

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

The risk management of the Group is primarily focused on "achieving our medium-to-long-term strategies". We thus consider risks as "uncertainties" that may impact achievement, both potential threats to business as well as potential opportunities. Based on this approach, we have established a risk management structure and have put into place measures for managing such risks appropriately and effectively.

We have placed the Risk Management Department in the head office which reports to CLO (Chief Legal Officer), 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 discuss risks and countermeasures.

Risk Management

In fiscal year 2020, risks with potential impact on "WIN 2023 Key Strategies*" execution were identified through Risk Management Department analysis based on risk perception interviews with the Group CEO, Executive Officers, Regional CEOs, and External Directors. Regional risk assessments and input from related functional divisions were also taken into consideration, as well as insight from external experts.

We then set three evaluation axes for the risks: "impact on business upon risk manifestation", "likelihood and timing of risk manifestation", and "preparedness toward the risk". Through the above-mentioned Committees and related meetings, the risks were prioritized and status of countermeasures considered.

Reflecting our corporate policies, risk assessment plans have been designed to attach due weight to issues related to personal health (and safety), company assets, business continuity, and reputation.

Risk factors identified from risk assessment results have been categorized into four parameter groups, according to risk characteristics: "Consumer-related Risks", "Social-related Risks", "Operation & Fundamental Risks," and "Other Risks". We have also adopted a risk ownership approach, appointing a risk owner to each risk category to take on clearly defined responsibilities of implementing countermeasures and as a mechanism to enable regular monitoring by the Global Risk Management & Compliance Committee/Board of Directors.

* WIN 2023 Key Strategies

Improve Profitability	1. Rebuild profit structure through fundamental reforms 2. Increase cost competitiveness and improve factory productivity 3. Accelerate growth in Asia, especially China
Focus on Skin Beauty	4. Build a powerful portfolio centered on skin beauty brands 5. Accelerate innovation through external collaborations 6. Develop the inner beauty category
Rebuild Business Foundation	7. Become a truly sustainability-focused company 8. Strengthen brands through innovate marketing and robust organization 9. Build a digitally driven business model and organization 10. Enhance talent and organization through diversity and upskilling

Based on 2020 risk assessment findings, the most impactful risks (Threats and Opportunities) for fiscal year 2021 in relation to WIN 2023 Key Strategies realization are: "Innovation Risks", "Changes in Consumer Values", "Business Structure Transformation", "Speed of Digital Shift", "Natural and Human-Made Disasters", and "ESC (Environment, Society and Culture) Unique to Shiseido".

Business and Other Risks

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

* Most impactful 2021 risks (as of March 25, 2021)

Meanwhile, from a long-term perspective, we identified "Decline in purchasing demands for cosmetics" and "Tighter regulations on R&D, manufacturing and sales of cosmetics" as "Emerging Risks" of rapidly increasing importance to our business with potential long-term impact.

We are taking or have taken appropriate response measures to mitigate these risks as described below, along with other risks, including changes in our business model.

Emerging Risk	Description	Impact on business	Mitigating actions
Decline in purchasing demands for cosmetics	The values, behaviors, and preferences of consumers are rapidly changing and diversifying due to the development of a highly technological and borderless society. In the midst of these changes, there is a risk that the purchasing demand for cosmetics, such as skincare and makeup, will decline.	If we are unable to appropriately respond to changes in consumers' sense of values regarding beauty and to develop cosmetics and services that match demand, it may have a significant impact on our business.	<ul style="list-style-type: none"> • Strengthen brand portfolio to respond to diversifying consumer values (e.g. Drunk Elephant, development of new brands and M&A). • Built Consumer and Market Intelligence Department to gather consumer information in an accurate and timely manner. • Accelerate value creation and business development through open innovation with other companies.
Tighter regulations on R&D, manufacturing and sales of cosmetics	There is a risk that our technologies and cosmetics may become subject to regulations in various countries and regions, resulting in stagnation of research and development, or a ban on production and sales, as a result of stricter regulations on formulation development, UV care, containers and packaging, etc., due to growing global environmental awareness.	Many proposals have been made to build a sustainable society in various countries and regions, such as the European Green Deal and the formulation of the Chemicals Strategy for Sustainability. The number of cosmetics and services offered by the Company may decrease and negatively affect the business plan if we are unable to formulate a unique strategy and effectively develop sustainable products in response to these tightening regulations. In addition, inadequate efforts in this area	<ul style="list-style-type: none"> • Collaboration with global pharmaceutical affairs offices to quickly identify and respond to regulatory risks. • Active participation in regulatory consortia in each country and fair recommendations based on scientific knowledge and verification • Monitoring of not only regulatory but also reputational risks • Product development management for regulatory

