Reference
406-1	Incidents of discrimination and corrective actions taken	—
407:Freedom of Association and Collective Bargaining		Reference
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—

408:Child Labor		Reference
408-1	Operations and suppliers at significant risk for incidents of child labor	Response to the United Kingdom's Modern Slavery Act 2015
		Promoting Sustainable and Responsible Procurement
409:Forced or Compulsory Labor		Reference
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Response to the United Kingdom's Modern Slavery Act 2015
		Promoting Sustainable and Responsible Procurement
410:Security Practices		Reference
410-1	Security personnel trained in human rights policies or procedures	—
411:Rights of Indigenous Peoples		Reference
411-1	Incidents of violations involving rights of indigenous peoples	—
412:Human Rithts Assessment		Reference
412-1	Operations that have been subject to human rights reviews or impact assessments	Our Human Rights Approach
412-2	Employee training on human rights policies or procedures	Primary Initiatives
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—
413:Local Communities		Reference
413-1	Operations with local community engagement, impact assessments, and development programs	Social Contribution Activities
		Social Data
413-2	Operations with significant actual and potential negative impacts on local communities	Not Applicable
414:Supplier Social Assessment Reference		
414-1	New suppliers that were screened using social criteria	Promoting Sustainable and Responsible Procurement
414-2	Negative social impacts in the supply chain and actions taken	Promoting Sustainable and Responsible Procurement
415:Public Policy		Reference
415-1	Political contributions	Social Data
416:Customer Health and Safety Reference		
416-1	Assessment of the health and safety impacts of product and service categories	Promotion of Safe and Reliable Manufacturing
416-2	Incidents of non-compliance concerning the health and safety impacts and services	Social Data

417:Marketing and Labeling		Reference
417-1	Requirements for product and service information and labeling	Promotion of Safe and Reliable Manufacturing
417-2	Incidents of non-compliance concerning product and service information and labeling	Social Data
417-3	Incidents of non-compliance concerning marketing communications	Social Data
418:Customer Privacy		Reference
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social Data
		Information Security Management
419:Socioeconomic Compliance		Reference
419-1	Non-compliance with laws and regulations in the social and economic area	Social Data
		Compliance and Risk Management