

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 FY2021 (from January 1 to December 31 of 2021), part of the information also includes contents prior to/after the said

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SUSTAINABILITY

REALIZING A BETTER WORLD THROUGH SOCIAL VALUE CREATION.



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.



Environment

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

1. Reducing Our Environmental Footprint
2. Developing Sustainable Products
3. Promoting Sustainable and Responsible Procurement



Society

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

1. Advancing Gender Equality
2. Empowering People through the Power of Beauty
3. Promoting Respect for Human Rights



Culture

Using our heritage to create new value and enrich culture.

1. Drawing on Our Heritage and Culture to Imagine a Better Future
2. Inspiring the World with Our Sense of Beauty

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.

Sustainability Top Commitment



2020 was the year we encountered the threat of COVID-19. Questions were raised about the sustainability of the world itself, which everyone until now had taken for granted. In such circumstances, companies are expected to drive the promotion of sustainability actions.

In January 2020, we established the Sustainability Committee, a dedicated body to ensure detailed discussion and timely management decisions concerning sustainability issues. The committee reviews and approves activity plans based on sustainability strategies for the environment, society, and culture, and monitors progress.

In July of the same year, we published our first global Sustainability Report. By disclosing our medium-to-long-term targets and progress of our sustainability actions through our core business, we have accelerated direct dialogue with investors and analysts, which has become a driving force for further efforts.

The concept of sustainability must be ingrained in every employee; we must embody principles and behaviors that coexist with society and the environment in all of our activities. Therefore, we encourage our employees to voluntarily engage in social contribution.

In the area of the environment, in response to climate change risk, a nonfinancial aspect of high stakeholders' expectations, we have disclosed management risks in accordance with the global framework of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which we endorsed in 2019. We have analyzed risks and opportunities associated with the transition to a carbon-free society, as well as those posed by drastic changes in the natural environment, and disclosed them in our Sustainability Report. Regarding the reduction of related environmental impacts, we have set and announced medium-term targets for five items: carbon dioxide emissions, palm oil, paper, water, and waste. We are currently tackling other issues such as marine debris, which is a source of environmental and ecological pollution. In terms of reducing the amount of plastic we use, we aim to make all our product containers 100% sustainable by 2025.

In the area of society, we promote the activities of 30% Club Japan, aiming to solve gender issues in Japanese society through our experience in diversity and inclusion management, with a focus on the activities of female employees. In addition, we are working to create social value that is linked to our core business by sharing our makeup expertise through the LAVENDER RING project, which supports people who are living with cancer. These efforts have been well received both in Japan and overseas, and we are striving for further progress in social contribution.

In the area of culture, we are taking advantage of the accelerated digital shift to actively communicate our heritage to employees around the world at a time when unity is threatened by isolation and other factors amid the COVID-19

outbreak. This has brought shared value and a sense of unity to employees with diverse backgrounds. The activities of the Shiseido Gallery in 2020 were also highly praised for taking on the challenge of creating social value through art.

The impact of COVID-19 has compelled us to reaffirm our purpose. As we also return to our roots— bringing health and happiness to people everywhere through the power of beauty — we are placing sustainability at the core of our corporate strategy and integrating our business activities with environment, society, culture, and governance (ESCG) management. By doing so, we will formulate and implement sustainability actions with a long-term view toward 2030.

Jun Aoki
Executive Officer,
Chief Social Value Creation Officer



Strategy Outline

We are placing sustainability at the core of our management objectives for 2030, integrating our business and sustainability strategies. To achieve our 2030 goal of contributing to "a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty," we have established a new framework based on three pillars: For People, For Society, and For the Planet.

For People: Support 200 million people through healthy beauty for a unique lifetime

Shiseido will provide consumers with healthy beauty through our core businesses, via innovations leveraging the power of beauty and commitment to creating new value, helping each individual realize a lifetime of unique and healthy beauty.

For Society: Realize a society filled with respect and empowerment through the power of beauty

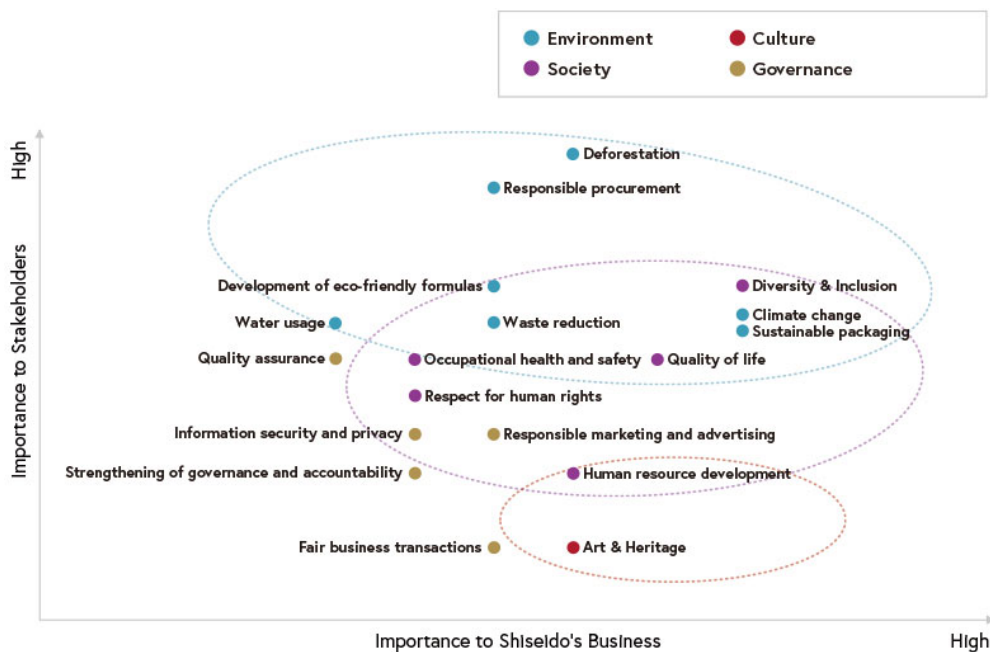
Shiseido embraces diversity in beauty to inspire people around the world. By celebrating its many values, we aim to realize a society where people accept and respect each other as individuals, regardless of backgrounds or differences.

For the Planet: Contribute to an environment where people can live in harmony and enjoy sustainable beauty

Shiseido strives for a rich natural environment where people can enjoy sustainable beauty, now and in the future — throughout our businesses and the entire value chain, from raw material procurement, product development, and manufacturing to use by consumers and product recycling or utilization.

Shiseido's Material Issues

In April 2019, we defined the Shiseido Group's material issues as a framework for creating social value unique to a beauty company, based on interviews and discussions with our stakeholders. We categorized the issues considering their impact on all our stakeholders (consumers, business partners, employees, shareholders, society, and the Earth) as well as on the Company's businesses, 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, culture, and governance (ESCG). The details and positioning of each issue were reviewed through discussions by Executive Officers and Audit & Supervisory Board Members at the meetings of the Sustainability Committee, established in 2020, followed by appropriate actions.



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

Implementation Framework

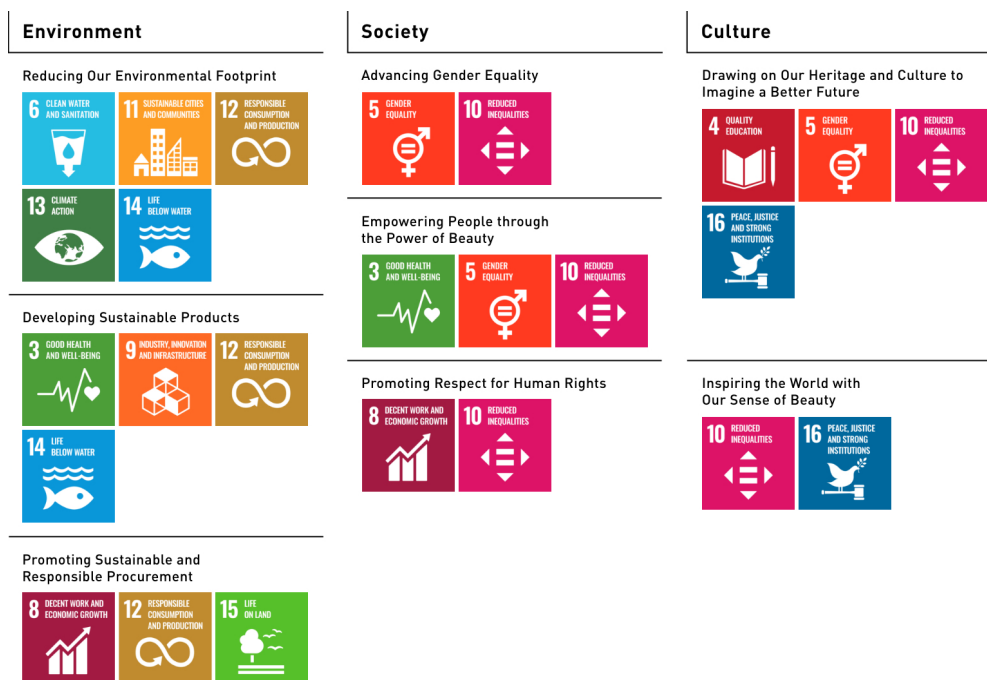
At Shiseido, we are working to promote sustainability across the entire company, including our brands and regional businesses.

In 2020, we launched and held regular meetings of the Sustainability Committee, a dedicated forum to ensure timely management decisions and thorough recognition of this theme. The committee discusses Group-wide sustainability initiatives, decides on strategies, policies, and specific action plans, and monitors the progress of medium-to-long-term goals. It consists of a representative director and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, Social Value Creation and our brands, with other corporate officers participating on an as-needed basis according to the matter at hand. In addition to the Sustainability Committee, other significant

issues related to sustainability were also discussed with the Executive Committee, the Innovation Committee, and the Board of Directors, for a total of 12 meetings in 2020.

Shiseido's Key Strategic Actions with SDGs

The following are our eight key strategic actions based on our material issues. They correspond to the Sustainable Development Goals (SDGs) indicated after each action.



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



www.wepinciples.org

Women's Empowerment Principles (WEPs)



support for the recommendations of the Task Force
on Climate-related Financial Disclosures (TCFD)

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

Environment

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



'Shiseido' comes from a phrase in the Chinese classical text, I Ching: 'Praise the virtues of the Earth, which nurtures new life and brings forth significant values.' Respect for the planet, society and people has been embedded in our culture since our foundation in 1872. In everything we do — from development and procurement to production — we work to preserve the global environment that we all depend on. That is how we create sustainable value. In this chapter, we report on the strategic actions we have taken to contribute to the health of our planet.

1. Reducing Our Environmental Footprint

Across all areas of our business and value chains, we are promoting initiatives that reduce the environmental impact of our activities, such as reducing carbon dioxide (CO₂) emissions and ensuring the sustainable use of resources. The impact of climate change is becoming more apparent around the world. It is important that companies make strong sustainability commitments and take actions toward solving environmental issues. We fully understand and support the "1.5°C scenario" *. Last year we disclosed our medium-to-long-term targets for the reduction of CO₂ emissions — which account for the majority of greenhouse gas (GHG) emissions — as well as the reduction of water consumption and waste.

* The 1.5°C scenario refers to the long-term temperature goal to hold global warming to 1.5°C above preindustrial levels.

KPIs

- CO₂: Carbon neutral by 2026
- Water: Water consumption $\triangle 40\%$ (vs. 2014)^{*1} by 2026
- Waste: Zero landfill use^{*2} by 2022

*1 : At all business sites of Shiseido, per unit of sales

*2 : only at Shiseido factories

2. Developing Sustainable Products

"Let the product speak for itself." These words from Shiseido's founder and first president are reflected in our corporate mission and product development goals. We believe our products can convey the message that we aim to work sustainably, such as how we procure raw materials, and our commitment to reducing, reusing, and recycling. We aim to provide consumers with products that demonstrate our sustainability beliefs, from the moment of purchase, upon every use, and at disposal or reuse. In addition, through design and usability, our products also communicate the "art and science" aspect of our DNA. Based on the unique Japanese spirit of Mottainai*, we strive to minimize the use of natural resources and promote activities that allow for reuse. In consideration of the environment, we have also been cultivating formulas and ingredients that comply with high safety and quality standards. By living in harmony with the planet, we can contribute to the realization of a more sustainable world.

* Mottainai: a Japanese word that expresses a sense of regret over waste, and is a call for gratitude and respect. It is also a concept used by environmentalists to encourage people to reduce, reuse, and recycle.

KPIs

- Packaging : 100% sustainable packaging by 2025 *

* For selling products with plastics packaging

3. Promoting Sustainable and Responsible Procurement

It is no secret that the world's natural resources are limited. At Shiseido, we place the utmost importance on the responsible procurement of raw materials and the reduction and reuse of resources. We operate from the perspective of a circular economy, and view environmental conservation and biodiversity as the key to a more sustainable world. In all our activities, from procurement to production, we also seek ways to strengthen our response to human rights issues. Sustainable and responsible procurement requires close collaboration with all of our partner companies and suppliers. In 2020, we disclosed our medium-term target for the procurement of raw materials (palm oil and paper) in consideration of both the environment — such as forest conservation — and human rights. In addition, we expanded our supplier assessment program globally and made efforts to resolve existing issues.

KPIs

- Palm oil: 100% sustainable palm oil usage by 2026
- Paper: 100% sustainable paper (e.g. certified paper, recycled paper)^{*} by 2023

* only for products

Reducing Our Environmental Footprint

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Reducing CO₂ Emissions

At Shiseido, we have been focused on the issue of global warming for a long time. In 1990, we completely abolished chlorofluorocarbons (CFCs). In 1997, we published our environmental targets for the first time — including the reduction of greenhouse gas (GHG) emissions. And in 2020, we announced our commitment to achieving carbon neutrality* by 2026.

By carefully reviewing and redesigning the manufacturing process at both new and existing factories, we were able to strengthen our efforts to accelerate the reduction of CO₂ emissions, including by using renewable energy and improving energy efficiency. As a result, CO₂ emissions were reduced by 12% of total emissions in 2020 (compared to 2019).

Following the transfer and joint venture of our Personal Care business, absolute emissions from the product life cycle will be significantly decreased. In addition, we have introduced group wide efforts to contribute to a carbon-free society by further reducing CO₂ emissions in such areas as procurement, production, and use.

* CO₂ emissions of scope 1 & 2

Renewable Energy

Switching from fossil-derived energy, which emits large amounts of CO₂, to renewable energy is one of our important environmental initiatives.

We have been increasing the use of renewable energy at our offices and factories, the latter of which are known for their high power consumption. As a result, our combined ratio of renewable energy from hydropower and solar power increased by 95% in 2020 (versus 2019). In total, renewable energy accounts for 33% of electricity consumed at our sites.

In addition to our East Windsor factory (USA), our Nasu factory (Japan), which began operations in 2019, has replaced 100% of its electricity with renewable energy.

Renewable energy is also used at our offices across three European countries, while 100% of the electricity used at our facilities in Italy and the UK is derived from renewable sources.

● Solar Power

Our solar power efforts continue to grow, with systems installed at factories and buildings worldwide. Since 2007, our East Windsor factory (USA) has been equipped with a fixed-tilt solar power system, while a solar-tracking solar power system was installed in 2010.

In addition, solar power systems are installed at such sites as the Liyuan Cosmetics Co., Ltd. factory (China), the Kakegawa factory (Japan), and the Global Innovation Center (Japan).

In Taiwan, solar panels have been installed at our Hsinchu factory, generating electricity used also by the local community.



Solar panels at the Kakegawa factory
(Japan)

● Water Power

Japan experiences a lot of rainfall due to its geographical conditions. However, the steep topography makes it difficult to collect and use the water resource effectively because it quickly flows out to sea. Therefore, dams have been used for flood control and water collection, as well as for generating renewable energy, for many years.

Four of our factories in Japan — Osaka, Kakegawa, Kuki, and Nasu — are actively using renewable energy from CO₂-free hydroelectric power. The Nasu factory uses the CO₂-free Tochigi Furusato Electric program, which is supplied by hydroelectric power plants in Tochigi Prefecture, to achieve 100% renewable electricity.

To maximize the use of renewable energy in order to mitigate climate change as much as possible, we also utilize power generated by small-scale local power companies for the grid. We also strive to make our production activities more sustainable on a local scale by collaborating with local communities.

Improving Energy Efficiency

We are working to reduce CO₂ emissions by improving energy efficiency at all of our factories. Efforts include introducing high-efficiency equipment and switching to energy sources with a lower environmental impact. So far, we have achieved significant improvements in energy efficiency.

In 2020, we introduced a new energy management system (EMS)* at our Kakegawa factory (Japan). In order to reduce wasteful power consumption, we have increased the number of observation points for electricity usage to more than 400— allowing for a more detailed visualization of usage status. By optimizing energy usage this way, we expect to reduce CO₂ emissions by approximately 7% of the total annual emissions at our Kakegawa factory.

Going forward, we will install EMS at all our factories and aim to increase our investment in equipment as well as introduce more initiatives to improve energy efficiency, all of which will further reduce the environmental impact of the entire Shiseido Group.

* A system that realizes efficient use of energy such as energy saving and load leveling by visualizing the energy usage status using information and communication technology.

CO₂ Reduction During Transportation

We are promoting the reduction of CO₂ emissions by increasing the efficiency of transportation within and between regions. In Japan and Hong Kong, we work with key business partners to optimize delivery frequencies, increase truck utilization, and reduce operating vehicle numbers.

For sea transportation in Japan and the USA, we have improved container utilization, and reduced the number of operating containers and shipments by consolidating cargo and optimizing loading efficiency.

In 2020, progress in transportation optimization has contributed to a 17% reduction in CO₂ emissions from Japan's factories to distribution centers compared to 2019.

Assessing Climate Risks and Opportunities

We recognize that climate change is not only an environmental issue, but a real issue that will affect our business strategies and financial plans over the medium to long term. As such, various factors related to climate change, such as regulations, natural disasters, and consumer perceptions should be considered.

We strive to mitigate the climate-related risks which influence both our business and the wider society, and turn them into opportunities. Therefore, in 2020, we disclosed our target of achieving carbon neutrality by 2026 through the reduction of Scope 1*1 and Scope 2*2 CO₂ emissions. We also committed to accelerate our plans to analyze climate-related risks and opportunities, and integrate them into our group-wide actions.

*1 Scope 1 relates to the CO₂ emissions generated from fuel consumption in our sites.

*2 Scope 2 relates to the CO₂ emissions generated from energy consumption by 3rd parties such as grid power.

Governance

The Shiseido Sustainability Committee discusses management decisions concerning sustainability issues. The committee is chaired by a Representative Director and consists of executive officers in charge of Corporate Strategy, Social Value Creation, R&D, Supply Network, Corporate Communications, Brands, and Corporate Auditors. In 2020, in addition to the Committee, significant issues were discussed at the Executive Committee, the Innovation Committee, and the Board of Directors for a total of 12 meetings. At the Committee, mid- to long-term targets related to CO₂ emissions,, water, waste, packaging, and sustainable procurement of, for example, palm oil and paper, were also discussed — to proactively tackle the environmental issues related to these topics. As those targets impact our corporate direction, they were raised with the Board of Directors as well. Due to the importance of change-related issues, the Board of Directors stressed that what we work to achieve should reflect our stakeholders' expectations (Consumers, Business Partners, Employees, Shareholders, Society and the Earth), and encouraged us to commit to ambitious targets.

Strategy (Scenario Analysis)

We conducted our scenario analysis for both the transitional and the physical risks/opportunities in terms of the 1.5/2°C and 4°C scenarios, respectively, based on the Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) provided by the Intergovernmental Panel on Climate Change (IPCC).

Regarding risk analysis, in the 1.5/2°C scenario, the elements associated with the transition to a decarbonized society — such as policy, regulation, technology, market, and consumer perceptions - were considered. In the 4°C scenario, which includes no proactive measures against climate change, the physical factors related to the acute or chronic phenomena caused by the rise in temperature were analyzed — such as, for example, floods and water shortages.

As for the opportunities, in the 1.5/2°C scenario, high awareness by consumers means there is a market for sustainable brands and products. Similarly, the 4°C scenario identifies sales opportunities for products that can help people to live with high temperatures. At Shiseido, we aim to leverage these findings — by mitigating risks and by making the most of the opportunities to provide sustainable products to consumers and promote our beauty innovations.

We identified carbon taxes, changes in the market and consumer perceptions, floods, and water shortages as the influential risk factors, and quantified their financial impacts in 2030.

Risk Management

In 2020, we assessed and identified the impactful risks by a holistic approach. "Natural and Human-Made Disasters", and "ESC (Environment, Society, and Culture)", are listed as the categories related to sustainability.

Climate-related risks are analyzed based on scientific and socio-economic evidence and integrated into the enterprise risk management system as one of the elements related to natural disasters or ESC. The Group's risks assessment and countermeasures are also periodically reviewed by the Global Risk Management & Compliance Committee, headed by the Group CEO and composed of regional CEOs and executive officers as well as the Executive Committee.

Metrics and Targets

In order to mitigate the physical risks, we use the ratio of our CO₂ emissions as the standard metric. Physical risks are tracked and monitored every year. In particular, we set the target to achieve carbon-neutral operations by 2026 for Scope 1 and Scope 2 emissions. In terms of mitigating market risks and creating opportunities in the 1.5/2°C scenario, we support the concept of a circular economy, and aim to reduce CO₂ emissions and to eliminate single-use plastics with the target of switching to 100% sustainable packaging by 2025. To manage the risk of water shortage in the 4°C scenario, we selected water consumption at our business sites as an indicator and set a target of reducing it by 40% by 2026. As for other physical risks, we will examine appropriate metrics from the viewpoint of long-term risk management.

Roadmap for Disclosure

In April 2019, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) and started disclosing the results of climate-related risk analysis based on the TCFD framework. In addition to the results of the qualitative analysis of risks and opportunities which we disclosed in 2020, we also released our quantitative risk analysis and identified major areas where we will take action.

We will make dedicated efforts to mitigate risks by planning actions in cooperation with our businesses, and integrating them into our management and business strategies. In addition, we will disclose initiatives that lead to new opportunities as well as risk mitigation through our value chain. At the same time, we will also improve our analysis based on the latest scientific evidence.

Fig 1. Risks and Opportunities Identified by the Scenario Analysis

		Risks	Opportunities
Transition (Seen mainly in the 1.5/2°C scenario)		<ul style="list-style-type: none">Carbon tax could increase☑Fuel price could increaseTighter regulations/requirements ☑	<ul style="list-style-type: none">Improve energy efficiencyBoost consumer awareness of, and demand for, sustainable and ethical products
Physical (Seen mainly in the 4°C scenario)	Acute	<ul style="list-style-type: none">Natural disasters could stop operations (e.g. typhoons, floods) ☑Natural disasters could disrupt logistics	<ul style="list-style-type: none">Increase expectation for environment-friendly products (e.g. dry shampoo and conditioner)Increase in consumer demand for products that correspond to high temperatures
	Chronic	<ul style="list-style-type: none">Changes in rainfall conditions could impact the cost of procuring raw materials derived from cropsWater shortages could stop operations☑	

☑ Risk factor analyzed qualitatively and quantitatively.

Reducing Water consumption

Quality water allows us to produce quality products. It supports every aspect of our cosmetics business, including the development of water-containing products such as lotions; the growth of plants as raw materials; temperature control; and equipment cleaning at production sites.

Post-production, water is essential for rinsing during hair and face washing. It also plays a key role in the disposal and recycling process.

In early 2020, we set a target of reducing our group-wide water consumption by 40%* by 2026. In order to achieve this target and ensure sustainable use of water, we are proceeding with efforts based on careful analysis of water usage.

At factories, which consume a large amount of water, we have been engaged in water-saving activities since the start of operations. This involves the use of automatic cleaning equipment at manufacturing facilities, and setting up equipment-cleaning locations for efficient water use.

We are also introducing water reclamation equipment at our factories that enables water to be recycled and reused. As a result of our ongoing efforts, water consumption was reduced by 16% in 2020 (compared to 2014).

* intensity per sales, compared to consumption in 2014

Water Saving Initiatives

We are working to reduce water consumption at all our factories. At our Osaka factory (Japan), we reconsidered existing cooling methods and remodeled certain equipment. By introducing a circulation-type system that can recycle used water, we reduced water consumption by 8% per year. At our Kuki factory (Japan), we have introduced a water-saving washer for cleaning tanks and drums used for cosmetics storage and transportation. The machine uses a flexible nozzle and automatic controls, while cleaning patterns can be optimized according to residue and container type. This allows for 90% water reduction per cleaning. At the same factory, we have also developed a new cleaning agent for sunscreen products that are difficult to remove from storage tanks and manufacturing equipment. The new cleaning agent ensures a reduction in both cleaning times and water consumption.



Water saving equipment
at the Nasu factory (Japan)

Finally, at our Gien factory (France), we switched from water to alcohol for cleaning our fragrance product manufacturing equipment and resin skids. All alcohol used in the process is recycled. This has enabled us to use water more efficiently, leading to an 81% reduction in water consumption at this factory compared to 2009.

Groundwater

Water is a shared resource, jointly managed by various stakeholders at different stages of the river basin. In collaboration with local stakeholders, we promote "water stewardship"* as a common property through drainage methods and secondary use.

We use the abundant, high-quality groundwater for manufacturing processes and as a raw material for cosmetics. At our Nasu factory (Japan), we are working to recycle groundwater by supplying clean, treated wastewater to local agriculture.

*Using water in a way that is socially equitable, environmentally sustainable, and economically beneficial

Reducing Waste

While waste management and processing methods differ by country or region, the culture of effectively recycling or reusing resources has been nurtured at all Shiseido factories. We have been working on recycling and reusing waste for many years, promoting thorough waste management with careful sorting of materials before disposal.

Waste Reduction in Factories

We achieved zero emissions* at our domestic factories in 2003, and zero landfill in all 12 factories worldwide in 2020. This was made possible by continuous recycling of resources and careful separation and collection of waste.

In our Osaka factory (Japan), we contribute to resource circulation by using plastic compactors to convert waste plastics into recyclable materials. At our Kuki factory (Japan), we changed the dehydration method to reduce the amount of sludge discharged by wastewater treatment, switching from a drying method to a screw-pressing method that helps to save energy and reduce 250 tons of waste. We also manage our stock effectively by improving our estimations of demand and using excess stock.

*Recycled waste: 99.5% or higher

Employee training

In 2020, we held online seminars for all managers and employees in charge of industrial waste in Japan. The aim was to share knowledge and ensure understanding and compliance with laws and regulations. A total of 164 employees attended these seminars.

With the help of our original compliance checklist, each participant can identify how to effectively manage waste. As a result of these activities, there were no accidents or legal violations associated with waste in 2020.

The Report of Climate-related Financial Disclosure

2021. 7. 9

1. Background

Task Force on Climate-related Financial Disclosures (TCFD) was established by the Financial Stability Board at the request of G20 to examine how climate-related information should be disclosed, and how should financial institutions respond. TCFD published its final report¹⁾ in June 2017, and recommends companies to assess, manage, and disclose risks and opportunities related to climate change with corporate management perspective. The draft of corporate governance code published in April 2021 emphasized the necessity of disclosure along with the TCFD framework. Managing the climate-related risks/opportunities is becoming essential as ESG disclosure. The importance of forecasting uncertain mid- and long-term future risks by scenario analysis and taking countermeasures is recognized as common sense.

Table 1 TCFD Recommendations and supporting recommended disclosures

Governance: Disclose the organization's governance around climate-related risks and opportunities.
<ol style="list-style-type: none"> 1. Describe the board's oversight of climate-related risks and opportunities. 2. Describe management's role in assessing and managing climate-related risks and opportunities.
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.
<ol style="list-style-type: none"> 1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. 2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. 3. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.
<ol style="list-style-type: none"> 1. Describe the organization's processes for identifying and assessing climate-related risks. 2. Describe the organization's processes for managing climate-related risks. 3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

The Global Risks Report²⁾ published by the World Economic Forum indicates climate-related factor as the most significant risk to the global market. It is important to accurately analyze climate-related risks and opportunities and respond to them in advance to ensure sustainable business growth considering the recent severe damage caused by disasters.

Table 2 Global risk landscape (Global Risks Report 2021)

	By likelihood	By impact
1	Extreme weather	Infectious diseases
2	Climate action failure	Climate action failure
3	Human environmental damage	Weapons of mass destruction
4	Infectious diseases	Biodiversity loss
5	Biodiversity loss	Nature resource crisis

We recognize that climate change is not only an environmental issue, but a real issue that will affect our business strategies and financial plans over the medium to long term. Various factors caused through climate change such as regulations, natural disasters, and change in consumers' perception should be considered. We need to mitigate the climate-related risks which influence both our business and the wider society, and turn them into opportunities. For example, many of cosmetic raw materials are made from agricultural products such as palm oil. Stable climate conditions, including rain and temperature, are essential for our continuous business growth. If the weather condition changes due to climate change, it will cause water shortages and serious disasters, which will have significant impacts on society as well as our value chain, including our procurement, production, logistics, and sales activities.

Therefore, in 2020, we disclosed the target of achieving carbon neutrality by 2026 through the reduction of CO₂ emissions of the Scope 1 and Scope 2. We also committed to accelerate to analyze climate-related risks and opportunities, and integrate them into our company-wide actions.

The methodology and results of the analysis disclosed in this report were developed

and evaluated by the Sustainable Environment Department in the Social Value Creation Division. The analysis assumes a much longer time scale than that of normal business planning and risk management, the results contains a great deal of uncertainty and indeterminacy, which is an issue that needs to be improved in the future.

2. Governance

The Sustainability Committee discusses management decisions concerning sustainability issues. The committee is chaired by Representative Director and consists of executive officers in charge of Corporate Strategy, Social Value Creation, R&D, Supply Network, Corporate Communications, Brands, and Corporate Auditors. In 2020, In addition to the Committee, other significant issues were also discussed with the Executive Committee, the Innovation Committee, and the Board of Directors, for a total of 12 meetings. At the committee, mid- to long-term targets related to CO₂ emission, water, waste, packaging and, sustainable procurement (e.g. palm oil, paper) were discussed in order to tackle various environmental issues proactively. As those targets are impacting on corporate direction, they were raised to the Board of Directors. Considering the importance of the climate change issue, the Board of Directors pointed out the importance of reflecting stakeholders' expectation to a target rather than what we can achieve, and encouraged us to commit the ambitious targets.

3. Strategy (Scenario analysis)

On the basis of the Representative Concentration Pathways (RCPs) and the Shared Socioeconomic Pathways (SSPs) provided by Intergovernmental Panel on Climate Change (IPCC), the scenario analysis was conducted for both the transitional and the physical risks/opportunities in terms of the 1.5/2° C scenario where climate change will be suppressed due to global cooperation and the 4° C scenarios, respectively. A variety of factors and relationships among them are assumed to contribute to climate-related risks and opportunities. In the 1.5/2° C scenario, the elements associated with the transition toward decarbonized society such as policy, regulation, technology, market and reputation were considered. In the 4° C scenario without proactive mitigation countermeasures against climate change, the physical factors related to the acute or chronic phenomena caused by the temperature rising such as floods, and water shortages were analyzed. We selected carbon taxes, market and consumers' perception changes, floods, and water shortages as the influential risk factors in the supply chain, and quantified their financial

impacts in 2030.

In the 1.5/2° C scenario, where a decarbonized society will be formed, the impact of transition risk will be more pronounced, and in the 4° C scenario, where temperature will rise significantly, the physical risk will be more obvious. So, the corresponding risks are described in the following scenario analysis.

Table 3 Climate-related risks and opportunities

	Category	Factor	Natural phenomena	Impact to society	Impact to Shiseido	Countermeasure
1.5/2°C scenario (Transition risks/ Opportunities)	Policy, Regulation	Carbon tax		Energy cost rising	Procurement and operation cost rising	Introduce energy-saving facilities, Switch to renewable energy
		Circular economy, Green deal		Implement circular economy	Prohibit the use of single-use plastic	Develop circular-products/service
	Technology	Decarbonated fuel (H ₂ , NH ₃ etc.)		Switch fuel and boiler facility	Energy cost rising, Facility switching	Switch to decarbonated fuel
		Renewable energy		Expand renewable energy	Energy cost rising	Switch to renewable energy
	Market	Demand from investors		Enhance of non-financial disclosure from companies	Fall/rise in stock price, Change in financial plan	Improve system for non-financial disclosure
		Empathy for sustainable brands		Increase demand for ethical and sustainable Products	Ethical and sustainable product design	Develop ethical and sustainable brands/products
	Reputation	Demand for solving Env. and social issues				
	4°C scenario (Physical risks/ Opportunities)	Acute	Temperature rising	Extreme weather event, Floods	Increase flood damage, Insurance cost rising	Suspension of production, Disruption of logistics
Chronic		Sea level rising		Decline in property values in seaside areas	Surge damage to sites in coastal areas	Identify inundated areas
		Temperature rising		Spread of infectious diseases and heat stroke	Health hazards for employees	Support for vaccination, Improve work environment
		Rainfall increase		Destabilization of agricultural production	Procurement cost rising	Identify affected materials, Develop alternatives
		Rainfall decrease				
			Competition for water resources	Suspension of production	Introduce water-saving and recycling facilities	
Factors other than climate change		Population increase				

In the 1.5/2° C scenario, we analyzed the transition risk based on the SSP-1 scenario, in which global coordination and sustainability are emphasized with the assumption that a

society has successfully mitigated climate change. In such the society, awareness of consumer on environmental issues is so high, and a market has been established in which sustainability is as important as product's quality and price. In terms of regulations and policies, we assumed that public funds would be invested in decarbonization technologies such as Carbon Capture, Utilize and Storage (CCUS) and Direct Air Capture (DAC), and that a high level carbon tax would be introduced worldwide to fund these investments. As a result, upstream in the value chain, the introduction of the carbon tax would increase energy and raw material procurement costs. In order to mitigate or avoid such additional costs caused by the carbon tax, the introduction of energy conservation and renewable energy through improved production efficiency is highly significant, and we are proactively working on it. And in the downstream, the loss of sales opportunities for some products was considered a risk. In the decarbonized society, it is also expected that products that do not take sustainability into consideration will not be accepted by consumers due to their high awareness on environment. We aim to mitigate risks and create new opportunities by providing sustainable products with new solutions through innovation.

We tried to organize the major risk factors in each continent caused by climate change based on the 5th Assessment Report³⁾ published by IPCC in order to specify the risks we should focus on for 4° C scenario. The following phenomena was identified as the factors to be considered:

- (1) Floods caused by extreme weather event
- (2) Water shortage due to changes in weather conditions

The Flood risk and water shortage due to changes in climatic conditions was analyzed based on the scientific evidences published in the IPCC 5th assessment report, and focused on the river basin where our factories are located. As an approximation of flood risk in 2030, we used the flood frequency in the RCP 2.6 in 2100. As for the impact of water shortage due to climate change on operations, the relative precipitation change rate from 2011 to 2040 in the RCP 8.5 was used to assess the impact in 2030. In addition, a comparative study based on the RCP 4.5 and 6.0 was conducted to confirm the severity of the physical risk in 4° C scenario and the effect of mitigation.

Table 4 Key risk factors reported by IPCC and Shiseido's activity area

Area	Key Risk Factor	Procurement	Manufacturing	Distribution
Asia	1. Flood 2. Heat-related mortality 3. Water shortage	●	●	●
Europe	1. Flood 2. Water shortage 3. Extreme heat event	●	●	●
North America	1. Wildfire 2. Heat-related mortality 3. Flood	●	●	●
South America	1. Flood 2. Food production 3. Infections	●		●
Oceania	1. Coral reef system 2. Flood 3. Sea-level-rise ranges	●		●
Africa	1. Water shortage 2. Food production 3. Infections	●		

Changes in weather conditions are also expected to have a significant impact on our raw materials procurement. We created a logic tree starting from the natural conditions and demographic changes to the end points such as effect on plant operations and procurement in order to understand the relationship between each factor.

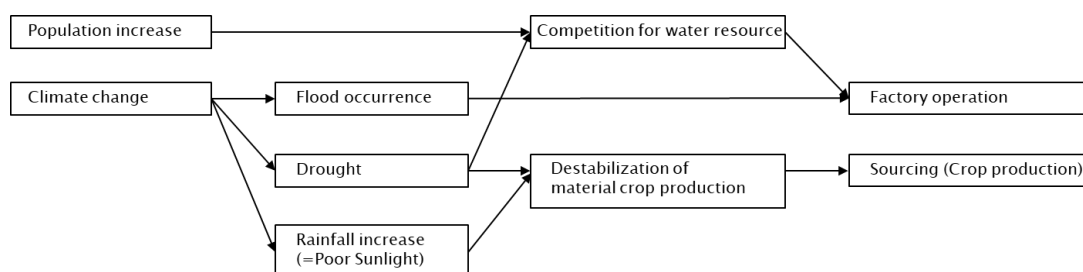


Fig. 2 Relationship between physical risks and impacts

Based on that, we evaluated the financial impact due to the flooding and drought on our plant operations. As for the impact on raw materials procurement because of changes

in weather conditions, we tried to identify the crops and regions which tend to be affected.

3.1 1.5/2° C scenario

(1) Carbon tax

Carbon tax will be introduced globally to secure the budget for the implementation of climate change mitigation policies and compensation for climate disasters. We calculated the impacts on our operations and procurement based on the IEA 450 scenario which anticipates the budget for implementing climate change mitigation policies to achieve the 2° C target and sets \$100 per 1 ton of CO₂ emissions as the tax rate.

Shiseido is making efforts to improve energy efficiency and introduce renewable energy. If we switch the electric power consumed in our factories to renewable energy, the financial impacts will decrease by 30%. The impacts will be estimated to decrease by 60% if we can switch 100% of electric power consumed in all our sites. Furthermore, carbon tax will have impacts on our procurement cost. It is estimated that about 4 to 11 times our direct burden will be taxed on economic activities upstream of our supply chain. Reducing Scope 3 emissions through collaboration with business partners will be effective in mitigating the impact. In addition, the impacts of various scenarios based on the environmental and economics report^{4,5)} about social cost of carbon, including the case where the society will aggressively aims to implement decarbonization solutions to achieve the 1.5° C target and the case where the carbon tax is used to compensate for climate disaster damage, were also estimated.

For this reason, we have positioned CO₂ emissions of Scope 1 and 2, and related to raw material procurement as one of the metrics for climate risk management, and are working to reduce them.

(2) Opportunities for sustainable products

Based on the SSP-1, in which a society is formed in which global cooperation and sustainability are emphasized in order to achieve the 1.5° C or 2° C target, we assumed a market where consumers have extremely high level knowledge and sensitivity to environmental issues. In such the society, the marine plastic problem will be solved from the viewpoint of environmental aspects such as sustainable resource consumption and climate change prevention, as well as social system design, mainly in developing countries. Sales opportunities for ethical or sustainable brands and products will expand. On the other hands, products with high CO₂ emissions and what are not in line with the circular economy concept will not only lose consumers' support but will likely be excluded from the

market by regulations.

Among the Shiseido Group's products developed by the Global Innovation Center, products that are difficult to switch to reusable or recyclable packaging because of technical issues will lose sales opportunities in regions where regulations are scheduled to be introduced. The negative impact was estimated small because we expect that most of our products will be able to switch to sustainable packaging which are meet with the circular economy. Also, the number of countries or regions where strict regulations are scheduled to be introduced is small.

In the meantime, with the introduction of the EU taxonomy in Europe, public and private funds are expected to be concentrated in the market of sustainability. It is expected that the implementation of circular economy policies in the European market will be a great opportunity for Shiseido, which has been providing refillable products for many years since the first launch of the refillable white powder in 1926.

3.2 4° C scenario

(1) Operation stop with natural disaster

The impact of large-scale floods due to temperature increase was evaluated. For the flood frequency in future, we used the return period of large-scale flood in the RCP 8.5 scenario reported by Hirabayashi *et al.*⁽⁶⁾ As for the current frequency, we adopted the average number of floods per unit area by country for the decade from 2000 to 2019 based on the Emergency Events Database of the Catholic University of Louvain⁽⁷⁾. The ratio of the reciprocal of return period in 2020 and 2100 was used for the increase rate of flood occurrence. The reported data are evaluated at a resolution of 0.25 degrees in latitude and longitude. Therefore, the results may differ significantly due to slight differences in location information. For this reason, we calculated the average score for each river basin and used them in this analysis. The amount of damage was calculated based on the assumption that factory operations would be suspended for one month when a large-scale flood will hit the factory area. As a result, the increase in the flood frequency is limited as of 2030, and the risk is assessed to be small. However, the impact is expected to increase toward the end of this century, and the importance of taking measures such as developing a business continuity plan, and predicting flooding from a long-term perspective was pointed out.

Such the extreme weather events have a significant impact not only on shipping from out factories but also on logistics. Therefore, we started to investigate the flood risk of our important distribution centers. First, we have carried out the analysis based on the same methodology for our distribution centers in Japan, and confirmed that the flood risk is low

according to the hazard maps published by the local governments. We plan to conduct a more reliable risk analysis on the facilities in our factories and the other distribution centers.

(2) Operation stop due to water shortage

The impact on factory operation due to water shortage, which will be caused by climate change. Rainfall projections were based on the relative precipitation change from 2011 to 2040 under the RCP 8.5 scenario, reported by Hanasaki *et al.*⁸⁾ The reported data are evaluated at a resolution of 0.25 degrees in latitude and longitude. Therefore, the results may differ significantly due to slight differences in location information. For this reason, we calculated the average score for each river basin and used them in this analysis. The amount of damage was calculated based on the assumption that factory operations would be suspended depending on the severity of the water shortage. In addition, the demographic change of the country or region where the factory is located was adopted as one of the explanatory variables based on the medium scenario of the United Nations demographic projections⁹⁾ because access to water resources is also affected by the population. The effect of demographic change is weighted 1/9 compare to the effect of precipitation change.

The financial impact due to the suspended factory operation was calculated by the risk function which can S-shaped curve in response to the risk factors such as rainfall reduction or population increase between the thresholds where the impact becomes apparent and where the impact is maximized because the effect of the fluctuation and the buffer effect of infrastructure should be taken into consideration.

As a result, the risk of water shortage in 2030 was assessed to be limited. However, the impact is expected to increase toward the end of this century, as is the flood risk. In order to manage water risk from a long-term perspective, we have selected water consumption at our business sites as a metrics and set a target of reducing by 40% by 2026. We will work to mitigate the risk and reduce the impact on the watershed environment by reducing water consumption through the introduction of water-saving and reclaimed water facilities, especially at factories that use a lot of water.

(3) Procurement cost increase for crops-derived materials due to rain condition change

Many of the cosmetic raw materials purchased by Shiseido are made from plants. The precipitation change due to the climate changes also affects the raw material production that derived from agricultural harvesting. Based on our actual raw material procurement result in 2019, we have analyzed how much and in which regions water resources were used to grow raw material crops in the basis of water footprint¹⁰⁾ methodology.

The sustainability of the water consumption was analyzed by the precipitation change until 2100 and the demographic projections for each country used in the previous chapter. As a result, we identified the material crops and location whose cultivation would be significantly affected by climate change. These crops may make procurement itself impossible as well as significant cost rising. We will take measures to avoid or mitigate the risk by changing the materials and diversifying the production areas for the material crops suggested to be severely affected.