		could result in a loss of trust from society and consumers.	<p>compliance across brands (creation of roadmaps for each product to minimize risk and business impact)</p> <ul style="list-style-type: none"> • Plan medium-to-long-term research themes in anticipation of regulatory risks • Establish Social Value Creation Division, regular meetings held by Sustainability Committee, medium-to-long-term strategy development and setting of KPIs, and monitoring of strategy implementation progress involving related departments of HQ and RHQs • Sustainability/SDG-related activities for each brand (SHISEIDO, Clé de Peau Beauté, etc.) • Adopt eco-friendly packaging (co-develop Kaneka biodegradable polymer Green Planet™ and join "Loop" rollout in Japan) • Promote switch to certified palm oil and paper • Set and disclose medium-term targets for major environmental load reduction items (CO2, palm oil, paper, water, waste) and work toward their achievement • Support Task Force on Climate-related Financial Disclosures (TCFD); prepare scenario analyzing climate change risk impact on business and disclose information based on TCFD recommendations
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At the same time, compliance programs are being or have been prepared for four priority areas: personal data protection, anti-bribery, anti-cartel, and supplier risk reduction.

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 the Risk Management Department. After determining the incident level from the perspectives of severity of damage, possibility of spread, social impact, and other factors, the Risk Management Department 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 those affected, and disclose information, while continuously monitoring investigation into cause, progress, and response results, and implements reoccurrence prevention measures. Outside of Japan, regional CEOs and RMOs are responsible for leading incident response activities. Significant incidents, such as those which pose a high risk of affecting operations in other regions, are immediately reported to the Risk Management Department at headquarters to enable quick action.

Shiseido Group Crisis Management Policy

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

Business Continuity Management (BCM)

We have formulated a 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 regular training and education programs and use the findings from these programs to periodically revise the BCP.

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. Protect lives as the most important objective; place the highest priority on ensuring the safety of employees and their families and confirm that they are safe.
When conducting business operations, consider the safety of employees and take action to 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 within the target time, without fail.
4. Through the above, minimize impact on customers, business partners (clients and suppliers, etc.), shareholders, employees, society, and other stakeholders; prevent damage to corporate value; and ensure the trust of society by providing various forms of support to the local community, etc.

Our BCP consists of a "basic plan" serving as 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 maintain business operations during disaster situations), and sets "recovery time objectives" to complete said tasks. The plan also specifies in phases the information to be collected, items to be decided, and reporting lines. This plan is executed under the leadership of the HQ Emergency Task Force, appointing a risk management corporate officer appointed as director and members from necessary divisions to address issues related to employees, facilities, communication systems, information disclosure, 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 a business continuity plan for emergencies with gradual/long-term impact, such as infectious disease outbreaks, which sets matters to be considered and implemented by each phase (infectious disease BCP).

HQ Emergency Task Force Drill

The HQ Emergency Task Force Drill is held on a regular basis as training for effective command 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 changes, ensuring the BCP is up-to-date and prepared all for immediate action.

Emergency education for employees

To promote individual employee awareness and knowledge of emergency preparedness, we run various training and education programs around the globe. BCP briefings are given to heads of departments/offices to increase their

understanding and ensure swift action by all staff under their leadership in the event of major emergency, under HQ Emergency Task Force instructions. Additionally, safety confirmation tests are conducted for all employees twice a year, and new hire orientation programs include lectures to raise awareness of emergency preparedness.

Shiseido Group Policy on Anti-Corruption

Shiseido Group (“Shiseido”) hereby establishes the Shiseido Group Policy on Anti-Corruption (“the Policy”) by which it will promote efforts to ensure anti-corruption measures and fulfil its social responsibilities.

1. Basic Ideas on Anti-Corruption

Shiseido proclaims in its “Shiseido Group Standards of Business Conduct and Ethics” that it abides by the laws of each country and region in which it operates, and maintains sound ethical behavior as well as respecting human rights, in order to be the most trusted beauty company in the world. In particular, Shiseido’s basic principles relating to business activities are to engage in fair, transparent, and free competition and appropriate transactions. Therefore, Shiseido proclaims in its “Shiseido Group Standards of Business Conduct and Ethics” that it will not provide or accept gifts or entertainment that may cause suspicion regarding our fairness, whether or not the provision or acceptance of such items violates applicable laws and regulations, and whether or not the counterparties are public officials or private entities.

Corruption is against Shiseido’s basic principles, and Shiseido simply will not tolerate any corruption whatsoever.

This Policy is Shiseido’s promise to engage in the prevention of corruption, as well as to deliver Shiseido’s basic principles on anti-corruption, based on the “Shiseido Group Standards of Business Conduct and Ethics” with due consideration for the current state of affairs, under which corruption still remains a global issue.

2. Scope and Application

The Policy will apply to all executives and employees of Shiseido. Shiseido also will require its business partners relating to Shiseido’s products and services to comply with the Policy.

3. Prohibition Against Bribery

Shiseido does not give, offer, or promise a bribe, in any form, to any person, whether direct or indirect, nor will it receive, request, or promise to receive any kind of a bribe, irrespective of the name given to it, including without limitation political contributions, donations, charitable activities, sponsorship activities, and kickbacks. Shiseido prohibits all of its executives and employees from engaging in the activities above.

4. Measures for the Prevention of Bribery

Shiseido engages in the measures below to prevent bribery, and continues to promote and enhance such measures in implementing the Policy.

■ Development of a System for the Prevention of Bribery

Shiseido has developed and implemented an effective system for the prevention of bribery, including the development of relevant internal rules and procedures, to ensure the thorough prevention of bribery. The measures include the Framework of Empowerment, credit checks on new accounts, and due diligence in acquisitions.

■ Education and Training

Shiseido offers education and training to all of its executives and employees for purposes of preventing bribery, such as familiarizing such executives and employees with the Policy and relevant internal rules.

■ Risk Assessments and Periodic Reviews

Shiseido periodically evaluates bribery risks and monitors the status of operation of the system for the prevention of bribery, and reviews and improves measures relating to, and control of, the prevention of bribery as required with respect thereto.

■ Proper Record Keeping

Shiseido records all transactions and assets accurately and fairly, and in reasonable detail, in its accounting books and records, to thoroughly prevent bribery and to fulfil accountability therefor.

■ Compliance with Applicable Laws and Regulations

Shiseido complies with the laws and regulations and the rules relating to the prohibition against bribery that are applicable in the countries and regions where it conducts its business activities, including the Foreign Corrupt Practices Act in the U.S., the Bribery Act in the U.K., the commercial bribery rules in the PRC, and the Unfair Competition Prevention Act in Japan.

< Revision History > Established in June 2021

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 based upon a strong sense of ethics. We have Whistleblowing and Consultation Hotlines for employees to report unethical behavior as quickly as possible. Reported information is investigated carefully and appropriate steps are taken to address any issues. In addition, we provide training and education to put the Standards into actual practice, striving to build mutual respect among employees regardless of their background and to win the confidence of all our stakeholders. Such ethical awareness initiatives are key to realizing a workplace where individuals can deliver their best performance, thereby driving corporate ethics and business growth alike.