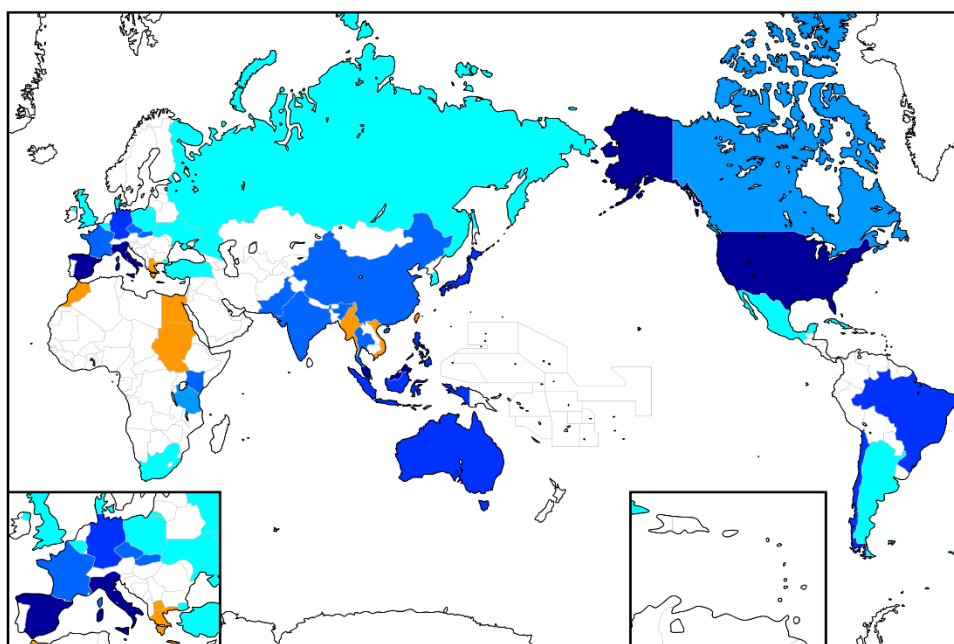


Fig. 4 Water consumption of agriculture for raw material production

(4) Opportunities due to climate change

In a 4° C scenario with a significant temperature rising, sales opportunities for products used in the summer will expand. Shiseido has elucidated the mechanism by which cool-touch ingredients such as menthol influence more effectively and continuously through researching the structure of the cell surface¹¹⁾. Cool-touch products based on these findings and technologies are expected to expand the opportunities not only in Japan and Asia, but also in Europe, where heat waves have caused significant damage in recent years.

Furthermore, the Japan Agency for Marine-Earth Science and Technology (JAMSTEC) has announced that UV exposure in the mid-latitudes of the Northern Hemisphere is expected to increase toward the end of this century due to various environmental factors including climate change¹²⁾. The Northern Hemisphere mid-latitudes have many large

cities with concentrated populations such as Tokyo and Beijing. The increase in UV radiation is expected to lead to make opportunities for sunscreen products.

4. Risk Management

In 2020, Shiseido adopted a holistic approach to assessing risks, and the six most impactful risks (Threats and Opportunities) for 2021 in relation to our WIN 2023 Key Strategies are identified: “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”. Climate-related risks are analyzed based on scientific and socio-economic evidence and integrated into the enterprise risk management as one of the elements related to natural disasters or ESC. The Group’s risks assessment and countermeasures are also periodically reviewed by the Global Risk Management & Compliance Committee, headed by the Group CEO and composed of regional CEOs and executive officers as well as the Executive Committee.

5. Metrics and Targets

In order to mitigate the physical risks, we use the ratio of our CO₂ emissions as the metrics and track and monitor them every year. Especially, we set the target to achieve carbon-neutral operations by 2026 for the Scope 1 and 2 emissions. In terms of mitigating market risks and creating opportunities in the 1.5/2° C scenario, we set the ratio of either reusable, recyclable, or biodegradable packaging as a metrics, and set the target to shift to 100% sustainable packaging by 2025. To manage the risk of water shortage in the 4° C scenario, we selected water consumption at our business sites as an indicator and set a target of reducing it by 40% by 2026. As for other physical risks, we will examine appropriate metrics from the viewpoint of long-term risk management.

6. Roadmap for Disclosure

In April 2019, Shiseido announced its support for the Task Force on Climate-related Financial Disclosures, we started disclosing the result of climate related risk analysis based on TCFD framework. In addition to the results of the qualitative analysis of risks and opportunities disclosed in 2020, this year we also disclose the quantitative risk analysis and major areas for response actions. We will make efforts to mitigate risks by planning response actions in cooperation with our businesses and integrating them into our

management and business strategies. In addition, we will disclose initiatives that lead to new opportunities as well as risk mitigation through the value chain. At the same time, we will also improve our analysis based on the latest scientific evidence.

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Developing Sustainable Products

"Let the product speak for itself." These words from Shiseido's founder and first president are reflected in our corporate mission and product development goals. We believe our products can convey the message that we aim to work sustainably, such as how we procure raw materials, and our commitment to reducing, reusing, and recycling. We aim to provide consumers with products that demonstrate our sustainability beliefs, from the moment of purchase, upon every use, and at disposal or reuse. In addition, through design and usability, our products also communicate the "art and science" aspect of our DNA.

Based on the unique Japanese spirit of Mottainai*, we strive to minimize the use of natural resources and promote activities that allow for reuse. In consideration of the environment, we have also been cultivating formulas and ingredients that comply with high safety and quality standards. By living in harmony with the planet, we can contribute to the realization of a more sustainable world.

*Mottainai: a Japanese word that expresses a sense of regret over waste, and is a call for gratitude and respect. It is also a concept used by environmentalists to encourage people to reduce, reuse, and recycle.

Sustainable Packaging

In order to provide products with a smaller environmental footprint, we are promoting analysis based on the Life Cycle Assessment. For packaging, since the footprint at the procurement and disposal stages is large, we are promoting initiatives to "reduce," "reuse," "recycle," and "replace," which are effective ways of reducing the footprint. In 2020, we introduced our packaging development policy, "Shiseido 5Rs"*1 which includes "respect," the idea of respecting people, society and the environment, as the basis for these initiatives. To support the concept of a circular economy, we also disclosed our medium-term target: 100% Sustainable Packaging by 2025*2, which means we aim to make our cosmetics' plastic packaging either reusable, recyclable, or biodegradable.

Sustainable packaging accounted for 57% of all Shiseido packaging developed in Japan in 2020*3, a large portion of which included refillable packaging that also allows for the reduction and reuse of plastics, and mono-materials usage. In the same year, other sustainable packaging achievements included the development of packaging made from materials that decompose in water, and the introduction of refill services at our stores.

*1 In order to reduce our environmental footprint and support the concept of a circular economy, Shiseido defined 5Rs : Respect, Reduce, Reuse, Recycle Replace.

*2 For sale of products with plastic packaging

*3 Amount of plastic packaging used in Japan in 2020 (Including estimates): 14,000t

Reduce and Reuse

Refillable products have been attracting a lot attention in recent years, especially for their role in reducing the environmental impact and minimizing plastic usage throughout the product life cycle.

At Shiseido, refillable solutions have been part of our approach to product packaging for a long time. Since launching our first refillable powder compact in 1926, we have introduced a range of Refillable solutions to our skincare, makeup, and hair care categories. In 2020, we offered refillable packaging for 1,200 stock keeping units (SKUs) under 53 brands globally. At ELIXIR — one of our key global brands — consumers' choice in favor of refills resulted in an 83% reduction of plastics compared with the use of regular (primary) packaging. For example, we estimated that the use of refills for ELIXIR lotions and emulsions in Japan reduced our carbon footprint by 56%, based on the Life Cycle Assessment methodology. In 2021, we will continue to expand our Refillable solutions to other regions.

We also believe in sharing the importance of sustainability with our consumers. By opting for refillable solutions, they are able to contribute to reducing the environmental footprint of their product consumption, while acquiring personal beauty and economic benefits.

For cosmetics, packaging design and usability are important values. While leveraging almost 150 years of knowledge, we strive to accelerate innovation, considering materials, composition, processes, and business models from a circular economy perspective. By offering innovative packaging such as convenient, refillable products, we aim to turn commitment into action, communicating the importance of sustainability to our consumers around the world.

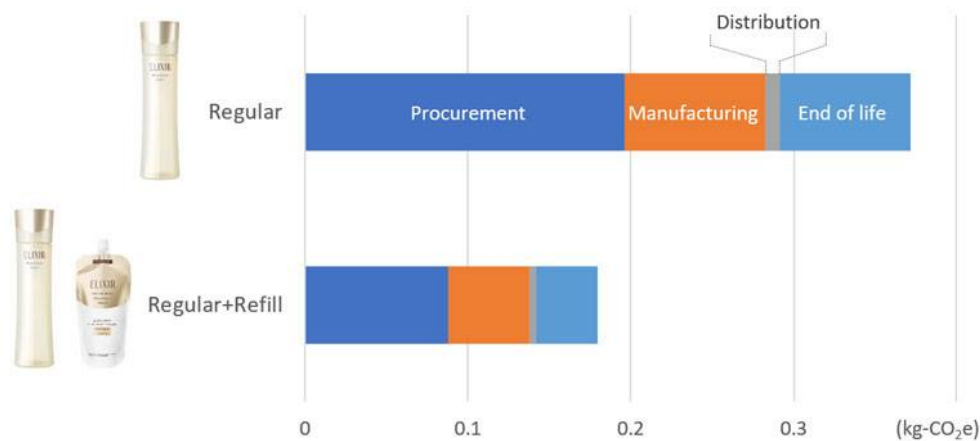


Fig.1 Carbon footprint of Elixir Lotion and Emulsion packaging

● Initiative for Reuse

To make more effective use of limited resources and minimize environmental impact, SHISEIDO introduced a new refilling service at its global flagship store in Japan. The service, called the Ultimune Fountain, encourages consumers to bring used packaging to the store for cleaning and refilling. We succeeded in introducing the service thanks to meticulous hygiene management compliant with the strict Japanese safety and quality standards related to refilling — especially for cosmetics due to their complicated content composition and long-term use.



The SHISEIDO ULTIMUNE FOUNTAIN

Looking ahead, we will use our knowledge and experience in reusing packaging to inspire further innovations. In addition, we join the reusable packaging program, Loop* in Japan in 2021.

*Loop is a circular shopping platform created by Terracycle (US) that replaces single-use disposable packaging with durable, reusable packaging. Loop is currently available in the UK, France, Canada and the USA, and is scheduled to launch in Japan in 2021.

Recycle

To realize a circular economy, it is important to select materials and design products that can be reused and recycled.

In order to reduce the number of single-use plastics, we develop mono-material packaging and packaging that can be easily disassembled and recycled after use. In 2020, 25% of the products developed at the Shiseido Global Innovation Center in Japan featured either mono-material or easy-to-disassemble designs. The majority of these were products with large sales volumes, such as SENKA face wash and TSUBAKI shampoo and conditioner.

Drunk Elephant, a brand rooted in "clean beauty", aims to accelerate packaging recyclability, and is aiming to be recyclable materials by the end of 2021. Such initiatives are also being pursued by our other brands. And BAUM — our

skincare brand launched in 2020 — actively uses recycled glass in its packaging.

● In-store Collection and Recycling

To support recycling, Shiseido and its brands work closely with consumers, waste suppliers, and other stakeholders. We have been promoting in-store collection and recycling of used packaging at stores, while doing the same globally as an initiative to consider environmental issues together with consumers to contribute to their resolution.

In Japan, in 2021, Aeon Retail Co., Ltd. (Aeon) which takes leads in the collection bases, and TerraCycle Japan LLC, which handles the recycling and reuse services, are collaborating to launch the "Glam Beautique Recycling Program" together with Shiseido and other major cosmetics and daily necessities manufacturers (Kose Co. Ltd., L'Oreal Japan Co., Ltd. and P&G Japan G.K.). Used packaging from skincare, makeup, hair care and hair color products will be collected at 87 "Glam Beautique" stores operated by Aeon in Japan. They will then be recycled into plastic materials to be reused as new resources.

In addition, *SHISEIDO Professional* has introduced initiatives to collect used cosmetics and hair product packaging from salon customers at Shiseido Beauty Salons before recycling them to generate sustainable resources. In China, similar initiatives have been launched at department store counters under skincare brands *IPSA* and *AUPRES*.



Replace

At Shiseido, we are engaged in developing alternative plastics, biomaterials with low environmental impact, and packaging that biodegrades naturally. In 2020, SHISEIDO launched a new type of sustainable packaging in collaboration with Japanese material manufacturer KANEKA. Composed of 100% KANEKA biodegradable polymer Green Planet™, the new material is unlike conventional biomass materials. It is biosynthesized within the cells of microorganisms and can decompose in freshwater or seawater. As with all new materials, there are challenges to overcome — such as moldability and stability — but we believe this innovation is one possible solution to the problem of marine plastic waste.

Since 2011, we have also expanded the use of sugarcane derived polyethylene as a packaging material for some of our brands, including hair care brand TSUBAKI, suncare brand ANESSA, skincare brand ELIXIR and men's brand UNO — all of which boast high sales volumes. Sugarcane-derived polyethylene is made from molasses after the sugar has been refined. It is viewed as a cleaner alternative to petroleum-derived polyethylene, as its fibers can be used as fuel in the manufacturing process. Its usage contributes significantly to reducing CO₂ emissions.



SHISEIDO AquaGel Lip Palette, the world's first Green Planet™ cosmetics container

Sustainable Formula

We are committed to developing products and services that are safe and meet high quality standards. We aim to achieve this by using over a century's worth of extensive research and results from dermatological and material science — combined with the latest formulation technologies. Currently, we are conducting research and development at seven innovation centers around the world.

Naturally derived raw materials are widely used in cosmetics products. From an environmental perspective, their sustainable and responsible procurement and use are of the utmost importance. Our Global Innovation Center (Yokohama, Japan), which manages all regional centers, compiled a list of all ingredients used in our products to provide clarity from a sustainability perspective.

When selecting raw materials and ingredients, we strive to prioritize human safety, reduce our environmental footprint, and carefully consider ethics. Through our technologies and patents, we contribute to both the planet and society.

UV Care

As a result of climate change, the amount of UV radiation has been increasing*. UV exposure for people around the world is also expected to increase.

Exposure to UV rays over extended periods of time causes spots and wrinkles on skin, referred to as photoaging. Fortunately, cosmetics nowadays offer a variety of ways to protect against UV. However, while UV protection is essential to human health, it has been shown that some components in UV protective products may have an adverse effect on marine ecosystems such as coral.



SHISEIDO Ultimate Sun Protector Lotion

In response to this, we have been developing sunscreen that protects skin without negatively impacting the environment. In 2020, SHISEIDO released a new sun care product in the USA —Ultimate Sun Protector Lotion — which is free from ingredients that pose a risk of coral bleaching.

*JAMSTEC (Japan Agency for Marine-Earth Science and Technology) research results indicate that climate change influences atmospheric circulation (Hadley circulation) and increases the total amount of UV ray exposure in the middle latitudes.

Actions Toward Consumer Needs

In recent years, we have seen how natural environments and communities suffer as a result of exploitation and unsustainable activities. Consumers are reacting to this. More than ever before, they are holding brands and companies accountable when it comes to showing social responsibility and taking real action to reduce the environmental impact of their activities. This includes the use of raw materials.

At Shiseido, we wish to give consumers and all other stakeholders insight into how our products are produced. Therefore, we issued our sustainable product development policy, which reflects impact to human safety, environmental considerations, and ethics. We also exercise transparency in terms of corporate product development directions for each of our brands.

Clean beauty is important to us, and we respond to consumers' sustainability needs with brands such as Drunk Elephant, and BAUM— which was established in 2020 around the theme "coexistence with trees" and uses upcycled oak, bioPET plastics and recycled glass for its packaging, and is an advocate of product refills. These brands strive to satisfy consumer needs through sustainability actions such as raw material procurement, ingredients usage, and packaging.

License of Environmental Technology

In an attempt to solve environmental and social issues, the practice of licensing owned and patented technologies has become increasingly popular in recent years. Rather than monopolizing environment-related technology, companies are looking to one another for shared solutions.

In 2020, we were the first cosmetics company to join WIPOGREEN 2, an international technology exchange platform established by the World Intellectual Property Organization (WIPO), and have since registered several environment-friendly technologies in the WIPO GREEN database. Notably, these include technologies that achieve both excellent cleaning and water conservation during rinsing, which can be applied mainly to cleansing and hair care products, as well as technologies that concentrate and reduce energy consumption for manufacturing and transportation. We believe such technologies can contribute to tackling environmental issues such as drought and CO₂ emissions.

*WIPO GREEN was established by WIPO in 2013 as an international framework to promote innovation and diffusion of environment-related technologies and has gained the participation of more than 100 corporations around the world.

Our Environmental Approach

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

'Shiseido' comes from a phrase in the Chinese classical text, I Ching: 'Praise the virtues of the Earth, which nurtures new life and brings forth significant values.' Respect for the planet, society and people has been embedded in our culture since our foundation in 1872. In everything we do — from development and procurement to production — we work to preserve the global environment that we all depend on. That is how we create sustainable value. In this chapter, we report on the strategic actions we have taken to contribute to the health of our planet.

Since 1992, when Shiseido Eco Policy, a set of the company's principles on environmental considerations, was formulated, we have worked to preserve the global environment. Today, the inherited passion appears in "With Society and the Earth," one of the Shiseido Group Standards of Business Conduct and Ethics. Following this spirit, we praise and try to preserve the blessings of the Earth, and conduct business with a sincere commitment to people's desire to "live beautifully." That is, we believe, our purpose.

We believe that conservation of biodiversity and sustainable use of water resources are important for "the preservation of the bounty of the Earth." Regarding the former issue, we organized "the concept of Shiseido's biodiversity" in 2010 as follows.

Our thoughts regarding "biodiversity"

Shiseido is grateful for the benefits of the Earth, the source of new values. Recognizing that the resources of the Earth are limited, we will use them wisely and fairly for the sake of future generations. Moreover, we will work proactively for the conservation of biodiversity to realize a sustainable society.

Our thoughts regarding "fresh water resources"

We will aim for sustainable water use with respect for the healthy water circulation and the water-related culture practices of the local community. First, we will create an understanding of the actual situation of our water use through the value chain of our business activities. Then, based on it, we will work towards minimizing the impacts on the water circulation and the local water-related culture.

Environmental Management

Implementation framework

At Shiseido, we are working to promote sustainability across the entire company, including our brands and regional businesses.

In 2020, we launched and held regular meetings of the Sustainability Committee, a dedicated forum to ensure timely management decisions and thorough recognition of this theme. The committee discusses Group-wide sustainability initiatives, decides on strategies, policies, and specific action plans, and monitors the progress of medium-to-long-term goals. It consists of a representative director and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, Social Value Creation and our brands, with other corporate officers participating on an as-needed basis according to the matter at hand. In addition to the Sustainability Committee, other significant issues related to sustainability were also discussed with the Executive Committee, the Innovation Committee, and the

Board of Directors, for a total of 12 meetings in 2020.

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. Our ten 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.

* 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, 2020

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			115	452
Breakdown	(1)-1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	4	103
	(1)-2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	77	9
	(1)-3 Resources recycling costs	Waste processing, recycling, Wastewater re-use, reducing materials, etc.	34	337
	(1)-4 Chemical substance reduction cost		-	3
(2) Upstream/downstream costs		Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc.	-	189
(3) Administrative costs		Personnel expenses (excluding R&D), environmental management costs	3	269
(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.	-	30
(6) Environmental remediation costs		Environmental remediation costs, etc.	-	1
(7) Other costs			-	1
Total			118	942

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.	38
Cost savings	From energy conservation	52
	Waste-related	10
	From resource conservation	11
	Other	0
Total		111

Society

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



Since our establishment in 1872, we have offered products and services to enrich the lives of people everywhere, responding to everchanging social values and the diverse needs of humanity. The coronavirus (COVID-19) pandemic has had an unprecedented effect on society and has forced many people to question their beliefs and re-examine the way they live. In particular, it has had significant consequences for groups who were already exposed, such as highly vulnerable women. Going forward, we strive to promote a broader range of social values. By offering various avenues of education, we aim to move away from monoculture, stereotypes, prejudice, and discrimination to nurture a society of diversity and inclusion.

1. Advancing Gender Equality

We strive to realize a society that empowers everyone – regardless of gender – to live life exactly as they wish. It is our mission to solve social issues that affect women. For more than 100 years, we have not only supported and inspired women around the world through our products and services; we have also worked to increase their visibility and elevate their role in society. In 1934, we challenged conventions and welcomed women into the workplace in Japan, creating the specialized role of Miss Shiseido – the predecessor of today's Beauty Consultants. Then, in the 1990s, we introduced efforts to help women keep working regardless of life events, such as raising children. We have continued to support our female employees ever since. Outside of Japan, we began hiring female Beauty Consultants in Singapore in 1959, followed by Taiwan. Building on our heritage of empowering women in Japan and around the world, we also collaborate with organizations to give vulnerable girls STEM (Science, Technology, Engineering, and Mathematics) education opportunities.

2. Empowering People Through the Power of Beauty

At Shiseido, we strive to empower everyone through the power of beauty. Throughout our history, we have studied the therapeutic and empowering effects of cosmetics. In 1956, we introduced Japan's first makeup product designed to conceal burn marks suffered in World War 2. Since then, we have developed a wide range of cosmetics for discolorations and scars. In recent years, we have harnessed the power of beauty to support cancer patients and survivors coping with changes in appearance related to their treatment. And, in 2013, based on extensive research at care homes, we established a cosmetic therapy program to promote healthy life expectancy. We aim to support a society where people feel empowered, confident and free to be themselves. And we strive to share our expertise in beauty care and research into aging society with countries and regions that face similar challenges as Japan.

3. Promoting Respect for Human Rights

At Shiseido, respect for human rights is at the core of our DNA. Across our business, we are dedicated to respecting and protecting the rights of our diverse group of stakeholders, including partners and employees. We are committed to eradicating human rights issues — including forced labor and child labor — as well as workplace harassment, which is an issue that has become more prevalent due to changes in social structure and the rise of more diverse values. We are aware that failure to take appropriate action against such issues poses great risk to our company and all our stakeholders. Across the Shiseido Group, we have standards and policies in place to guide our actions when it comes to human rights. Based on the Shiseido Group Standards of Business Conduct and Ethics, which stipulate the mandatory behavior expected of every individual working for the Shiseido Group, we ensure that our business is always conducted according to high ethical standards.

Human Resources

Respecting Human Rights and Ensuring Responsible Procurement

Resolving the Gender Gap and Empowering Women in Japan

We promote a variety of initiatives to solve gender issues and empower women in Japan. As a leading company in this field, our efforts include:

30% Club Japan Participation for Sound Gender Balance in Corporate Decision-making Bodies

The 30% Club, a global campaign to boost female representation on company boards, launched in Japan in May 2019. Since its launch, Masahiko Uotani, President and CEO of Shiseido, has served as Chair.

Under Mr. Uotani's leadership and belief that "Japanese companies must play a central role in promoting social change", 30% Club Japan established the "TOPIX Presidents' Committee", a community of TOPIX 100 and TOPIX Mid 400 leaders. The Committee works to achieve a 30% ratio of women in upper management roles at TOPIX 100 companies in Japan by 2030.

In addition, as part of specific action to deal with three factors that impede women's career growth, 30% Club Japan has promoted collaborative initiatives with member companies, such as offering opportunities for young female employees to explore their careers at an early stage, as well as sharing management know-how to support employees through childbirth and child-rearing, and holding exchange events for female executive candidates and leaders of the TOPIX Presidents' Committee.

By participating in 30% Club Japan, we aim to increase female representation on boards and in upper management, and ultimately help resolve the gender gap in Japan – which ranks 120th in the Global Gender Gap Report 2021.

[Click here for the TOPIX Presidents' committee \(Japanese language only\)](#)



TOPIX Presidents' Committee

Support for Women's Empowerment in Collaboration with Local Government

Shiseido Japan Co., Ltd. and Hiroshima Prefecture signed an agreement aimed at supporting women's empowerment in 2021, wherein Shiseido will contribute to the local community through activities it has worked on in support of women's empowerment and gender equality. Going forward, Shiseido Japan Co., Ltd. will support women's social participation and employment in Hiroshima Prefecture, mainly through beauty seminars. Additionally, the Company will raise public awareness and disseminate



information on the support of women's empowerment and help create a network of working women. In March 2021, an online seminar was held for 14 women seeking re-employment as an event to commemorate the agreement for the collaboration. A lecture on basic makeup and advice was shared on makeup for online interviews, now mainstream due to the effects of COVID-19, to help women prepare for their career restart.

Childcare Support

We recognize the concerns many families face — balancing work and childcare — particularly during the early child-raising years. To provide support during this time, we established two in-office daycare nurseries: Kangaroom Shiodome (opened in 2003) and Kangaroom Kakegawa (opened in 2017). As well as providing support for our employees, we also offer places to families who live or work nearby.

These facilities have been well-received, with feedback such as "I can return to work at any time without worries," "I feel a sense of security that my child is at a place near my workplace," and "I can concentrate on my work as I don't have to rush to pick up my child." These comments show how much the facilities have contributed to changing the mindset on work styles and realizing a work-life balance.

In the drive to "improve the childcare environment through coordination among companies," Shiseido started its childcare business in 2017 with the establishment of KODOMOLOGY Co., Ltd., which focuses on entrusted operation of in-house childcare facilities within businesses. In addition to the operation of our own in-house nurseries, we began supporting and managing two childcare facilities at other companies in Kanagawa and Shizuoka prefectures.

Since 2019, Shiseido has held workshops for employees raising children, including dual-career couples. A program for children was also offered under the academic guidance of the Center for Early Childhood Development, Education, and Policy Research in the Graduate School of Education at the University of Tokyo. It was designed for children to develop their curiosity and power of expression while learning onomatopoeic and mimetic words using cosmetic ingredients.

Shiseido will continue its wide variety of activities as part of efforts to realize a sustainable society where everyone can grow in good health.



In-house daycare nursery "Kangaroom Kakegawa"



Supporting Female Researchers

We are working to increase the ratio of female researchers in Japan, which remains at a low level of about 16.9% compared to Western nations. To achieve this, we provide support for women conducting world-leading research in the field of natural sciences. In 2007, we established the Shiseido Female Researcher Science Grant, which provides funding for 10 female researchers per year. In 2021, its 14th year of operation, a grant of one million yen was bestowed to each researcher.

The grant provides unique flexibility, allowing researchers to use the money in support of life events including childbirth and childcare in the course of advancing research. In addition to the grant, in 2020 the Company held an exchange event for female researchers via an online platform. This facilitated participating in the event remotely and contributed to building a network among them.

To date, we have contributed to the research achievements of 139 female researchers in Japan.

SCIENCE GRANT SHISEIDO FEMALE RESEARCHER



Online exchange event



The Shiseido Female Researcher Science Grant online award ceremony

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,” where women's work and private lives are bridged. 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 brighter, at home and work.

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

In its third year, we held the tournament under the theme “Power of Women 2021: Let's expand the circle of support!” aiming to inspire all the women who continue to work hard in this difficult environment of COVID-19.

Overcoming concerns that the event would not be held in this third year due to the COVID-19 pandemic, and taking the necessary preventive measures, we held qualifiers at four locations nationwide in August. The final tournament was held on Saturday, December 11th.

In the final tournament, the events were held on a smaller scale, but the 64 participating teams (128 players) had more participants than last year and they enjoyed golfing, networking, and feeling invigorated for the future.



Education of Women and Girls and Supporting Self-reliance

Over the years, Shiseido has launched several initiatives to empower women and address global gender issues. Working closely with our brands and regional headquarters, we support the education of socially disadvantaged women and girls around the world to enable their autonomy.

Clé de Peau Beauté's Commitment in Supporting Girls' Education and Empowerment

In 2019, Clé de Peau Beauté announced a global partnership with UNICEF*1 to support girls' education and empowerment around the world. The brand pledged the world's largest contribution of US\$8.7 million in support of UNICEF's Gender Equality Program. In this way, the brand helps to promote the organization's effort to empower 6.5 million girls globally with skills for the future through education, skills development, and empowerment programs.

A CRM Campaign*2 featuring the brand's best-selling product, The Serum, was launched in 2020 to invite consumer participation and raise awareness for UNICEF's program. Primarily focused in-store, the campaign spans 21 countries and regions.

This partnership aims to provide girls who are unable to attend school with necessary learning opportunities for them to earn a livelihood and to get a job. Specifically, the partnership support UNICEF's work to promote STEM education*3 for girls in Bangladesh, Kyrgyzstan and Niger, among other countries and regions where female students have long been deprived of access to learn STEM subjects due to stereotypes and gender norms towards girls.

Girls will also learn skills such as self-confidence, teamwork, and decision-making as well as have access to mentorships so that they can successfully transition to the workforce. Through this partnership, we contribute to the realization of the United Nation Sustainable Development Goal 4 (SDG 4), "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all," and SDG 5, "Achieve gender equality and empower all women and girls," while protecting the rights of girls, working to achieve international goals that aim to provide girls with equal education and employment opportunities as boys, and helping them unlock the power of their potential.

In 2019, Clé de Peau Beauté also announced a long-term philanthropic endeavor to advocate for girls' education, empowering a brighter tomorrow. The brand launched the Power of Radiance Awards to honor women from around the world who have acted to drive positive change through knowledge*4.

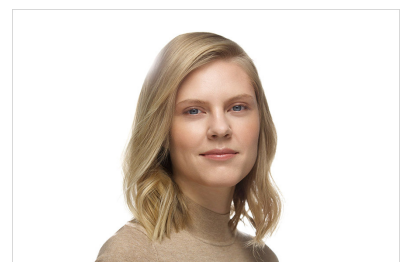
In 2021, the Power of Radiance Awards recognized Alyona Tkachenko from Kazakhstan in recognition of her efforts to advocate and promote STEM education among young women and girls in her country.

At events such as 2021 ADB Asia and the Pacific Virtual Gender Forum and the UNICEF-hosted Global Forum for Children and Youth, Clé de Peau Beauté shared the value of its partnership with UNICEF in supporting girls' education and empowerment and emphasized the importance of private sector engagement.



Building 21st century Skills for Girls in Kyrgyzstan

@UNICEF/UN041263/Pirozzi



The Power of Radiance Awards recipient for 2021 Alyona Tkachenko

Clé de Peau Beauté is proud to take actions to deliver tangible results through championing STEM-related education. In the past year, due to COVID-19, education activities have been disrupted. Our increased reliance on technology has made it clear that the future will demand a greater focus on STEM fields for the next generation of girls to succeed and thrive — making our initiative even more meaningful as we help to develop a blueprint for building girls' and young women's skills both in times of crisis and for the future.

*1 : UNICEF does not endorse any company, brand, product or service.

*2 : CRM Campaign: A Cause Related Marketing Campaign whereby a portion of The Serum's sales will be donated to support UNICEF's program.

*3 : 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.

*4 : Grants from the Power of Radiance Awards are donated to a charitable organization of the award recipient's choice in support of educational initiatives.

Shiseido Travel Retail: Supporting Socially Disadvantaged Women

In 2020, Shiseido Travel Retail partnered with Friends-International for the "Empower Her" initiative, which aims to help young women from disadvantaged backgrounds in Cambodia break the cycle of poverty by providing education, vocational beauty training, access to job placement opportunities, and employment support.

In support of the initiative, we provide cash donations and beauty products; we are also actively involved in the development of the training curriculum.

In 2020, 37 students received vocational beauty training — eight of whom were placed in employment. Through this initiative, we aim to provide training and employment support to around 70 women per year.



Beauty Training



Vocational Training

Diversity, Inclusion and the Empowerment of Women at Shiseido

We aim to build a culture that respects and supports the diversity of our workforce. By empowering people from various backgrounds, we are creating an environment where each employee feels valued and included. In particular, we actively promote the empowerment of women in Japan.

Empowering Women at Shiseido

Women's empowerment in the workplace is one of our top priorities. As of December 2020, 83% of the Shiseido Group workforce is female. The percentage of women in leadership positions across our global organization is 57.5%*. As of March 2021, 46.2% of our board members are women. In Japan, as of January 2021, the percentage of female leaders is 34.7%. We aim to increase this to 50% to fairly represent gender equality.

To support this initiative, we introduced a workshop program called "NEXT LEADERSHIP SESSIONS for WOMEN" in 2017. These workshops provide training specifically designed for female employees pursuing a career in management, with a focus on issues unique to women.



Mentoring program with female corporate officers "Speak Jam"

In 2020, we introduced "Speak Jam", a mentoring program connecting female corporate officers with female employees. The program provides information and support on the challenges women often face in life and the workplace, and our female corporate officers provide guidance based on their personal experiences. Speak Jam has become an important program for women at Shiseido in Japan, promoting a more positive outlook for their careers and, in the case of female corporate officers, helping to resolve issues that often impede the advancement of women.

* As of January 1, 2021 in Japan, and December 31, 2020 overseas

We also focus on improving our workplace environments to make them better and more productive places, not only for female employees but also others with diverse backgrounds and attributes, in order to promote further business growth through enhancing workplace health and safety as well as job satisfaction. To this end, we are implementing initiatives including revision of our work arrangements into flextime work schedules with no core hours, roll-out of remote work programs throughout the Shiseido Group in Japan, and adoption of an innovative work arrangement called "Shiseido Hybrid Workstyle" that allows employees to combine in-office work with remote work to maximize the synergy of the two work arrangements.

External Evaluations

Shiseido received the Prime Ministerial Award for Women Empowering Companies 2020 from the Cabinet Office of Japan to commend Japan's Leading Companies where Women Shine in recognition of outstanding results in terms of policies, initiatives and achievements in promoting female employees to executive and managerial positions.

We were also selected as a "Nadeshiko Brand"* by Japan's Ministry of Economy, Trade and Industry (METI), and the Tokyo Stock Exchange (TSE).

Such external recognition is the result of our efforts to support the empowerment of women in the workplace, including career development and management training, as well as our promotion of a healthy work-life balance for female employees.

Shiseido President and CEO Masahiko Uotani was also recognized for advancing various leadership initiatives to eliminate the gender gap across Japanese society through his roles as Chair of 30% Club Japan, which aims to increase the ratio of women among Japanese corporate board members, and as Co-Chair for the Committee on Diversity & Inclusion at KEIDANREN (Japan Business Federation).

Outside of Japan, we were recognized for our diversity in senior management by the WomenCorporateDirectors Foundation (WCD), a network of female executives from companies from around the world. We are the first Japanese company to win the WCD Visionary Award for Leadership and Governance of a Public Company.

We will continue to embrace diverse employees with different backgrounds, including not only women but also non-Japanese and mid-career employees, in order to accelerate diversity and inclusion.

* The Nadeshiko Brand designation was launched to publicize outstanding listed companies that are successfully encouraging women to play active roles in the workplace, which in turn attracts investors focused on medium- and long-term growth of corporate value.



The Prime Ministerial Award for Women Empowering Companies



2020 WCD Visionary Awards

International Women's Day: Shiseido Global Action

Shiseido uses the International Women's Day (March 8) of each year as an opportunity to implement various initiatives to promote a deeper understanding of gender equality as well as diversity and inclusion among all global employees. In 2021, we conducted the Career Relay Campaign as a cross-regional initiative under the common theme, "Enhance your confidence to boost your prospects." As part of the campaign, we featured the backgrounds and career milestones of six female executives at Shiseido through our Company intranet, profiling their vital roles in respective regions across the world. In Japan, some 24,000 employees underwent Gender Equality training via the Company's e-learning platform. We also held an open discussion about gender by women artists at the Shiseido Gallery. In each country, we have promoted initiatives to think about gender issues together with employees.

Shiseido's regional headquarters for Asia Pacific and Travel Retail, both based in Singapore, promoted initiatives together to urge their managers and employees alike to think about gender issues by, for example, distributing feature articles on International Women's Day internally to promote the employees' awareness, and requesting the design of original coasters and giving them out to employees to support the income of mother artists in difficult situations.

Shiseido's regional headquarters for China donated 6,000 cosmetic products via the China Women's Development Foundation to healthcare workers treating COVID-19 infected patients. In China, we also held a leaders' panel discussion.

In our regional headquarters for the Americas, we held a panel discussion featuring female leaders where each employee shared their thoughts on International Women's Day together with their photos on the Company intranet. We

also conducted a workshop with a support group for survivors of domestic violence. Headquarters employees wrote what they learned from the workshop and expressed their empathy with survivors via postcards delivered to the group.

Our regional headquarters for Europe produced a video program featuring interviews with its employees, sharing their thoughts on diversity and inclusion initiatives and the importance of female leaders.

Shiseido will continue its efforts to make the world a place in which diversity and uniqueness are widely embraced and everyone can feel happiness and enjoy freedom regardless of gender.



Shiseido logo for International Women's Day



Original coasters (Singapore)



Panel discussion by leaders (China)

Empowering People through the Power of Beauty

At Shiseido, we strive to empower everyone through the power of beauty.

Shiseido Life Quality Makeup: Supporting People with Serious Skin Concerns

We have been committed to improving quality of life through cosmetics since the 1950s. Today, as part of the Shiseido Life Quality Makeup initiative, we operate dedicated Life Quality Beauty Centers in five countries/regions around the world.*1

In 2020, in order to continue activities during the coronavirus (COVID-19) pandemic, we shifted our focus to digital solutions. We began offering online consultations in China and developed the Makeup Navigator website in Japan.*2 Such activities allowed us to support consumers in the comfort and safety of their own homes.

This year, we also presented an abstract on the efficacy of Perfect Cover Foundation products on vitiligo*3 at the International Pigment Cell Conference.*4 Part of our Life Quality Makeup lineup, Perfect Cover Foundation is a series of specialized foundations for deep skin concerns, including scars and discolorations.

Shiseido Asia Pacific received a Champions of Good award in 2020 for its sustainability efforts in Asia – including activities led by the Shiseido Life Quality Beauty Center.*5 The awards recognize organizations that are exemplary in their corporate giving, and those that engage partners and stakeholders in their initiatives.

*1 : Japan, China, Hong Kong, Taiwan, Singapore as of December 2020.

*2 : Due to COVID-19, we revised our plan to expand to 14 countries and regions by 2020.

*3 : Vitiligo is a long-term condition where pale white patches develop on the skin. It is caused by a lack of pigment in skin.

*4 : Abstract title: QOL effect of cosmetic camouflage for vitiligo

*5 : Champions of Good was launched in 2017 under the Company of Good in Singapore



Shiseido Life Quality Makeup

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

Supporting People Living with Cancer

Since 2008, we have supported people affected by changes in their appearance due to cancer treatments. As medicine advances, there is an increased focus on how to increase quality of life for people living with cancer. In 2019, we published the Beauty Book for Cancer Patients, following up in 2020 with Men's Grooming for Cancer Patients *1. We have provided these books to 385 cancer hospitals in Japan.

We also work with CancerNet Japan, a certified non-profit organization, and the Japan Cancer Society, a public interest incorporated foundation, to offer beauty care seminars at hospitals.

In 2020, SHISEIDO BEAUTY SALON released a medical wig that can be customized to fit the wearer's head size and hair condition. Through counseling and total care of the hair and scalp, our care advisers help make daily life more comfortable for our consumers.*2

Building on our experience in Japan, we are keen to expand our efforts globally. Last year, in Spain, working with Asociación Española Contra el Cáncer, we offered online makeup lessons to 101 cancer patients across 10 cities.

*1 : Also available on the Shiseido Life Quality Makeup website.

*2 : Care advisor is our name for certified beauty artists who have completed our original educational curriculum and passed the certification exam.



Online makeup lessons



Men's Grooming For Cancer Patients

LAVENDER RING: Supporting People with Cancer to Live with a Smile

Since 2017, we have participated in LAVENDER RING, a multilateral project to support people with cancer. As part of the project, we lead MAKEUP & PHOTOS WITH SMILES, which uses the power of beauty and photography to empower the social and professional lives of people with cancer. In 2020, we exhibited photos from the program at LIVE EMPOWER CHILDREN 2020, a charity event support of pediatric cancer. This was also the year when LAVENDER RING was held online for the first time. 35 Shiseido employees volunteered to provide individual online makeup lessons to 84 people with cancer nationwide. The event also included a panel discussion with celebrities – all of whom had a personal experience of cancer and wished to share messages of hope and encouragement with the audience. Finally, the LAVENDER RING expanded outside of Japan for the first time this year, with activities introduced in Taiwan. In recognition of our efforts, we received a Mécénat certification by the Association for Corporate Support of the Arts and the 2nd Nikkei SDGs Management Grand Prix Social Value Award.



Private online makeup lessons on LAVENDER RING

Collaborating with Retail Partners to Build Support Networks in Local Communities

In 2015, Japan's Ministry of Health, Labour and Welfare issued guidelines to promote healthy lifestyles among local communities. This inspired the creation of support structures for people with cancer, and senior citizens nationwide. To support this initiative, we are committed to providing local communities in Japan with specialized beauty information.

In 2020, we collaborated with Sugi Pharmacy to give local people with cancer better access to our beauty care service. In November, Sugi Pharmacy set up a private room in its Fushimi branch to mark the launch of our Perfect Cover Foundation.

We also developed the 'Beauty For Health' program, which incorporates research findings from Shiseido's cosmetic therapy to help older people.*1 As of December 2020, 459 CRC member retailers had adopted the program.*2

*1 : Shiseido's cosmetic therapy uses skincare and makeup application techniques to help improve and maintain mental and physical health, quality of life and healthy life expectancy.

*2 : CRC: National Federation of Cosmetic Retail Cooperative.



Designated private room (Sugi Pharmacy Fushimi Branch)

Supporting Older People

Due to coronavirus (COVID-19), we were unable to offer Shiseido Beauty Seminars to senior citizens in 2020. However, Shiseido Beauty Therapists continued to inspire happiness by writing letters of encouragement and creating exercise videos for residents at nursing homes throughout Japan.*1 Our efforts at a community level also remain strong, with medical workers who are certified as Shiseido Cosmetic Therapists sharing their expertise in cosmetic therapy at health and wellbeing workshops across the country.*2 In September 2020, one of Shiseido's researchers delivered a presentation at the 84th Japanese Psychological Association Symposium.*3 The presentation introduced cosmetic therapy activities and explained how skincare and makeup can benefit the frontline of medicine and care for older people by improving and maintaining physical and mental functions, and enhancing quality of life.

Outside of Japan, Shiseido Taiwan received the 16th Annual Corporate Social Responsibility Award from Global Views Monthly for its beauty seminars, which focused on using makeup and skincare for physical and mental wellbeing, as well as a socialization tool. The seminars were attended by 3,053 senior citizens.

*1 : Provided to 23 facilities nationwide.

*2 : Launched in 44 prefectures (as of December 2020).

*3 : Held online.



Local workshop led by medical workers
(Fukuoka, Japan)

Supporting People with Visual Disorders

In the 1980s, we began developing educational materials to assist consumers with vision impairments or low vision. This included beauty manuals in Braille, Braille stickers for products, and Braille dosage stickers. Our cosmetics advice website, Shiseido Listener's Café uses text-to-speech (TTS) software. It provides various information, including a basic introduction to cosmetics usage. The website also features an audio-based periodical on seasonal beauty information, called Fashionable Moment (Oshare-na Hitotoki).

In 2019, in cooperation with organizations for people with visual impairments, we developed SHISEIDO Guide Make, a cosmetics application method for people with visual impairments. By using their hands and fingers to guide them, people can apply their own skincare and makeup.



SHISEIDO Guide Makeup

Supporting Children in Foster Care

Our children are the future, and at Shiseido, we are committed to building a society where every child can thrive and not a single one is left behind. The Shiseido Social Welfare Foundation is engaged in a diverse range of activities in support of children living in social care.* Since 2005, to promote self-reliance among such children, the foundation has organized seminars focused on grooming, etiquette, and other skills. Developed and run in collaboration with Shiseido Japan Co., Ltd., AOKI, Inc., Recruit Co., Ltd., and other organizations, these seminars aim to help prospective high school graduates prepare for further education or a career to live independently. The foundation also offers scholarships for higher education, and training programs and educational magazines for staff at child welfare facilities.



Grooming lessons

*The Shiseido Social Welfare Foundation is a public interest incorporated foundation

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 funded by voluntary donations from participating employees' salaries (Shiseido Camellia Fund), and sending volunteer staff to support the patient exchange meetings.

We help XP patients effectively protect their skin and enjoy outdoor activities as well.



Purpose of Activities

We position "society" (activities to motivate and empower people) as an important issue of corporate materiality, which includes "improving the quality of life (QOL) of all people." 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 with sunscreen products that protect skin from UV rays, as well as insights into effective sunscreen usage, and market a broad range of high-quality sunscreen products. Support for UV-sensitive patients suffering from an intractable disease is one activity that can contribute to the resolution of social issues by taking advantage of our strengths.

About Xeroderma Pigmentosum (XP)

XP is an intractable disease that causes severe sunburn reactions, 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, or intellectual disability). As a fundamental treatment has not yet been established, proper light protection (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. There are an estimated 500 people diagnosed with XP in Japan. The Japanese National Network of Xeroderma Pigmentosum (XP)* conducts activities with the aim of realizing better and more fulfilling lives for XP patients and their families.

* Japanese National Network of Xeroderma Pigmentosum (XP): A network of three XP patient groups in Japan (Osaka, Kobe, and Tokyo).

Shiseido will continue to support improvement in the quality of life of our customers.

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

As expressed in our slogan "Love the Differences," we recognize and respect each other in all the ways that make us unique, such as gender, age, and nationality, as well as ways of thinking, to realize the corporate philosophy of Shiseido. We work on creating new value by promoting diversity and inclusion at the workplace.

Support for Women's Empowerment

Shiseido sees gender equality as a management strategy to enhance employees' vitality and improve results. We support the active participation of women to enhance corporate trust in employees, who are major stakeholders.

In Japan, we have promoted changes in the awareness and behavior of all employees to strengthen the development of female employees for more than 15 years. As the first step of this initiative, we opened in-house nurseries and subsidized childcare fees. In addition, we established paid leave programs, including a nursing care leave system for children, for employees to flexibly balance work and childcare. At the same time, we began reviewing how employees work to achieve work-life balance – a Company-wide initiative to correct long hours which keep women from more active roles. In 2020, we launched the "Shiseido Hybrid Work Style" suited to lifestyles since the spread of the novel coronavirus, and have been recommending work styles that allows employees to combine remote and in-office work flexibly according to their purpose to maximize efficiency.

In 2020, 1,370 Shiseido Group employees in Japan (including 67 men) took childcare leave, and the retention rate after returning to work was 94.1%. For those returning to work after childbirth, the Company also provided welcome-back seminars to ease anxiety about balancing childcare and work (26 participants). Since 2020, we have started the "Speak Jam" mentoring program, in which female executives and female employees have direct dialogue (38 participants).

Currently, Shiseido operates two in-house childcare facilities: Kangaroom Shiodome (Minato-ku, Tokyo) and Kangaroom Kakegawa (Kakegawa City, Shizuoka Prefecture). These nurseries accept a certain number of children of employees from nearby companies and neighboring residents in addition to children of Shiseido employees. In 2017, we established KODOMOLOGY Co., Ltd. within the Shiseido Group, which is responsible for the operation and consulting of in-house childcare facilities. Building on the results we have achieved, through supporting the active participation of our female employees, we contribute to the realization of a society in which employees in the child-rearing period can play an active role.

Fostering Female Leaders

In Japan, we provide an "individual personnel development" program for leader candidates to foster female leaders. Through opportunities particularly to engage in higher levels of work duties, so that they can improve their skills and gain management experience. Additionally, since 2017 we have held the "NEXT LEADERSHIP SESSION for WOMEN," a leadership training session that supports excellent female employees who will lead the future. The training session is a program to help female leader candidates find their own leadership style while learning business administration and management skills. Participants learn how to deal with common hurdles in



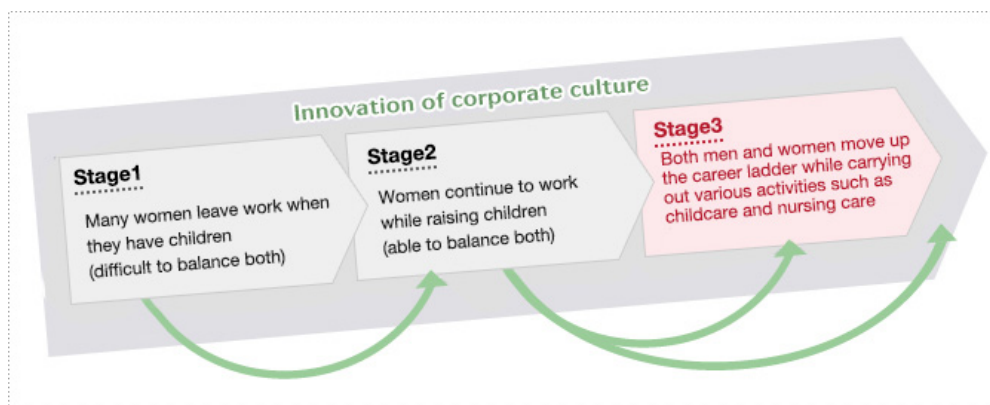
"NEXT LEADERSHIP SESSION for WOMEN"

demonstrating leadership consists of lectures by women leaders, networking among employees, and coaching. Through comprehensive leadership development, participants learn the indispensable need for the active participation of women, deepen their confidence, and are enabled to further demonstrate leadership. In 2020, 24 leader candidates took part in the program.

In Europe, "SHEseido," a program to empower female employees, has been held since 2017. In 2019, 20 talented employees from eight facilities gathered at the EMEA Headquarters (located in France) to strengthen their networks through various activities, including opinion exchange on leadership and career development.

As a result of initiatives to foster female leaders, the ratio of female leaders of the Shiseido Group in Japan increased to 34.7% (as of January 2021), and the ratio of women on the Board of Directors increased to 46.2% (as of March 2021). The ratio of female leaders at overseas facilities (Asia Pacific, Americas, China, Europe, and Travel Retail) exceeds 60%. Going forward, we aim to raise the ratio of female leaders to 50% in all six regions including Japan as a true representation.

<Three Steps for Women Taking Active Roles>



We focus intensively on cultivating a company culture in which diverse employees play active roles while demonstrating their skills and proactively building their careers.

LGBT Initiatives

Shiseido is working on creating an environment and raising awareness so that every employee can be themselves at work by eliminating discrimination and harassment due to gender identity and sexual orientation.

In Japan, from 2017, the Rules of Employment stipulate equal treatment, including employee benefits, for employees with same-sex and opposite-sex partners. In addition, the Human Resources Department works to promote understanding of LGBT rights and issues among employees. In 2017, we were certified Gold, the highest grade, by "Work with Pride", an organization that evaluates companies' LGBT support efforts. In 2020, we supported the Business for Marriage Equality, a campaign to promote equal marriage (legalization of same-sex marriage).

Shiseido participates in Tokyo Rainbow Pride, Japan's biggest LGBT supporting event where volunteer employees provide makeup advice and sampling. We also provide makeup advice to those who have undergone gender reassignment surgery. Online, we promote diversity support activities in collaboration with local governments and other companies. Eight thousand beauty consultants working in stores have also taken training to leverage knowledge and better serve and support LGBT persons.

Active Roles of Employees with Disabilities

We promote the employment of individuals with disabilities to create a workplace for everyone. About 350 such employees take active roles in various departments and positions at the Shiseido Group in Japan. Individuals with disabilities account for 3.04% of all employees in Shiseido Company, Limited, and 2.22% in the Shiseido Group in Japan (as of June 2020). At a special subsidiary, Shiseido's Hanatsubaki Factory Co., Ltd., 50 employees with developmental challenges actively work at four locations in Tokyo, Osaka and Kakegawa.

As we expect all employees including those with disabilities to grow as valuable human resources in the workplace, we make the following pledges.

1. "We seriously expect achievement from them": We support the growth of each employee as a valuable human resource regardless of disabilities.
2. "We provide necessary consideration, but no special treatment": We recognize that this promise is important to promote the growth of the person.
3. "We assertively support those with the passion to work hard": We support the growth of each individual through our human resources development programs, including new employee training, various e-learning and OJT.

In order to fulfill these three pledges, we carry out a selection process considering and offer an internship exclusively for applicants with disabilities when hiring. We also proactively assign them to various positions, such as sales and marketing, providing assistive devices and office equipment according to the type of disability*. When persons with disabilities are hired, the Human Resources Department has a preliminary meeting with departments to which they are assigned to ensure necessary care. In addition, a follow-up interview (between the person and the department and between department and the direct supervisor) is held after they join the Company. In addition, we regularly provide training for managers to promote understanding of disabilities. We will continue to promote the recruitment and active participation of human resources who bring diversity to the organization.

* Examples of assistive devices and equipment include sound collectors and voice recognition software for employees with hearing impairments, electronic magnifiers and Braille blocks installed in the office for visually impaired employees, and multipurpose toilets for wheelchair users.

Diversifying Ethnicity

Shiseido has become more active in employing human resources with diverse nationalities and cultural backgrounds overseas facilities and in Japan. In order to connect the diversification of human resources to value creation, we have promoted English as our official in-house language in Japan since 2018. Persons with wide-ranging backgrounds are now assigned to various sections and departments in the Company. For non-Japanese nationals hired by Headquarters, the Company conforms to Japan's immigration control systems, especially related to resident status requirements, and treats them appropriately based on relevant Rules of Employment.

Promotion of Core Human Resources Such As Women, Foreign Nationals, and Midcareer Hires (in View of Corporate Governance Code)

The Tokyo Stock Exchange in its "Corporate Governance Code" establishes fundamental principles for effective corporate governance. One of the principles states that given the importance of human resource strategies for increasing corporate value over the medium-to-long term, listed companies should present their policies and measurable goals for ensuring diversity of core human resources, such as the promotion of women, foreign nationals,

and midcareer hires to middle managerial positions, as well as disclose their status.

At Shiseido, we recognize and respect differences among individuals regardless of their attributes or ways of thinking, including women, foreign nationals, and midcareer hires, as we strive to create a company whose strength stems from individual strengths of its people and maximizing these strengths. To that end, we also aim to ensure diversity among our core human resources.

We disclose the latest employment status of women, foreign nationals, and midcareer hires in the "Social Data" section. Our measurable goals regarding support for women's empowerment are presented above. Concerning the promotion of foreign nationals and midcareer hires as core human resources, as of January 2021, approximately 5% of managers at Shiseido Company, Limited were foreign nationals, and approximately 26%—midcareer hires. We do not set specific targets regarding these groups as we do not see any considerable differences from employees with other backgrounds.

Post-retirement Reemployment System

Shiseido has introduced a system to re-hire experienced employees after they reach the retirement age of the Company (age 60) since 2006, so that they can continue to work as long as they have the motivation and ability to do so. In 2021, the system was revised and name changed to the EL Partners Advanced System to enhance responsibilities and reemployment conditions. In anticipation of the advent of the 100-year life era, we have changed the system so that employees who are highly motivated to grow and contribute to the Company even after retirement can play an active role regardless of age.

Employment of Fixed-term Employees

The Shiseido Group in Japan 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. For fixed-term employees of five years or more at the Company, we switch their employment contract to an indefinite-term contract upon request in accordance with the law established in 2018.

Employment of Temporary Employees

Temporary employees work at the Shiseido Group in Japan according to the Worker Dispatch Law. With regard to the employment of temporary employees at the Shiseido Group, we implement 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 continuously and appropriately responds to amendments in or reinterpretations of respective laws and regulations.

Realizing a Rewarding Workplace

Each and every one of Shiseido employees demonstrates professional expertise and leadership, and this has contributed to realizing a rewarding workplace and supported the Company's growth.

Shiseido is now diversifying employee work styles by combining remote and in-office work.

Through continuous efforts and new challenges, the Company aims to achieve the goal of "work as part of a fulfilling life" to sustain both employees' health and their personal growth.

Diverse Work Styles

Shiseido has introduced flexible working hours and working from home arrangements and utilized external satellite offices so that employees can freely choose where and when they work. Activity Based Working (ABW) now being promoted allows employees to choose the optimal environment according to different types of work. A wide variety of work spaces are provided in the company's offices, such as private rooms suitable for work that requires concentration and a sofa area for idea creation in a relaxed atmosphere. Each employee has their choice of optimal environment to improve work efficiency, rather than spending a day at a designated desk.

In 2020, Shiseido promptly took various measures in response to the spread of the novel coronavirus. For example, the company accelerated digitization throughout the world, and made arrangements to allow flexible work styles including work from home, remote work, online meetings, and staggered work schedules. It also enhanced the system for diverse work styles by, for example, adopting flexible working hours without core time. Shiseido Japan headquarters conducted a study on employees' productivity and mental health as they worked from home. Shiseido Travel Retail headquarters (Singapore) has launched a platform that allows employees to share a wide range of resources, including information on infectious disease, advice on physical and mental health, and tips on how to work from home efficiently.

With the spread of novel coronavirus, there is greater need than ever for working from home and commuting at off-rush hour times. Working from home arrangements will be applied to all Shiseido Group companies in Japan to pursue business growth through the health, security, safety and job satisfaction of employees, and further improvement of productivity. Going forward, the company will transition to the "Shiseido Hybrid Work Style," which will provide tailored support to diverse work styles, to maximize synergy between remote and in-office work.

Work-life Balance

Achieving a work-life balance enables employees to use their newly created time to play active roles in society. Shiseido believes this not only leads to employee growth but also enhances the Company's performance and its corporate value. To accommodate employees' lifestyles and help them advance their careers regardless of life events, such as childcare and family care, the Company has introduced a more fulfilling system above the standards currently provided by law. The Shiseido Group in Japan stipulates equal treatment for employees with same-sex and opposite-sex partners since 2017. Common-law and same-sex couples are also eligible for support provided to employees who are raising children or caring for families as detailed below.

In 2020, 1,370 Shiseido Group employees in Japan (including 67 men) took childcare leave, and the retention rate after returning to work was 94.1%. For those returning to work after childbirth, the Company also provided welcome-back seminars to ease anxiety about balancing childcare and work. Twenty-six employees participated in the seminars.

Support for Employees Raising Children

To help its employees balance childcare and work, the Shiseido Group in Japan offers a robust environment as detailed below.

Childcare leave: Shiseido employees may take maternity leave in excess of the legally required minimum for up to a total of five years during the period until their child turns three years of age. Employees are eligible to use the system three times for the same child under special circumstances. No wages will be paid by the Company to employees during childcare leave. However, employees receive childcare leave benefits through employment insurance. Shiseido has a communication system called the Childcare Plan which allows female employees to confirm with their supervisors the process from pregnancy onward to return to their workplace. This plan, intended to facilitate employees' smooth return to work, reduces anxiety about pregnancy, childbirth, and childcare, and is also a means to share information when a supervisor changes.

Maternity leave (Leave before delivery, leave after delivery): Employees may take up to six weeks paid leave before delivery and eight weeks partially paid leave after the birth of a child. For the unpaid portion, cumulative paid leave and annual paid leave systems are available. If employees choose to take unpaid maternity leave, they can claim maternity allowance through the Shiseido Health Insurance Society.

Paternity leave: Employees may take paternity paid leave* for up to two weeks during the period until their child turns three years of age. This benefit is mainly to encourage male employees to take paternity leave and is provided in excess of the legally required minimum.

* When an employee's partner (spouse, etc.) gives birth, special paid leave of up to five days is available in addition to paternity leave.

Well-being of employees raising children: Japanese law requires the introduction of a short working hours system for employees with children until their child turns three years of age, Shiseido allows up to two hours reduction in working hours per day until the first end of March after their child turns nine years of age. During the period until their child turns one year of age, one hour of the reduced hours is covered as paid time.

Support for beauty consultants raising children: When beauty consultants, who work in over-the-counter customer service, utilize the "Childcare Time" system for short working hours, substitute staff called Kangaroo Staff are sent to support sales counter operations in the evening hours. Since the Company began employing Kangaroo Staff in 2007, it has become easier for employees working in sales operations to balance work and childcare.

Childcare facilities: The Company has two childcare facilities at offices where many Shiseido employees work: Kangaroom Shiodome (Minato Ward, Tokyo) and Kangaroom Kakegawa (Kakegawa City, Shizuoka Prefecture). These facilities offer regular monthly childcare and temporary childcare services. Caretakers can also utilize the services to relieve themselves from childcare for a while and refresh themselves. Services are offered to employees at discounted fees to help them return to work at an optimum time of their choosing. The facilities are open not only to Shiseido employees but also to those from nearby companies and neighboring residents. The Company also established KODOMOLOGY Co., Ltd. in 2017 within the Shiseido Group to entrust the operation and consulting of in-house childcare facilities.

Childcare contributions: Employees of the Shiseido Group in Japan who support children are provided allowances for expenses related to nursery school, babysitters, and education. (Childcare and education contributions are available through the Cafeteria Plan*.)

* A corporate employee benefits plan with a point system. Employees can select options freely from a menu of services using points they have acquired.

Paid leave for the healthcare of children: Employees can take paid leave on an hourly basis for children under elementary school age (usually age six and under) in need of nursing care due to sickness or injury, and when they receive checkups or vaccinations. Employees are entitled to paid leave in excess of the legally required minimum for up to five days (40 hours) a year for one child and up to 10 days (80 hours) a year for two or more children.

Partner accompaniment for childcare: Employees with children up to the third grade in elementary school (i.e., until the first end of March after their child turns nine years of age) may request to accompany their partners who are transferred within Japan so that employees can continue their careers.

Operational guidelines for transfers of employees raising children that involve a change of address: In Japan, the Child Care and Family Care Leave Act requires employers to consider employees' situations regarding childcare or family care when they are relocated. Shiseido has established operational guidelines for the transfer of employees raising children that involve a change of address. Employees who utilize the "Childcare Time" or "Family Care Time" system are exempted from transfers that involve a change of address at their request.

Support for Employees Caring for Family Members

Support plans listed below are intended not only for the family members of employees but also the families of their partners.

Family care leave: Employees can take leave as often as necessary for a family member requiring care, for a period of leave up to one year at a time and up to three years in total.

Family Care Time: Employees can take "Family Care Time" of up to two hours a day for purposes such as accompanying a family member to the hospital. This plan may be utilized for up to one year for one family member, and up to three years in total.

Family care contributions: Employees are provided allowances to cover nursing-care service and facility usage fees relating to family members who have obtained a Certification of Needed Long-Term Care. (Family care contributions are available through the Cafeteria Plan*.)

* A corporate benefits plan with a point system. Employees can select options freely from a menu of services using points they have acquired.

Other Programs that Support Diverse Work Styles

Leave to accompany partners transferred overseas: The Company allows up to three years of leave for employees to accompany their partners who are transferred overseas.

Special paid leave for volunteer activities: Employees can take paid leave utilizing the "Social Studies Day Scheme" for up to three weekdays a year for social contribution activities. The Program encourages each employee to gain perspective in solving social problems, to foster a culture of thinking and acting on their own, and to utilize their experience wider perspective from such activities in their work. The Company believes this will lead to value creation for Shiseido.

Shiseido Health Support Dial: This telephone consultation desk provides consultation on physical and mental health issues to employees, and disseminates the advice of consultation staff including public health nurses on balancing child/family care and work.

Appropriate Working Hours Management

The Shiseido Group in Japan concluded a labor-management agreement relating to overtime work and working on days off (Article 36 agreement) in accordance with Article 36 of the Labor Standards Act. The agreement sets a maximum of 80 hours per month of overtime work even in exceptional cases and on a temporary basis (instances of 45 to 80 hours of overtime work per month are limited to up to six times per year). Based on the rule that overtime work is allowed only when supervisors require, Shiseido informs the details of the Article 36 agreement to personnel in charge of each department and those in manager positions in an effort to reduce long working hours. To comply with the Article 36 agreement, all Shiseido facilities have enacted policy toward (1) reducing overtime work, (2) improving the usage rate of annual paid leave, and (3) reducing overall actual working hours. The human resources department of major Shiseido Group companies in Japan monitors the overtime hours of union member employees every month, gives guidance to persons in charge of departments with significant overtime hours, and urges health checkups for employees with long working hours. Data on working hours and the usage rate of leave are shared between labor and management and utilized for taking steps to correct the issue of long working hours.



Human Resource Development and Fair Evaluation

The following introduces Shiseido human resource development and career development support measures, as well as activities for fair evaluation.

Overview of human resource development

Based on our commitment to "PEOPLE FIRST," Shiseido actively invests in human resource development, believing that human resources are the most important asset and that "strong individuals create a strong Company." To create "strong individuals," we focus on strategic talent management, performance management, and autonomous career development support, founded on a job-based personnel system. In 2020, Shiseido formulated the TRUST 8 Competencies, which describes a Company-wide image of human resources, with the aim of effectively implementing global human resource management. The TRUST 8 Competencies serves as the basis of our globally standardized selection/evaluation and human resource development programs, allowing each employee with ranging expertise to grow in work areas where they can maximize their respective strengths. Shiseido encourages employees' self-driven efforts to grow and provides support for individualized autonomous career development.

Job-based Personnel System

In 2021, Shiseido introduced a job-based personnel system in Japan for management and general corporate positions (excluding those in beauty and production) with the aim of becoming a globally competitive organization by strengthening the expertise of employees. The four items below are the adjusted approach to assessing employees from individual "ability" to "job," thereby enabling objective personnel ratings and treatment according to global standards. By clarifying job responsibilities and required specialized abilities in each department, this system is aimed at promoting career autonomy for each employee.

1. Define areas of expertise that employees should aim for in each Job Family (JF).
2. Clarify Functional Competency (FC) expertise and skills required for each Job Family.
3. Introduce Job Grades (JG) in all positions, including both managers and staff.
4. Clarify the Job Description (JD) based on determined Job Grades (to respond to organizational changes or assignment changes in accordance with Japanese labor practices).

Strategic Talent Management

We strive to ensure placement of the right people in the right positions throughout the Shiseido Group for strategic talent development. Every year, talent reviews are conducted at the global, regional, and functional levels, and plans for appointment and training of successors are prepared for key positions. For training of successors, training plans are formulated for each individual based on their strengths and development issues, including assignments to Stretch goals, global transfer opportunities, and leadership development programs, and are implemented with the approval and support of the CEO.

Performance Management

We are strengthening performance management for the sustainable growth of both our business and employees. In 2021, we introduced a global standardized process in which the performance management program was revised to evaluate both the degree of achievement of performance targets and the degree of actions taken in line with the TRUST 8 Competencies. This is aimed at promoting the improvement of medium-to-long-term business performance and the growth of our employees. Through not only interviews at the beginning and the end of each term but also daily dialogue with and feedback from supervisors, employees tackle their respective Stretch goals and develop expertise. For leaders, a "360-degree survey" is conducted to obtain multifaceted evaluations and feedback from subordinates and other departments, thereby fostering a culture to encourage mutual growth.

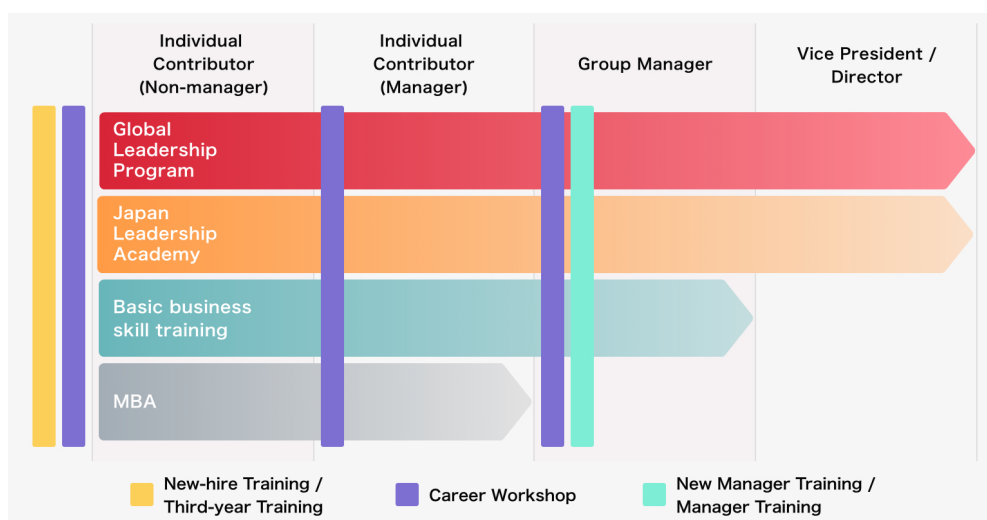
Autonomous Career Development Support

In line with the introduction of the job-based personnel system, Shiseido has organized career workshops for all employees in Japan since 2020, aiming to enhance their self-driven career development and expertise. As of December 2020, 2,164 employees have participated in the program. In addition, employees are encouraged to provide a career development plan (CDP) to envision medium-to-long-term career goals and is incorporated into performance management. Employees may share with their supervisors an action plan to achieve their medium-to-long-term career goals, which supervisors refer to for effective work assignment and human resource development. Shiseido offers a broad range of training programs to enhance business skills and improve expertise in each Job Family, which are used by employees for self-driven career development.

Training Programs

Shiseido human resource development emphasizes the "70:20:10 model*" in its training programs, which particularly provide opportunities in learning, interaction with other excellent employees, and raising motivations to grow further. We offer three types of training programs: selective, voluntary, and compulsory, depending on purpose and target.

*This model presumes that personal growth is derived 70% from challenging assignments, 20% from developmental relationships, and 10% from training and self-learning.



Selective Programs

To develop strategic talent, the Shiseido Group provides manager candidates in each region access to its Shiseido Leadership Academy global education system, promoting the development of abilities and the establishment of international networks. At the Shiseido Leadership Academy, next-generation leaders selected through talent reviews are provided with programs in partnership with business schools to learn leadership and management skills. Shiseido also focuses efforts on developing female leaders, and has held the "NEXT LEADERSHIP SESSION for WOMEN" every

year since 2017 to enable and promote talented women free from unconscious bias toward themselves or any circumstance.

Voluntary Programs

Voluntary programs are offered to motivate employees to help them demonstrate high performance and autonomously develop their careers. Voluntary programs offered in Japan include business skill training for all job types and the dispatch of young ambitious employees for MBA programs, as well as the sales academy and the marketing academy to further enhance expertise in their respective Job Family or specialized field.

Compulsory Programs

Compulsory programs are provided at each milestone in career development, such as training for new employees, training for employees in their third year, and training for newly appointed managers. For leaders (Job Appointment Managers), manager training and manager workshops are provided to strengthen management skills, with a view to ensuring fair evaluation and promoting human resource development in each department.

Fair Evaluation

The Shiseido Group has established rules and guidelines regarding evaluation and treatment under its Shiseido Global Human Resources Policy.

- Ensure fairness of treatment both inside and outside the Company, and pursue satisfaction of employees in system operations.
- Strive to ensure high transparency in evaluation based on objective facts without prejudice.
- Conduct evaluation according to target management (performance) and the TRUST 8 Competencies (exercise of action).
- Disclose criteria for evaluation and promotion to employees, and provide feedback to employees following evaluation.
- Provide support and training through annual evaluation interviews and daily dialogue.

The Shiseido Group in Japan has established a fair and widely approved system to appropriately evaluate the results and processes of work. To maintain the fairness of evaluation, leaders (Job Appointment Managers with subordinates) are provided with enhanced training in management skills. New manager courses, evaluator training, and manager training are part of the opportunities through which leaders are encouraged to improve their management skills. Twice a year, personnel system seminars are held for managers of the Shiseido Group in Japan as opportunities to deepen their understanding of the system and its operation.

Employee Feedback Systems

The Shiseido Group Engagement Survey is conducted for all Shiseido Group employees once every two years on average to ensure that each employee is working in an open atmosphere and with a sense of satisfaction in their work. Shiseido employees are expected to take on many challenges during management reform, and are required to constantly improve their awareness and behavior. Where there is a gap in awareness or efforts among employees, the speed of reform may be slowed. This survey is therefore conducted to enable top management to directly receive the opinions of employees, clarify current issues, and formulate specific actions to solve those issues. The results of the survey are provided to employees through representatives in charge of each workplace, and representatives ensure that issues for each department are shared among employees and efforts are made for improvements. In addition, consultation and reporting centers have been set up inside and outside the Company to provide employees (regardless of employment type) with consultation on their working environment and relationships in the workplace, and are positioned to respond to whistleblowing on matters such as violation of the Rules of Employment or other law.

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 consistent 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 stylized, handwritten signature in black ink, appearing to read 'Utsunomiya' or similar.

Shiseido Health Declaration

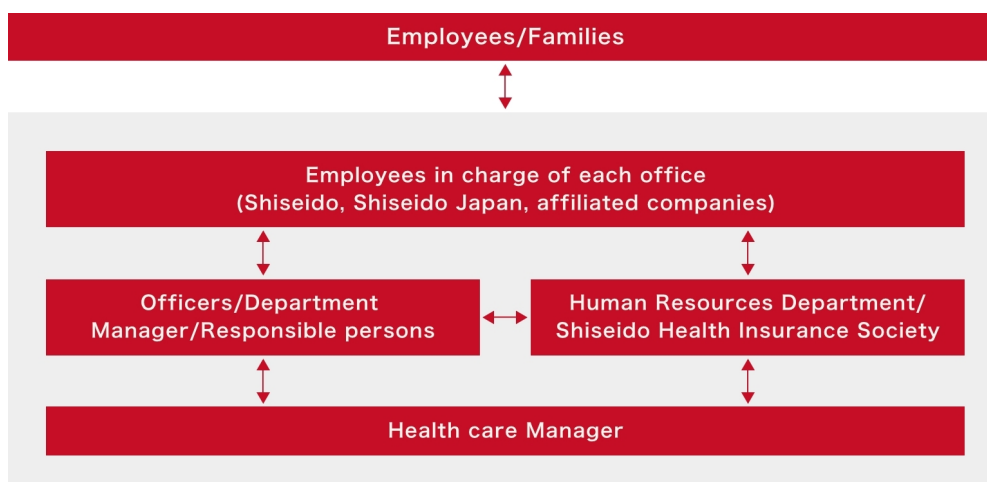
Our mission is "BEAUTY INNOVATIONS FOR A BETTER WORLD." To that end, we promote initiatives for employees and their families to live beautifully and healthily based on our perception that beauty and health are sources of vitality.

<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 Health care Manager

To respond to the coronavirus threat, all of us 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 the 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.



Health care Manager
President, Shiseido Health
Insurance Society

Emiko Ashida

Health issues and future initiatives of the Shiseido Group in Japan

The Shiseido Group in Japan works to resolve the following health 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 ■ Dissemination of information in lunchtime sessions (live streaming) 	<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) ■ Implementation of lifestyle improvement seminars provided jointly by KENPO and RIZAP(Implemented as an online seminar as part of COVID-19 prevention measures) ■ Implementation of the program to prevent worsening of diabetic nephropathy ■ Addition of "Fatigue Recovery Recipe" on the Health Insurance Society website ■ Placement of a QR Code for "Oshiete Nakagawa Sensei" (a video to raise awareness about cancer) in the Health Insurance Society public relations magazine
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 ■ Addition of information about whether female doctors are available in the list of health checkup institutions ■ Encouragement for women to undergo gynecological examinations(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 (improvement of the workplace environment, etc., by supervisors and counseling for workers) practices (new employees, new managers, guidance training, training for managers) ■ Implementation 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 ■ Dissemination of information in lunchtime sessions (live streaming) 	<ul style="list-style-type: none"> ■ Placement of "Interviews about Mental Toughness" articles in Health Insurance Society public relations magazine (since 2020 spring/summer) * Articles on interviews with top officials of the company about mental health management techniques as well as their secrets and tips ■ Placement of a banner of the MHLW's "Ears for the Heart (kokoro no mimi)" website on the front page of Shiseido Health Insurance Society's website and provision of relevant information on the society's website
		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 	<ul style="list-style-type: none"> ■ Subsidy for outpatient consultation fees to quit smoking (year round) ■ Limited-time full subsidy for treatment costs to quit smoking ■ Implementation of remote smoking cessation outpatient consultation (from

		<ul style="list-style-type: none"> ■ Provision of health guidance on non-smoking ■ Dissemination of information in lunchtime sessions (live streaming) ■ Placement of awareness-raising articles on the intranet, WITH, in line with World No Tobacco Day ■ Questionnaire asking former smokers about why they quit smoking and other questions 	2021) * Questionnaire conducted for program participants ■ Instructions for smokers on how to quit smoking and guidance on smoking cessation outpatient consultation under health support programs (specified health guidance)
Measures against cancer	Early detection; balancing treatment and work	<ul style="list-style-type: none"> ■ Implementation 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" ■ Seeking stories about experiences of cancer survivor employees ■ Dissemination of information in lunchtime sessions (live streaming) 	<ul style="list-style-type: none"> ■ Participation in "Cancer Control Promotion Company Action" (from FY2018) ■ Placement of a QR Code for "Oshiete Nakagawa Sensei" (a video to raise awareness about cancer) in the Health Insurance Society public relations magazine ■ Partial subsidy for cancer screening ■ Encouragement of follow-up consultation (necessary medical care/detailed examination) in cases that indicate risk; confirmation of consultation result, promotion of confirmation; implementation of inquiry ■ Placement of a banner of the National Cancer Center's "Cancer Information Service" website on the front page of Shiseido Health Insurance Society's website and provision of relevant information on the society's website

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 health support program (specified 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. Our 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 20.8% in 2019 and 19.0% in 2020 (down 14.6 points compared to 2010). To accelerate this trend in the future, Shiseido and the Shiseido Health Insurance Society are working together to promote measures against smoking from both hardware and software perspectives, and continuously providing information to completely prevent passive smoking in the workplace by offering individualized instructions to quit smoking at health guidance, distributing posters and leaflets, and making use of the health committee. In the fiscal year 2021, we launched a new initiative to implement a voluntary questionnaire for employees who have quit smoking and livestreamed the results of the questionnaire to employees of the company during lunchtime, in line with World No Tobacco Day on May 31. In addition, we placed the results on the intranet "WITH." These are some of the various measures we have taken to spread information. In 2019, the Shiseido Health Insurance Society launched the "O-Yen Quit-Smoking Challenge Program" to fully subsidize treatment costs to quit smoking for a limited time, in addition to an all-year subsidy for the treatment costs.

In the fiscal year 2021, we launched the "remote smoking cessation outpatient consultation" under which the Shiseido Health Insurance Society subsidizes all costs, aiming to help more people succeed in 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 FY2021: 17.0%
(actual rate in FY2020: 19.0%)
- At least 50 people successfully quit smoking through the remote smoking cessation outpatient consultation

(2) Initiatives for a health-conscious lifestyle

Our implementation rate of health support programs (specific health guidance) is particularly high at 51.4% compared to the national average (27.4%) in FY2019, and a certain level of effect can be seen in the reduction of BMI among participants.

■ Implementation rate of health support program

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
FY2019	51.4	

■ 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.

* In the FY 2020, we did not organize a face-to-face fair where many people would gather as part of COVID-19 prevention measures and, instead, streamed the "RIZAP Wellness Channel (workout seminar)."



<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 provided seminars on exercise and diet that are designed to address health issues in each organization since FY2019, which have been well-received by participants. The results of the questionnaire showed that the percentage of participants who continued the exercise increased by 12 percent after the seminar, indicating that the seminar helped more than 10 percent of the 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 the "Shiseido Hybrid Work Style," a new working style which places the highest priority on the safety and health of its employees, with the aim of preventing the spread of coronavirus infection as well as improving the performance and productivity of employees and organizations.

Since the adoption of the Shiseido Hybrid Work 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

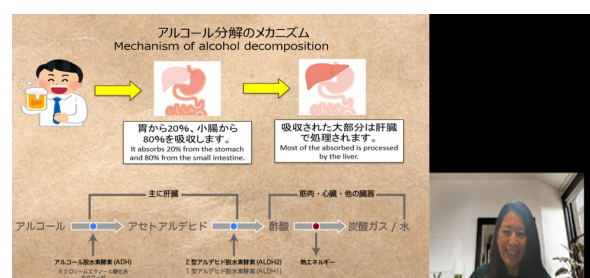
We conducted a survey among employees working from home to understand their situations and needs.

Based on the survey results, we are providing information on dieting and exercise, advice 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 (live streaming)>

● 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

We are working to prevent infections by preparing alcohol sanitizers and installing acrylic boards and partitions in consultation spaces for employees entering the Health Management Office.

- Workplace COVID-19 vaccination program

In August 2021, Shiseido implemented workplace COVID-19 vaccination programs for employees and their families at six locations across the country. So far, we have administered two doses each to approximately 10,000 people.



<Reception of the workplace vaccination>



<Prefilling of the vaccine into syringes at the workplace vaccination>

Safety and health promotion system

In accordance with laws and regulations, we have established a health 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 Work of Employees

At Shiseido, both the Company and employees make utmost efforts to maintain employee sustainability. To ensure long-term employment, we comply with laws and practices of countries and regions around the world, and respect diversity and promote the creation of rewarding workplaces in accordance with the Shiseido Group Standards of Business Conduct and Ethics.

Employment

Shiseido recruits employees through the periodical employment for both new and recent graduates and the mid-career employment for employees with expert working experience. We make efforts to improve our employment system to provide a variety of employment opportunities, give consideration to the diverse working styles of our employees. As specified in labor agreements, the Company and the Labor Union consult with one other in good faith to make decisions, if any, that may have significant impact on the lives of employees or become necessary due to the establishment or relocation of a business facility.

Wages

The Shiseido wage system is based on roles, job responsibilities and achievements independent of seniority or personal connection. We also ensure a fair and highly transparent evaluation system based on rules for evaluation and treatment that is widely approved by employees.

Male-to-female average monthly salaries of the Shiseido Group in Japan are 100:96 for management positions, 100:100 for general positions, and 100:118 for beauty positions. (As of January 1, 2021)

Employee Benefits

Aiming to "realize a rich and comfortable life" for employees and their families, Shiseido focuses on enhancing employee benefits along with improving working conditions, providing support to enable active involvement in both the Company and community.

Welfare Measures to Support Career Advancement and Life Design

Shiseido supports employees in both their work and life, with career advancement and life design based on measures of autonomy and self-responsibility.

Systems and measures to support employees in balancing work and child/family care and to help realize the work-life balance of employees, as well as various other measures, include Company housing, Housing Allowance and other housing support programs, asset building support, the employee stock ownership program, and the consolation payment program. We have also introduced the Cafeteria Plan (selective employee benefit plan) through which the Company offers menus that correspond to the lifestyles and needs of employees, ranging from "workplace revitalization," "self-development," and "childcare and family care" to "health promotion." Employees may choose support programs as necessary accordingly.

Supporting Employees' Life Plans through Corporate Pension

Shiseido supports employee life plans and financial management plans. The Shiseido retirement benefit program consists of a defined benefit pension and defined contribution pension or advance retirement allowance. Employees may choose from either the defined contribution pension plan or advance retirement allowance. For the defined contribution pension plan, through periodical provision of information on asset management and investment, Shiseido supports employees to take the initiative in planning their lives after retirement. Some overseas subsidiaries offer a defined benefit system, lump-sum retirement allowance system, and defined contribution system.

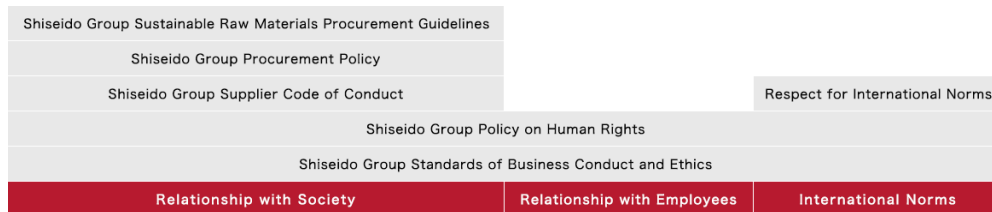
Labor Unions

The Shiseido Group actively promotes information sharing regarding general corporate activities and discussions with employees to resolve issues in a concerted manner based on the belief that "good labor management relations are fundamental to corporate management." Labor unions have been organized in Shiseido and some Group companies (including overseas subsidiaries). In Japan, the Shiseido Labor Union adopts and operates the Union Shop System in representing certain employees of Shiseido Company, Limited, Shiseido Japan Co., Ltd. and some affiliates.

In its labor agreement, Shiseido and the Shiseido 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. Specifically, we actively hold labor-management talks on the themes of "treatment and benefits for employees," "work style reform," and "proper management of working hours, including reduction of long working hours" to ensure appropriate business operations. In addition, at each site in Japan, discussions are held on their own labor-management issues. Overseas subsidiaries also do business while respecting the labor laws and regulations of respective countries, and thereby strive to build and maintain sound labor-management relationships through communication between the Company, labor unions and employees.

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.

For details, please refer to the Shiseido Group Standards of Business Conduct and Ethics.

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.

Please check the details in the Promoting Sustainable and Responsible Procurement.

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.

Please check the details in the Promoting Sustainable and Responsible 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.

Please check the details in the Promoting Sustainable and Responsible Procurement.

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.

● Human Rights Due Diligence

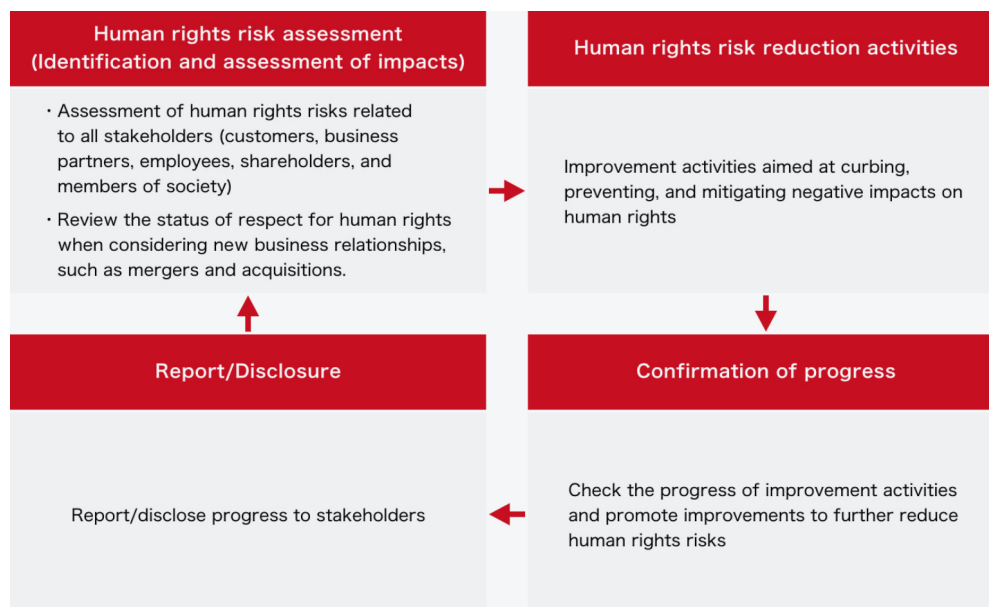
We have established a human rights due diligence process to promptly identify potential human rights issues and prevent and mitigate future occurrences of such issues.