Training for Employees

(1) Enhancement of Corporate Ethics in Workplaces

We assign Corporate Ethics & Compliance Leaders in each office in Japan to be in charge of fostering a highly ethical corporate culture. In other regions outside Japan, Risk Management Officers take charge of ethics promotion in each region. The Risk Management Officers are supported by Business Ethics Officers at the affiliate level.

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

Training programs are carried out once a year for all employees of the Shiseido Group in Japan. We provide human rights awareness programs to address discrimination in workplaces, while our corporate ethics training curriculum includes harassment prevention and response. We also conduct training sessions to improve communication in various settings so as to build an open, encouraging workplace culture.

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

We also provide group training sessions which are specific to a person's post and/or position in the corporate hierarchy (corporate officer, manager, new recruit, etc.), as well as those tailored to the characteristics of each affiliate.

Whistleblowing and Consultation Hotlines for Employees

We have established Whistleblowing and Consultation Hotlines* for employees to voice their concerns about or report on words and/or actions which are or may be unethical or in violation of the Shiseido Group Standards of Business Conduct and Ethics.

The Division in charge of the Whistleblowing and Consultation Hotlines handles reports and concerns with due care to protect the privacy of the whistleblower. As a general rule, a fact-finding investigation is launched with the consent of the whistleblower if the issue cannot be resolved. If a survey reveals a violation, the offender is penalized per employment regulations. Management is alerted without delay if a case poses a business impact risk. Serious compliance-related concerns are reported to management at the Global Risk Management & Compliance Committee and/or HQ/SJ Compliance Committee, and steps are taken to prevent reoccurrence.

*The hotline system consists of the "Sodan Room (in-house Shiseido Hotline)" and an external Shiseido Hotline that deal with workplace issues in general and whistleblowing, as well as the Compliance Committee Hotline dedicated to whistleblowing, and a separate and direct e-mail route to the Audit & Supervisory Board for reports relating to corporate officers.

*Shiseido also has a Business Partner Hotline for suppliers and business partners to voice any concerns on human rights and compliance, etc.

The hotlines described above are paired with fair problem-solving routes and rules which explicitly prohibit the disadvantageous treatment of whistleblowers. Information about the hotlines, which includes instructions on their use, is communicated to every employee via the distribution of Shiseido Ethics Cards, posters, and Company intranet bulletin board messages, etc. Our major overseas affiliates have local/regional whistleblowing hotlines, and a Shiseido Group Global Hotline at Company headquarters can receive reports directly from employees of our affiliates around the world.

Mitigating the Risk of Discrimination/Harassment

The Shiseido Group in Japan conducts regular surveys of employees to identify workplace harassment/compliance issues and challenges, and to mitigate such risks. Survey results are shared with all departments so that they may each implement corrective measures, including additional training. In addition to the employee hotlines, our process for mitigating the risks of discrimination, harassment, and compliance issues include surveys in which we ask employees about the degree to which their workplace abides by our policies on these matters. Survey results are analyzed to identify Shiseido's trends in harassment and compliance, which we then incorporate into employee education. The Risk Management Department reports to management and the Audit & Supervisory Board on whistleblowing records and employee survey results and receives supervision for risk mitigation.