Regularly potential negative impacts on human rights and risk mitigation measures are taken to prevent serious damage.

Key critical issues on human rights are supervised by the Board of Directors.

Starting in 2021, the executive officer in charge of each area is responsible for monitoring risks, developing rules for improvement, and conducting training. Each executive officer will report and deliberate on the annual progress toward achieving their targets and KPIs at the Sustainability Committee, a management meeting on sustainability. The Human Resources Department and the Risk Management Department deal with human rights issues related to the Company's own employees, and the Supply Network Department handles the human rights issues related to the employees of suppliers and contract manufacturers. In new business relationships, such as mergers and acquisitions, respect for human rights (compliance with personnel and labor issues, employee and customer safety, etc.) is part of the due diligence process for investment decisions.

Human Rights Due Diligence Process



In 2020, we took steps to identify, assess, prevent, or mitigate the visible and potential impact of our activities that are related to human rights. These efforts included:

Step 1. Identification of human rights issues

In cooperation with external human rights experts and by referencing international codes on human rights, standards on non-financial disclosures, and the Corporate Human Rights Benchmark (CHRB), we have developed a list of human rights issues to address including modern slavery issues and other wider-ranging issues. Throughout the value chain, we

have identified the risks of targets relevant to the Company and organized the areas and targets of our due diligence in this field.

- Affected parties: business partners, employees, consumers, and members of society. Specifically, contractors, suppliers' employees, our own employees (employed both directly and indirectly), women, children, indigenous peoples, local residents, and immigrants.
- The state of the cosmetics and personal products industry.
- Human rights issues to be considered: 25 listed items including respect for human rights and non-compliance with abuses, harassment and abuse, child labor (right to education), discriminatory actions and expressions, forced labor (including human trafficking), restrictions on the right to association and collective bargaining, and disadvantages on the basis of gender (including gender equality and equal pay for equal work), etc.
- International norms on human rights and corporate human rights benchmarks: The Ten Principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the ILO Core Labour Standards, the Universal Declaration of Human Rights, the Global Reporting Initiative (GRI), the CHRB, the Dow Jones Sustainability Index (DJSI), and the FTSE.

Step 2. Assessment of human rights risks

We assessed the status of our activities against the human rights issues identified above. This was done by interviewing stakeholders in Japan and overseas, and investigating internal documents such as surveys and reports — while also referring to external documents for any potential impact on human rights. Based on our findings, we determined the severity and likelihood of both potential and visible risks to human rights, as well as the status of our preventive and corrective measures.

- Third-party evaluations: A third-party organization specializing in human rights risk assessment was commissioned to conduct the assessment. Based on various materials and records related to Shiseido's human rights activities as well as information obtained through interviews with Shiseido Group employees in Japan and overseas, the assessment sought to determine the existence or absence of human rights risks (potential and visible risks) in the entire value chain. The organization evaluated Shiseido's human rights risk management system, including the status of our preventive and corrective measures.
- Investigation of impact on human rights: Country-specific human rights risks were extracted from materials such as the International Labour Organization's (ILO) survey on discrimination, World Bank surveys on training and education and consumer rights, WIN World Survey research materials on gender equality, and UNICEF surveys on child labor.
- Status of preventive and corrective measures: We created a checklist of preventive and corrective measures related to human rights from items that international organizations, such as the CHRB, DJSI, FTSE, and GRI, require to be addressed and disclosed. We evaluated whether or not Shiseido has taken these preventive and corrective measures.

Results and Responses

Regarding our value chain, our identification and assessment activities highlighted human rights risks related to*: "discriminatory actions/ expressions," "violation of compliance/ fair competition," "personal/ confidential information leakages," "employees' personal data and privacy," "incomplete supplier management," "occupational safety and health issues (work-related accidents)," "breach of working hours, breaks, and rest period (overtime-work)," and "harassment and abuse."*

On the other hand, forced labor and child labor, which are closely related to modern slavery and human trafficking, were assessed as low human rights risks compared to other areas.

Going forward, we will prioritize the human rights issues and risks discovered in our activities in 2020. We will take measures to reduce both manifest and latent risks, and strive to further enhance preventive and corrective measures and promote improvement efforts.

* In no particular order

● Living Wages

Shiseido considers wages to be the amount of monetary compensation necessary for our employees and their families to be able to lead fruitful lives. For domestic Shiseido Group labor union members, wages are compared against the Japanese living wage and industry salary levels during annual labor-management negotiations. For non-union members, similar comparisons are made during recruitment. These comparisons and evaluations function as due consideration for living wages. In addition, for employees with children in the Shiseido Group in Japan, we provide monthly allowances to cover childcare and education in addition to base salary. (Subsidies for childcare and education expenses are available through the Cafeteria Plan.)

● 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

Please check the details in Promoting Sustainable and Responsible Procurement.

● 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.

Please check the details in Promoting Sustainable and Responsible Procurement.

● 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.

● 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

It is no secret that the world's natural resources are limited. At Shiseido, we place the utmost importance on the responsible procurement of raw materials and the reduction and reuse of resources. We operate from the perspective of a circular economy, and view environmental conservation and biodiversity as the key to a more sustainable world.

In all our activities, from procurement to production, we also seek ways to strengthen our response to human rights issues. Sustainable and responsible procurement requires close collaboration with all of our partner companies and suppliers. In 2020, we disclosed our medium term target for the procurement of raw materials (palm oil and paper) in consideration of both the environment – such as forest conservation– and human rights. In addition, we expanded our supplier assessment program globally and made efforts to resolve existing issues.

Sustainable Procurement of Raw Materials

The production of raw materials can result in environmental destruction and human rights violations. Raw materials such as palm oil and paper pulp have a large impact on biodiversity, and it is important that companies procure materials that are produced under sustainable conditions.

In 2020, we published our medium-term targets for the sustainable procurement of palm oil and paper, and we are in the process of switching to more sustainable raw materials. We are also strengthening our efforts to solve issues related to mica.

By clarifying our own procurement policy, and building a support system in collaboration with other companies, we aim to make a positive change.

Biodiversity

The planet's ecosystems are the basis of our lives and industries. They support the economy with food production, water sources, and tourism, and are also a source of bioactive substances and biomimicry which can be used to create new beauty products. We rely on natural resources for the production of cosmetics, and we aim to sustain harmony with nature, using approaches based on sustainability. We believe that materials that have fulfilled their role in products should be returned to the Earth in a harmless manner.

In addition to our values of quality, safety, and efficacy, we take a holistic approach by anticipating possible issues in our entire global supply chain. We believe it is important to anticipate changes that can affect the environment and society to realize our value of sustainability.

Preserving the Earth's biodiversity is critical. Rainforests are a treasure trove of biodiversity and must be protected from unsustainable wood pulp and palm oil procurement. We are pursuing initiatives to ensure the future of ecosystems and are working to mitigate climate change by minimizing the release of carbon accumulated in rainforests into the atmosphere.

Palm Oil

Palm oil is a highly versatile raw material used in a variety of products, from food to cosmetics. Consumption has been increasing year by year, and it is considered to be one of the main causes of rainforest destruction in Asia. As well as environmental issues, such as forest conservation and biodiversity, there are also human rights issues associated with palm oil production areas. Therefore, sustainable and responsible procurement is essential.

As part of our efforts in this area, in 2010, we joined the RSPO (Roundtable on Sustainable Palm Oil), an international non-profit organization. In order to support the sustainable production of palm oil in 2018, we began purchasing RSPO certificates (credits) equivalent to 100% of palm-derived raw materials.* And in 2020, we disclosed our medium-term target of reaching 100% sustainable palm oil by 2026.



To make the switch to RSPO-certified sustainable palm oil (physical supply chain options, identity preserved, segregated, and/or mass balance), the relevant teams in our global and regional headquarters worked together to compile a list of all targeted raw materials, created a roadmap toward 2026, and developed an implementation scheme. We collaborated with suppliers regarding the timing of the switch to certified palm oil content in raw materials. We then began the implementation scheme, moving away from raw materials with a high palm oil content to certified raw materials based on RSPO's physical supply chain model.

In order to use these certified raw materials, we acquired RSPO Supply Chain Certification System (SCCS) at all of our factories. We also asked our suppliers to acquire the certification as they handle certified raw materials.

Since 2019, we've been part of the Japan Sustainable Palm Oil Network (JaSPON), and the palm oil working group of the Consumer Goods Forum (CGF), an international industry group consisting of food and consumer goods manufacturers and retailers, in order to solve issues relating to palm oil by strengthening collaboration with other companies.

Through these activities, we will contribute to the promotion of sustainable palm oil procurement and consumption, and to the resolution of environmental and social issues related to palm oil.

*Amount of palm oil sourced in 2020: 8,334t (Percentage certified through RSPO as Book & Claim: 100%)

Paper

We actively promote the use of paper for secondary packaging, such as boxes, aiming to responsibly use resources and reduce single-use plastics.

In 2020, approximately 90% of the cartons we used was made of paper. We aim to be using 100% sustainable paper by 2023 — not only for use in secondary packaging, but also product packaging.

We also promoted the switch to environmentally friendly paper in 2020, developing a new base paper, which resulted in a 64% (weight) shift to sustainable paper.*

Cosmetics packaging must satisfy various expectations. It must be strong, environment-friendly, and sophisticated in design. In collaboration with paper manufacturers, we are developing innovative paper packaging solutions that meet such expectation and even go beyond. We are also promoting the switch to sustainable paper for promotional materials such as product displays, bags, leaflets, and copy paper in our offices.

*The total percentage of FSC certified paper and recycled paper is 51% (by weight).



FSC-certified ELIXIR packaging

Mica

Mica is used not only in beauty, but across a wide range of industries due to its light reflecting properties and excellent heat resistance.



In 2017, we joined the Responsible Mica Initiative (RMI), which ensures sustainable mica procurement. RMI works with participating companies from a variety of industries to eliminate child labor and forced labor at Indian mica mining sites, and to establish Indian mica as a sustainably produced raw material by 2022.

In 2020, in collaboration with NGOs and the Indian Government, RMI contributed to the improvement of income sources for 1,166 households across 80 villages through alternative employment, such as agriculture and livestock. More than 44% of children who were previously unable to attend educational establishments found regular schooling, and more than 50% of malnourished children received adequate nutrition. Our participation in RMI initiatives focused on two areas: Traceability and Workplace Standards, supporting activities aimed at improving the traceability of the mica supply chain in India, and improving working conditions — including the issue of child labor.

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.

Afforestation in Nagasaki, Japan

We promoted camellia planting and conservation activities at the abandoned farmlands of the Goto Islands in Nagasaki Prefecture.

Over nine years, 352 Shiseido employees have joined this activity and planted 738 seedlings of camellia japonica across 0.194 hectares of land.



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 125kg 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

Responsible Procurement

Ethical Supply Chain Policies and Standards

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.

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 packaging for our products (cosmetics, personal care products, pharmaceuticals), cosmetic tools (raw materials and processed products such as resin, glass, paper, metal), production materials such as

raw materials, sales support tools (POPs, premiums), OEM products, and commissioned manufacturing goods.

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," "Performance of contract," "Promoting sustainable procurement", and "Respecting diverse values".

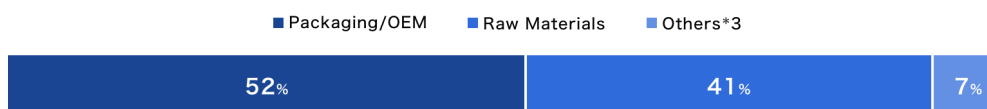
We purchase materials for our products from over 900 suppliers*1,2 spanning countries and regions.

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

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

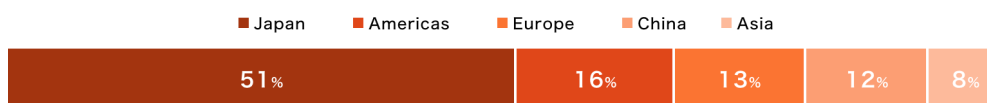
Suppliers by region/category

Suppliers by purchasing category



*3 : "Others" refers to the sum of suppliers which conduct commissioned manufacturing and/or provide sales support tools. The data includes sales support tools suppliers for Global headquarters only.

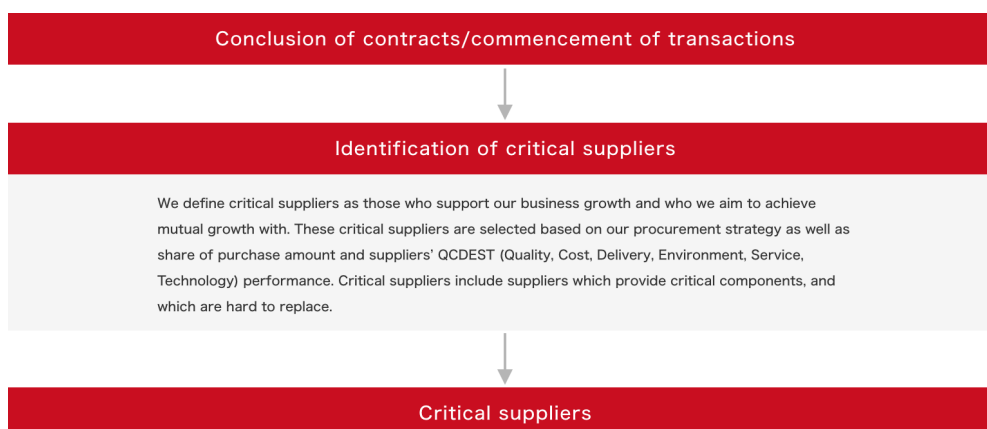
Suppliers by region (location of suppliers)



Critical Suppliers

Identification of critical suppliers

We identify critical suppliers once a year by the following process:



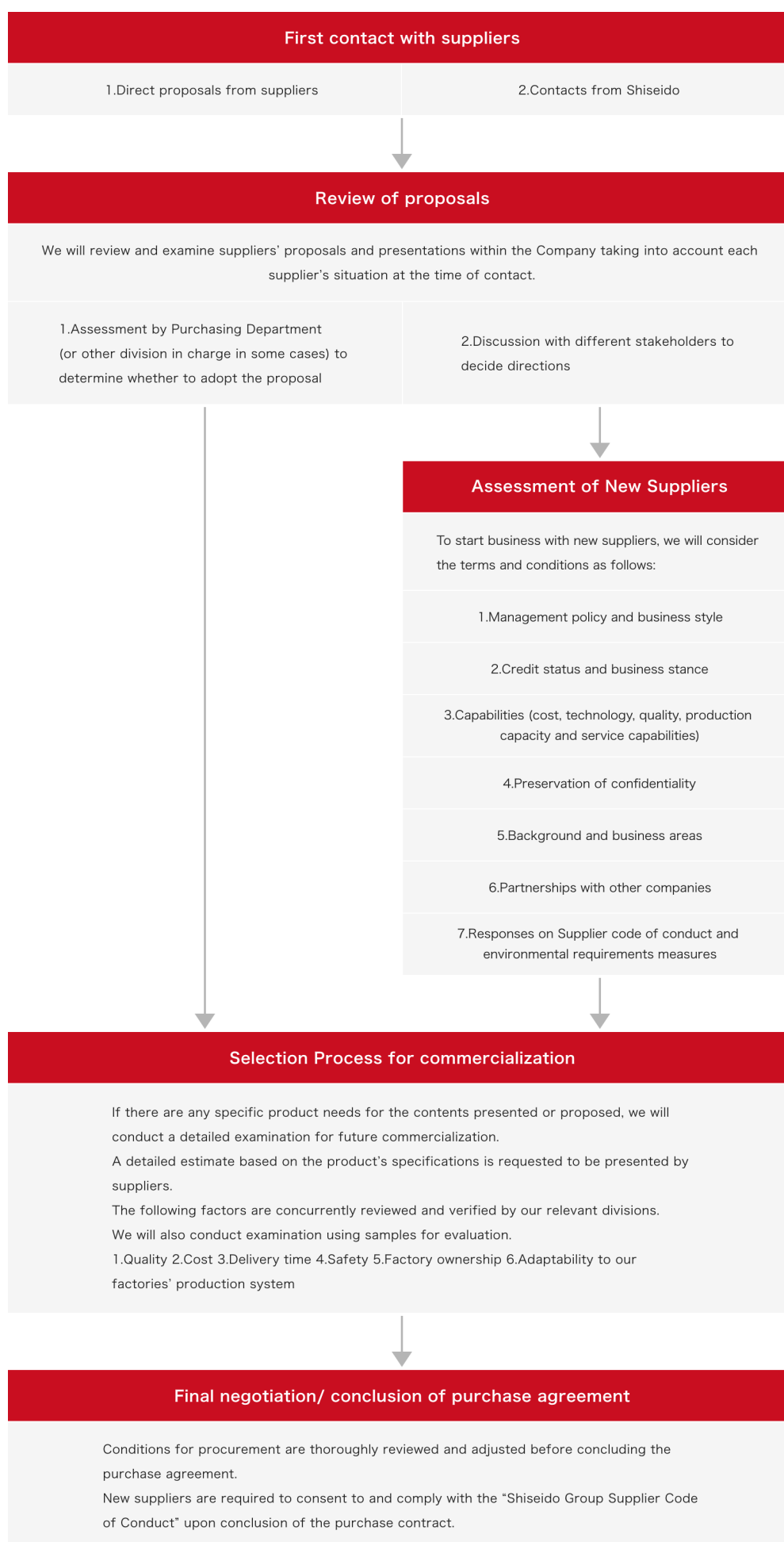
Number of critical suppliers in fiscal 2020

	Suppliers
Tier 1*	250 companies
Non-Tier 1	31 companies
Total	281 companies

* Suppliers of procurement departments in all regions and commissioned manufacturing suppliers

Starting New Business with Shiseido

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



Supplier Assessment

We assess our suppliers every year with a purpose to build a sustainable supply chain and ensure responsible procurement. Our target is to eliminate high-risk suppliers, and we assess particularly critical suppliers as a priority.

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: Sedex*1, EcoVadis, or Shiseido SAQ*2,3.

Based on results of this assessment, we categorize our suppliers into four groups; low-risk, medium-risk, high-risk, and non-assessable. To those ranked as high-risk, we provide feedback and request that they implement corrective action plans. Furthermore, given the assessment result and significance of suppliers, we conduct a third-party audit or visit selected suppliers. If we cannot evaluate a supplier due to insufficient information or response, we ask them to supplement the information or response accordingly.

*1 : Joined in August 2017

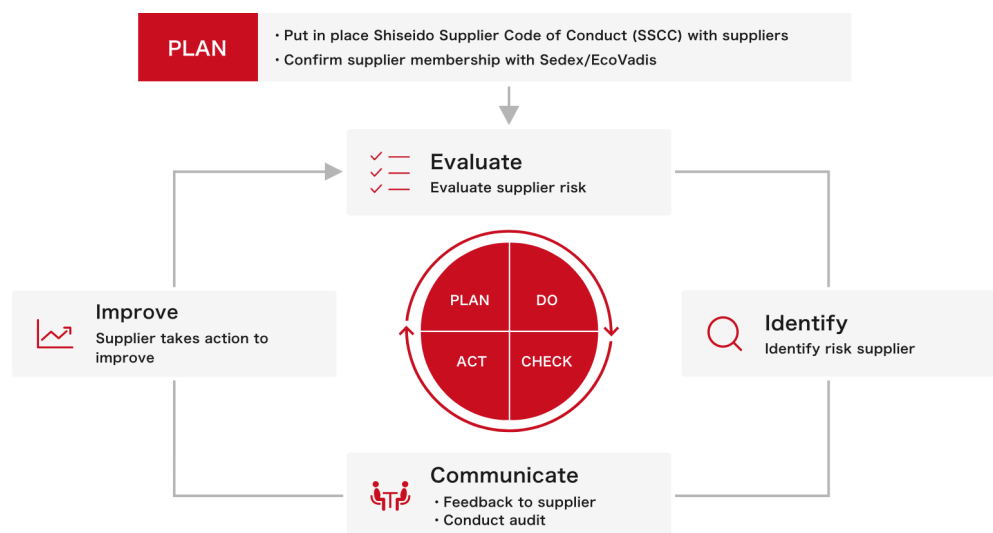
*2 : Self-Assessment Questionnaire

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

Supplier audits

We select suppliers to audit, taking into account results of assessment, importance of suppliers and purchase amounts, and other factors. We explain the purpose of our audit and what we are assessing to suppliers and ask them to prepare required documents. During the audit, in addition to onsite inspection, employee interviews are conducted and required documents are verified. When we find issues, we ask suppliers to establish a corrective action plan and confirm whether issues are resolved through the plan.

Shiseido's supplier assessment flow



Supplier assessment results

Until fiscal 2018, we assessed suppliers of Global Headquarter which provide product materials, sales support tools and OEM suppliers. In fiscal 2019, we expanded our scope and started assessment in EMEA Regional Headquarter.

In fiscal 2020, we expanded the scope further. From a category perspective, we assessed suppliers which provide product materials, sales support tools*, OEM suppliers, commissioned manufacturing suppliers and from geographical perspective, we conducted the assessment globally.

Given the expansion of the scope, we revised our KPIs and targets.

* Sales support tool suppliers with which Global Headquarter, China Regional Headquarter and EMEA Regional Headquarter have business. For EMEA Regional Headquarter, the scope of assessment is partial.

We assessed 791 Tier 1 suppliers* at an assessment rate of 94%. Of Tier 2 critical suppliers, we assessed 15 suppliers.

* Companies belonging to the same corporate group are counted as one supplier.

(KPI1) % of suppliers assessed (number of Tier 1 suppliers)

	2018	2019	2020	2021 (target)	2023 (target)
% of suppliers assessed (number of suppliers assessed)*	89%(229)	72%(356)	94%(791)	70%	80%

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

(KPI2) % of critical suppliers assessed (number of Tier 1 suppliers)

	2019	2020	2021 (target)	2023 (target)
% of critical suppliers assessed (number of suppliers assessed)	77%(131)	96% (239)	100%	100%

Identifying and mitigating risks

In fiscal 2020, 132 suppliers were categorized into high-risk and main risks are not conducting evacuation drills and inspections by health and safety committee, lack of company policy etc. We explained challenges and requested improvements to all the high-risk suppliers via supplier visit or online meeting*. Suppliers made corrective action plans such as conducting regular health and safety inspections, establishment of sustainability department and enactment of company policy. We confirmed that issues were resolved through the assessment.

* Due to the spread of COVID-19, meetings were conducted online as a priority.

Furthermore, 22 suppliers were audited. Most were critical suppliers with risks. Through these audits, we identified issues with certain suppliers in relation to regular inspection of machinery, and management of chemical substances. We requested those suppliers to correct the issues within a determined period.

Within 12 months after our feedback and audits, levels of 30 suppliers were revised from high to medium or low. Of Tier 2 critical suppliers, a total of 15 suppliers were also assessed, with none categorized as high-risk.

Actions towards high-risk suppliers in fiscal 2020

High-risk suppliers	132
Suppliers which received feedback	132
Suppliers which were audited	6
High-risk suppliers which have corrective action plans	31
Suppliers which improved assessment results through feedback and audits	30

Number of audited suppliers in fiscal 2020

	High-risk	Medium or low-risk
Critical suppliers	2	15
Non-critical suppliers	4	1
Total	6	16

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 Global Headquarter and China Regional Headquarter hold an annual Supplier's Day to share purchasing activities and strategies with suppliers. Taking this opportunity, our procurement department in Global Headquarter 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.

In fiscal 2019, 209 suppliers participated in the session held in Global Headquarter, and 89 suppliers in China Regional Headquarter. 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 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) attended by purchasing leaders from each of our global facilities. We share not only immediate issues but also medium-to-long-term goals, and discuss global purchasing strategies. We also promote the global implementation of sustainability activities through this meeting.



Education for buyers

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



Education on sustainability and responsible procurement (December 2019)

Education provided for members of Procurement departments

Date	Theme	Participants
September 2019	Responsible procurement and supplier assessment programs (internal seminar)	EMEA Regional Headquarter : Buyers
October 2019	Business and Human Rights Conference (CRT Round Table Japan)	Global Headquarter: Staff in charge of sustainability
November 2019	Labor/human rights audit to suppliers (external consultant and NPO)	Global Headquarter: Category managers, Staff in charge of sustainability
December 2019	RSPO and palm oil (external lecturer)	Global Headquarter: Buyers of raw materials
December 2019	Sustainability and responsible procurement (external lecturer)	Global Headquarter: Buyers involved in supplier management
May, October 2020	Opportunities and challenges in sustainability (internal seminar)	EMEA Regional Headquarter: Procurement department
November 2020	RSPO and RSPO certified products (internal seminar)	Global Headquarter: Buyers in charge of procurement of palm oil
December 2020	Trends in responsible procurement and supplier assessment (external lecturer)	Global Headquarter and China Regional Headquarter: Buyers in charge of supplier assessment

(KPI) % of employees in procurement departments who participated in ESG training

	2019	2020	2022 (target)
Departmental ESG education participation rate	85%	86%	90%

Reporting and Consultation Center for Suppliers

Protecting human rights, and compliance with laws that protect people's rights, are critical to everyone. In 2013, we set up the Business Partner Hotline to deepen our understanding of human rights compliance at our suppliers; promote fair transactions; and nurture a culture of transparency. When we are made aware of a compliance violation, either by email or other documents, we deal with it appropriately and rapidly. In 2020, there were no reports of non-compliance.

CDP Supplier Engagement Rating

We have been highly praised for our efforts to manage greenhouse gas emissions and reduce risks throughout the supply chain by CDP, an international environmental NGO. In 2020, we were selected for the Supplier Engagement Leaderboard for coming out at the top of CDP's Supplier Engagement Rating.

Going forward, we will continue to promote activities that help reduce our environmental footprint, in collaboration with our suppliers.



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.

Shiseido Modern Slavery Statement (Year ended December 31, 2020)

The statement below is the report for FY2020 as of December 31, 2020. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2020 and the initiatives planned for FY2021 and beyond.

1 About This Statement

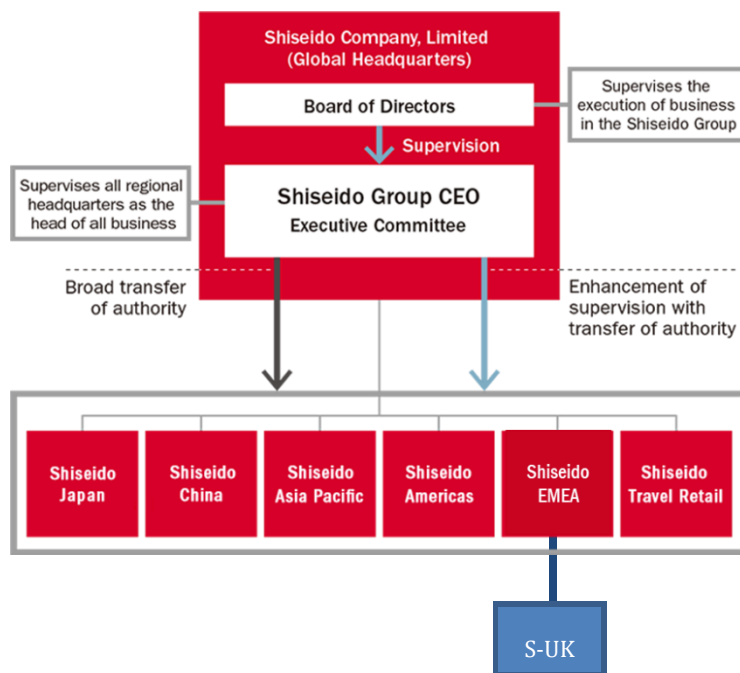
Shiseido Company, Limited, (hereafter the “Company”) makes the following declaration based on Section 54 (1) of the UK Modern Slavery Act 2015 (hereafter the “Slavery Act”) and discloses the measures implemented by the Company and its subsidiaries (collectively referred to as the Shiseido Group, hereafter “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 about 48,000 employees and a global turnover of 920.9 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 and each region. 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.” Of these, we purchase production materials from over 900 first-tier suppliers around the world. 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/pdf/partner.pdf>

■ **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

In FY2020, Shiseido took the following steps to identify and assess the apparent and potential impact of our activities relating to human rights in order to prevent or mitigate such activities as follows:

- Listing of human rights issues:

By referring to international codes on human rights, standards on non-financial disclosures, and the Corporate Human Rights Benchmark (CHRB), Shiseido has developed a list of human rights issues to be considered with the advice of human rights experts. This list includes not only issues related to modern slavery, such as forced labour and child labour, but also a wide range of issues related to human rights, such as freedom of association, the right to collective bargaining, and discrimination.

- Assessed human rights risks:

Shiseido assessed the status of our activities for our listed human rights issues by interviewing stakeholders (consumers, business partners, employees, and society*) in Japan and other countries and by investigating internal documents such as but not limited to questionnaires, surveys and certain report materials (we also referred to external documents for potential impact on human rights). Based on the results of this investigation Shiseido assessed the severity and likelihood of both potential and apparent risks regarding impacts on human rights in Japan and abroad, as well as the status of preventive and corrective measures Shiseido has taken to address these impacts.

*Including women, children, indigenous people, migrant workers, and temporary workers, etc.

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 more apparent especially at procuring raw materials such as Palm oil, mica.

- Since 2017, 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). It was confirmed that there is a possibility of child labour and forced labour in the cosmetics industry

supply chain in FY2020. Shiseido continues to be an active stakeholder in this program.

6 Risk Assessment and Management

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

■ Approach 1: Assess and manage risks through human rights due diligence

In order to prevent or mitigate the impact that our activities have or could have on human rights, we have identified and assessed that impact through the process described in "5. Human Rights Due Diligence". As a result, the areas in our supply chain where human rights risks were reported to be more likely are:

- Discriminatory actions/expressions
- Violation of compliance/fair competition
- Personal/confidential information leakages
- Employees' personal data & privacy
- Incomplete supplier management
- Occupational safety and health issues (work-related accidents)
- Breach of working hours, breaks, and rest period (overtime-work)
- Harassment and abuse (in no particular order).

On the other hand, we found that "forced labour" and "child labour", which are closely related to modern slavery and human trafficking, had lower human rights risks compared to other areas. For each human rights area, Shiseido will closely examine the risk level and the status of preventive and corrective measures that have already been introduced, and then assess the issues and take action according to the risk priority levels.

■ Approach 2: Risk identification in the supply chain as a whole

Shiseido assesses suppliers from the perspective of sustainability (human rights, occupational health and safety, the environment, and business ethics) and confirms compliance with the Shiseido Supplier Code of Conduct through Sedex/EcoVadis/its own SAQ once a year. We classify suppliers into four categories according to the degree of risk: low risk, middle risk, high risk and unassessable due to insufficient responses. We request corrective action and provide support to high risk suppliers through feedback. In addition, based on the magnitude of the risk and the importance of the supplier, visits by our employees and third-party audits are also conducted. Risks and issues discovered through assessments, visits, and audits are checked for corrective status based on a corrective action plan, and efforts are made to reduce the number of high-risk

suppliers.

■ Approach 3: 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 and the Nasu Factory in Japan, along with factories in Vietnam, the United States, and Taiwan. All factories in China and France have obtained the certification.
- In FY2020, all palm oil sourced by Shiseido had the Book & Claim certification from the RSPO.
- In 2020, for each of the identified palm oil blended raw materials, the possibility of switching to mass balance certified raw materials (the physical authentication method is recommended by the RSPO) was confirmed with the target suppliers, and if possible, the timing of the possible switch was set and is targeted for 2026. We can confirm that 31 raw materials were switched from raw materials with high palm oil content to certified raw materials based on RSPO's physical supply chain model (mass balance or higher).
- 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 part of RMI's activities and efforts, 1,166 households in 80 villages have improved their sources of income through alternative livelihoods such as agriculture and animal husbandry. In addition, more than 44% of out-of-school children attended school regularly, and more than 50% of malnourished children improved their access to proper nutrition. Shiseido participated in RMI's two activity groups, Traceability and Workplace Standards, and supported activities aimed at improving the traceability of the mica supply chain in India and improving slave labour, including child labour.

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 FY2020, the scope of the assessment has been expanded. The assessment results were used to determine the status of risks in the supply chain related to labour rights, health and safety, the environment, and business ethics, and to request corrective actions.

■ Supplier Assessment Results

In 2020, the supplier assessment program was conducted by expanding the target regions from Japan and EMEA to global. In the procurement category, a total of 791 suppliers (356 in 2019) were assessed, with the survey targets being production materials, sales tools, OEM procured goods, and first-tier suppliers responsible for supplying products through production outsourcing. The number of suppliers classified as high-risk was 132, and the major risks identified included failure to implement evacuation drills and failure to implement patrols by the Occupational Safety Committee. Shiseido provided feedback to all high-risk suppliers through visits or online, etc., explaining the issues and reasons of the suppliers in terms of sustainability and requesting corrective actions. In addition, audits were conducted on 22, focusing on critical suppliers with high risk. As a result of the corrective actions requested through feedback and audits, 30 suppliers implemented corrective actions within 12 months, and improved from high risk to medium risk or higher. In addition, 15 second-tier critical suppliers were evaluated, and there were no high risk suppliers.

■ Business Partner Hotline

Since 2013, Shiseido has established the Business Partner Hotline to promote fair transactions that deepen understanding and mutual respect with suppliers. As posted on the corporate website, the Business Partner Hotline accepts opinions and consultations from suppliers in writing or via e-mail. In 2020, we did not receive any consultations or feedback that indicated non-compliance.

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. had planned to hold executive integrity training in March 2020, but this was cancelled due to the spread of COVID-19.

■ Japan Domestic Employees

At our offices in Japan, each department has a Human Rights Enlightenment Promotion Committee member, and the Human Resources Department conducts training for the committee members, who then conduct human rights training in their own departments. In FY2020, due to the risk of COVID-19, we did not conduct group training, but instead conducted human rights awareness training via e-learning (theme: To prevent “unconscious and unaware discrimination”). The number of participants was 7,709.

■ Supply chain

In December 2020, the Purchasing Department of the Global Headquarters held an internal training session with an external lecturer, in which 59 employees from the department participated. During the training, the participants exchanged opinions on supplier assessment, including social trends in sustainable procurement and what is required in terms of human rights, labour, health and safety, environment, and ethics. In addition, the buyers involved in supplier assessment at the China regional headquarters also participated in this training. In the next fiscal year and beyond, we plan to conduct follow-up training for those who were not able to participate.

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 FY2021, we will focus on priority human rights issues derived from the results of the human rights risk assessment (identification and assessment of impacts) conducted in FY2020, and take measures to reduce manifest and latent risks, including further enhancement of preventive and corrective measures, and promote efforts for improvement.

In addition to continuing to conduct supplier assessments, and 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:



Masahiko Uotani

Representative Director

President and CEO

Shiseido Company, Limited

May 12, 2021

Culture

Using our heritage to create new value and enrich culture.



Shiseido's rich heritage is the source of our corporate culture. It explains our beginnings and our founder's vision of beauty; it celebrates what we have accomplished; and it defines our purpose as we move into the future. Since our foundation in 1872, we have developed a heritage of innovation, transformation, and the creation of social value. To grow our business and continue to create social value, our heritage serves as our inspiration and driving force. We must nurture it while strengthening the bonds created by our shared corporate culture. As a global beauty company, we consider it our mission to inspire the world with our vision of beauty born in Japan — using it to stimulate a diversity of values and create a new and rich culture worldwide.

1. Drawing on Our Heritage and Culture to Imagine a Better Future

Our heritage has been passed down from one generation to the next, helping us to nurture our corporate culture and inspire innovation. Our employees around the world learn about our heritage, founding spirit and corporate DNA through venues such as the Shiseido Corporate Museum, with its virtual tour, digital video content, and more. Our heritage also inspires our people, instilling a desire for constant personal transformation, strengthening individual resilience, and creating a leadership mindset. In this way, our heritage plays a key role in the training and development of our future global leaders — helping them to carry forward our high ethical standards and unique sense of beauty, as well as creating new social value and building a better world.

2. Inspiring the World With Our Sense of Beauty

Art and science are deeply ingrained in our DNA. From the very beginning, they have been present in every aspect of our business, working hand in hand to inspire beauty innovations, and create new and unique approaches to beauty. Shinzo Fukuhara, the first president of Shiseido, believed in the "richness in everything". He placed beauty sensibilities and emotional depth at the core of our company, and our business is based on this philosophy. We continue to nurture this philosophy. By collaborating with our network of artists and galleries, we develop programs designed to educate and inspire our employees. By stimulating their sense of beauty and appreciation of aesthetics, we aim to inspire and enrich society.

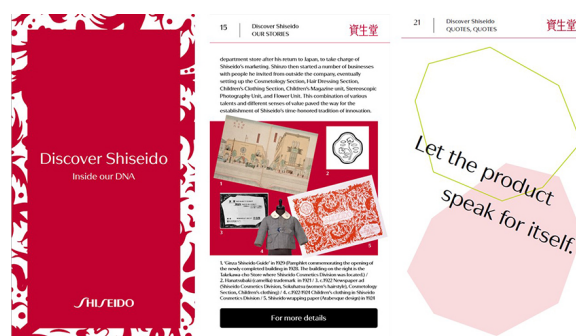
Performance in 2020

Using Digital Technology to Share Our Heritage with Employees

Discover Shiseido -Inside our DNA

Our workplaces around the world are home to a diverse range of people. In 2020, in order to deepen our employees' understanding of our DNA, we published *Discover Shiseido — Inside our DNA* (available in Japanese, English, Chinese and French). The publication focuses on Shiseido's heritage from the viewpoint of innovation, presenting our origins, philosophy, history, culture, and more, in a compact pocketbook.

The aim of this publication is to enable every employee to communicate Shiseido's uniqueness to our customers, partner companies, and society as a whole. As employees, we might come from different countries and have diverse backgrounds, but we all carry the same pocketbook. This creates a sense of unity among the Shiseido family, and serves as a source of knowledge and inspiration for every one of us.

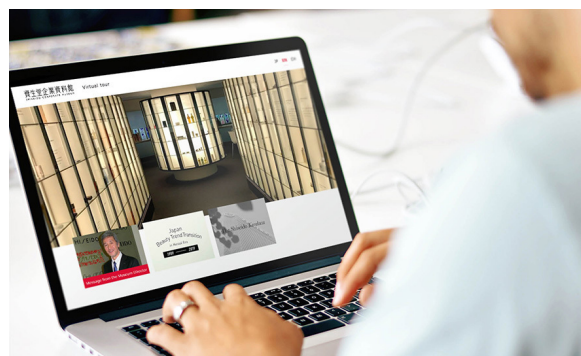


Discover Shiseido — Inside our DNA

Shiseido Corporate Museum Virtual Tour

2022 will mark Shiseido's 150th anniversary. To celebrate such a landmark, and promote our heritage – and future – of beauty innovations, we are using digital technology to share our story with employees worldwide.

Content created in 2020 has allowed employees around the world to take a virtual tour of the Shiseido Corporate Museum, located in Kakegawa (Japan). The content is available on our intranet in three languages (Japanese, English, and Chinese). By 31 December 2020, more than 4,000 people had taken the virtual tour, and the platform had been accessed over 20,000 times.



Corporate Museum Virtual Tour

Our aim with such initiatives is to accelerate the future success of Shiseido by inspiring employees with our rich heritage and history of innovations.

What Heritage Tells Us

Through times of adversity and turbulence, the passion and dedication of Shiseido employees worldwide have enabled us to overcome significant challenges. Throughout our history, innovation has paved the way for a future of beauty. That remains true to this day, and our heritage continues to spark the creativity needed to carry us forward. It is with this belief that we launched "What Heritage Tells Us" in April 2020 – a series of brief stories shared on our intranet. The stories revisit innovations and achievements throughout our 149-year history, highlighting the ways in which our founders and employees overcame adversity to ensure the future of Shiseido.



"What Heritage Tells Us," a series of brief stories, shared on our intranet

New content will be published on an ongoing basis in connection with notable events and important dates. During the course of this year, we have released 12 stories in English and Japanese. Our aim with "What Heritage Tells Us" is to motivate and inspire our employees around the world. During the first year of its launch, the series received more than 16,000 views, and this number continues to grow.

Shiseido Japan's Marketing Academy and Other Online Seminars

Our seminars are designed to help employees gain a deeper understanding of our corporate heritage.

In 2020, due to the COVID-19 pandemic, we moved these seminars online, and employees from various fields – including marketing and research and development (R&D) – actively participated. We held 10 seminars over the course of this year, with each session tailored to the individual needs of the departments involved.

We designed these interactive seminars to help our employees draw on the power of our heritage to create innovation. Around 1,400 employees attended. Looking ahead, we will create even more opportunities for employees to learn about Shiseido's heritage, providing motivation and insights they can use in their day-to-day work.

Elevating our Brand Through Art and Heritage

Hanatsubaki– Chinese Issue

We launched *Hanatsubaki* magazine in 1937. To communicate our heritage and aesthetic sense to a wider audience, we began publishing it in English in 2019 and Chinese in 2020.

The 2020 Summer/Autumn edition marked *Hanatsubaki's* entry into China, and we distributed 20,000 copies of the magazine in 15 cities nationwide. We held launch events across the country, and in November 2020, distributed 1,000 copies at the 3rd China International Import Expo in Shanghai. The response was fantastic. As a result of our Chinese Regional HQ's efforts on social media, the magazine's readership — as well as its profile — has increased.

By offering *Hanatsubaki* magazine in Chinese, we aim to share our unique sense of Japanese beauty and deep cultural insights with a new audience and a younger generation of readers. In doing so, we hope to stimulate interest in, and build preference for, Shiseido in China.



"Hanatsubaki" Chinese Issue



"GINZA and SHISEIDO" Feature

Shiseido Gallery

The Shiseido Gallery, which opened in 1919, is one of the oldest art galleries in Japan. Since its opening, the gallery has been renowned for its constant efforts to support young and forward-thinking artists, and for the way it explores and pushes the frontiers of contemporary art.

In 2020, the Shiseido Gallery held a number of exhibitions to encourage dialogue and interaction between Shiseido employees and guest artists. The aim of these exhibitions was to create new opportunities for Shiseido brands, employees and artists alike, by providing a platform for creativity, learning and knowledge sharing.



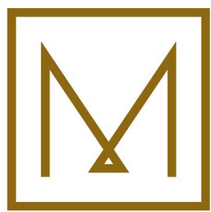
The 14th shiseido art egg, featuring artist Taishi Nishi's "Ghost Demo"

Receiving the Special Award at the Japan Mécénat Awards

At the Japan Mécénat Awards 2020, sponsored by the Association for Corporate Support of the Arts, Shiseido was presented with the Special Award granted by the Commissioner for Cultural Affairs. This award was given in recognition of our achievements in the planning and operation of the Shiseido Gallery.

We were highly praised for taking on the challenge of creating social value through art, and for continuously evolving while carrying on the spirit of our founder. The judges were also impressed by our policy of incorporating culture into management, raising shared awareness among employees, and tackling social issues.

Among the 165 eligible projects, one received a Grand Mécénat Award, five received Awards for Excellence, and one received a Special Award. The Shiseido Gallery also received the Grand Mécénat Award in 2007, and the Flower Art Award in 2014.



MECENAT
AWARDS
2020



Award acceptance lecture by Keiko Toyoda, Shiseido Gallery
Director

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

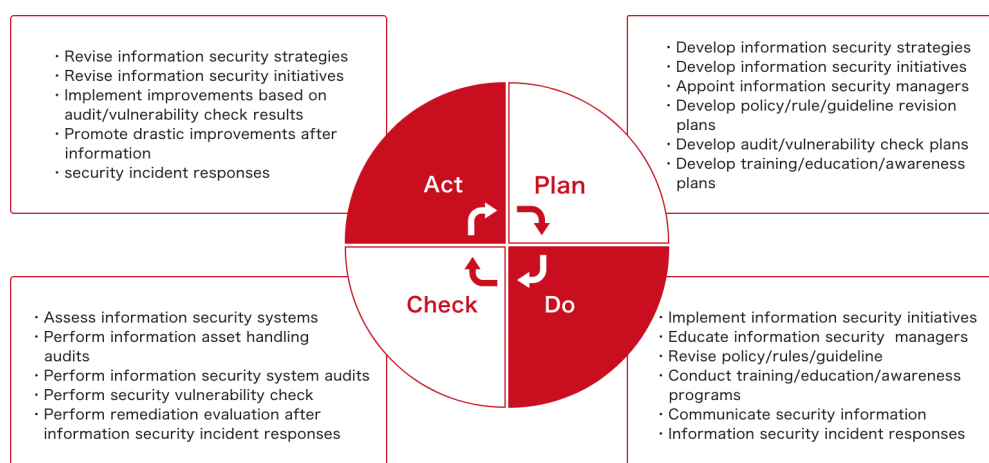
Shiseido deeply recognizes the importance of personal information acquired through business and other relevant activities and considers it a social responsibility to thoroughly protect such information. Therefore, we have established the "Shiseido Group Privacy Rule" to which all employees of the Shiseido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

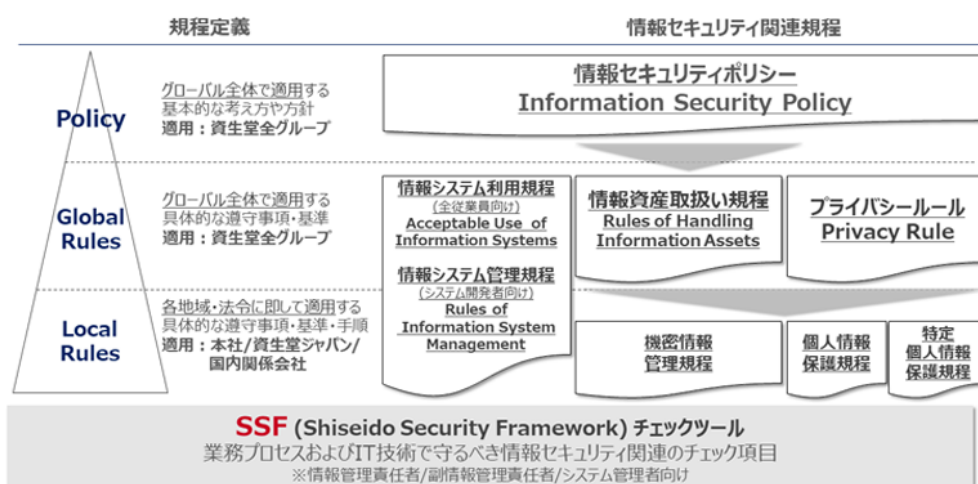


(2) Development of policies and rules

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

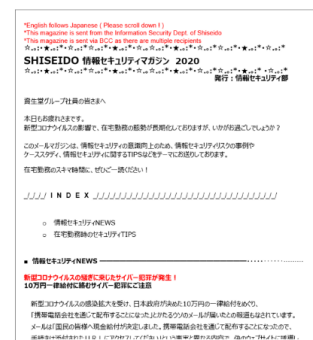
(1) Employee training/education/awareness

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.

Governance

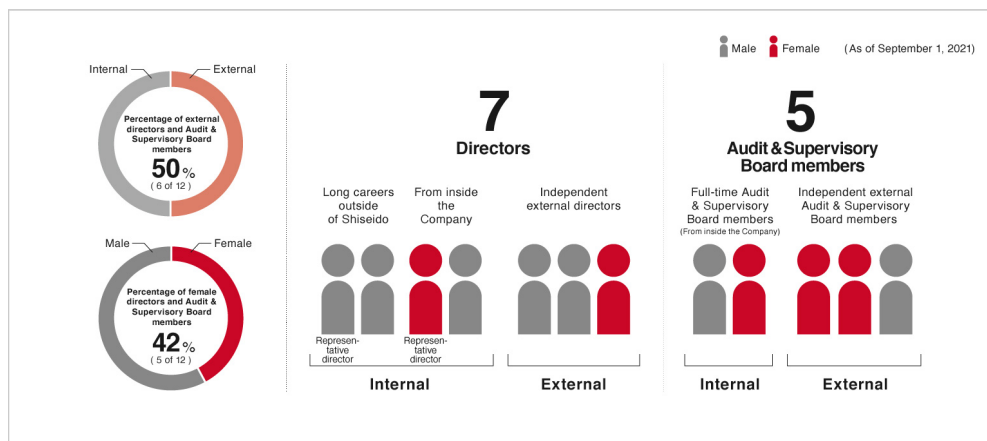


Corporate Governance Policy

The Shiseido Group including the Company has established BEAUTY INNOVATIONS FOR A BETTER WORLD as OUR MISSION in its Corporate Philosophy THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling OUR MISSION".

The Company strives to maximize medium-to-long-term corporate and shareholder value by implementing and reinforcing corporate governance to maintain and improve management transparency, fairness, and speed, and by engaging in dialogue with all stakeholders, from consumers, business partners, employees, and shareholders to society and the earth. At the same time, by fulfilling its responsibilities as a public entity of society, the Company works to optimize the value it delivers to respective stakeholders.

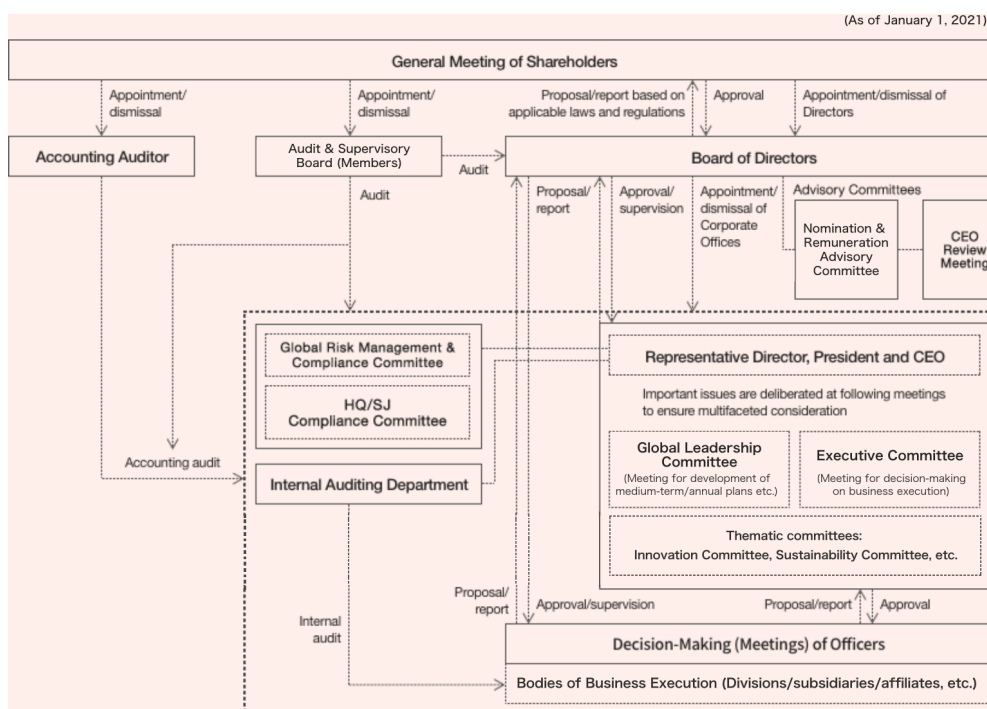
Shiseido's Governance in Numbers



* Yoko Ishikura resigned as external director as of August 31, 2021, and therefore the number of directors has been changed from 8 to 7.

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

Business Management and Execution Structure



Committees Involving Directors and Executive Officers

Shiseido's Board of Directors is structured to be small for quick decision-making. It is composed of seven members including three external directors and presided by the President and CEO. The Board of Directors meets approximately once a month to discuss all significant matters.

The Company has adopted an executive officer system, placing its business execution function under the control of executive officers and separating it from the supervisory function, the responsibility of the Board of Directors. On top of that, we have the Executive Committee, which discusses important matters related to business execution from various aspects before final decisions are made by the President and CEO, and the Global Leadership Committee, which deliberates business plans, medium-to-long-term strategies, and other matters. Both committees are chaired by the President and CEO.

At the same time, we are working to delegate authority to executive officers, clarify their responsibilities, and accelerate business execution. Executive officers make decisions regarding the execution of business in their areas of responsibility and deliberate matters to be proposed to the Board of Directors and the Executive Committee. In order to ensure that our Board of Directors maintains an independent perspective and further strengthen its supervisory function over business execution, in 2006, we appointed two highly independent external directors. Currently, the number has been increased to three.

Among the four internal directors, two have built careers outside of Shiseido: one as a corporate manager, and the other as a financial officer; while the remaining two have had long careers in Shiseido: one having expertise in various brands of the Company as well as new business development, and the other possessing knowledge and experience in such fields as marketing, product development, finance & accounting, and supply network. We believe that such composition ensures diversity of the Board of Directors. We also appoint younger members as executive officers, thereby aiming to strengthen the executive function.

Ensuring Effectiveness of the Board of Directors

The Company believes that a truly effective Board of Directors requires exhaustive discussions at the Board meetings upon sharing appropriate information with external directors regarding the Company's basic management policy and important management matters. Important management matters are carefully deliberated by the Board over a number of meetings including offsite meetings, ensuring that formulated policies and decisions are backed by a sufficient amount of information and deliberation.

The Company also places particular importance on the diversity of its directors and Audit & Supervisory Board members, with the belief that diverse opinions stemming from various expertise and insights result in versatile discussions, which are indispensable for an effective Board.

Topic One: Medium-to-Long-Term Strategy WIN 2023 and Beyond

On February 9, 2021 the Company announced its medium-to-long-term strategy, WIN 2023 and Beyond. The formulation of this strategy, which defines the basic policy of the Company for the medium and long term, required particularly detailed considerations and discussions based on the opinions of both internal and external directors with a wide range of perspectives. Therefore, in addition to discussions by the Board of Directors, several discussion meetings were held with external directors to deliberate the new strategy. The meetings encompassed a considerable amount of questions and recommendations, as well as exhaustive discussions related to the Company's issue awareness and strategic proposals, their purpose, overall direction of initiatives, and matters requiring further consideration. These discussions have been incorporated not only into WIN 2023 and Beyond overall, but also into each of the initiatives based on this strategy.

Topic Two: Transfer of Shiseido's Personal Care Business and Joint Venture Establishment

On February 3, 2021 the Company announced the transfer of its Personal Care business to a legal entity financed by funds advised by CVC Asia Pacific Limited and its subsidiaries. Following the transfer, the Company will stay involved in the Personal Care business as a shareholder of the new company which will operate the business. This matter was discussed at a number of the Board meetings in order to determine the strategic positioning of the Personal Care business in the Company's portfolio, possible scenarios for its development, selection of candidates for the transfer, and other issues. Among these topics, the transaction was discussed with particular consideration from the following aspects: significance and appropriateness of selection of the transferee, business plan following the joint venture, continued employment and treatment of the employees involved with the business, ability to increase the value of the business and provide opportunities to its employees. Information regarding the status of the project was regularly shared with directors and Audit & Supervisory Board members on various occasions not limited to the Board meetings. The final

decision was reached upon unanimous agreement of all attendees that this is the best option among possible scenarios.

The Company's external director Yoshiaki Fujimori concurrently serves as Senior Executive Advisor of the transferee's related company. In order to ensure the fairness of the transaction, he did not participate in any related deliberations or determinations of the Board of Directors of the Company, nor did he participate in any information sharing, discussions, consultations or negotiations with CVC held by the Company pertaining to the transaction.

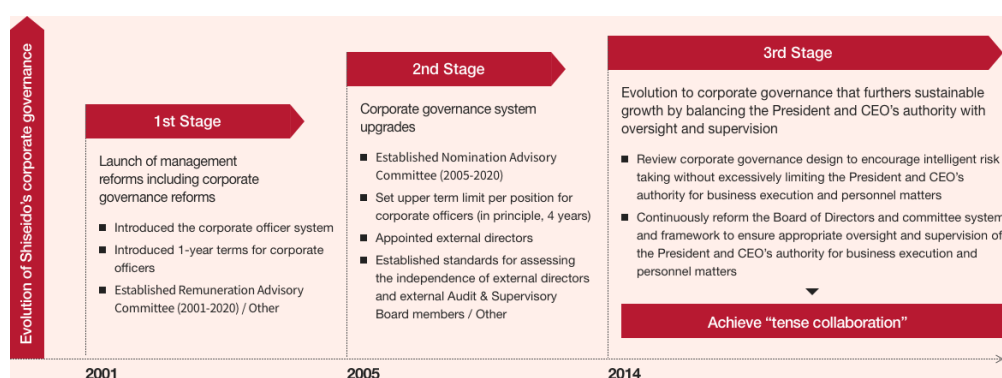
Process of Evolution

Process of Corporate Governance Evolution

The Shiseido Group including the Company has established BEAUTY INNOVATIONS FOR A BETTER WORLD as OUR MISSION in its Corporate Philosophy THE SHISEIDO PHILOSOPHY, and defines the corporate governance as our "platform to realize sustainable growth through fulfilling OUR MISSION".

We began full-fledged initiatives toward strengthening corporate governance in 2001. Our continuous reforms to date can be divided into three stages.

Moving to the Third Stage of Corporate Governance



The first stage initiated a 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 various initiatives to create 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 entered the third stage, in which we are targeting corporate governance that furthers sustainable growth. We aim to 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 in Shiseido's global management. This tense collaboration does not excessively limit or decrease the CEO's authority, but rather, given the broad authority vested in the CEO, establishes a process of regular evaluation of the CEO and management execution by the Board of Directors and other supervisory organs, to whom the CEO is fully accountable. This process also involves regular CEO evaluations by the Nomination & Remuneration Advisory Committee.

Corporate Governance System

Reasons for Adopting the Current Framework

The Company has adopted the framework of a company with an audit & supervisory board system, which exercises dual checking functions whereby business execution is supervised by the Board of Directors and audited for legality and appropriateness by the Audit & Supervisory Board. In order to maintain and improve management transparency, fairness, and speed as per the basic policy on corporate governance, the Company has reinforced the supervisory function of its Board of Directors by incorporating outstanding features of a company with a nominating committee, etc. and a company with an audit and supervisory committee.

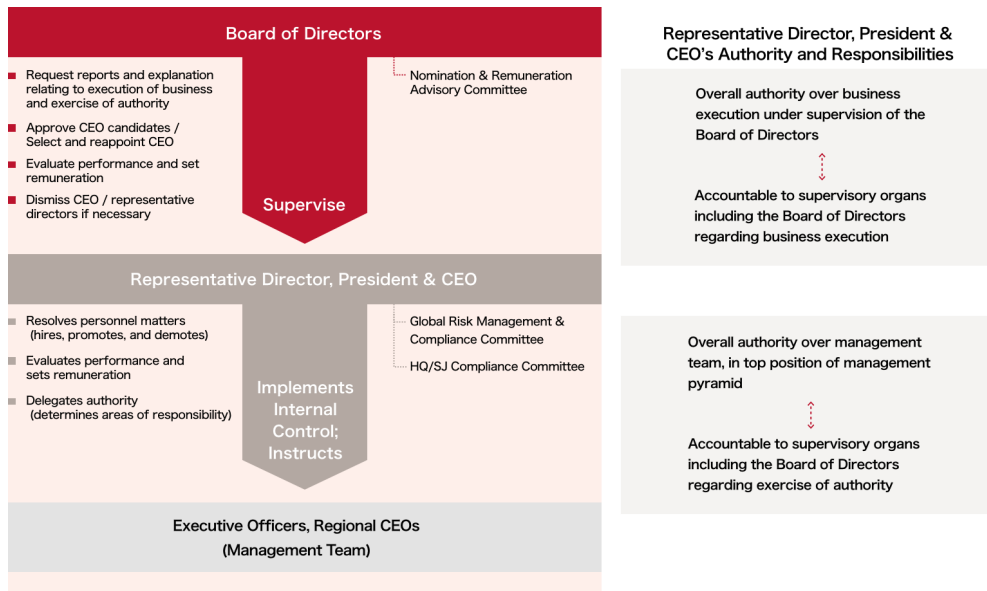
Based on the Shiseido Group's matrix-type organizational system with brand categories and six regions combined, the Company as the global headquarters is responsible for supervising the overall Group and providing necessary support, while many of the responsibilities and authorities are delegated to the respective regional headquarters of Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail. We held repeated discussions with regard to an ideal corporate governance system under this matrix organization, including the composition and operation of the Board of Directors. As a result, the Board of Directors concluded that adopting the monitoring board-type system would be appropriate to ensure sufficient and effective supervisory functions over the Shiseido Group overall. Therefore, we resolved on the monitoring board-type corporate governance framework while leveraging the advantages of a company with an audit & supervisory board system.

Diversity of Directors and Audit & Supervisory Board Members

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

When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, personality, and insights and experiences in various fields related to management. In addition, the Company has set a certain maximum term of office for external directors and external Audit & Supervisory Board members in order to reflect their independent views to the management of the Company, and allows a handover period from long-serving external directors and Audit & Supervisory Board members to newly appointed ones to ensure appropriate transition.

Management Supervision System



Ratio of External Directors

The Company's Articles of Incorporation set the maximum number of directors at 12. The optimum number of directors for appropriate management supervision is determined based on this upper limit and such factors as the Company's business portfolio and scale.

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

In selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates are required to meet the Company's "Criteria for Independence of External Directors and Audit & Supervisory Board Members" as well as possess highly independent thinking.

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

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

from the Shiseido Group

(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 executive 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 Representative Director. 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 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	Shinsaku Iwahara
Member	External Director	Yoshiaki Fujimori
	External Director	Kanoko Oishi
	Representative Director, President and CEO	Masahiko Uotani

Evaluation of the Effectiveness of the Board of Directors

Basic Policy

The Company evaluates the effectiveness of the Board of Directors with the purpose of identifying issues and points to be improved of the Board of Directors, etc. and evolving the Board of Directors into a more effective one. The Company conducts annual questionnaire surveys and interviews with all directors and Audit & Supervisory Board members to evaluate and analyze the Board of Directors, the Nominating & Remuneration Advisory Committee, and the Audit & Supervisory Board. The secretariat of the Board of Directors summarizes, analyses, and identifies issues. The identified issues and opinions are reported to the Board of Directors, and all members of the Board of Directors discuss how to respond to the issues.

In addition, third-party organizations regularly check and evaluate the effectiveness of these assessments to ensure transparency and objectivity.

Implementation Results in Fiscal 2020

The survey focused on the diversity of members of the Board of Directors, the composition of skills and experiences that the Board believes should be strengthened, the deliberations and functions of the Board of Directors, the content of deliberations on materials distributed, the opportunities for discussions outside the Board of Directors, the strengthening of cooperation with Audit & Supervisory Board members, the secretariat structure, and matters related to our overall governance.

As a result, although no significant challenges were identified regarding the effectiveness of the Board of Directors, several issues were identified as follows. The Board of Directors will discuss these issues, make improvements, and monitor the status of improvements in the following year and beyond.

Item	Issues	Future directions
Composition of Board Members	Need to consider the skills set of members of the Board of Directors to discuss our management policies and strategies, and effectively monitor business activities based on the Medium-to Long-Term Management Strategy "WIN2023 and Beyond"	Discuss the diversity of board members beyond "skills" representing areas of knowledge and reflect them in the skill matrix.
Deliberations of the Board of Directors	Need to continue to organize "important agendas" at our Board of Directors meetings, and further enhance deliberations on management and business strategies, internal audits, and risks	Continue to deliberate on the issues raised by the Board of Directors, and will further enhance deliberations on the issues raised by the Board of Directors.
Information sharing	Need to enhance the content and distribution of materials for meetings of the Board of Directors	Enhance materials mainly by the secretariat, and consider opportunities to provide information to external directors and external Audit & Supervisory Board members and opportunities to exchange opinions
	Need to further enhance the exchange of information between directors and Audit & Supervisory Board members	
	Need to provide more information to external directors and external Audit & Supervisory Board members	

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

Evaluations of the effectiveness of the Board of Directors have shown that the development of succession plans for the CEO is a task that should be continuously addressed by the Board of Directors and the Nomination & Remuneration Advisory Committee.

The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation.

Furthermore, 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 Executive Officers

1. Basic Philosophy of the Remuneration, etc. to Directors, Audit & Supervisory Board Members, and Executive Officers of the Company

The Company regards the directors, audit & supervisory board members, and executive officers remuneration policy as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the directors, audit & supervisory board members, and executive officers remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by external directors by incorporating objective points of view, and the outcome is reported to the Board of Directors for the resolution.

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.

2. The Company's Directors, Audit & Supervisory Board Members, and Executive Officers Remuneration Policy

Based on the above basic philosophy, the Company determines its policy on decisions regarding matters including remuneration of individual directors at the Board of Directors meetings. The contents of the Company's directors, audit & supervisory board members, and executive officers remuneration policy based on this policy is described below in detail.

■ Overall picture

The remuneration of the directors and executive officers of the Company comprises "basic remuneration" as fixed remuneration as well as "annual bonus" and "long-term incentive-type remuneration (non-monetary remuneration)" as performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration.

External directors and audit & supervisory board members receive only basic remuneration, as

fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan.

[The Proportion of Remuneration for Directors Eligible for the Payment by Remuneration Type and Rank as Corporate Officer]

Rank as Corporate Officer	Composition of Remuneration for Directors and Corporate Officers			Total
	Basic Remuneration	Performance-linked Remuneration		
		Annual Bonus	Long-Term Incentive-Type Remuneration	
President and CEO	33.3%	33.3%	33.3%	100%
Executive Vice President	54%~56%	22%~23%	22%~23%	
Executive Corporate 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 Chair of the Board is not included in the table.

■ Basic remuneration

The Company designs basic remuneration in accordance with role grades based on the size and level of responsibility of respective officers in charge, as well as the impact on business management of the Group. In addition, within a same grade, an increase of the amount is allowed within a certain range in accordance with the performance of respective directors or corporate officers in the previous fiscal year (numerical business performance and personal performance evaluation). These allow the Company to ensure well-modulated basic remuneration as well, commensurate with the achievements of respective directors and corporate officers.

Basic remuneration for respective officers is determined by the Board of Directors after deliberations by the Remuneration Advisory Committee, and is paid in equal installments every month.

For external directors and audit & supervisory board members, the Company shall not pay basic remuneration that has a certain allowance for increase, but pay fixed remuneration only which is determined in accordance with their respective roles.

■ Performance-linked remuneration

The performance-linked remuneration consists of an "annual bonus" provided as an incentive for achieving goals of single fiscal years, and "performance-linked stock compensation (performance share units) as long-term incentive-type remuneration" provided with the aims of establishing a sense of common interests with the shareholders and instilling motivation to achieve the goals over the medium to long term. Accordingly, it is designed to motivate the directors and corporate officers to manage business operations while being more conscious about the Company's performance and share price from the perspectives of not only a single year but also over the medium to long term.

Given that new long-term goals have been set, the Company introduced a long-term incentive-

type remuneration (LTI) in fiscal 2019 to replace the stock compensation-type stock options that the Company had provided up to and through fiscal 2018.

■ Annual bonus

Of the performance-linked remuneration, the Company has set evaluation items for the annual bonus in accordance with the scope that respective directors and corporate officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and consolidated operating profit as common performance indicators across directors and corporate officers, and the range of changes in the percentage amount of payment is set between 0% and 200%. Although it is essential that the entire management team remain aware of matters involving net profit attributable to owners of parent, it is crucial that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth-oriented investment and resolving challenges with our sights set on achieving long-term growth. As such, upon the Remuneration Advisory Committee deliberation, the Company has preliminarily established certain performance standards (thresholds) as described in the table below, 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 whole group performance component of the total annual bonus, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, consolidated operating profit and net profit attributable to owners of parent, actual performance may be adjusted by resolution of the Board of Directors following deliberation by the Remuneration Advisory Committee. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of directors.

In addition, we set the personal performance evaluation of all directors and corporate officers in order to add the level of achievement regarding strategic goals that cannot be measured by the financial performance figures alone, such as efforts for restructuring of the business platform to realize sustainable growth, to evaluation criteria.

Annual bonus is paid once a year.

[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	—		50%		50%		—	
Personal Performance	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.

■ Long-term incentive-type remuneration

From fiscal 2019, the Company has introduced performance share units, a type of performance-linked stock compensation, and has incentivized the creation of corporate value over the medium to long term through annual payments. As performance indicators to evaluate the enhancement of economic value amid the current COVID-19 pandemic, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy "WIN 2023 and Beyond." In addition, as benchmarks on creation of social value, the Company has set multiple internal and external indicators pertaining to the environment, society and governance (ESG) with special emphasis placed on the area of "empowered beauty," in which the Company aims to continuously achieve its notion of beauty innovation. Accordingly, the remuneration is designed for the purpose of creating corporate value from both aspects of economic and social values, as well as establishing a sense of common interests with shareholders.

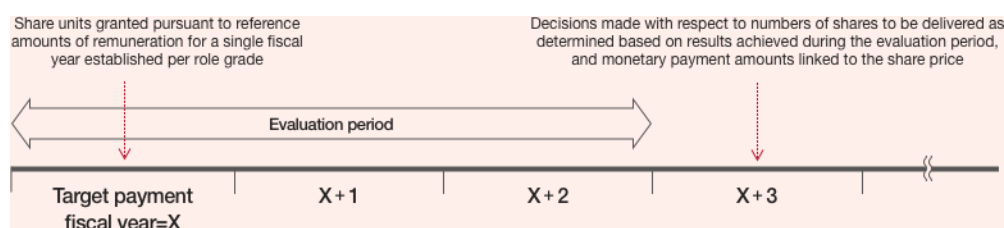
〔Purposes of introducing the LTI〕

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 instilling the consciousness of participating in the running of the Company.

Under 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 whose evaluation period is for three years including the fiscal year related to the payment. The Company shall use the respective achievement ratios of each performance indicator to calculate the payment rate in a range from 50% to 150% 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 the shares of the Company's common stock of a number 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.

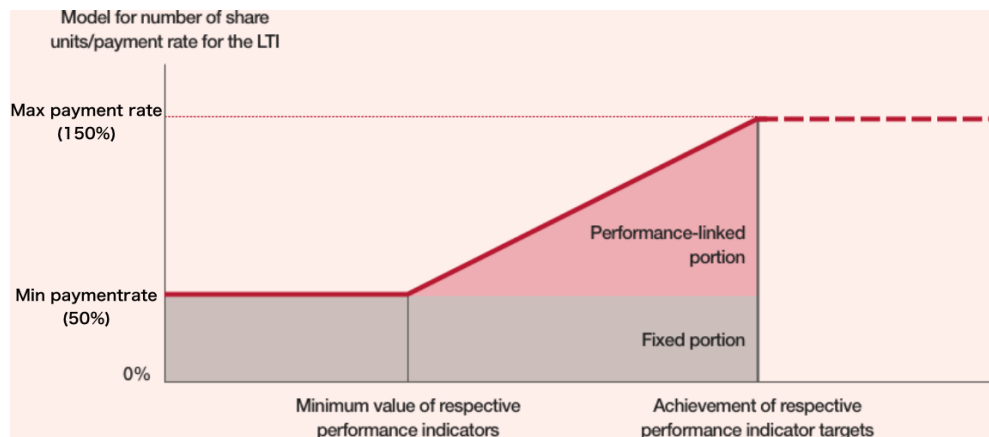
〔LTI schedule〕



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.

[Model for payment rate of the number of share units for the LTI]



The performance indicators for the 2021 long-term incentive-type remuneration have been determined as an incentive to achieve medium-to long-term targets by the Board of Directors upon the matter having been adequately deliberated on by the Nomination & Remuneration Advisory Committee, based on the medium-to long-term strategy "WIN 2023 and Beyond" despite the impact of COVID-19, which is expected to continue for the time being. More specifically, the Company has set the following benchmarks to measure economic corporate value: the compound average growth rate (CAGR) of consolidated net sales calculated based on performance in fiscal 2019 before the Company was impacted by COVID-19, through fiscal 2023, and the consolidated operating profit margin designated as a target in the medium-to long-term strategy "WIN 2023 and Beyond." In addition, as benchmarks pertaining to social value, the Company has adopted multiple internal and external indicators pertaining to the environment, society and governance (ESG) with special emphasis placed on the area of "empowered beauty," in which the Company aims to achieve its notion of beauty innovation through providing support to others. The composition of these performance indicators pushes forward the enhancement of corporate value from both aspects of economic and social values. Moreover, the performance indicators 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, the Company has set target and minimum values for each of the CAGR for consolidated net sales and consolidated operating profit margin. 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 the environmental, social and governance (ESG) indicators, upon having determined whether each of the multiple benchmarks has been achieved or not, the Company 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 the Company deems it necessary to ensure that management not let the benchmark weigh too heavily on proactive efforts particularly involving future growth investment and resolving challenges with our sights set on achieving long-term growth, the Company will set preliminary ROE targets at certain thresholds per deliberations carried out in that regard by the Nomination & 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.

The Company has introduced the Malus and Clawback Clause for Performance Share Units. Specifically, in certain cases such as serious misconduct of the eligible parties, the Board of Directors may be entitled to reduce or recover the stock units.

In addition, the Company is gradually extending payment of LTI to principals global executive persons, with the aim of realizing a "Global One Team" by fostering a sense of solidarity among management teams around the world and instilling the consciousness of participating in the running of the Company.

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

Evaluation Item	Performance Indicators	Evaluation Weight	
Economic Value	Compound average growth rate (CAGR) of consolidated net sales	30%	100%
	Consolidated operating profit margin in the final fiscal year of the evaluation period	60%	
Social Value	Multiple internal and external indicators pertaining to the environment, society and governance (ESG) with focus on the area of "empowered beauty"	10%	
Economic Value	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.

■ Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020

				(Millions of yen)		
	Basic Remuneration	Bonus	Total Remuneration in Cash* (a)	Former Long-Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Directors (9 persons)	312	102	414	106	63	584
External Directors Among Directors (4 persons)	56	—	—	—	—	56
Audit & Supervisory Board Members (6 persons)	104	—	104	—	—	104
External Audit & Supervisory Board Members Among Audit & Supervisory Board Members (4 persons)	39	—	—	—	—	39
Total	416	102	518	106	63	688

*Total remuneration in cash that has been confirmed by March 2021

Notes :

- 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.
- Regarding the above basic remuneration for fiscal 2020, the Company has received a proposal from its CEO and corporate officers to decline a part of their remuneration for five months from August to December 2020 as a step for improving profitability in response to the deteriorating market environment. Following discussions by the Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of basic remuneration have been already adjusted based on the reduced amounts.
(Personnel subject to reductions and details of decline to receive partial amounts of remuneration)
President and CEO: decline 30% of monthly base salary
Executive Vice President and executive corporate officers: decline 15% of monthly base salary
Corporate officers, etc.: decline 10% of monthly base salary
- The bonuses of directors for fiscal 2020 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. Regarding the calculation of those amounts, please refer to the following "Performance-linked targets, actual performance and payment percentage, etc. of annual bonuses paid to directors excluding external directors". The Company has received a proposal from Representative Director, Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the said Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.
- 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, 2020, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
- 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, 2020, 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. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
- In addition to the above payments, other remuneration of ¥24 million was recorded for the fiscal year ended December 31, 2020 as expenses associated with stock options granted to three directors of the Company, at the time the directors served as corporate officers not holding the office of directors.
- None of the directors or the audit & supervisory board members was paid remuneration other than described above (including that described in notes 1. through 6.).

■ Amounts of Remuneration, etc. to Representative Directors and Directors Whose Total Amount of Remuneration, etc. Exceeded ¥100 Million for the Fiscal Year Ended December 31, 2020

				(Millions of yen)		
	Basic Remuneration	Bonus	Total Remuneration in Cash* (a)	Former Long-Term Incentive (Stock Option) (b)	Long-Term Incentive (Stock Compensation) (c)	Total [(a)+(b)+(c)]
Masahiko Uotani, Representative Director	148	67	216	94	46	357
Yoichi Shimatani, Representative Director	40	6	46	11	0	58

*Total remuneration in cash that has been confirmed by March 2021

Notes :

- Regarding the basic remuneration for fiscal 2020 indicated above, please refer to note 2. of "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020".
- The bonuses of directors for fiscal 2020 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 "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020". The Company has received a proposal from Representative Director Masahiko Uotani to decline 50% of the annual bonus proposed by the Nomination & Remuneration Advisory Committee, taking into account the reduction of dividends to shareholders and the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan. Following discussions by the Nomination & Remuneration Advisory Committee, the Board of Directors has resolved the said proposal. The above amounts of bonuses have been already adjusted based on the reduced amounts.
- 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, 2020, upon the approval of the ordinary general meeting of shareholders, in consideration of duties executed by directors.
- 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, 2020, 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. (The said amount of the expenses reflects the business results and other associated costs for the fiscal year ended December 31, 2020 and is calculated by reducing the payment percentage by 45% for the fiscal year ended December 31, 2020).
- In addition to the above payments, other remuneration of ¥1 million was recorded for the fiscal year ended December 31, 2020 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.
- Neither of the two directors above was paid remuneration other than described above (including that described in notes 1. through 5.).

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

(Billions of yen)					
Performance Evaluation Indicators	Fluctuation Range of Payment Percentage	Targets for Payment Factor at 100%	Actual Performance	Achievement Rate	Payment Factor Calculated Based on the Target Achievement Rate
Consolidated Net Sales	0%~200%	1,220.0	920.9	75.5%	0% (Note 3.)
Consolidated Operating Profit		117.0	15.0	12.8%	0% (Note 3.)
Net Profit Attributable to Owners of Parent	—		△11.7	—	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge	0%~200%	(Note 1.)			
Personal Performance Evaluation		(Note 2.)	—	—	(Note 2.) 62.0% (Average)
				Total payment rate	(Note 4.) 62.0%

Notes :

- Key performance evaluation indicators such as net sales, profits and cost indices, etc. are set to measure performance of respective business. Specific figures are not disclosed
- 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. In the fiscal year ended December 31, 2020, we received a proposal from the Nomination & Remuneration Advisory Committee to make a partial adjustment of the payment percentage based on the assessment at the personal performance evaluation in response to a significant decrease in the overall payment percentage due to the impact of COVID-19, and made a decision through sufficient deliberation of the Board of Directors. In this deliberation, consideration was given on the balance between the status of bonuses paid to principal executive persons of the Group's overseas subsidiaries and managers and regular employees of Group companies in Japan.
- 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 currencies, 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 payment factors are as shown in the above result in any indicators.

4. In terms of annual bonus for Representative Director, Masahiko Uotani, for fiscal 2020, the amount was reduced in response to his decline to receive a part of bonus through the procedure described in note 3. of "Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2020." The above total payment rate has been already adjusted based on the reduction amounts.

Succession Plan and Training

Succession Plan for President and CEO

The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation.

Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination and Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

In 2019, the Board of Directors approved the extension of the term of office of current President and CEO Uotani, as well as the framework of a concrete succession plan, etc. In 2020, we commenced the execution of the succession plan and reported its progress to the Nomination & Remuneration Advisory Committee and the Audit & Supervisory Board.

Succession and Training for Directors, Audit & Supervisory Board Members, and Executive Officers

The Company believes that it is important to have succession plans not only for the President and CEO but also for external directors and external Audit & Supervisory Board members, who play key roles in supervising business management. Matters regarding the succession plans, such as the term of office, clear criteria for successor candidates, and further strengthening of diversity, are subject to the review by the Nomination & Remuneration Advisory Committee.

The Company also believes that in addition to appointing personnel having credentials required to serve as directors, Audit & Supervisory Board members, or executive officers, it is important to provide them with necessary training and information. Therefore, the Company provides candidates for new directors and new Audit & Supervisory Board members with training regarding legal and statutory authorities and obligations, etc. 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 it operates in, its history, business overview, strategy, etc.

Furthermore, to cultivate the next generation of management, executive officer candidates are provided with training programs to nurture their leadership abilities and management expertise required for top management.

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:

Matters Concerning Accounting Auditor (As of March 25, 2021)

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Period of consecutive audit by the Accounting Auditor

The Company selected KPMG AZSA LLC as its accounting auditor on June 29, 2006. Thus, the period of consecutive audit by the accounting auditor is 15 years as of this fiscal year.

By leveraging their strength of 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 global expansion. In addition, by utilizing KPMG Group's global network, we obtain auditing data of our subsidiaries. We believe that this information leads to timely and appropriate management decisions. For these reasons, the Audit & Supervisory Board has continued to select KPMG AZSA LLC as the Company's accounting auditor.

3. Names of certified public accountants engaged in audit work

Koichi Kohori (consecutive auditing period: five years)

Masakazu Hattori (consecutive auditing period: one year)

Kentaro Hayashi (consecutive auditing period: one year)

Note:

Rotation of engagement partners is carried out appropriately in accordance with the policies established by KPMG AZSA LLC.

The rotation of engagement partners at KPMG AZSA LLC is regulated by laws, regulations on independence and the policies of the audit firm (including policies of KPMG International Limited) regarding the maximum period of time for involvement in audit and attestation services. KPMG AZSA LLC monitors rotation status from the perspective of continuous involvement and independence, including assistant auditors.

4. Composition of assistant auditors

The composition of personnel other than engagement partners is 13 certified public accountants, 5 qualified professionals, and 20 others (tax-related and IT audit staff, etc.)

5. Selection policy, reason of the selection and evaluation of the Accounting Auditor

The selection and dismissal of the Company's accounting auditor is determined by the unanimous consent of members of the Audit & Supervisory Board, after discussions based on the results of evaluations by each member of the Audit & Supervisory Board, as well as evaluations by CFO and heads of related departments including Financial Accounting Department and Internal Audit Department.

The Company's policy for decision-making on dismissal or non-reappointment of the accounting auditor is as follows.

In the event that the Company determines that keeping the accounting auditor causes material trouble to the Company for the reasons, among others, that the accounting auditor has violated its duties, negated its duties or behaved in a manner inappropriate of an accounting auditor, the Audit & Supervisory Board shall dismiss the accounting auditor pursuant to Article 340 of the Companies Act. Furthermore, in the event that it is deemed that the accounting auditor is unable to carry out its duties duly or change of the accounting auditor to another audit firm is reasonably required to enhance the appropriateness of accounting audit, the Board of Directors shall submit a proposal to the general meeting of shareholders for the dismissal or non-reappointment of the accounting auditor in accordance with the resolution of the Audit & Supervisory Board on the proposal resolved in consideration of the opinion of executive bodies.

The Audit & Supervisory Board evaluated the accounting audits of the accounting auditor for the 120th business term in line with the following items and processes and resolved to reappoint the accounting auditor for the 121st business term.

The Audit & Supervisory Board confirms such items as appropriateness of accounting auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, and communication with Audit & Supervisory Board members. Prior to the reappointment resolution, the Audit & Supervisory Board conducts hearings on the accounting auditor with heads of business departments (Financial Accounting Department and Internal Audit Department) and exchanges opinions with the CFO at Audit & Supervisory Board meetings.

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, 2020	186
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	412

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, 2020" 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

Compliance and Risk Management Structure

Compliance and risk management in the Shiseido Group is led by the Risk Management Department established at the Company's global headquarters. Furthermore, to ensure compliant and fair business activities and implementation of risk countermeasures across the Group, a Risk Management Officer (RMO) is assigned in each regional headquarters. Incidents in Japan and overseas regions are reported, in accordance with certain criteria, to the Risk Management Department through RMOs or the division responsible for the incident. The division, RMO, and the Risk Management Department set up a taskforce as needed and work together toward a speedy resolution. In addition, the Risk Management Department and RMOs conduct regular training and educational activities to raise employees' awareness and knowledge of compliance and risk management.

To oversee compliance and risk management of the Shiseido Group, a Global Risk Management & Compliance Committee chaired by the Group CEO has been established at the global headquarters. In addition, HQ/SJ Compliance Committee oversees compliance in the Japan region.

Significant matters and progress related to compliance and risk management, including major incidents, are reported/proposed to the Board of Directors through the Group CEO or the management team.

Risk Management Oversight by the Board of Directors

Risk management oversight on a Group-wide basis is one of the key responsibilities of the Board of Directors. The Board provides feedback on reports from the management on significant matters and progress related to compliance and risk management, as well as confirms background, risk tolerance, and risk limit for matters included in individual reports and proposals. This allows the management to appropriately identify risks and decide whether the risk should be taken, mitigated, or avoided. In addition to receiving individual reports/proposals from the management, the Board compiles risk-related information through collaboration with auditors and the Audit & Supervisory Board for effective risk management oversight.

Group-wide Risk Management

In fiscal year 2020, the Risk Management Department interviewed the Group CEO, executive officers, regional CEOs, and external directors for their perception of Group risks. Regional risk assessments and input from relevant functions, as well as insight from external experts, were also taken into consideration. As a result, the Risk Management Department identified material risks that may impact the realization of our WIN 2023 Key Strategies.*

The identified risks were evaluated with three axes: "the impact on business in case of risk manifestation," "likelihood and timing of risk manifestation," and "preparedness to the risk."

Furthermore, the above-mentioned committees and related meetings held discussions to prioritize the risks and consider the status of countermeasures.

In 2020, the environment in which the Group operates changed significantly due to the COVID-19 pandemic. Accordingly, we have classified the risks brought about by these changes into four categories of "Consumer-related Risks," "Social-related Risks," "Operation & Fundamental Risks," and "Other Risks," with the first two relating to the external environment and the third, to a robust business foundation essential for the realization of WIN 2023 Key Strategies. Furthermore, we have identified "risk owners" for each risk category to clarify responsibility for countermeasures. Also, a monitoring framework has been established within the Global Risk Management & Compliance Committee and the Board of Directors to regularly assess our progress in addressing these risks.

Based on our 2020 risk assessment findings, the most impactful risks (Threats and Opportunities) for fiscal year 2021 in relation to our WIN 2023 Key Strategies 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."