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

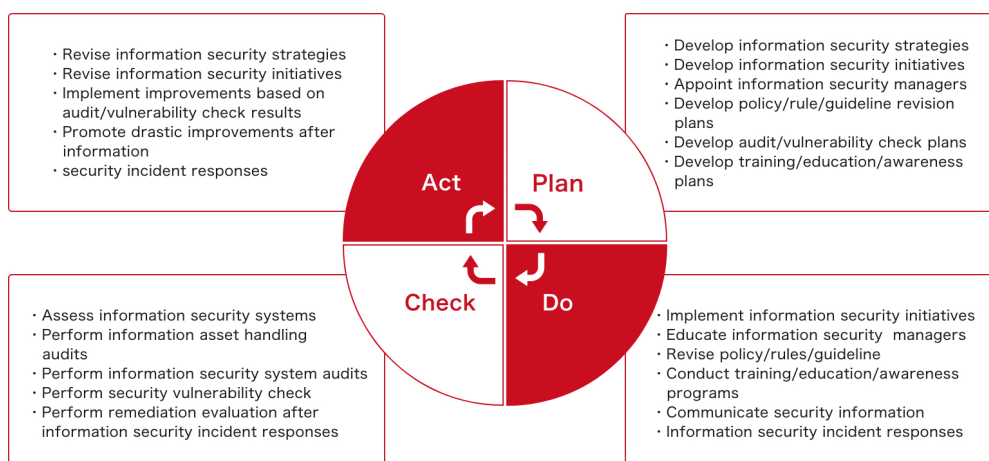
Shiseido deeply recognizes the importance of personal information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Therefore, we have established the "Shiseido Group Privacy Rule" to which all employees of the Shiseido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

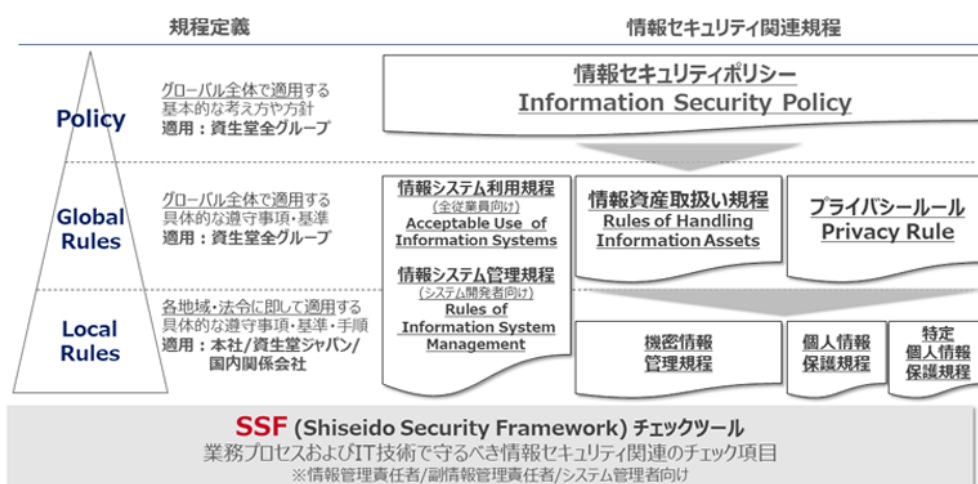


(2) Development of policies and rules

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

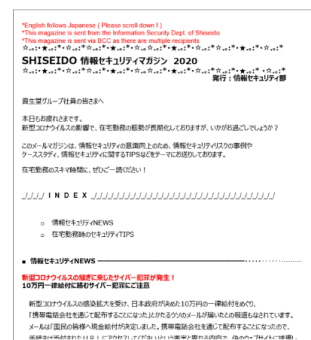
(1) Employee training/education/awareness

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 (more than twice a year: provided by Nippon CSIRT Association, forensic service provider and others) 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.).

Tax Policy

Shiseido's Tax Policy

Shiseido Group's Tax policy in the United Kingdom

Global Tax Policy

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

Tax Principles

Compliance

We comply with the international guideline established by the OECD and the laws and regulations in all countries in which we run business. We will not engage in abusive tax evasion through tax structure without commercial substance or shift profit to countries with low tax rates.

Governance

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

Responsibilities and Organization for the Tax Compliance

Tax compliance is under the responsibility of the CFO. To manage the global tax risk effectively, tax team of 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.

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.