*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

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)

Whistleblowing System

The Company has established a whistleblowing system to discover acts which violate laws, the Articles of Incorporation, or other regulations within the Shiseido Group and to promptly correct such issues. In the Japan region, the Company has established an internal hotline managed by in-house counselors, an external hotline operated by a third party, and the

Compliance Committee Hotline through which employees are able to make direct reports to the Committee Chair. The Company has also created a whistleblowing hotline for reports related to corporate officers and promotes the use of these hotlines. For other regions, the Company has set up local/regional hotlines, in addition to a Shiseido Group Global Hotline at the global headquarters for direct reports from employees worldwide. These hotlines contribute to strong compliance/governance structure of the entire Group.

To secure effectiveness of the whistleblowing system, the Company has developed and promotes internal regulations to protect whistleblowers' personal information and confidentiality. These regulations also protect whistleblowers from retaliation such as dismissal from their position or workplace.

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 An 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 executive 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. 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 executive 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)

Principles of the Corporate Governance Code (CG Code) and Shiseido's Response

Section 1

Securing the Rights and Equal Treatment of Shareholder	
General Principle 1	Companies should take appropriate measures to fully secure shareholder rights and develop an environment in which shareholders can exercise their rights appropriately and effectively. In addition, companies should secure effective equal treatment of shareholders. Given their particular sensitivities, adequate consideration should be given to the issues and concerns of minority shareholders and foreign shareholders for the effective exercise of shareholder rights and effective equal treatment of shareholders.

- See below

Principle 1.1	Companies should take appropriate measures to fully secure shareholder rights, including voting rights at the general shareholder meeting.
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- See below

Supplementary Principle 1.1.1	When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures.
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- For proposals with an approval rate below a certain level established by the Company, we engage in a dialogue with the opposing shareholder(s), whereupon we consider our response going forward.

Supplementary Principle 1.1.2	When proposing to shareholders that certain powers of the general shareholder meeting be delegated to the board, companies should consider whether the board is adequately constituted to fulfill its corporate governance roles and responsibilities. If a company determines that the board is indeed adequately constituted, then it should recognize that such delegation may be desirable from the perspectives of agile decision-making and expertise in business judgment.
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- When delegating certain resolutions of the general shareholder meeting to the Board of Directors of the Company, the Board carefully considers whether it will not limit shareholder rights and ensures transparency to shareholders before the delegation. We pay particular attention that such delegation does not prevent the Company from fulfilling its responsibilities to the shareholders. For instance, the Company delegates resolutions on the acquisition of treasury stock and interim dividends to the Board in order to flexibly and proactively realize shareholder returns.

- Dividends of retained earnings are determined yearly through a proposal to the general shareholder meeting and its approval.

Supplementary Principle 1.1.3	Given the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded. In particular, adequate consideration should be given to the special rights that are recognized for minority shareholders with respect to companies and their officers, including the right to seek an injunction against illegal activities or the right to file a shareholder lawsuit, since the exercise of these rights tend to be prone to issues and concerns.
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- The Company sets up a system for appropriate response to requests or proposals from or exercise of rights for minority shareholders, such as posting a "Form for Exercise of Minority Shareholder Rights, Etc." (Japanese only) on its website.

Principle 1.2	Companies should recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and should therefore take appropriate measures to ensure the exercise of shareholder rights at such meetings.
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- See below

Supplementary Principle 1.2.1	Companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings.
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- The Company publishes not only statutory disclosure items, but also other items deemed necessary by the Company, including those exemplified by other global companies or those requested at investor meetings. Such items are included in our notice of convocation or published on our corporate website.

Supplementary Principle 1.2.2	While ensuring the accuracy of content, companies should strive to send convening notices for general shareholder meetings early enough to give shareholders sufficient time to consider the agenda. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice should be disclosed by electronic means such as through TDnet or on the company's website.
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- The Company sends its notices of convocation approximately three weeks before the date of its annual general shareholder meeting. In addition, considering the time lag between the Board's approval of convening the meeting and sending the notice, we first disclose the information included in the notice on the day following the Board's meeting by electronic means such as TDnet and our corporate website.

Supplementary Principle 1.2.3	The determination of the date of the general shareholder meeting and any associated dates should be made in consideration of facilitating sufficient constructive dialogue with shareholders and ensuring the accuracy of information necessary for such dialogue.
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- Shiseido's fiscal year ends in December, and the general shareholder meeting is convened in March. To avoid scheduling conflicts with other companies that hold meetings in March, Shiseido convenes its meeting earlier than the most popular shareholder meeting date.

Supplementary Principle 1.2.4	Bearing in mind the number of institutional and foreign shareholders, companies should take steps for the creation of an infrastructure allowing electronic voting, including the use of the Electronic Voting Platform, and the provision of English translations of the convening notices of general shareholder meeting. In particular, companies listed on the Prime Market should make the Electronic Voting Platform available, at least to institutional investors.
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- Recently, Japanese institutional investors and foreign institutional investors account for approximately 40% each of Shiseido's total shareholders.
- In consideration of the above, the Company uses the Electronic Voting Platform and provides English translations of various disclosed documents, such as notices of convocation or materials for financial results announcements, in addition to their Japanese originals.

Supplementary Principle 1.2.5	In order to prepare for cases where institutional investors who hold shares in street name express an interest in advance of the general shareholder meeting in attending the general shareholder meeting or exercising voting rights, companies should work with the trust bank (<i>shintaku ginko</i>) and/or custodial institutions to consider such possibility.
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- In case the so-called actual shareholders request attendance at the general shareholder meeting, the Company confirms the fact of shareholding and prepares for their direct exercise of voting rights.

Principle 1.3	Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.
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- Shiseido has established the "Fundamental Approach to Capital Policy" and discloses it in the notice of convocation and other relevant documents:

Principle 1.4	When companies hold shares of other listed companies as cross-shareholdings, they should disclose their policy with respect to doing so, including their policies regarding the reduction of cross-shareholdings. In addition, the board should annually assess whether or not to hold each individual cross-shareholding, specifically examining whether the purpose is appropriate and whether the benefits and risks from each holding cover the company's cost of capital. The results of this assessment should be disclosed. Companies should establish and disclose specific standards with respect to the voting rights as to their cross-shareholdings, and vote in accordance with the standards.
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- See below

Supplementary Principle 1.4.1	When cross-shareholders (i.e., shareholders who hold a company's shares for the purpose of cross-shareholding) indicate their intention to sell their shares, companies should not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.
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- Shiseido has established "The Company's Policy with Regard to Reduction of Strategic Shareholdings" and discloses it in the notice of convocation and other relevant documents.

- The Policy stipulates that "if the Company receives a request for sale from a company that holds the Company's shares as strategic shareholdings, the Company should neither prevent the sale nor imply that it would reduce transactions with the holding company."

Supplementary Principle 1.4.2	Companies should not engage in transactions with cross-shareholders which may harm the interests of the companies or the common interests of their shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.
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- Shiseido has established "The Company's Policy with Regard to Reduction of Strategic Shareholdings" and discloses it in the notice of convocation and other relevant documents.

- The Policy stipulates that "the Company periodically checks its individual shareholdings to see whether or not such shares are being held for the intended purpose and whether or not benefits associated with their ownership are commensurate with the associated cost of capital. The Board of Directors then verifies the appropriateness of maintaining ownership of such holdings and discloses circumstances attributable to any reduction of holdings." The said actions are performed annually.

Principle 1.5	Anti-takeover measures must not have any objective associated with entrenchment of the management or the board. With respect to the adoption or implementation of anti-takeover measures, the board and <i>kansayaku</i> should carefully examine their necessity and rationale in light of their fiduciary responsibility to shareholders, ensure appropriate procedures, and provide sufficient explanation to shareholders.
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- See below

Supplementary Principle 1.5.1	In case of a tender offer, companies should clearly explain the position of the board, including any counteroffers, and should not take measures that would frustrate shareholder rights to sell their shares in response to the tender offer.
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- In 2006, Shiseido introduced anti-takeover measures upon resolution by the general shareholder meeting, partly because the system and market regulations related to takeovers at the time were insufficient. Subsequently, after the expiration of the valid period at the conclusion of the 2008 Ordinary General Meeting of Shareholders, the Company judged that "rather than continuing the anti-takeover measures, a steady implementation of our three-year plan will enhance our competitiveness and sustainable growth potential in the global market, securing and improving our corporate value and, in turn, the common interests of shareholders." Consequently, the Company decided to discontinue the anti-takeover measures.

- In case of a tender offer, we will examine the content of the proposal, explain the position of our Board in accordance with the current Financial Instruments and Exchange Act, and respond appropriately.

Principle 1.6	With respect to a company's capital policy that results in the change of control or in significant dilution, including share offerings and management buyouts, the board and <i>kansayaku</i> should, in order not to unfairly harm the existing shareholders' interests, carefully examine the necessity and rationale from the perspective of their fiduciary responsibility to shareholders, should ensure appropriate procedures, and provide sufficient explanation to shareholders.
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• Shiseido has established the "Fundamental Approach to Capital Policy" and discloses it in the notice of convocation and other relevant documents. It establishes target financial indices in accordance with which the Company executes its business.

Principle 1.7	When a company engages in transactions with its directors or major shareholders (i.e., related party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.
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• The Company investigates and specifies related parties that carry the possibility of having an impact on the Company's financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms the existence of transactions with the said related parties and the importance of the said transactions, and, if there are transactions to be disclosed, carries out disclosure accordingly.

• The existence of related parties, the existence of transactions with related parties, the contents of transactions and other such information, are reported to the Board of Directors in advance of disclosure, and a review is conducted based on the criteria for judgment of importance stipulated in the "Guidance on Accounting Standard for Related Party Disclosures."

Section 2

Appropriate Cooperation with Stakeholders Other Than Shareholders	
General Principle 2	Companies should fully recognize that their sustainable growth and the creation of mid-to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders. The board and the management should exercise their leadership in establishing a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured.

• See below

Principle 2.1	Guided by their position concerning social responsibility, companies should undertake their businesses in order to create value for all stakeholders while increasing corporate value over the mid- to long-term. To this end, companies should draft and maintain business principles that will become the basis for such activities.
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• 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 is our guiding light. For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to be a global winner with our heritage.

• Shiseido's value creation process is presented in our Integrated Report:

Principle 2.2	Companies should draft and implement a code of conduct for employees in order to express their values with respect to appropriate cooperation with and serving the interests of stakeholders and carrying out sound and ethical business activities. The board should be responsible for drafting and revising the code of conduct, and should ensure its compliance broadly across the organization, including the front line of domestic and global operations.
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- 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 150 years, and OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Shiseido Group employee in their work. We ensure consistency of our daily operations with THE SHISEIDO PHILOSOPHY by incorporating OUR PRINCIPLES into business performance indicators of our executives and managers.

- The Company also determines the Shiseido Group Standards of Business Conduct and Ethics, which define the actions that must be taken and shared by each and every employee of the Shiseido Group. The Standards are set not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conduct with the highest ethical principles.

- The Company establishes 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.

- We regularly conduct the Shiseido Group Engagement Survey, where we review the status of compliance with these standards of conduct and continuously implement activities for improvement.

Supplementary Principle 2.2.1	The board should review regularly (or where appropriate) whether or not the code of conduct is being widely implemented. The review should focus on the substantive assessment of whether the company's corporate culture truly embraces the intent and spirit of the code of conduct, and not solely on the form of implementation and compliance.
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- A 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 is responsible for corporate quality improvement by enhancing legitimate and fair corporate activities of the Group, and risk management. The committee regularly reports important matters and the status of their progress to the Board of Directors.

- 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 share information regularly with the persons in charge deployed within each Group company and business site.

Principle 2.3	Companies should take appropriate measures to address sustainability issues, including social and environmental matters.
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- See below

Supplementary Principle 2.3.1	The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.
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- We have categorized material issues considering their impact on all our stakeholders as well as on the Company's businesses, 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, culture, and governance (ESCG).
- We believe that corporate activities should place importance not only on economic value but also on social value creation, and that contribution to a sustainable society is essential for corporate development. Based on this belief, we commit to a variety of activities for a virtuous cycle toward a better society.
- We are placing sustainability at the core of our management objectives for 2030, integrating our business and sustainability strategies. To achieve our 2030 goal of contributing to "a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty," we have established a new framework based on three pillars: For People, For Society, and For the Planet, which have been developed as a result of discussions at the Board of Directors.
- The details and positioning of each issue were reviewed through discussions by E executive officers and Audit & Supervisory Board members at the meetings of the Sustainability Committee, established in 2020, followed by appropriate actions.

Principle 2.4	Companies should recognize that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics is a strength that supports their sustainable growth. As such, companies should promote diversity of personnel, including the active participation of women.
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Supplementary Principle 2.4.1	Companies should present their policies and voluntary and measurable goals for ensuring diversity in the promotion to core human resources, such as the promotion of women, foreign nationals and midcareer hires to middle managerial positions, as well as disclosing their status. In addition, in light of the importance of human resource strategies for increasing corporate value over the mid-to long-term, companies should present its policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation.
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- At Shiseido, we recognize and respect differences among individuals regardless of their attributes or ways of thinking. This includes not only women and foreign nationals, but also midcareer hires and persons with disabilities, as we create a company whose strength stems from individual strengths of its people and maximizing these strengths. To that end, we aim to ensure the diversity of our core human resources. We will continue to support the active participation of employees with diverse backgrounds and further accelerate diversity and inclusion at the workplace.
- Regarding women, the ratio of female leaders already exceeds 60% at our regional offices overseas (China, Asia Pacific, the Americas, EMEA, and Travel Retail). By 2030, we aim to raise it to 50% in all six regions of our operation, including Japan.
- Regarding foreign nationals, we believe that new value creation is aided by bringing together human resources with diverse values, backgrounds, and experiences, as well as their promotion in friendly competition with each other. We are currently considering setting a target at a certain percentage of our global workforce for employees who work in locations other than their home countries or regions, and achieve this target by hiring foreign nationals in Japan as well as promoting global mobility.
- For midcareer hires, we are actively employing them in the Shiseido Group in Japan and do not set any specific targets. (Regarding our offices overseas, we do not see a necessity for such targets since changing jobs is common practice.)
- Regarding recruitment of foreign nationals and midcareer hires as core human resources, the Company does not set specific targets, since we do not see any considerable differences from employees with other backgrounds.
- We disclose the following regarding the status of diversity in the "Social Data" section of the Shiseido Group corporate website. As of January 2021, approximately 5% of managers at Shiseido Company, Limited were foreign nationals, and approximately 26%—midcareer hires.

- Ratio of Female Leaders (All Shiseido Group / By region)
- Diversity in Top Management
- Ratio of Employees with Disabilities
- Ratio of Employees by Age Group (All Shiseido Group / By region)
- Ratio of female managers in revenue-generating functions / Female ratio in STEM-related departments
- Number and ratio of non-Japanese hires in Shiseido Company, Limited in Japan

• We disclose our policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation, on the following website.

Principle 2.5	Companies should establish an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues, and the board should be responsible for both establishing this framework, and ensuring and monitoring its enforcement.
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Supplementary Principle 2.5.1	As a part of establishing a framework for whistleblowing, companies should establish a point of contact that is independent of the management (for example, a panel consisting of outside directors and outside <i>kansayaku</i>). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.
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• 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 sets 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 has established one hotline as an in-house-counselor-staffed internal point of contact, and one outside-counselor-staffed external point of contact.

• The Company has established a method through which directors and employees, including those of all Group companies, can directly inform Audit & Supervisory Board members (including external Audit & Supervisory Board members) of issues, and has made this method known throughout the Group. The Company and all Group companies have developed internal regulations 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 have made these regulations known.

Principle 2.6	Because the management of corporate pension funds impacts stable asset formation for employees and companies' own financial standing, companies should take and disclose measures to improve human resources and operational practices, such as the recruitment or assignment of qualified persons, in order to increase the investment management expertise of corporate pension funds (including stewardship activities such as monitoring the asset managers of corporate pension funds), thus making sure that corporate pension funds perform their roles as asset owners. Companies should ensure that conflicts of interest which could arise between pension fund beneficiaries and companies are appropriately managed.
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• We strive to optimize pension asset management by implementing the following initiatives enabling us to perform the functions expected of an asset owner.

● The Asset Management Review Meeting composed of the CFO, the Human Resources Department VP, the Finance and Accounting Department VP, the Strategic Finance Department VP, and the fund director, meets regularly to decide on asset portfolio, investment policies, and investment products with opinions and advice from outside investment consulting firms.

● Based on the policies determined by the Asset Management Review Meeting, the executive director, who is in charge of asset management, reports the results to the Asset Management Review Meeting, the Pension Fund Representative Meeting, and the Board of Directors to monitor investment performance.

● Regarding managing director and executive director of the Pension Fund, we employ personnel with extensive experience in corporate pension operations at external financial institutions. Members of the Asset Management Review Meeting gain expertise through seminars held by outside consulting firms and other specialized institutions.

• In addition, in order to properly fulfill its stewardship responsibilities as a responsible institutional investor, in March 2020 our Pension Fund announced that it had endorsed the principles of Japan's Stewardship Code.

Section 3

Ensuring Appropriate Information Disclosure and Transparency	
General Principle 3	Companies should appropriately make information disclosure in compliance with the relevant laws and regulations, but should also strive to actively provide information beyond that required by law. This includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and business issues, risk and governance. The board should recognize that disclosed information will serve as the basis for constructive dialogue with shareholders, and therefore ensure that such information, particularly non-financial information, is accurate, clear and useful.

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Principle 3.1	In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance: i) Company objectives (e.g., business principles), business strategies and business plans; ii) Basic views and guidelines on corporate governance based on each of the principles of the Code; iii) Board policies and procedures in determining the remuneration of the senior management and directors; iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and <i>kansayaku</i> candidates; and v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).
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Supplementary Principle 3.1.1	These disclosures, including disclosures in compliance with relevant laws and regulations, should add value for investors, and the board should ensure that information is not boilerplate or lacking in detail.
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- The Company discloses the following information in detail, upon careful analysis of the internal and external environment at the time of disclosure: business principles, strategies, and plans, basic views on corporate governance based on the Code, information regarding the remuneration of directors, and information regarding the appointment/dismissal of the senior management. The information is disclosed each time upon the publication of the notice of convocation and presentation materials for the annual ordinary general meeting of shareholders, quarterly financial results materials, annual integrated and sustainability reports, etc.

Supplementary Principle 3.1.2	Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures. In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.
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- The Company provides the English translation for all of its disclosure materials: the notice of convocation and presentation materials for the annual ordinary general meeting of shareholders, video reports of the general meeting of shareholders, quarterly financial results materials (settlements of accounts), annual integrated and sustainability reports, etc. The contents of annual and quarterly securities reports, required for disclosure by the Financial Instruments and Exchange Law, are presented in the integrated report in a visual form.

Supplementary Principle 3.1.3	<p>Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.</p> <p>In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.</p>
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- The Company summarizes and discloses its initiatives on sustainability in the sustainability report, published annually on its corporate website.
- Based on our commitment to "PEOPLE FIRST," Shiseido actively invests in human resource development, believing that human resources are the most important asset and that "strong individuals create a strong Company." To create strong individuals, we focus on strategic talent management, performance management, and autonomous career development support, founded on a job grade system. In 2020, Shiseido formulated the TRUST 8 Competencies, which describe a Company-wide image of human resources, with the aim of effectively implementing global human resource management. The TRUST 8 Competencies serve as the basis of our globally standardized selection/evaluation and human resource development programs, allowing each employee with ranging expertise to grow in work areas where they can maximize their respective strengths. Shiseido encourages employees' self-driven efforts to grow and provides support for individualized autonomous career development.
- Regarding investments in human capital, in line with the strategy of "building a digitally driven business model and organization" under our medium-to-long-term strategy WIN 2023 and Beyond, the Company is focusing on accelerating digital marketing, unifying and standardizing core business systems across the Group, and upskilling employees in specialized digital areas. To that end, the Company has established a strategic partnership with Accenture, which has a track record of providing versatile support in the digital field. Also, in 2016, the Company launched SHISEIDO+ Digital Academy as part of its digital talent development program, providing all Shiseido Group employees worldwide with an opportunity to develop digital knowledge and skills. Through these efforts, the Company will further accelerate Group-wide digital transformation to "Be a Global Winner with Our Heritage." As an example of return on such investment, Shiseido's global EC sales ratio has been growing rapidly by high-20% year-on-year to 30% of total net sales in the second quarter of 2021.
- Regarding investments in intellectual properties, Shiseido is working to realize its corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD: in addition to its traditional strengths in dermatology, formulation development, neuroscience, and kansei science, the Company integrates new science technologies, such as digital and device development that cross geographic and industry boundaries, as well as creates unique Japanese innovations that help minimize environmental impact.
- In fiscal 2020, our R&D expenditure came to 27 billion yen (or 2.9% of net sales). In addition to basic research that generates medium-to-long-term "seeds," the Company is increasing investment in R&D in new domains such as beauty devices and inner beauty.
- We recognize that intellectual property is an important corporate asset and strive for its strict protection and appropriate management. We aim to maximize its value by linking it to our strategies at various levels—corporate, business, and technology—and effectively utilizing it. In addition to proprietary use, the Company also promotes the use of its intellectual properties in a variety of ways, such as licensing or utilization aimed at resolving social issues.
- The Company has commenced disclosure based on the TCFD recommendations from 2020. Our initiatives are disclosed in the following report.

Principle 3.2	External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.
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Supplementary Principle 3.2.1	<p>The <i>kansayaku</i> board should, at minimum, ensure the following:</p> <ul style="list-style-type: none"> i) Establish standards for the appropriate selection of external auditor candidates and proper evaluation of external auditors; and ii) Verify whether external auditors possess necessary independence and expertise to fulfill their responsibilities.
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• Regarding the appointment and dismissal of the accounting auditor by the Company, Chief Financial Officer and heads of departments relevant to finance/accounting and audits conduct an evaluation, and then Audit & Supervisory Board members need to unanimously agree through deliberations based on the evaluation results at the Audit & Supervisory Board meeting.

• The Company's Policy on determination of dismissal or non-reappointment of the accounting auditor is as follows.

• In order to adopt the resolution for the reappointment of the accounting auditor, the Audit & Supervisory Board confirms items such as the adequacy of the accounting auditor, quality control, the independence and professional competency of the audit team, the appropriateness of audit plans and the status of communication with the Audit & Supervisory Board members and other personnel. In addition, prior to adopting the resolution for reappointment, the Audit & Supervisory Board has interviews with the heads of departments in charge of business execution (Finance Accounting Department and Internal Audit Department) about the accounting auditor and exchanges opinions with the Chief Financial Officer at the Audit & Supervisory Board.

Supplementary Principle 3.2.2	<p>The board and the <i>kansayaku</i> board should, at minimum, ensure the following:</p> <ul style="list-style-type: none"> i) Give adequate time to ensure high quality audits; ii) Ensure that external auditors have access, such as via interviews, to the senior management including the CEO and the CFO; iii) Ensure adequate coordination between external auditors and each of the <i>kansayaku</i> (including attendance at the <i>kansayaku</i> board meetings), the internal audit department and outside directors; and iv) Ensure that the company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external auditors.
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• The representative directors and Audit & Supervisory Board members hold opinion exchange meetings as needed, and the external directors and Audit & Supervisory Board members also hold information sharing meetings as needed. In addition, the accounting auditor and Audit & Supervisory Board members hold opinion exchange meetings as needed, and also hold meetings on reporting accounting auditor's audit results on a quarterly basis. These quarterly meetings are also attended by the external directors twice a year, at the end of the first half and at the end of the fiscal year, to promote sharing of information.

• Full-time audit and supervisory board members receive reports monthly on the internal audits conducted by the Internal Audit Department, and receive audit result reports of each domain semi-annually from the Quality Management Department, the Information Security Department, the Risk Management Department, and the Audit Group of the Business Management Department of Shiseido Japan Co., Ltd.

• Three-party audit liaison meetings are held on a quarterly basis to enable Audit & Supervisory Board members, the accounting auditor, and the Internal Audit Department to share audit information. Furthermore, the full-time Audit & Supervisory Board members also attend important meetings held by executive divisions, such as Board of Directors and Executive Committee meetings, to check on the content of deliberations.

Section 4

Responsibilities of the Board	
General Principle 4	<p>Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid-to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:</p> <ul style="list-style-type: none"> (1) Setting the broad direction of corporate strategy; (2) Establishing an environment where appropriate risk-taking by the senior management is supported; and (3) Carrying out effective oversight of directors and the management (including <i>shikkoyaku</i> and so-called <i>shikkoyakuin</i>) from an independent and objective standpoint. <p>Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization—i.e., Company with <i>Kansayaku</i> Board (where a part of these roles and responsibilities are performed by <i>kansayaku</i> and the <i>kansayaku</i> board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.</p>

• See below

Principle 4.1	The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.
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• 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 is our guiding light. For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to be a global winner with our heritage.

• Based on THE SHISEIDO PHILOSOPHY and in response to unprecedented changes in external market conditions, Shiseido's Board of Directors has established a new medium-to-long term strategy, WIN 2023 and Beyond. We have initiated a fundamental transformation, positioning the skin beauty area as our core business, and aim to become the world's No. 1 company in this area by 2030. In the midst of a rapidly changing external environment, during the three-year period from 2021 to 2023 we will shift our focus from business growth via sales expansion to profitability and cash flow to solidify our foundation as a Skin Beauty Company.

Supplementary Principle 4.1.1	The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.
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• The Company has specified matters to be determined by resolution of the Board of Directors in the Regulation on the Board of Directors. Such matters consist of items relating to the general meeting of shareholders, personnel/organization, account settlement, stock/bonds, and stock acquisition rights, corporate property, etc., business management and others of the Shiseido Group, that are matters provided in the Companies Act and other laws and regulations, and any other important matters equivalent thereof.

• Meanwhile, in order to clarify the allocation of responsibility for the business management and accelerate decision-making by delegation of authority, the Company introduced the corporate officer system in 2001. As a result, authority for making decisions on matters relating to business executions other than those specified in the Regulation of the Board of Directors has been delegated to the extent appropriate so that President and CEO, who is the top executive of the Company, can make decisions after deliberations at the Executive Committee, Global Leadership Committee, and other meeting bodies.

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

• In January 2021, under the new medium-to-long-term strategy "WIN 2023 and Beyond," the Company introduced the executive officer system, in which the officers take responsibility for the Group-wide business execution with the aim of accelerating the structural transformation and reform across the Company and further improving profitability.

• Furthermore, aiming to enhance diversity in management, the Company has decided to abolish the corporate officer system and completely shift to a management system centering on executive officers effective from January 2022. The system will allow us to appoint a diverse range of talent both internally and externally across the globe beyond the boundaries of gender, nationality, age, and other attributes, assigning positions more appropriately than ever before.

Supplementary Principle 4.1.2	Recognizing that a mid-term business plan (<i>chuuki keiei keikaku</i>) is a commitment to shareholders, the board and the senior management should do their best to achieve the plan. Should the company fail to deliver on its mid-term business plan, the reasons underlying the failure of achievement as well as the company's actions should be fully analyzed, an appropriate explanation should be given to shareholders, and analytic findings should be reflected in a plan for the ensuing years.
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• Shiseido formulated its previous medium-to-long-term strategy, VISION 2020, with a determination to "Be a Global Winner with Our Heritage." In order to achieve this, we set the three years from 2015 to 2017 as a period to "Rebuild the Business Foundation," and the three years from 2018 to 2020 as a period of "New Strategy to Accelerate Growth." The strategy and its progress are reviewed at our corporate website:

Supplementary Principle 4.1.3	Based on the company objectives (business principles, etc.) and specific business strategies, the board should proactively engage in the establishment and implementation of a succession plan for the CEO and other top executives and appropriately oversee the systematic development of succession candidates, deploying sufficient time and resources.
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• The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation.

Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination and Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

Principle 4.2	The board should view the establishment of an environment that supports appropriate risk-taking by the senior management as a major aspect of its roles and responsibilities. It should welcome proposals from the management based on healthy entrepreneurship, fully examine such proposals from an independent and objective standpoint with the aim of securing accountability, and support timely and decisive decision-making by the senior management when approved plans are implemented. Also, the remuneration of the management should include incentives such that it reflects mid-to long-term business results and potential risks, as well as promotes healthy entrepreneurship.
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Supplementary Principle 4.2.1	The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid-to long-term results and the balance of cash and stock should be set appropriately.
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• The Company regards the remuneration policy for directors, Audit & Supervisory Board members, and executive officers as an important matter for corporate governance. For this reason, in accordance with the basic philosophy, the remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by an external director for objectivity, and the outcome is reported to the Board of Directors for the resolution.

• The remuneration of the directors and executive officers of the Company comprises basic remuneration as fixed remuneration as well as an annual bonus and long-term incentive-type remuneration (non-monetary remuneration) as performance-linked remuneration, and the Company sets remuneration levels by making comparisons with companies in the same industry or of the same scale in Japan and overseas and by taking the Company's financial condition into consideration. External directors and Audit & Supervisory Board members receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their supervisory functions from a stance independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan.

• The remuneration is designed so that the higher the rank as executive officer, the higher the proportion of performance-linked remuneration. (The Company has abolished the corporate officer system and completely shifted to a management system centering on executive officers effective January 1, 2022.)

Supplementary Principle 4.2.2	The board should develop a basic policy for the company's sustainability initiatives from the perspective of increasing corporate value over the mid-to long-term. In addition, in light of the importance of investments in human capital and intellectual properties, the board should effectively supervise the allocation of management resources, including such investments, and the implementation of business portfolio strategies to ensure that they contribute to the sustainable growth of the company.
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- The Company has developed a basic policy on sustainability, formulated based on discussions of its Board of Directors, and discloses it in its Sustainability Report:

- The Company develops medium-to-long-term strategies in periods of three years based on discussions by its Board of Directors. This includes business portfolio revision, allocation of management resources, and development of sales strategies based on the analysis of recent global market trends and consumer purchasing behavior, etc. The Board also oversees the implementation progress of these strategies.

- These strategies undergo appropriate revisions depending on the status of monthly sales and other indicators as well as quarterly financial results. The content of the revisions is overseen by the Board of Directors of the Company.

Principle 4.3	The board should view the effective oversight of the management and directors from an independent and objective standpoint as a major aspect of its roles and responsibilities. It should appropriately evaluate company performance and reflect the evaluation in its assessment of the senior management. In addition, the board should engage in oversight activities in order to ensure timely and accurate information disclosure, and should establish appropriate internal control and risk management systems. Also, the board should appropriately deal with any conflict of interests that may arise between the company and its related parties, including the management and controlling shareholders.
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Supplementary Principle 4.3.1	The board should ensure that the appointment and dismissal of the senior management are based on highly transparent and fair procedures via an appropriate evaluation of the company's business results.
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- The nomination of candidates for directors and the appointment of executive officers are decided by the resolution of the Board of Directors upon receipt of a report on the validity of the candidates from the Nomination and Remuneration Advisory Committee, chaired by an external director.

- In case of the nomination of the President and CEO, the Nomination and Remuneration Advisory Committee conducts more careful deliberations in addition to the above procedures. Candidates for the President and CEO are selected from a wide range of possible nominees, both inside and outside the Company, with the perspective of their ability to realize our corporate philosophy and strategy. From this selection stage, they are deliberated by the Nomination and Remuneration Advisory Committee, chaired by an external director. In the event that a qualified person is appointed through the above process but unavoidable circumstances arise in which he or she is unable to fulfill his or her duties and responsibilities, the said President and CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nomination and Remuneration Advisory Committee. Whether the President and CEO is fulfilling his or her duties and responsibilities is confirmed at the CEO Review Meeting and reviewed and confirmed at a meeting of the Nomination and Remuneration Advisory Committee convened based on the review.

Supplementary Principle 4.3.2	Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.
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- The Company considers that the selection of succession candidates for the President and CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The President and CEO and the Nomination & Remuneration Advisory Committee formulate the succession plan based on the Company's business environment upon sufficient discussions regarding the qualities required of a President and CEO from a medium-to-long-term perspective and policies for the selection of a successor and his or her training, etc. The progress of the formulated succession plan is regularly reported to the Nomination & Remuneration Advisory Committee, which monitors its status of implementation.

Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination and Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating the candidates from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement. Furthermore, when actually selecting the President and CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

Supplementary Principle 4.3.3	The board should establish objective, timely, and transparent procedures such that a CEO is dismissed when it is determined, via an appropriate evaluation of the company's business results, that the CEO is not adequately fulfilling the CEO's responsibilities.
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- In the event that a qualified person is appointed through the above process but unavoidable circumstances arise in which he or she is unable to fulfill his or her duties and responsibilities, the said President and CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nomination and Remuneration Advisory Committee.

- Whether the President and CEO is fulfilling his or her duties and responsibilities is confirmed at the CEO Review Meeting and reviewed and confirmed at a meeting of the Nomination and Remuneration Advisory Committee convened based on the review.

Supplementary Principles 4.3.4	The establishment of effective internal control and proactive enterprise risk management systems has the potential to support sound risk-taking. The board should appropriately establish such systems on an enterprise basis and oversee the operational status, besides utilizing the internal audit department.
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- A 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 is responsible for corporate quality improvement by enhancing legitimate and fair corporate activities of the Group, and risk management. The committee proposes and reports 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 share information regularly with the persons in charge deployed within each Group company and business site.

- Internal audits conducted by the Internal Audit Department also include the Company's risk management system and its operational status, with the status regularly reported to the Board of Directors.

Principle 4.4	<i>Kansayaku</i> and the <i>kansayaku</i> board should bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of directors' duties, appointment and dismissal of <i>kansayaku</i> and external auditors, and the determination of auditor remuneration. Although so-called "defensive functions," such as business and accounting audits, are part of the roles and responsibilities expected of <i>kansayaku</i> and the <i>kansayaku</i> board, in order to fully perform their duties, it would not be appropriate for <i>kansayaku</i> and the <i>kansayaku</i> board to interpret the scope of their function too narrowly, and they should positively and proactively exercise their rights and express their views at board meetings and to the management.
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Supplementary Principle 4.4.1	Given that not less than half of the <i>kansayaku</i> board must be composed of outside <i>kansayaku</i> and that at least one full-time <i>kansayaku</i> must be appointed in accordance with the Companies Act, the <i>kansayaku</i> board should, from the perspective of fully executing its roles and responsibilities, increase its effectiveness through an organizational combination of the independence of the former and the information gathering power of the latter. In addition, <i>kansayaku</i> or the <i>kansayaku</i> board should secure cooperation with outside directors so that such directors can strengthen their capacity to collect information without having their independence jeopardized.
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• The Audit & Supervisory Board Members' Basic Policy stipulates that, as an independent body entrusted by shareholders, the Audit & Supervisory Board is responsible for establishing a high-quality corporate governance system that meets the trust of various stakeholders in order to ensure the soundness and sustainable growth of the Company and the Group. The Audit & Supervisory Board members audit the legality and appropriateness of the execution of duties by directors.

• Audit & Supervisory Board members actively express their opinions by attending meetings of the Board of Directors. Full-time Audit & Supervisory Board members also attend key meetings and committees, such as Executive Committee and HQ/SJ Compliance Committee. External Audit & Supervisory Board members draw on their wealth of experience and knowledge in respective fields to provide necessary advice, recommendations, and opinions from an independent perspective. In addition, all Audit & Supervisory Board members hold regular meetings with the representative directors twice a year to exchange opinions on important management issues the Company is facing and to share issues based on annual audit activities, which are linked to activities aimed at resolving overall management issues, including corporate governance.

• Full-time Audit & Supervisory Board members meet individually with directors, department VPs, office managers, and other managers to exchange opinions on the current status of daily operations and issues therein. In addition to opinion exchange meetings which are held upon necessity between the representative directors and Audit & Supervisory Board members, information is also shared between external directors and Audit & Supervisory Board members. Furthermore, the Internal Audit Department receives monthly reports on the progress and results of internal audits.

Principle 4.5	With due attention to their fiduciary responsibilities to shareholders, the directors, <i>kansayaku</i> and the management of companies should secure the appropriate cooperation with stakeholders and act in the interest of the company and the common interests of its shareholders.
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• Shiseido Group Standards of Business Conduct and Ethics define the actions that must be taken and shared by each and every employee of the Shiseido Group. The Standards are set not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group companies, but also the action standards for business conduct with the highest ethical principles.

Principle 4.6	In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management.
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• Based on the Shiseido Group's matrix-type organizational system with brand categories and six regions combined, the Company as the global headquarters is responsible for supervising the overall Group and providing necessary support, while many of the responsibilities and authorities are delegated to the respective regional headquarters of Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail.

• We held repeated discussions with regard to an ideal corporate governance system under this matrix organization, including the composition and operation of the Board of Directors. As a result, the Board of Directors concluded that adopting the monitoring board-type system would be appropriate to ensure sufficient and effective supervisory functions over the Shiseido Group overall. Therefore, we resolved on the monitoring board-type corporate governance framework while leveraging the advantages of a company with an audit & supervisory board system.

Principle 4.7	Companies should make effective use of independent directors, taking into consideration the expectations listed below with respect to their roles and responsibilities: i) Provision of advice on business policies and business improvement based on their knowledge and experience with the aim to promote sustainable corporate growth and increase corporate value over the mid-to long-term; ii) Monitoring of the management through important decision-making at the board including the appointment and dismissal of the senior management; iii) Monitoring of conflicts of interest between the company and the management or controlling shareholders; and iv) Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.
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• In cases when the Board of Directors resolves management policies, such as medium-to-long-term strategies, or makes decisions on other important matters, external directors utilize their respective experience and knowledge to present opinions, ask questions and provide advice from an independent standpoint. The Board accords the utmost respect to these opinions upon making decisions.

Principle 4.8	Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid-to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.
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• The Company sets the number of its external directors at three or above to allow such members a certain degree of influence within the Board. In addition, the Company has established a target of electing half or more of its directors from outside.

• In selecting external directors and Audit & Supervisory Board members, high priority is given to independence. Our basic principle is that candidates are required to meet the Company's "Criteria for Independence of External Directors and Audit & Supervisory Board Members" as well as possess highly independent thinking.

Supplementary Principle 4.8.1	In order to actively contribute to discussions at the board, independent directors should endeavor to exchange information and develop a shared awareness among themselves from an independent and objective standpoint. Regular meetings consisting solely of independent directors (executive sessions) would be one way of achieving this.
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• The CEO Review Meeting has been established as a deliberation body comprised of all external directors and all external Audit & Supervisory Board members. The body's mission is to deliberate performance evaluation for President and CEO, as well as to hold discussions and share views solely between independent external members on topics that require objectivity and transparency. In addition, external directors also voluntarily attend accounting auditor's audit results report meetings and exchange opinions with Audit & Supervisory Board members to share company information.

Supplementary Principle 4.8.2	Independent directors should endeavor to establish a framework for communicating with the management and for cooperating with <i>kansayaku</i> or the <i>kansayaku</i> board by, for example, appointing the lead independent director from among themselves.
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• The Nomination and Remuneration Advisory Committee, which plays an important role in corporate governance, is chaired by an external director. The Committee discusses the selections of candidates for directors and Audit & Supervisory Board members, promotion and demotion of corporate officers and executive officers, the system of executive compensation and its content based on executive performance evaluations. These discussions are led by the Chair, who is an external director. The Chair also serves as the lead external director who cooperates and coordinates with the management team, collaborates with the Audit & Supervisory Board members and the Audit & Supervisory Board, and facilitates cooperation by providing opportunities for informal discussions and other means.

Supplementary Principle 4.8.3	Companies that have a controlling shareholder should either appoint at least one-third of their directors (the majority of directors if listed on the Prime Market) as independent directors who are independent of the controlling shareholder or establish a special committee composed of independent persons including independent director(s) to deliberate and review material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders.
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• The Company does not have a controlling shareholder.

Principle 4.9	Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges. The board should endeavor to select independent director candidates who are expected to contribute to frank, active and constructive discussions at board meetings.
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• The Company establishes its own rules of "Criteria for Independence of the External Directors and Audit & Supervisory Board Members" with reference to foreign laws and regulations and listing rules, etc. for the purpose of making objective assessment on the independence of the external directors and Audit & Supervisory Board members.

• In connection with selecting candidates for the External Directors and Audit & Supervisory Board Members, the Company places emphasis on a high degree of independence of the candidate from the viewpoint of strengthening corporate governance and accordingly, the Company makes judgment on whether or not the candidate has a high degree of independence in accordance with the Criteria.

Principle 4.10	In adopting the most appropriate organizational structure (as stipulated by the Companies Act) that is suitable for a company's specific characteristics, companies should employ optional approaches, as necessary, to further enhance governance functions.
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- See below

Supplementary Principle 4.10.1	If the organizational structure of a company is either Company with <i>Kansayaku</i> Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent nomination committee and remuneration committee under the board, to which such committees make significant contributions. In particular, companies listed on the Prime Market should basically have the majority of the members of each committee be independent directors, and should disclose the mandates and roles of the committees, as well as the policy regarding the independence of the composition.
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- The Company has established the Nomination and Remuneration Advisory Committee, which is chaired by an external director and consists of a majority of external directors, to deliberate and report to the Board of Directors on the nomination and remuneration of directors and executive officers. The Nomination and Remuneration Advisory Committee deliberates on the nomination, performance evaluation, and remuneration system of directors and executive officers, presents its opinions to the Board of Directors, formulates and monitors the CEO succession plan, deliberates on the nomination and remuneration of the CEO, and presents its opinions to the Board of Directors (the CEO does not participate in deliberations on the CEO). The Board of Directors shall, in principle, respect the opinions of the Nomination and Remuneration Advisory Committee, which consists of a majority of external directors and focuses on independence and objectivity in deliberations and consensus building with respect to the nomination and remuneration of executives and the CEO.

Principle 4.11	The board should be well balanced in knowledge, experience and skills in order to fulfill its roles and responsibilities, and it should be constituted in a manner to achieve both diversity, including gender, international experience, work experience and age, and appropriate size. In addition, persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as <i>kansayaku</i> . In particular, at least one person who has sufficient expertise on finance and accounting should be appointed as <i>kansayaku</i> . The board should endeavor to improve its function by analyzing and evaluating effectiveness of the board as a whole.
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- See below

Supplementary Principle 4.11.1	The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.
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- Shiseido requires its directors and Audit & Supervisory Board members to supervise business execution and conduct decision-making on critical matters; therefore, we encourage various viewpoints and backgrounds in addition to diverse and sophisticated skills. When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, personality, as well as insights and experiences in various fields related to management.
- The Company discloses the skills and expertise required of its directors and Audit & Supervisory Board members in the form of a matrix:
- The Company has set a certain maximum term of office for external directors and Audit & Supervisory Board members in order to reflect their independent views to our management, and by allowing a handover period from long-serving external directors and Audit & Supervisory Board members to newly appointed ones to ensure appropriate transition. Moreover, we ensure fruitful discussions at the meetings of the Board of Directors as executive officers in charge of relevant domains join the meetings depending on the agenda and provide necessary explanations.

Supplementary Principle 4.11.2	Outside directors, outside <i>kansayaku</i> , and other directors and <i>kansayaku</i> should devote sufficient time and effort required to appropriately fulfill their respective roles and responsibilities. Therefore, where directors and <i>kansayaku</i> also serve as directors, <i>kansayaku</i> or the management at other companies, such positions should be limited to a reasonable number and disclosed each year.
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• The Company has set forth criteria for "important concurrent positions" assumed by its external directors and Audit & Supervisory Board members and describes the status of such concurrent positions in the Business Report accompanying the Notice of Convocation of the Ordinary General Meeting of Shareholders based thereon. Candidates are selected upon confirmation that their multiple concurrent positions, if any, will not impede their execution of duties, such as at the Board of Directors of the Company.

Supplementary Principle 4.11.3	Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.
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• The Company evaluates the effectiveness of its Board of Directors on a regular basis to identify issues and required improvements. 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. The results are collected and analyzed by the secretariat of the Board of Directors.

Principle 4.12	The board should endeavor to foster a climate where free, open and constructive discussions and exchanges of views take place, including the raising of concerns by outside directors.
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• See below

Supplementary Principle 4.12.1	<p>The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active:</p> <ul style="list-style-type: none"> i) Materials for board meetings are distributed sufficiently in advance of the meeting date; ii) In addition to board materials and as necessary, sufficient information is provided to directors by the company (where appropriate, the information should be organized and/or analyzed to promote easy understanding); iii) The schedule of board meetings for the current year and anticipated agenda items are determined in advance; iv) The number of agenda items and the frequency of board meetings are set appropriately; and v) Sufficient time for deliberations.
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• Materials for the Board of Directors' meetings are in principle distributed in advance. On the day of the meeting, the department in charge of proposal provides detailed explanations of the materials, followed by a Q&A session to ensure that sufficient information necessary for deliberation is provided.

• The representative directors contact the directors and Audit & Supervisory Board members of the Company by email or other means whenever necessary for follow-up information after resolutions and reports are made at Board meetings, and for important and emergency information.

• The next year's schedule for Board meetings is decided in advance upon coordination with directors, Audit & Supervisory Board members, and related internal divisions. The plan for the next year's deliberations is reported at the year-end Board meeting.

• After extensive discussions at the Board of Directors were held with regard to the corporate governance of the Company during fiscal 2015 and also assessment of the effectiveness of the Board of Directors was performed, and in light of the decision that the Company will adopt the "monitoring board-type corporate governance," the Company made revisions of matters that needed to be deliberated and decided at the meetings of the Board of Directors as well as the number of meetings to be held annually. Through these efforts, the Company strives to ensure sufficient time for deliberation on important agendas such as medium-to-long-term strategies and sustainability-focused management.

Principle 4.13	In order to fulfill their roles and responsibilities, directors and <i>kansayaku</i> should proactively collect information, and as necessary, request the company to provide them with additional information. Also, companies should establish a support structure for directors and <i>kansayaku</i> , including providing sufficient staff. The board and the <i>kansayaku</i> board should verify whether information requested by directors and <i>kansayaku</i> is provided smoothly.
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• See below

Supplementary Principle 4.13.1	Directors, including outside directors, should request the company to provide them with additional information, where deemed necessary from the perspective of contributing to transparent, fair, timely and decisive decision-making. In addition, <i>kansayaku</i> , including outside <i>kansayaku</i> , should collect information appropriately, including the use of their statutory investigation power.
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- In principle, a dedicated system is used to share materials for Board of Directors' meetings with external directors in advance, and a system has been established to enable timely exchange of questions and items to be confirmed via email, etc.
- Regarding Audit & Supervisory Board members, in addition to the attendance of Board meetings, which are compulsory statutory meetings, they are provided with opportunities to attend important meetings related to business execution, such as Executive Committee, as well as Global Risk Management & Compliance Committee and HQ/SJ Compliance Committee as observers. The Audit & Supervisory Board members report and provide information to the Audit & Supervisory Board through these meetings. Moreover, when requested by the Audit & Supervisory Board members, materials and information on these meetings are provided.
- A separate and direct email route to the Audit & Supervisory Board, which allows the Audit & Supervisory Board members to directly receive reports on events that may damage the trust of the Shiseido Group, has been established as part of the internal whistle-blowing hotline system. Information on the email route is provided to employees in Japan through training for new hires and training on harassment for all employees.

Supplementary Principle 4.13.2	Directors and <i>kansayaku</i> should consider consulting with external specialists at company expense, where they deem it necessary.
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- The Nomination and Remuneration Advisory Committee, which is composed only of external directors and the President and CEO, invites experts from outside the Company to provide advice on the design of executive compensation and other matters. In addition, we have been inviting external experts to exchange opinions and information with directors and Audit & Supervisory Board members and will continue to do so as necessary in the future.

Supplementary Principle 4.13.3	Companies should ensure coordination between the internal audit department, directors and <i>kansayaku</i> by establishing a system in which the internal audit department appropriately reports directly to the board and the <i>kansayaku</i> board in order for them to fulfill their functions. In addition, companies should take measures to adequately provide necessary information to outside directors and outside <i>kansayaku</i> . One example would be the appointment of an individual who is responsible for communicating and handling requests within the company such that the requests for information about the company by outside directors and outside <i>kansayaku</i> are appropriately processed.
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- In accordance with the Internal Audit Department Operations Manual (including the Internal Audit Regulations), our Internal Audit Department verifies the establishment and operation of internal controls for the entire Group from the perspectives of the effectiveness and efficiency of operations, reliability of financial reporting, compliance with related laws and regulations, both external and internal, and the preservation of the Company's assets. It also evaluates the adequacy and effectiveness of risk management and provides advice and recommendations for improvement.
- The results of internal audits are reported to the President and CEO, the Chief Financial Officer, and full-time Audit & Supervisory Board members on a monthly basis, and to the Board of Directors on an annual basis.

Principle 4.14	New and incumbent directors and <i>kansayaku</i> should deepen their understanding of their roles and responsibilities as a critical governance body at a company, and should endeavor to acquire and update necessary knowledge and skills. Accordingly, companies should provide and arrange training opportunities suitable to each director and <i>kansayaku</i> along with financial support for associated expenses. The board should verify whether such opportunities and support are appropriately provided.
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- See below

Supplementary Principle 4.14.1	Directors and <i>kansayaku</i> , including outside directors and outside <i>kansayaku</i> , should be given the opportunity when assuming their position to acquire necessary knowledge on the company's business, finances, organization and other matters, and fully understand the roles and responsibilities, including legal liabilities, expected of them. Incumbent directors should also be given a continuing opportunity to renew and update such knowledge as necessary.
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• The Company provides candidates for new directors and new Audit & Supervisory Board members with training regarding legal and statutory authorities and obligations, etc. 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 it operates in, its history, business overview, strategy, etc.

• Furthermore, to promote understanding of the Company among external directors and external Audit & Supervisory Board members, they are provided with such opportunities as attending internal meetings and lectures by external experts on annual business strategies and business management issues.

Supplementary Principle 4.14.2	Companies should disclose their training policy for directors and <i>kansayaku</i> .
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• The Company believes that in addition to appointing personnel having credentials required to serve as directors, Audit & Supervisory Board members, or executive officers, it is important to provide them with necessary training and information.

• The Company provides candidates for new directors and new Audit & Supervisory Board members with training regarding legal and statutory authorities and obligations, etc. 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 it operates in, its history, business overview, strategy, etc.

Section 5

Dialogue with Shareholders	
General Principle 5	In order to contribute to sustainable growth and the increase of corporate value over the mid-to long-term, companies should engage in constructive dialogue with shareholders even outside the general shareholder meeting. During such dialogue, senior management and directors, including outside directors, should listen to the views of shareholders and pay due attention to their interests and concerns, clearly explain business policies to shareholders in an understandable manner so as to gain their support, and work for developing a balanced understanding of the positions of shareholders and other stakeholders and acting accordingly.

• See below

Principle 5.1	Companies should, positively and to the extent reasonable, respond to the requests from shareholders to engage in dialogue (management meetings) so as to support sustainable growth and increase corporate value over the mid-to long-term. The board should establish, approve and disclose policies concerning the measures and organizational structures aimed at promoting constructive dialogue with shareholders.
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• The Company fully recognizes that timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market. We make constant efforts to improve our internal systems and maintain investors' point of view to ensure prompt, accurate, and fair disclosure of corporate information to all investors at the same time. Through these efforts, we aim to provide timely and appropriate corporate information to investors and have published a policy on information disclosure.

Supplementary Principle 5.1.1	Taking the requests and interests of shareholders into consideration, to the extent reasonable, the senior management, directors, including outside directors, and <i>kansayaku</i> , should have a basic position to engage in dialogue (management meetings) with shareholders.
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- The CEO and CFO of the Company actively engage in dialogue with shareholders and express their thoughts as senior management on the Company's initiatives.

- External directors are also provided with opportunities to express their independent opinions on the governance of the Company, such as conferences hosted by securities companies, the integrated report, etc.

- The Company's Audit & Supervisory Board members have no track record of engagement in shareholder dialogue, but we will consider such opportunities in the future based on the needs of our shareholders.

Supplementary Principle 5.1.2	At minimum, policies for promoting constructive dialogue with shareholders should include the following: i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below; ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue; iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities); iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and v) Measures to control insider information when engaging in dialogue.
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- The Company has established and disclosed the "Basic Policy on Information Disclosure and Dialogue with Shareholders and Investors", which establishes our basic policy on information disclosure, standards, method, and system for information disclosure, as well as outlines our initiatives for a constructive dialogue with shareholders and investors and management of insider information.

Supplementary Principle 5.1.3	Companies should endeavor to identify their shareholder ownership structure as necessary, and it is desirable for shareholders to cooperate as much as possible in this process.
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- Based on the shareholder register, which is updated every six months, the Company conducts a survey of institutional investors to identify the actual shareholders and uses it as a basis for shareholder dialogue.

Principle 5.2	When establishing and disclosing business strategies and business plans, companies should articulate their earnings plans and capital policies, and present targets for profitability and capital efficiency after accurately identifying the company's cost of capital. Also, companies should provide explanations that are clear and logical to shareholders with respect to the allocation of management resources, such as reviewing their business portfolio and investments in fixed assets, R&D, and human capital, and specific measures that will be taken in order to achieve their plans and targets.
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- See below

Supplementary Principle 5.2.1	In formulating and announcing business strategies, etc., companies should clearly present the basic policy regarding the business portfolio decided by the board and the status of the review of such portfolio.
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- The Company develops medium-to-long-term strategies in periods of three years based on discussions by its Board of Directors. This includes development of the business portfolio and sales strategies based on the analysis of recent global market trends, consumer purchasing behavior, and other factors. These are disclosed in an easy-to-understand visual form.

- These strategies undergo appropriate revisions based on quarterly financial results. The contents of the revisions are disclosed in materials for quarterly results briefings and presented to a broad range of investors via our corporate website and other media.

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.

History of Shiseido's Consumer Support

Introducing the history of Shiseido's consumer support, which has been promoting consumer-oriented management since its establishment.

Universal Design

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

Promotion of Safe and Reliable Manufacturing

Providing Safe and Reliable Products

Shiseido conducts research, development and production activities to ensure the safe consumption of our products by consumers. Based on the belief that it is important to understand the skin correctly, Shiseido conducts research on the skin by incorporating cutting-edge technologies in all fields related to cosmetics (life science, dermatology, interface science, ergonomics, psychology, etc.) and through joint research with dermatologists, universities and research institutions in Japan and overseas. Additionally, we create new beauty experiences by integrating digital devices and information science with a holistic approach that takes into account the entire human body.

The products developed from these avenues of research are evaluated for safety, including their ingredients, formulations, and packaging, with the assumption that they will be used in various situations. These products are delivered to the market after comprehensive quality checks and are continuously improved after launch based on customer feedback.

Safety is a top and non-negotiable priority. We fully comply with the regulations of the countries in which we operate and also apply our own strict ingredient-standards, which are set in tandem with our safety standards, based on environmental considerations and ethical standards when 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 these values, and develops products based on that policy.



Safety Backed with Evidence

Shiseido carefully selects newly introduced cosmetic ingredients based on its own strict standards. Based on domestic and international safety evaluation guidelines, we examine data for each item and evaluate safety without the use of animal testing.

We also confirm that there are no safety concerns not only with regard to ingredient specifications, but also in eliminating impurities assumed to be present in the manufacturing process. We continuously collect and apply the latest information and cutting-edge technologies while engaging in discussions with external specialists to deepen our expertise, which is essential when conducting such evaluations.

Responding to Environmental Risks

Production involves a broad array of environment-related risks, and laws related to this issue in respective countries grow stricter every year. For this reason, Shiseido HQ 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 thoroughly observes environmental laws and regulations and conducts compliance evaluation based on ISO 14001 standards at production sites.

Removal of Microplastic Beads

Shiseido completed the replacement of microplastic beads* with alternative ingredients for applicable products in August 2018.

*Microplastic beads: Non-water-soluble plastic particles with a size of less than 5mm added to rinse-off personal care products to promote exfoliating or cleansing functions.

Comprehensive Safety of Chemical Substances and Safety Management

We comply with REACH regulations regarding substances imported into Europe, and 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.

PRTR Target Substance Emissions and Transfers [PDF : 173KB]

System for Stable Supply of High-Quality Products

At Shiseido, quality and safety go hand in hand, taking priority over all other matters. We continuously work to maintain and control product quality not only by observing all applicable laws and regulations but also by applying our own rules through a Global Quality Policy to ensure that consumers can use our products with complete confidence. We conduct comprehensive quality control at all stages from ingredient and packaging selection to commercialization, production and distribution in order to ensure the quality and safety of all our products, including medical and food products as well as cosmetics. In doing so, we manufacture products that our consumers can trust and use regularly without any concerns.

At the ingredient selection stage, we collect and check information from all over the world down to their specific components to make sure that we use only safe ingredients.

At the commercialization, production, and distribution stages, we also have systems in place to ensure the stable supply of high-quality products at all times by complying with various standards such as Good Manufacturing Practice (GMP)*1, ISO 22000, and the Hazard Analysis and Critical Control Points (HACCP)*2, 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 ISO 22716, an international standard that gives guidelines for the production, control, storage and distribution of cosmetic products, ensuring that consumers are provided with safe and secure products of high quality manufactured under strict quality control.

*1: Good Manufacturing Practice (GMP): Standards for manufacturing and quality control of cosmetics.

*2: Hazard analysis and critical control points (HACCP): A method of food sanitation control developed to ensure the safety of food in the United States.

Response to Product Issues

In order to promote research, development, manufacturing and sales of safe products that achieve consumer satisfaction, Shiseido clarifies where the authority and responsibility lie in terms of quality assurance (including product planning, manufacturing and sales), and product issue prevention. We also have our own manuals for dealing with any product issues so that we can respond in a concerted manner and promptly bring the situations under control while putting consumer safety first. Thus, we are committed to strengthening and comprehensively promoting quality assurance and product issue prevention at Shiseido and our Group companies.

In the unlikely event of a quality and/or product liability issues involving the Company's products, the department that has received such information is expected to immediately report to the Quality Management Department, related business divisions, and Risk Management Department. The Risk Management Department will decide on response methods in accordance with the 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

The Shiseido Group Standards of Business Conduct and Ethics is a summary of actions that each and every person at the Shiseido Group should take. Shiseido stipulates 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, the 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 employee knowledge about compliance with the laws on pharmaceuticals and medical devices concerning advertising and labeling.

Nutrition and Health

Access to Better Nutrition / Responsible Advertising and Marketing

The World Health Organization reports an increase in the number of people with diabetes. The UNICEF reports on the overconsumption of sugars and poor nutritional balance in young people and children in "THE STATE OF THE WORLD'S

CHILDREN 2019". The report points out that these issues are associated with improper marketing and advertising of processed foods and beverages.

In the "Shiseido Group Standards of Business Conduct and Ethics," we declare that we will provide safe and excellent products and services, display product information in an easy-to-understand manner, and support beauty and health.

As a food business*, we are responsible for preventing nutritional imbalances, obesity and lifestyle-related diseases. We will continue to develop products that meet consumer needs such as better nutritional balance and health consciousness. We will promote proper marketing and advertising for processed foods and beverages and provide accurate and easy-to-understand information.

*The food business accounts for less than 1% of our consolidated sales (2020)

Participation in Food and Beverage Safety, Quality and Health Initiatives Major Initiatives

Japan Confectionery Better Business Association	An association that connects consumers with businesses and governments to solve confectionery-related issues such as the safety, proper labeling, and fair transactions of confectionery products.
Tokyo Confectionery Associations	Association that provides training on manufacturing technology and food hygiene to the pastry industry.
Sustainable Restaurant Association Japan	An association that supports restaurants to achieve sustainability such as responsible procurement, nutritionally balanced menus, and reduction of food loss.
Japan Food Hygiene Association	An association that supports food companies in improving food hygiene and establishing a self-management system. Shiseido Parlor is working on the hygienic production of processed foods by referring to the guidelines and manuals of this association.

Actions to Address Negative Impact on Health

We are working on the development of products that reduce unnecessary additives in order to suppress the negative health impacts of food. The Shiseido Group develops health and beauty foods that do not contain fat or caffeine which the Shiseido Group distributes in Japan.

Main Initiatives

Fat / caffeine	The Shiseido Group distributes health and beauty foods throughout Japan. Among these, its core product collagen drinks* contain no fats, no caffeine, and no added preservatives.
Sugar	Shiseido Parlour Co., Ltd. collaborates with specialists in food safety and health to develop products and utilize them for appropriate marketing. We are developing low-carbohydrate products with Dr. Satoru Yamada of the Eat & Fun Health Association, an organization that promotes deliciousness and low-carbohydrate levels. In 2018, we developed a low-carbohydrate menu under the supervision of this association. Some Shiseido Parlour stores offer sweets and dishes with reduced sugar. The company's restaurant "FARO" offers desserts with a 100% reduction of fine white sugar. For sweets from Shiseido Parlour, we have a lineup of products that are packaged in small quantities to improve storage stability and to consider the amount of sugar that can be ingested at one time.
Artificial ingredients	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. In accordance with Japanese regulations, retort pouch products do not include preservatives.
Improving nutritional balance	Beauty Princess, a beverage by Shiseido Parlour Co., Ltd., is compounded with hyaluronic acid and collagen peptide.
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.

Responsible marketing and promotion of processed foods and beverages

The Shiseido Parlour actively displays information on food allergies (21 types of ingredients) beyond Japanese laws and regulations. We have in-house guidelines based on food legislation to ensure compliance with proper labeling

legislation on food labels. In-house training is provided to those in charge of food labeling. We also conduct factory audits of outsourced manufacturers, including items related to quality and labeling.

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

The Consumer Communication Center of Shiseido Japan Co., Ltd. gathers and analyses consumer inquiries and requests, and shares information throughout the company in order to realize its medium- to long-term strategy. Through these efforts, the Consumer Communication Center recommends the development and improvement of products and beauty information, as well as the improvement of services, to related divisions.

In January 2017, Shiseido further strengthened its Consumer-oriented management system by announcing its philosophy and policy on consumer-oriented management in the form of a "Consumer-Oriented Voluntary Declaration." At the Consumer Communication Center as well, we engage in daily activities under the Customer Response Action Guidelines. Going forward, we will continue to work to promptly detect changes in consumers and social and work to reflect them in our corporate activities, thereby contributing to the enhancement of corporate value through "Consumers-Oriented."



Shiseido Japan Co., Ltd. Consumer Communication Center
"Consumer Services: Action Policy"

Major Initiatives

For more than half a century since its establishment in 1968, Shiseido's consumer support desk has responded sincerely and flexibly to customer opinions and inquiries and delivered useful information. We are also actively working to improve our response quality. In 2016, we obtained the five-star certification for the first time in the cosmetics industry under the quality monitoring rating stipulated by HDI-Japan*1, and in 2020, the chat department received the three stars for the inquiry contact rating. We will also periodically implement Mystery Call Mystery Chat*2 with the aim of further improving customer satisfaction.

In Japan, in addition to communicators who respond directly to consumers, we also provide opportunities for consumer support leaders who are in charge of customer service at business sites nationwide to visit factories and research institutes to deepen the knowledge necessary for customer service. In addition, Shiseido is actively improving its skills as an entity in charge consumer relations by participating in seminars conducted by lecturers from inside and outside the company, holding workshops by Shiseido researchers on safety and product development, and encouraging employees to acquire qualifications with the aim of enhancing their expertise.

While promoting human resource development, we are also increasing consumer convenience by adding brand-specific toll-free numbers and



Shiseido Japan Co., Ltd. Telephone Response

strengthening our response through LINE chats, and enhancing the FAQ system. In addition, in order to stably operate consumer support desks even after the COVID-19 pandemic and to evolve our working styles, we introduced LINE chat at home in 2020 and a remote call center system in 2021, and began responding to consumers at home.

Regarding global consumer response, the person responsible for consumer response in Japan and each regional headquarters (China, Asia Pacific, the Americas, EMEA, and Travel Retail) collaborates to promote consumer support.

*1 : HDI is the largest membership organization in the world in IT support services established in the U.S. in 1989. It is a member of a number of corporations that rank among the 500 Fortune Global Companies in the U.S. Economic Magazine. HDI-Japan conducts surveys and certifications to evaluate corporate customer contact points with the aim of improving support services.

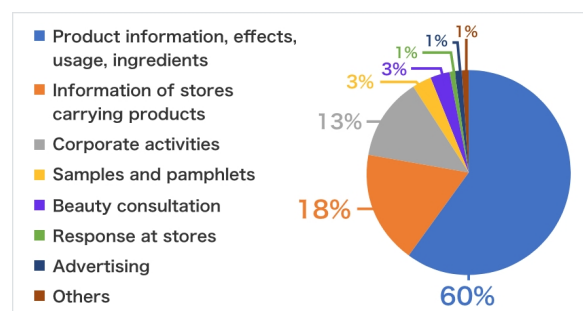
*2 : This is an external survey that evaluates the service levels of telephone support and LINE chatting.

Gathering/Sharing/Utilizing Consumer Feedback

In Japan, we collect consumer feedback on our products and services in a variety of situations and methods. These include about 100,000 annual accesses to our consumer support desks and offices via toll-free calls, e-mail, LINE, and letters, as well as about 130,000 in-store customer comments posted by Beauty Consultants working at retail outlets on dedicated tablets, as well as Twitter and other SNS comments.

With the exception of some affiliated companies that independently manage information, information gathered is managed by the system, and is shared by all employees through e-mail or the intranet. In this way, it is used to create value in our products and services.

In addition, by centralizing management in the system, information can be promptly reported to the officers in charge and related divisions, which is also useful in terms of risk management.



Breakdown of feedback received by Shiseido Japan Co., Ltd.
(Result in FY2020)

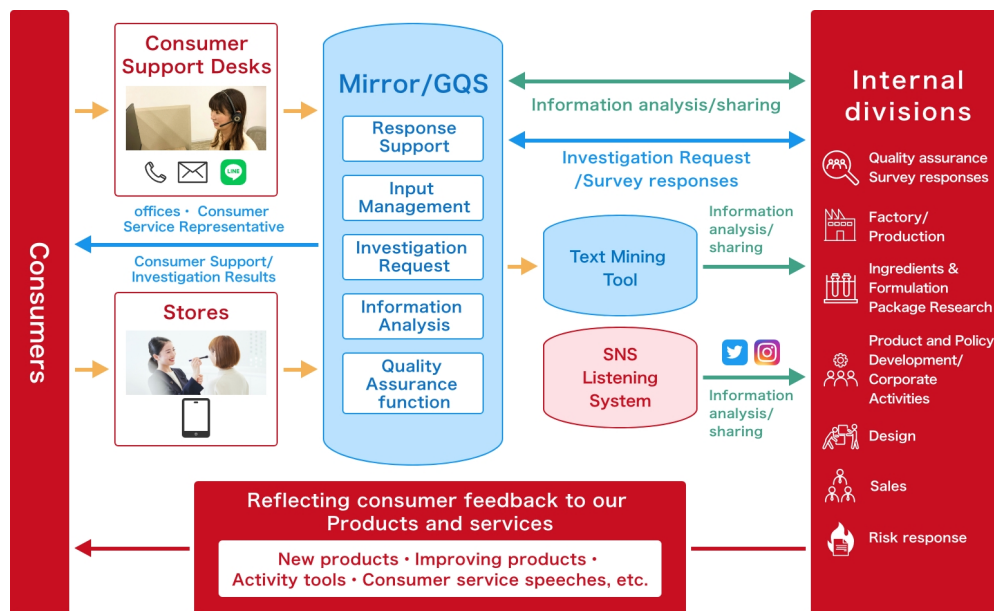
Consumer Feedback Information Management Systems

We use Mirror*3, a system for collecting and analyzing consumers feedback in Japan, to reflect it in our products and services.

Consumer feedback, which is aggregated into the Mirror, is linked to VOICE text mining system, enabling all employees to easily visualize consumer feedback and analyze and utilize it according to their purposes. We also use SNS listening systems to reflect consumer feedback that does not directly reach companies in our corporate activities. In addition, we are working to improve quality globally in collaboration with GQS*4, a quality information management system that aggregates quality-related requests received from consumers around the world.

*3 : Drawing from the idea that through the voices of our consumers, there is a "mirror" that reflects the actual state of Shiseido's activities for us to see and contemplate.

*4 : GQS= Global Quality Information Management System



Increasing Contact Points with Various Consumers

In response to the growing number of users of SNS, we have established an official account for LINE apps and Twitter, Yahoo! Chiebukuro*5 to strengthen communications with a wide range of consumers.

In the "Consumer Support Frequently Asked Questions" section of our website, we answer questions on alcohol concentrations and the risk of combustion in the transportation of cosmetics in chatbots. Beauty Consulting in LINE, which uses LINE apps, collaborates with Web Beauty Consultants, who respond to personal inquiries, and AI Mimi-chan, a chatbot that answers simple questions 24 hours a day, to respond quickly to consumers. Twitter provides support for consumers who have trouble, as well as thanks them for their inquiries and compliments. Through these various channels, we aim to improve consumer satisfaction.

*5 : Yahoo! Chiebukuro is a Japanese language Q&A website

Collaborative Education Activities to Learn on Consumers' Perspective

We strive to improve our products and services by knowing deeply the feelings and backgrounds of consumers, and to become a trusted company, we are also focusing on "co-development" activities for our employees.

On a daily basis, we distribute consumer feedback through our intranet, internal digital signage, internal SNS, and e-mail to create opportunities for all employees to touch the opinions of consumers, thereby raising awareness.

Furthermore, for divisions involved in consumer response and manufacturing, we hold seminars to share consumer feedback tailored to each division and to review individual awareness and behaviors. In these ways, we encourage each employee to become aware of being "Consumer-Oriented" in their daily operations, and we are conducting activities to instill this idea in all corporate activities.



Consumer feedback seminar at factories in Japan and overseas



National-level CSL training meeting (Japan)

Product Manufacturing that Reflects Consumer Feedback

SHISEIDO Ethanol for Hand Sanitizer, SHISEIDO Hand Cream N
Launched hand sanitizers with special attention to sensitive hands
and hand creams (2020-2021)

In response to comments that hands are rough due to frequent hand washing and disinfecting, we developed hand sanitizers with special attention to sensitive hands. The distinguishing feature is that the hand cream is not oily after application, and it only leaves minimal fingerprints on smartphones and other devices.



MAQUILLAGE Dramatic Cover Jelly BB

Evolve coverage of BB cream, which doesn't rub off on masks so easily (2021)

In 2020, we launched the Maquillage Dramatic Nude Jelly BB, which doesn't rub off on masks so easily, in response to the complaints about makeup rubbing off on masks. Following this, we added two colors of BB with coverage in response to requests that consumers want good coverage with a light feel.



BENEFIQUE Reset Clear N

Adopted dispensers (2021)

In conjunction with the renewal, we have adopted dispensers and refills to easily get the correct amount at every usage.



ELIXIR Reflect Balancing Oshiroi Milk C

Launched the optimal cover type just for those no foundation days (2020)

ELIXIR Reflect Balancing Oshiroi Milk C, which was released in 2018, has been popular since it was released as a morning milk which needs no base makeup. On the other hand, in response to comments that customers "would like to have more coverage" on days they don't use foundation, we launched another type that naturally covers blotches and unevenness.



PRIOR Color Conditioner N

Added gray color to lineup (2020)

In response to many statements from customers who want to "enjoy their gray hair as it is," we launched Gray products in addition to black, dark brown, and brown products from PRIOR hair color conditioners.



History of Shiseido's Consumer Support

Introducing the history of Shiseido's consumer support, which has been promoting consumer-oriented management since its establishment.

2021

Introduction of a home-based telephone system

Affected by the spread of COVID-19 in 2020, we introduced a home-based telephone system for the "Consumer Support Desk" in January 2021. When introducing the system, we verified and scrutinized the usability of the system, as well as the network environment and voice sound quality. We also prepared product information for the "Mirror" (introduced in 2011, see below) so that even at home, where we are unable to check product itself, we can successfully operate the remote telephone support system. In these ways, we have ensured the quality of our consumer support. Even under the COVID-19, we were able to continue responding to calls without closing the "Customer Support Desk" and also contribute to improving the working style of the telephone communicator.



2020

Acquired "Three Stars Benchmark Award" in the Chat-Channel Contact Rating

"LINE Beauty Consultation Service" was rated three stars, the highest rating, by web-based Beauty Consultants in the HDI Rating Benchmark Survey (Chat-Channel Contact Rating), sponsored by HDI Japan for the second consecutive year since 2020. "LINE Beauty Consultation Service", which responds to consumers' personal inquiries, requires "five chat-handling skills" (deciphering ability, text ability, search ability, conversation ability, and personal PC skills) + "beauty knowledge and counseling skills," in order to communicate in textbooks. We are working to improve and maintain the quality of our consumer service by repeatedly reviewing and training and regularly conducting skill checks.



2019

Establishment of Osaka Office

With the aim of continuing to operate the "Consumer Service Desk" even in the event of a major earthquake or other disaster in the Tokyo metropolitan area, we established the Osaka Office and started telephone services at two bases.

2019

Introduction of "AI MIMI-chan"

We further evolved "LINE Beauty Consultation Service", which started in February 2018, and introduced "AI MIMI-chan" in January 2019. "AI MIMI-chan" is an AI chat bot that responds immediately to simple questions from consumers 24 hours a day, 365 days a year. Beauty Consultant in LINE has

since been linked with a Web Beauty Consultant that handles personal consultations, and through working with "AI MIMI-chan", we have built a system that allows consumers to consult anytime, anywhere. "AI MIMI-chan" personifies a new Web Beauty Consultant who is learning to support consumers. Her name means "beauty" and "ear" to listen to the voice of consumers as a beauty professional.



2018

Beauty consultations started at LINE Chat

Since 2012, we have been offering web chat services on PCs and smartphones. In February 2018, we evolved into a beauty consultation service through LINE so that we can support more consumers. This has led to an increase in new touch points with a wider range of consumers including young people and men. In addition, we provide new value by combining the convenience of LINE with the consultations provided by beauty consultants who respond to each individual's requests, leading to continuous access and being able to ask questions and check the responses anytime.



2016

Received "Five Stars Benchmark Award" for the first time in the cosmetics industry in the Inquiry Contact Rating

Since 2013, in "the Quality Monitoring Division", we have won the three stars for three consecutive years. In 2016, in addition to the three stars, we also took on the challenge of the five stars, which are highly evaluated for our company-wide customer response system, and we were able to obtain both. At the Five Stars, the infrastructure (information, environment, and systems) is secured to provide high-quality service to customers. In particular, we were highly evaluated for the establishment of an in-house feedback system to maximize the use of customer opinions in corporate management and marketing.



2015

Established Twitter Customer Service

In order to listen to the voices of consumers, who are constantly changing, we began monitoring social media, such as Twitter, in 2011. In 2015, we established the official twitter account" to respond to customers on Twitter. At present, we do not only respond to inquiries but also call on those who are in trouble, such as "I don't know where to purchase." We also give compliments to tweets, such as "The store staff was very good." We also serve as a contact point with those who do not directly give comments to us. In 2017, we began supporting Yahoo Chiebukuro (a Q&A forum site) with official accounts.



2013

Acquired the first "Three Stars Benchmark Award" in the cosmetics industry in the "Inquiry Contact Rating"

In 2013, our Customer Support desk received the highest rating of three stars in the "Quality Monitoring Division" of the HDI Rating Benchmark Survey sponsored by HDI-Japan, the Japanese branch of the US-based Help Desk Institute (HDI), the world's largest support services industry organization.

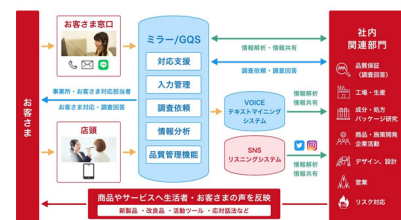
The highest rating is based on the auditor's rating of the customer support staff's call records on a four-point scale according to the fields of "service system, communication, response skills, processes/response procedures, and difficult responses" and is only given to a small percentage of the companies that were screened. Shiseido's customer support desk was highly evaluated for its efforts to provide customer service from the customer's point of view and earned a three-star rating.



2011

From "Voice Net C", a customer response and analysis system, to "Mirror"

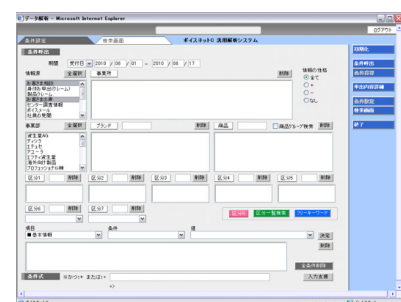
In 1996, we evolved our system "Voice Net C" for collecting and utilizing customer opinion information, which we have used together with the introduction of the toll-free telephone number, into a global specification, and newly introduced under the name "Mirror". Until then, we had used customer response systems in Japan, China, and elsewhere to collect and analyze customer inquiries, opinions, and requests, and effectively reflect them in our corporate activities. However, for the newly developed overseas subsidiaries, the task was to collect opinions and manage them through systems. With the introduction of "Mirror", we have become able to collect and accumulate risk information globally, and this has become a system that plays a role in risk management.



1996

Started "toll-free number" and introduced "Voice Net C"

We have introduced a toll-free number to gather feedback from customers more actively and use it in our corporate activities. With an increase in the number of incoming calls, we hired new staff, and the consumer support system greatly changed. At the same time, we introduced the "Voice-Net C" system for the first time, which enables us to input and search consumer opinions, and to relay consumer opinions to related divisions. Many staff used PC software for the first time, and in addition to consumer support training, we repeated exercises for system operation and text input. The method of responding to customer inquiries has changed dramatically, from the conventional analog style to respond consumer inquiries watching paper materials, to the style of searching information and inputting results with PCs, thereafter.



1994

Operation of Shiseido Cosmetic Garden [C]

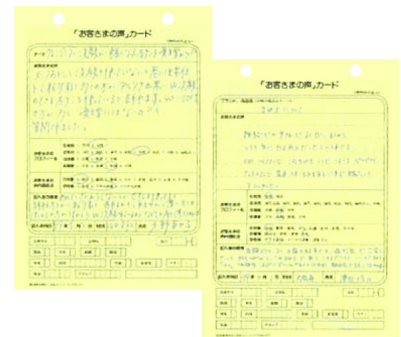
Shiseido Cosmetic Garden C was opened in Omotesando, Tokyo, as a showroom where consumers can try our products freely without buying at all. As a new communication space that connects consumers and Shiseido, it was later established in Osaka and Fukuoka, collecting consumer feedback and information, and using it for overall marketing including product development. They have completed their role because we have increased the stores where visitors can freely try our products. The personal and professional counseling services that we have evolved here have now been handed over to "the Personal Beauty Session" at "Shiseido The Store" in Tokyo Ginza, which has been well received by many consumers.



1987

From "Consumer Division" to "Consumers Center"

In 1987, the consumer department of the public relations office was spun off and the consumer division was established with enhanced customer service functions. This division oversaw not only responding to the opinions received at the consumer consultation desk, but also disseminating information to consumers and holding consumer seminars. Since renamed the Consumers Center, in order to reflect the opinions of more customers in our management, we have not only begun to make inquiries at our contact points but have also begun to collect opinions at stores through "Customer Voice Cards." These customer feedback is now being collected more quickly through tablets owned by each Beauty Consultant.



1975

Introduction of the "Consumer support specialist system"

In order to promptly respond to customer inquiries and requests, we have assigned a "consumer support specialist" at each business site in Japan. The "consumer support specialist" responded quickly to inquiries from customers, and sometimes met directly with customers to hear detailed stories. In addition to responding to individual customers, we have also disseminated accurate information to society through public relations activities in the region. Experienced beauty consultants have overseen these activities because they require a wealth of knowledge and good judgment. This system is still being employed at each of our business sites nationwide under the name of "Consumer Support Leader" as a consumer support system unique to Shiseido, and that mentality has been inherited.



1968

Establishment of the Customer Response Division

In 1968, we appointed a dedicated customer response officer to offer comprehensive responses to customer questions and opinions on corporate matters and to reflect the opinions we received in our management. To promptly reflect customer opinions and requests at retail outlets in counseling, this dedicated person belonged to the Consumer Section, which

is responsible for sales. Then, in 1971, when the consumer movement was booming, this position was transferred to the newly established public relations division to strengthen our communication with consumers.

※Shiseido Japan Co., Ltd. Consumer Communication Center Logo Mark Concept : "Our sincerity" that always stays close to consumers and helps to realize the beauty of each person, and "Circle (activity)" that takes the voices of consumers seriously and reflects them in corporate activities.



Consumer Communication Center Shiseido Japan Co., Ltd. Logo (2018~)

1949

Held a "makeup and grooming course" to guide you on makeup methods

Launched in 1949, the seminar of personal appearance was intended for high school graduates to introduce the makeup method for working adults. Subsequently, the seminar was held as a "Consumer Seminar" for a wide range of targets in conjunction with the penetration of cosmetics into society, and the further development of the seminar was the "Successful Aging Seminar." Based on the desire to make all consumers beautiful, we also held seminars for the elderly, people with disabilities, schools, and targets, depending on the participants and their purpose. At the seminars for the elderly, makeup increased smiling faces and facilitated social communication. Through skincare and makeup, we also provided mental wealth. This activity has been taken over by the current "Life Quality Beauty Seminar".



Founding period

"Consumer principle" of The Five principles

Shiseido was founded in 1872 as Japan's first private western-style pharmacy with the desire to deliver high quality pharmaceuticals to customers that incorporate western medicine rather than bad pharmaceuticals. In 1927, we codified our management creed, which has been passed down from our founders, into our basic philosophy of "The Five Principles". They are Shiseido's management philosophies and have the element of comments on the outside and the meaning of the mindset that employees should have in place. The most important was the "Retail principle" (later renamed "Consumer principle"). In "Consumer principle", it is said that "management is devoted to the consumer perspective", and this principle is the starting point of the first item "With Consumers" of the current "Shiseido Group Ethics Code of Conduct" and the "Consumer-Oriented Management Voluntary Declaration" declared in 2017.



Universal Design

Universal design takes into consideration the environment of all consumers. This concept is a major theme for Shiseido, which aims to create products that can be used comfortably and with peace of mind by all our customers.

In 2017, Shiseido further developed the "Shiseido Universal Design Guidelines," which were compiled in 2005 based on specialized theories and laws on universal design. We established a basic policy to create attractive designs that prioritize safety, security, and ease of use. In 2017, we renewed the guidelines to make them more specific and easier to understand.

Currently, the departments involved in product development are sharing information on how our products will be used, in what kinds of situations, and by whom in accordance with the aforementioned guidelines in order to achieve specific designs for newly developed products.

A product's design should be intuitive and simple. The amount used and how it is used should be clearly indicated, and the product should be easy to use until it is spent. We believe that the beauty of a product is that it can be used without stress by anyone who holds it in their hands, and that it also makes people feel excited when they use it.

PRIOR



The product's packaging is designed to be easy to use, with a cap that is decorative but does not roll or slip easily. The push-type bottle that makes it easy to dispense the right amount. The cases of some of our products feature wrap-around packaging with easy-to-understand instructions, along with "before and after" pictures. You can learn how to correctly use the product right after you purchase it.



In 2018, PRIOR received the Gold Award at the IAUD International Design Awards, sponsored by the International Association for Universal Design.



MAQuillAGE

The gold surface reflects light and is beautiful to the eye, giving the design a modest feel. At the same time, the fine unevenness delivers a sense of quality to the fingertips and a firm grip for easy use.



SHISEIDO

This is an easy-to-use cleanser that comes out as foam, removing makeup in one go. The packaging has been carefully researched to specifically cater to washing the face. It is designed to be easy to hold even when your hands are wet and to be stable in the bathroom.



SHISEIDO
Complete Cleansing Microfoam

The distinctive cap design, which represents the advanced contents, is also designed to provide stability to the tube, which is prone to collapse.



SHISEIDO Vital Perfection
Wrinkle Lift Deep Retino White 5

ELIXIR

The rounded container represents the characteristics of the product, but the oval shape when viewed from above makes it easy to use and open the lid as it fits perfectly in the palm.



ELIXIR
BALANCING MIZU CREAM

Clé de Peau Beauté

The soft indentations on the head and sides of the pump fit the finger, making the dispenser easy to press, both when held or when stationary. The bottle has an on/off function for the dispenser to make it more convenient to carry around.

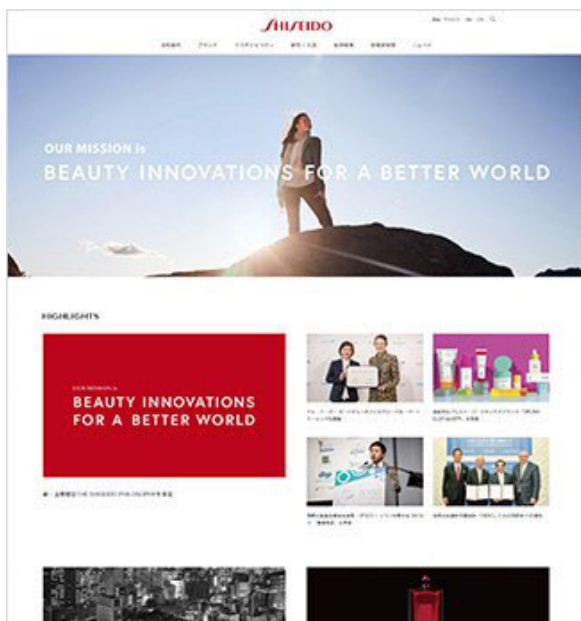


Clé de Peau Beauté
MICELLAR CLEANSING WATER

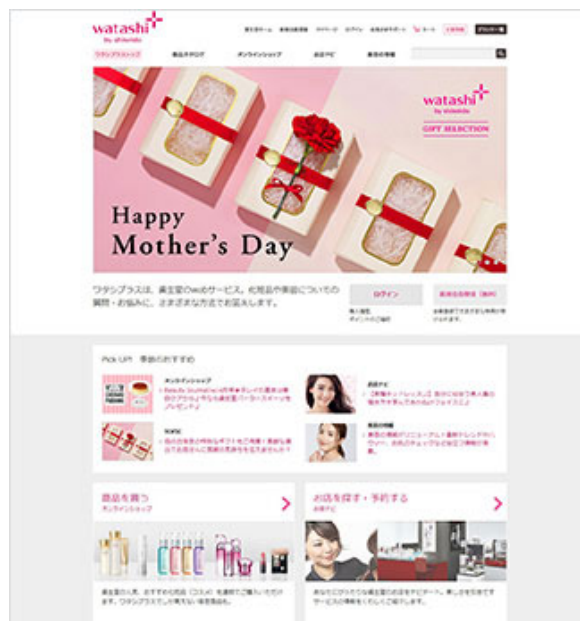
Information for Consumers

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		<ul style="list-style-type: none"> ● Skincare for babies to prevent allergies. (Japanese Only)
For Children	Skincare		<ul style="list-style-type: none"> ● Face cleansing, UV protection methods and other day-to-day beauty information provided to protect children's healthy skin.

		
For Expectant Mothers and Mothers	Skincare	<div><ul style="list-style-type: none">● Skincare to energize the sensitive skin and minds of expectant mothers and mothers.(Japanese Only)</div>

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).

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.

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.

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 aims to achieve sustainable development together with society and the earth, and contributes 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

In line with the Shiseido Group Standards of Business Conduct and Ethics and with regard to decision-making on important issues of corporate materiality, Shiseido has designated the "environment," "society," and "culture" as core areas for social contribution activities. In particular, in the area of society, Shiseido promotes initiatives to advance diversity, including gender equality, and to improve the quality of life (QOL) of all people, involving employees and leveraging Shiseido's talents and technologies. In addition, as part of our efforts to support local communities and disaster relief, we fulfill our responsibilities as a corporate citizen by working with employees to respond to issues faced locally, particularly in areas where our business sites are located.

Promotion System and Governance of Social Contribution Activities

Shiseido takes on social contribution activities in collaboration with brands and regional headquarters through the Social Value Creation Division. The Chief Social Value Creation Officer is responsible for social contribution activities, and full-time employees are assigned to plan and promote social contribution activities and to coordinate the results within the Social Value Creation Division. Sustainability promotion officers are also assigned to regional headquarters overseas, and the headquarters and regional headquarters work together to promote and manage activities in each country and region. Once a year, the Chief Social Value Creation Officer reports on priority activities to the Board of Directors, including an overview of activities implemented by each brand and regional office in each country and region.

Initiatives for Social Contribution Activities

Despite restrictions due to coronavirus (COVID-19), approximately 3,400 Shiseido Group employees participated in social contribution activities in 2020. Based on our sustainability principles, activities were broad in scope and spanned the fields of environment, society, and culture.

Inspired by the power of beauty, we implemented activities that only Shiseido can offer. These included virtual hair and makeup lessons, cosmetics donations, and monetary donations – all implemented under strict regulations to protect our employees, and help stop the spread of COVID-19.

For more details, please refer to the respective links.

1. Environment

Because many of Shiseido's products are made with botanical ingredients, we strive to raise employee awareness through initiatives centered on the environment, ocean conservation, and environmental education in each country and region as part of our efforts to reduce our impact and use sustainable resources.

2. Society

Shiseido aims to realize a better society for all by utilizing Shiseido's beauty technology and know-how to support women's advancement through our cosmetics business.

- We empower people with the power of beauty, aiming to create a society in which people can live each day with a sense of purpose.

JSID 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

- Aiming to close the gender gap, we lead the way in supporting women's activities in Japan.
- Shiseido aims to create a society in which everyone can play an active role by educating and supporting people in socially disadvantaged situations.

3. Culture

Shiseido supports contemporary art and experimental expression, leveraging its knowledge and experience in high-quality manufacturing and artistic and cultural practices spanning the past hundred years.

4. Community, Disaster and Various Support

It is important for employees to improve themselves through their involvement in society, which leads to personal growth and in turn growth for the Company. To this end, Shiseido deepens exchanges with local communities and works to resolve local issues.

Social Contribution Activities by employees








We encourage all our employees to consider social issues and ways in which we can address them. Based on our sustainability principles, we offer social contribution activities across the fields of environment, society, and culture, and our employees have the opportunity to take part in these activities.

Since the emergence of coronavirus (COVID-19), we have been supporting medical professionals and people affected by the pandemic through various initiatives, including providing hand sanitizers and cosmetics.

Camellia Fund Expanding Worldwide

The Shiseido Camellia Fund is a social contribution program that supports NPOs and NGOs that are working to solve social issues through donations from Shiseido employees and retired corporate friends. Supported organizations are selected with a focus on "environment", "society", and "culture". Employees in Japan can participate contributing as little as 100 yen from their monthly salary, and retired company alumni can participate from as little as 1,000 yen. The Americas Regional Headquarters, Asia Pacific Regional Headquarters in Singapore, and Travel Retail Regional Headquarters conduct activities through the donation platform "Benevity".

Shiseido Camellia Fund Supporting Organizations in Fiscal 2021

Areas	Supported organizations		Support activities of the Camellia Fund
Environment	WWF Japan		Fostering sustainable Indonesian farms that produce certified palm oil to protect the global environment.
Society	All Japan Women's Shelter Network		Schooling support for children living with mothers who have sought refuge from domestic violence.
	JOICFP		Providing health facilities and childbirth kits to protect the lives of Zambian mothers in dire medical risk during childbirth.
	Save the Children Japan		Securing food and nutritional resources for mothers and children living in the mountainous areas of Vietnam where malnutrition is serious.
	Shiseido Social Welfare Foundation		Supporting higher education for children who grow up in institutions or with foster parents and leave at the age of 18.
	Japanese National Network of Xeroderma Pigmentosum (XP)		Purchasing UV-protection and medical-care products for children with XP, and awareness-raising about XP.
	Japan Cancer Society		Free consultations for cancer patients and their families, and support for cancer survivors to live positively.

Culture	Arts Initiative Tokyo		Activities to create art experiences for children and nurture an undefeated spirit that can overcome circumstances or obstacles through the power of art.
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Social contribution activities by employees around the world

Shiseido Group employees around the world work to resolve issues in local communities in each region and business site, based on the belief that examining society and enhancing oneself through involvement in society leads to personal growth and in turn growth for the company.

Shiseido EMEA hosted its fourth annual "Camellia Day" and more than 600 employees from 10 countries participated in this event. In Shiseido Americas approximately 500 employees participated in 20 programs under "THE BEAUTY OF HELPING OTHERS" initiative.

As part of our activities to help solve social issues, Shiseido Americas also supported LGBTQ organizations, and Shiseido Japan co-sponsored online seminars in cooperation with local governments for mothers raising children during the pandemic.

Activities to address environmental issues included planting wheatgrass in Thailand on "World Soil Day". The aim of this was to raise awareness around the conservation of tropical rainforests and global warming. In Japan, EMEA, Americas, and Asia Pacific, schemes have also been established to allow employees to take part in social contribution activities during working hours.

Shiseido Camellia Day (10 countries in Europe, September-October 2020)

Approximately six hundred employees participated in various programs, including breast cancer support donation collections done online, blood donation activities, product donations to hospitals and doctors, and activities to donate handmade masks.



Donation of products to women in need (Belgium)



Cleaning up the banks of the Seine River (France)

Online Seminar for Mothers (Japan, November 19, 2020)

In the midst of drastic changes in work and child-rearing environments due to the spread of the novel coronavirus COVID-19, an online seminar was held in cooperation with the local government in Hyogo Prefecture for eighteen mothers with children between the ages of two months and eight years old.



Planting wheatgrass (Thailand, December 4, 2020)

To raise awareness of environmental issues, two hundred employees planted wheatgrass on World Soil Day.



Coastal cleanup activities (Taiwan, November 7, 2020)

Over one hundred employees participated in beach cleanup activities at Hsinchu Harbor to raise awareness of environmental and marine conservation.



Initiatives in the fight against COVID-19

Shiseido put the safety of all our stakeholders first by promptly responding to the situation and creating a COVID-19 Emergency Task Force in early February 2020. This team has been responsible for channeling our safety guidelines across all regions. Further, we have set up task force teams at each regional headquarters to promptly respond to support employees to work safely.

Disaster Support Activities

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 area, 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.

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.



Employees and Friends of the Company
Present Donations for the Victims of
Typhoons in 2019

Aid Initiatives in the Wake of the Great East Japan Earthquake

Reconstruction Support Activities Linked by Camellia

Shiseido has a deep connection with the camellia flower. It is also the city flower of Ofunato and Rikuzentakata City in the Kesen area of Iwate Prefecture. Since the 2011 disaster, we have discussed with the townspeople about what Shiseido can do to help based on our mutual relationship with the camellia. In this process, we learned that until a few decades ago, households in the Kesen area pressed oil from camellia nuts used for food and hair care, and that they wanted to make the camellia into a new industry for the city. We also learned that in Ofunato, the camellia was a staple of tourism even before the earthquake. To grow this flower which has been so cherished by the city, Shiseido is working with the people of Ofunato to plant camellia trees every year starting in 2021. With their cooperation, Shiseido also planted a total of approximately 800 camellia trees, including roughly 550 seedlings and 260 mature trees in 2020.



Hosting internal reconstruction support events

Since 2013, Shiseido has held the "Reconstruction Support Marche" every year at the Shiseido Shiodome Head Office, where local products from the Sanriku region, which Shiseido supports, are collected and sold in-house.

<Objectives of the market>

For Region	<ul style="list-style-type: none"> ● Improvement of the recognition of the Kesen area ● Development of new sales channels
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For Employees

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



In 2020, we revised the event which had been held in-person in previous years due to accommodate the circumstances of COVID-19, and implemented an online "Virtual Marche" for the first time so that employees nationwide could also participate. A wide variety of local products from disaster-affected areas were made available online, and many employees participated in the event. As a new form of support, members of the fishery industry joined the Virtual Marche, expanding the scope of an annual event that brings smiles to the faces of all employees and their families.



Primary Initiatives until now

1. Activities with Hopes of Industrialization

● 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 donated 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

On Saturday, June 11, 2016, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural Fukushima-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. To support this activity, Shiseido donated 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.



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

On Friday, June 12, 2015, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural Fukushima-no-sato Center.

16 employees from Shiseido participated in the event and planted trees together with people from Taiyo-kai, the Ofunato City Office, and the general incorporated association RCF.

(1) Mature camellia tree planting

In order to harvest camellia seeds, from which oil is extracted, at an early stage, we planted 30 mature trees. The planted mature trees were donated from the JAPAN CAMELLIA SOCIETY, which has supported this activity.

(2) Nursery camellia tree planting

We planted 40 nursery trees. A part of the sales of the "Shiseido Relaxing Night Mist" and of Ofunato's signature products that SHISEIDO AMENITY GOODS CO., LTD. offered in its mail order catalogues is donated to this nursery tree planting event.



Installing poles for protecting nursery trees from deer



Planting mature camellia trees



Shiseido staff who participated in the tree planting event

2. Initiatives for Raising Awareness of Camellia in Kesen Area

●Releasing “Before bedtime” Fragrance with the Motif of “Sanmen Tsubaki” of Ofunato City Released on October 1, 2014

Fragrance soothes our feelings and gives us a sense of relaxation. With the hopes of delivering pleasant sleep with good fragrance to affected people, we worked on developing a product by utilizing Shiseido's aromachology research. As a result, we have developed a new fragrance for users of all ages regardless of gender to experience a sense of relaxation before bedtime, by combining with the fragrance ingredient of flowers of "Sanmen Tsubaki", which is 1,400 years old and is the oldest camellia tree in Japan located at "Nakamori Kumano Shrine" in Massaki-cho, Ofunato City. We collaborated with local people to create a new fragrance "Shiseido Relaxing Night Mist".

It was released on October 1 (Wed), 2014, with limited volume via the Shiseido website, and was available at 4 department stores, Isetan Mitsukoshi Ltd. from March 9 (Wed), 2016.

Part of the sales utilized in the development of "Ofunato, home of camellia".



Shiseido Relaxing Night Mist

●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



Kesen Tsubaki Dressing

at Ginza Shiseido Parlour has made the best of this aroma, using a

● "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



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 & 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

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

2021

Japan

■ "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.

This project was completed on June 30, 2021.

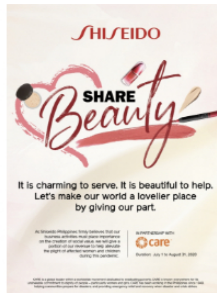
On July 26, 2021, a total of 503,771,457 yen was donated to the Japanese Nursing Association.

Asia Pacific

■ 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.

EMEA

■ Developed Sensory Rehabilitation Initiative



Shiseido EMEA has developed a new olfactory rehabilitation initiative to recover from temporary anosmia (loss of smell). The module was created to support fellow employees affected by the pandemic and regain this essential sense.

2020

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.

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 Taiwan University Hospital.

■ Donating Face Shields in Thailand



Shiseido has donated 3,000 sets of face shields to medical institutions in Thailand.

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.

■ Drunk Elephant Donates Care Packages to Hospitals



Drunk Elephant donated care packages with skincare products to 4,300+ essential healthcare workers treating COVID-19 patients at 50 hospitals throughout the United States.

■ 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.

Activities for Children

We carry out activities to provide children with the opportunities to gain appropriate and diverse knowledge and experiences.

Activities to Provide Beauty Information to Children The number of children with skin problems such as rough skin is increasing due to random use of cosmetic products at a younger age. To address this issue, Shiseido disseminates 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.



Shiseido Kodomo Seminar

Onsite Education Activities

Shiseido Kodomo Seminar

Shiseido Kodomo Seminar is a free, on-site class held at elementary schools in Japan. We provide pre-adolescent students from the fourth to sixth grades with information on skin and hygiene as well as correct skincare methods through hands-on practice.

Knowledge such as how to take care of one's skin, keep skin clean, and correct methods to protect the skin encourage children to solve their future skin problems, such as pimples and roughness, without undue worry or being overly self-conscious. We believe such preparations improve their confidence accordingly.

The initiative launched in 2009, and has reached about 8,800 children in total.



Two seminars

Website

Beauty and lifestyle information for children is available on our website, "Kirei Club for Kids". (Japanese language only)



School Health Committee

We present a lecture entitled "For your healthy days – UV protection and correct facial cleansing" at School Health Committee meetings attended by parents and teachers.

The School Health Committee is organized mainly by nursing teachers at 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 and demonstrations for adults who work closely with children on UV protection and the importance of facial cleansing, which are key contents of our Kodomo Seminar.



Nursing Teachers' Study Meeting

Educational Materials for Supporting Healthcare Lessons

To support healthcare lessons, we provide visual educational materials (DVDs) and leaflets free of charge 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 Engagement	Major engagement opportunities	Responses
Consumers	<ul style="list-style-type: none"> ● Shiseido Consumer Communication Center ● SNS (Social Networking Services) 	Approximately 100,000 opinions and inquiries were directed to the Communication Center, while 130,000 consumers provided feedback to Beauty Consultants at storefronts. Increasing points of contact with various consumers. We make efforts to enhance consumer support, focusing on 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.
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"> ● Environmental education ● Social contribution activities 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.
NPOs/NGOs	<ul style="list-style-type: none"> ● Dialogue with stakeholders ● 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. ● 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 ● Integrated Report 	<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.

	<ul style="list-style-type: none"> ● Shareholders' meeting 	<ul style="list-style-type: none"> ● Conducting a briefing session for individual investors, distributing video. ● Publishing the Integrated Report. ● Organizing a facility tour for shareholders.
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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

FTSE4Good Index Series

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.



MSCI ESG Leaders Indexes

An index that is designed by the US's MSCI and selects companies that demonstrate strong environmental, social and governance (ESG) practices.



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 of ESG investment operations.

FTSE Blossom Japan Index

An index that is designed by the UK's FTSE Russell and selects Japanese companies that demonstrate strong environmental, social and governance (ESG) practices.

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.



MSCI Japan ESG Select Leaders Index

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.



Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

MSCI Japan Empowering Women Index (WIN)

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.

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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S&P/JPX Carbon Efficient Index

Jointly developed by the U.S. S&P Dow Jones Indices and the Japan Exchange Group, this index covers Japan stocks. It is designed to promote investment into companies that excel in carbon efficiency and environmental information disclosure.

Shiseido has been repeatedly included into the index since it was first introduced in 2018.



SOMPO Sustainability Index

SOMPO Sustainability Index is a proprietary active index created by Sompo Asset Management Co., Ltd., which combines environmental, social and governance (ESG) and equity fundamental evaluation.

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2012.



Evaluations and Awards

CDP Supplier Engagement Rating

We have been highly praised for our efforts to manage greenhouse gas emissions and reduce risks throughout the supply chain by CDP, an international environmental NGO. In 2020, we were selected for the Supplier Engagement Leaderboard for coming out at the top of CDP's Supplier Engagement Rating.



Shiseido Receives Prime Ministerial Award for Women

Empowering Companies via Awards for Women Empowering Companies 2020

Shiseido received the Prime Ministerial Award for Women Empowering Companies 2020 from the Cabinet Office of Japan to commend Japan's Leading Companies where Women Shine in recognition of outstanding

女性が輝く
先進企業 2020

results in terms of policies, initiatives and achievements in promoting female employees to executive and managerial positions.

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 a "Nadeshiko Brand" in FY2020

Shiseido has been selected as a "Nadeshiko Brand" by Japan's Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE).

The "Nadeshiko" is a list of companies listed on the Tokyo Stock Exchange that have excelled in promoting the activities of women.



Sustainability Data

Data detailing Shiseido's activity towards sustainability is available.

Environmental Data

- CO₂ / Scope1,2 & Scope3 / Scope1,2,3 Total / Avoided CO₂ emissions (2020)
- Energy
- Water
- Waste
- Environmental pollution (Air/Water)
- Responding to Environmental Risks
- CO₂ emissions from cosmetics and personal care products (environmental footprint)

Social Data

Human Resources

- Number of Shiseido Group Employees
- Number of Employees by Region / Number of Employees by Type of Employment / Number of Leaders
- Ratio of Female Leaders / Diversity in Top Management / Ratio of Employees with Disabilities
- Employee Diversity / Ratio of employees by age group / Average Service Years of Employees
- Job Turnover Rate / Total employee turnover rate / Voluntary employee turnover rate / Working Hours / Rate of Paid Leave Taken / Number of Employees Hired / Starting Pay / Average Annual Salary / Equal Remuneration / Number of Employees Rehired after Retirement
- Childcare Leave and Family Care Leave / Number of Employees who Used Childcare Leave System / Number of Employees who Used Childcare Time System / Reinstatement Rate after Childcare Leave / Retention Rate after Childcare Leave / Number of Employees who Used Family Care Leave System / Number of Employees who Used Family Care Time System / Kangaroo Staff
- Labor accidents / Number of Work-Related Accidents / Accident Severity Rate / LTIFR and OIFR
- Labor Union / Percentage of Corporations with Labor Union / Number of Labor Union Members / Ratio of Labor Union Members / Employee Satisfaction / Talent Development

Customer Satisfaction

- Favorability Rating

Compliance and Risk Management

- Anti-Corruption
- Anti-Competitive Behavior / Operating Performance of Reporting and Consultation Desks for Employees / Target and Performance of Human Rights Education Training for Employees
- Activities to Enhance Corporate Ethics: Survey on employee harassment and compliance
- Number of Serious Compliance Violations
- Donations to Political Parties


- Non-Compliance with Laws and Regulations in the Social and Economic Area / Incidents of Non-Compliance Concerning Health and Safety Impacts and Services Incidents of Non-Compliance Concerning Product and Service Information and Labeling Incidents of Non-Compliance Concerning Marketing Communications Incidents of Reporting Personal Information Disclosure to Personal Information Protection Commission Violations or Complaints regarding Customer Privacy Protection received from Regulatory Authorities, Public Institutions, Consumer Rights Groups, etc. Non- Compliance with Laws and Regulations in Social and Economic Areas

Social Contribution Activity Highlights

- Number of Social Contribution Activities
- Number of Participating Employees
- Spending on Social Contribution Activities
- Social Contribution Activities - Empowerment by the Power of Beauty
- Social Contribution Activities - Gender Equality
- Academic Support
- Support for Patients with Xeroderma Pigmentosum (XP) (UV-sensitive intractable disease)
- Activities for Children
- Social Contribution Activities - Education for Socially Vulnerable People
- Social Contribution Activities – Art and Heritage
- Community and Disaster Support

Environmental Data










Data

The data marked with  in the figure below has been third-party certified.

CO₂

Scope1,2*1

(t)







	2017	2018	2019	2020
Total	91,483	 83,240	 83,709	 74,619
Coverage(%)*2	97.2	96.1	96.8	100.0
Scope1	31,332	 29,623	 31,995	 28,129
Coverage(%)*2	95.7	94.0	95.0	100.0
Scope2	60,151	 53,617	 51,714	 46,490
Coverage(%)*2	98.0	97.3	98.0	100.0

*1 : The performance data was calculated based on the GHG Protocol. Scope 2 was based on the market-based method.

*2 : All our sites

Scope3

(t)

	2019	2020
Total	2,649,895	2,524,291
Purchased goods and services (Category 1)	 557,375	 513,056
Use of sold products (Category 11)	 1,595,207	 1,539,349
End of life treatment of sold products (Category 12)	 99,999	 81,897
Total of other categories*	397,314	389,988

* Total of the categories of 2, 3, 4, 5, 6, 7 and 13.

Scope1,2,3 Total

(t)

	2019	2020
Total	2,733,604	2,598,910

Avoided CO₂ emissions (2020)

Approximately 40,000 tons of CO₂, was reduced thanks to the sale of refill products.

(k-ton)

Each stage of the value chain	Avoided CO ₂ emissions
Procurement	9.1
Product use	25.5
End of life	5.4
Total	40.0

Target period: From January 1 to December 31, 2020

Energy

(MWh)

	2017	2018	2019	2020
Energy consumption	288,760	267,530	297,784	298,384*4
Coverage(%)*1	97.2	96.1	96.8	100.0
Electric power	115,933	108,452	115,228	127,188
Gas*2	138,922	126,255	131,330	128,363
LPG	3,932	2,941	2,771	2,552
Fuel*3	25,136	24,112	24,169	16,146
Steam	4,837	5,771	24,286	24,135

*1 : All our sites

*2 : Total value of city gas and natural gas consumption

*3 : Total value of gasoline, kerosene, diesel oil and fuel oil consumption

*4 : Non-renewable energy consumption for 2020 : 256,103MWh

Water

(Mil. m³)

	2017	2018	2019	2020
Water withdrawals	1.2	1.2	1.2	1.2
Coverage(%)*	100.0	100.0	100.0	100.0
Municipal water	0.9	1.1	1.0	0.9
Surface water	0.1	0.1	0.1	0.1
Ground water	0.1	0.1	0.1	0.3
Water discharged	0.9	1.0	0.9	1.0

* All production sites

- Total net fresh water consumption in 2020 (water consumption excluding the amount of wastewater returned to the same water source): 1.2 million m³

- Percentage of water withdrawal and water consumption in areas with high or very high Baseline Water Stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqeduct in 2020: 11%.

Waste

(t)

	2017	2018	2019	2020
Waste discharged	9,732	7,786	7,393	7,488
Coverage(%)*1	100.0	100.0	100.0	100.0
Recycled*2	9,310	7,479	7,032	7,457
Disposed	422	308	361	31

*1 : All production sites

*2 : Including thermal recovery

Environmental pollution (Air/Water)

(t)

	2017	2018	2019	2020
NOx emissions	5	4	10	☑8
Coverage(%)*	46.2	54.5	81.8	90.9
SOx emissions	0	0	0	☑0
Coverage(%)*	38.5	54.5	81.8	90.9
Chemical Oxygen Demand	98	☑116	☑103	☑70
Coverage(%)*	84.6	90.9	90.9	90.9

* 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.

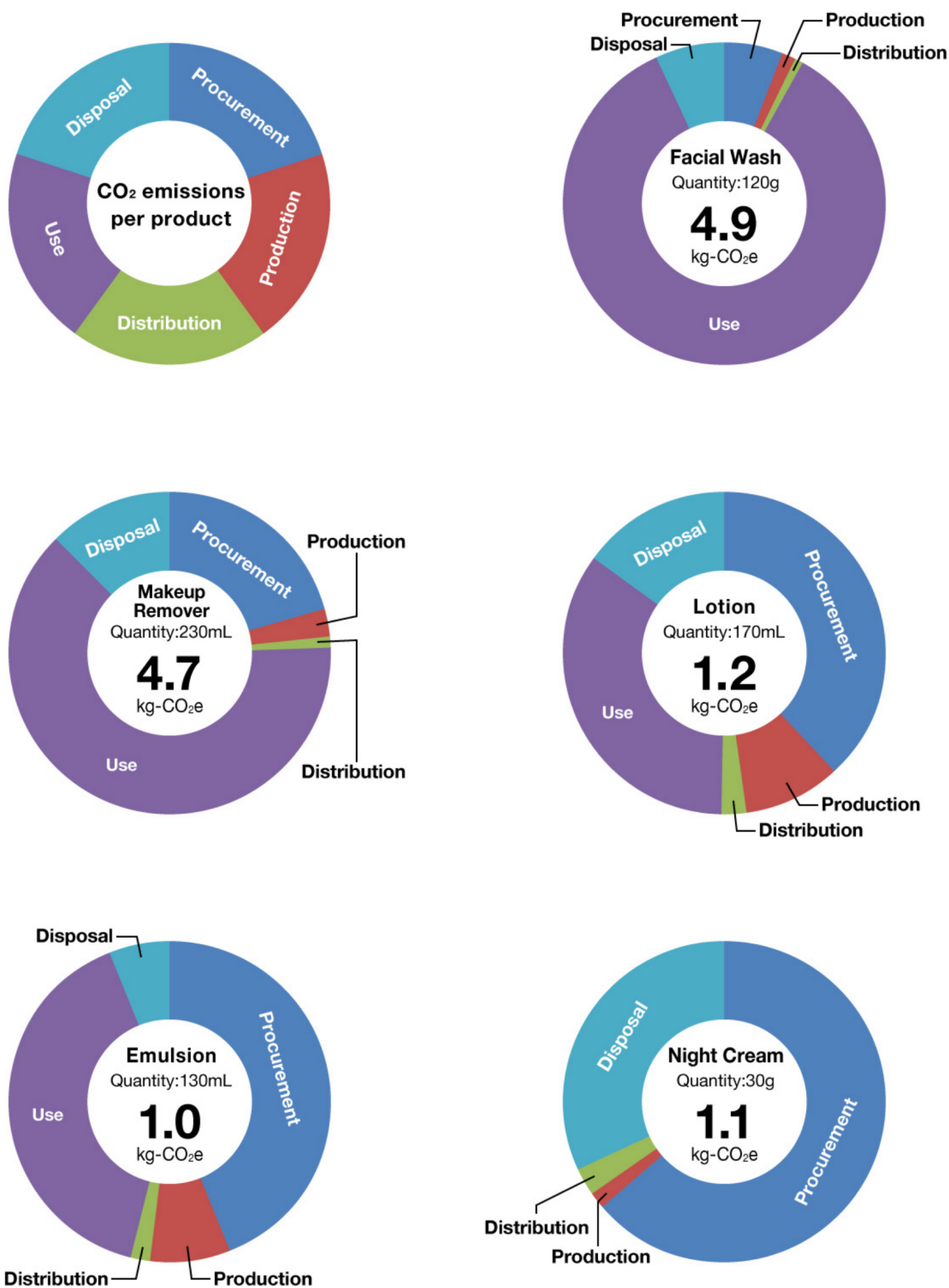
Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations in 2020.

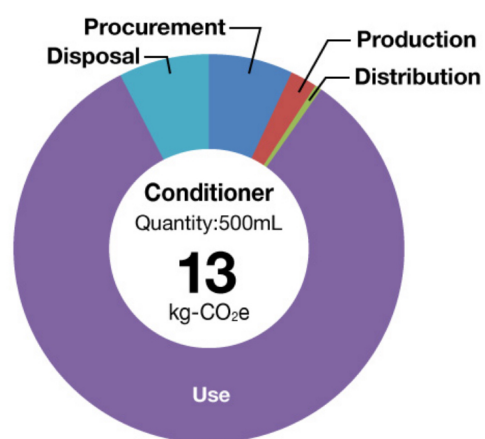
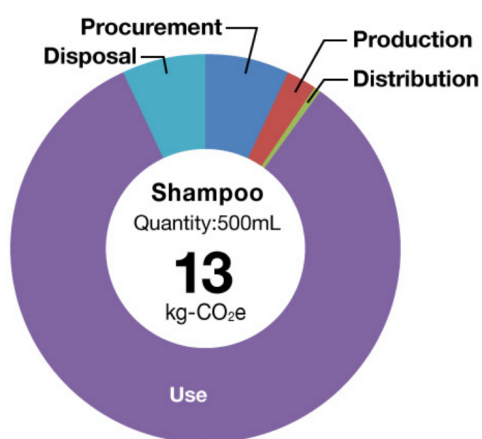
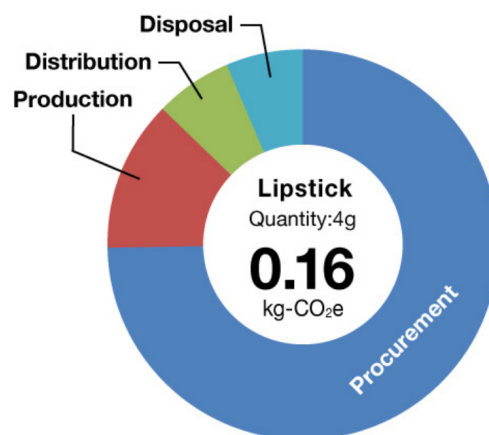
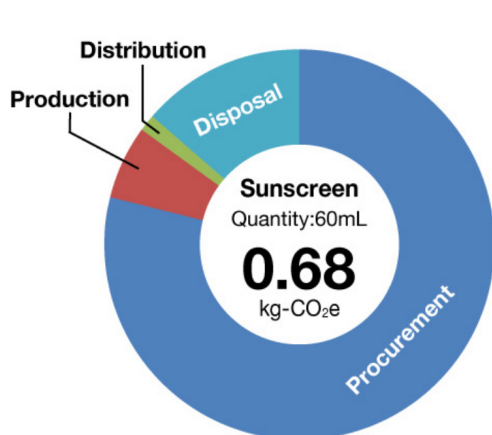
Shiseido is committed on appropriate operation that complies with the environmental laws and regulations continuously.

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, SOx and NOx emissions, 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 (V3) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2018);
- 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 Global Innovation Center and Shiseido Nasu Factory, verification and confirmation of vouchers, and review of related materials and records.

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 2020 to 31 December 2020.

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 (2018) 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 world 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 themes", and their detailed activities are available in the Report. Particularly regarding Clean Environment, reducing the organization's environmental footprint (e.g., CO2 reduction), developing sustainable products (e.g., sustainable packaging), promoting sustainable and responsible procurement (e.g., palm oil) 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.

Impact

The results of activities for the identified issues are reported in the sustainability website, including detailed case examples. This report also includes reports on the impacts on the ecosystem.

Consequently, SGS Japan Inc. confirmed through the verification that the Organization supports the principle of impact.

For and on behalf of SGS Japan Inc.

Senior Executive & Director

Certification and Business Enhancement

Yuji Takeuchi



AA1000
Licensed Report
000-8/V3-X6O5X

01 June, 2021

Signed:

The details of the scope of verification

The scope		The boundary	The assertion
1	Scope 1 and 2 include energy related greenhouse gas emissions. Energy consumption	Domestic and overseas sites(266sites)	GHG : 74,619 t-CO ₂
2	Scope 3 Category1,4,5,11,12	All sites *148 sites with Category 5	Category 1 : 513,056 t-CO ₂ Category 4 : 85,416 t-CO ₂ Category 5 : 33,171 t-CO ₂ Category 11 : 1,539,349 t-CO ₂ Category 12 : 81,897 t-CO ₂
3	Amount of water intake and drainage, BOD/COD	Domestic and overseas production sites (11sites)	Intake : 1,190,000 m ³ Drainage : 1,000,000 m ³ BOD : 32 t, COD : 70 t
4	SOx and NOx emissions	Domestic and overseas production sites (11sites)	SOx : 81kg, NOx : 7,736kg
5	Waste (waste discharged and waste disposed)	Domestic and overseas production sites (11sites)	7,488t / 31t

Social Data

Human Resources

Number of Shiseido Group Employees

Indicator		Period	2018	2019	2020	2021
Total (persons)		As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	44,900	45,493	46,763	45,527
Female Ratio (%)	All Shiseido Group	As of December 31 of the previous year	83.8	83.1	85.6	83.0
	Shiseido Group in Japan	As of January 1 each year	83.4	83.0	82.6	82.0

Number of Employees by Region (persons)

Indicator	Period	2018	2019	2020	2021
Japan	As of January 1 each year	23,505	☑24,346	☑24,884	☑24,903
China	As of December 31 of the previous year	8,792	8,264	8,975	9,019
Asia Pacific		3,663	3,699	4,635	4,392
Americas		6,169	4,314	3,685	2,997
Europe		2,861	4,675	4,386	4,031
Travel Retail		133	225	198	185

Data marked with ☑ has been third-party certified.

Scope : Shiseido Group in Japan (23 companies)

Number of Employees by Type of Employment (persons)

Indicator			Period	2018	2019	2020	2021
Japan	Employees	Total	As of January 1 each year	15,784	16,704	17,322	17,698
		Male		3,271	3,598	3,714	3,835
		Female		12,513	13,106	13,608	13,863
	Fixed-term contract employees	Total		7,721	7,642	7,562	7,205
		Male		628	559	605	655
		Female		7,093	7,083	6,957	6,550

Number of Leaders (persons)

Indicator			Period	2018	2019	2020	2021
Japan	Leaders*1	Male	As of January 1 each year	792	☑817	☑813	☑862
		Female		265	☑389	☑403	☑459
	Junior managers*2	Male		612	589	606	535
		Female		214	384	244	246

Data marked with ☑ has been third-party certified.

Scope : Shiseido Group in Japan (23 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	2018	2019	2020	2021
All Shiseido Group (Coverage 100%)	Ratio of female leaders	As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	53.9	54.8	52.7*1	57.5
Japan	Ratio of female leaders*2 Target: To achieve 50.0%	As of January 1 each year	25.1	☑32.3	☑33.1	☑34.7
	Ratio of female junior managers*3		25.9	39.5	28.7	31.5
China	Ratio of female leaders	As of December 31 of the previous year	66.3	57.0	61.2	63.5
Asia Pacific			66.3	65.4	69.8	67.9
Americas			74.6	72.6	70.5	73.1
Europe			65.9	63.4	73.9	73.5
Travel Retail			-	19.6	48.5	79.1

Data marked with ☑ has been third-party certified.

Scope : Shiseido Group in Japan (23 companies)

*1 : Ratio of female junior managers in all Shiseido Group: 60.6%.

*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	Period	2019	2020	2021
Female director ratio (%)	As of April 1 each year	33.3	37.5	37.5
Ratio of female directors and Audit & Supervisory Board members (%)		45.5	46.2	46.2
Ratio of external directors and Audit & Supervisory Board members (%)		54.5	53.8	57.1
Female ratio of all top management* (%)		28.3	28.3	41.7

* Leaders within 2 levels from the CEO

Ratio of Employees with Disabilities*1 (%)

Indicator	Period	2017	2018	2019	2020	2021
Shiseido Company, Limited	As of June 1 each year	3.3	3.19	3.25	3.04	3.3
Shiseido Group in Japan*2		2.02	☑2.05	☑2.12	☑2.22	2.4
Target		2.0	2.2	2.2	2.2	2.3

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

Ratio of employees by age group

Indicator	Period	Age group	2020	2021
All Shiseido Group	As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	Under 30 years old	-	24.1
		30-50 years old	-	55.5
		Over 50 years old	-	20.4
Japan	As of January 1 each year	Under 30 years old	19.8	20.4
		30-50 years old	50.3	49.3
		Over 50 years old	29.9	30.3
China	As of December 31 of the previous year	Under 30 years old	30.1	24.5
		30-50 years old	68.6	73.9
		Over 50 years old	1.3	1.6
Asia Pacific		Under 30 years old	42.0	36.3
		30-50 years old	52.1	57.1
		Over 50 years old	5.9	6.6
Americas		Under 30 years old	33.5	26.5
		30-50 years old	47.1	51.0
		Over 50 years old	19.3	22.5
Europe		Under 30 years old	36.0	30.9
		30-50 years old	50.9	53.3
		Over 50 years old	13.1	15.8
Travel Retail		Under 30 years old	26.8	21.6
		30-50 years old	69.7	73.0
		Over 50 years old	3.5	5.4

Indicator		Period	2019	2020	2021
Ratio of female managers in revenue-generating functions (%)	All Shiseido Group	As of January 1 each year	65.9	62.8	69.0
Female ratio in STEM-related departments (%)	Shiseido Company, Limited and Shiseido Japan Co., Ltd.		-	-	33.3

Indicator		Period	2018	2019	2020	2021
Number of non-Japanese hires in Japan	Shiseido Company, Limited	As of January 1 each year	330	390	467	486
Ratio of non-Japanese hires in Japan (%)			1.4	1.6	1.9	2.0

Average Service Years of Employees (years)

Indicator		Period	2018	2019	2020	2021
Shiseido Group in Japan Employees (excluding fixed-term contract employees)	Average	As of January 1 each year	15.6	14.9	14.5	14.4
	Male		17.3	15.5	14.9	14.5
	Female		15.1	14.7	14.4	14.4

Job Turnover Rate (%)

Total employee turnover rate*

Indicator		Period	2017	2018	2019	2020
Shiseido Group in Japan	Manager positions/Career path positions	As of December 31 each year	3.7	4.1	4.3	3.5
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)		3.3	3.5	3.2	2.3

* Total employee turnover rate number should be the sum of the Voluntary employee turnover and the involuntary employee turnover rate. Total of turnover rate for personal reasons and turnover rate other than turnover for personal reasons (such as death, dismissal, leave of absence for personal injury or illness, expiration of absentee period)

Voluntary employee turnover rate*

Indicator		Period	2017	2018	2019	2020
Shiseido Group in Japan	Manager positions/Career path positions	As of December 31 each year	3.4	3.9	4.0	3.3
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)		3.2	3.3	3.1	2.1

* Retirement, early retirement, and retirement for personal reasons

Working Hours

Indicator			2017	2018	2019	2020
Working hours	Total annual hours worked per person (hours/years/persons)	Shiseido Company, Limited	1915.4	1909.0	1878	1955
		Shiseido Group in Japan	1834.6	1817.5	1807	1863
Prescribed working hours	Annual prescribed working hours (hours/years/persons)	Shiseido Group in Japan	1860.0	1844.5	1844.5	1836.75
Overtime hours	Annual overtime hours per person (hours/years/persons)	Shiseido Company, Limited	216.6	215.6	204	173.4
		Shiseido Group in Japan	102.1	102.7	101.7	69

Rate of Paid Leave Taken

Indicator		2017	2018	2019	2020	Target
Annual rate of paid leave taken per person (%)	Shiseido Company, Limited	79.0	77.4	78.8	70.4	To achieve 80.0%
	Shiseido Group in Japan	63.3	65.1	84.6	80.6	

Number of Employees Hired

Indicator			2017	2018	2019	2020
Shiseido Group in Japan	Total number of new hires (persons)		509	560	634	667
	Periodic employment of career path positions	Male (persons)	83	70	62	65
		Female (persons)	72	93	82	85
		Female ratio (%)	46.5	57.1	56.9	56.7
	Periodic employment of Beauty consultant (BCs) positions	Male (persons)	2	2	5	5
		Female (persons)	255	269	268	333
		Female ratio (%)	99.2	99.3	98.2	98.5
	Mid-career employment	Male (persons)	53	72	106	79
		Female (persons)	44	54	111	100
		Female ratio (%)	45.4	42.9	51.2	55.9

Starting Pay (yen/month)

Indicator			2017	2018	2019	2020
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	2017	2018	2019	2020
Shiseido Company, Limited	7,239,104	7,313,401	7,165,467	6,585,163

* Including bonuses and extra wages

Equal Remuneration

Indicator		2019	2020	2021
All Shiseido Group	Executive Officer	-	-	Male 100 : Female 93
Shiseido Group in Japan	Officer	Male 100 : Female 69	Male 100 : Female 70	-
	Manager positions	Male 100 : Female 95	Male 100 : Female 94	Male 100 : Female 95
	Career path positions	Male 100 : Female 100	Male 100 : Female 95	Male 100 : Female 108
	Beauty consultant (BC) positions	Male 100 : Female 118	Male 100 : Female 114	Male 100 : Female 120

* We introduced an executive officer system in January 2021. From the 2021 data, the executive officer's equal compensation (base salary) is disclosed.

Number of Employees Rehired after Retirement (persons)

Indicator	Period	2018	2019	2020	2021
Shiseido Group in Japan	As of January 1 each year	275	379	471	549

Childcare Leave and Family Care Leave

Number of Employees who Used Childcare Leave System*1 (persons)

Indicator			2017	2018	2019	2020
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	18	30	30	67
		Female	1,465	1,300	1,360	1,303

Number of Employees who Used Childcare Time System*2 (persons)

Indicator			2017	2018	2019	2020
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	2	3	4	8
		Female	2,128	2,159	2,296	2,430
	In-store beauty consultants	Male	0	0	0	0
		Female	1,536	1,530	1,596	1,673

Reinstatement Rate after Childcare Leave*3 (%)

Indicator		2017	2018	2019	2020
Shiseido Group in Japan	Manager positions/Career path positions	97.5	97.5	95	97.3
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)	97.5	93.1	93.6	94.4

Retention Rate after Childcare Leave*4 (%)

Indicator		2017	2018	2019	2020
Shiseido Group in Japan	Manager positions/Career path positions	98.2	98.9	100	94.1
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)	98.5	92.1	98.8	90.3

Number of Employees who Used Family Care Leave System*⁵ (persons)

Indicator			2017	2018	2019	2020
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	3	0	1	2
		Female	34	22	28	40

Number of Employees who Used Family Care Time System*⁶ (persons)

Indicator			2017	2018	2019	2020
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	2	2	1	1
		Female	22	30	27	35

Kangaroo Staff*⁷ (persons)

Indicator	2017	2018	2019	2020
Shiseido Group in Japan	1,837	2,009	2,095	1,659

*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			2017	2018	2019			2020		
					Injury	Illness	Coverage (%)	Injury	Illness	Coverage (%)
Shiseido Group in Japan*2	Directly hired employees	Total (factories/contractors*3)	23 (3)	25 (4)	30 (9)	0 (0)	100	29 (5)	3 (1)	100
		Fatalities	0(0)	0(0)	0(0)		100	0(0)		100
Shiseido Group outside Japan		Total	72	54	65		80	61		100
Shiseido Company, Limited and Shiseido Japan Co., Ltd.	Indirectly hired employees (temporary staff)		-	0	0	0	39.6	3*7	0	79.5

Accident Severity Rate*4

Indicator		2017	2018	2019		2020	
				Injury	Illness	Injury	Illness
Shiseido Group in Japan*2	Directly hired employees	0.006	0.010	0.013	0.000	0.007	0.003
Supplementary data: Member company of Japan Chemical Industry Association	Directly hired employees and indirectly hired employees	0.035	0.026	0.010		0.107	
	Employees of partner companies	0.180	0.071	0.029		0.145	

LTIFR*5 and OIFR*6

Indicator		2017 LTIR	2018 LTIR	2019		2020	
				LTIFR	OIFR	LTIFR	OIFR
Shiseido Group in Japan*2	Directly hired employees (Coverage (%))	0.59 (100)	0.73 (92.1)	☑0.87 (100)	☑0.00 (100)	☑0.77 (100)	☑0.08 (100)
	Indirectly hired employees (temporary staff)	-	0.00 (38.8)	☑0.00 (39.6)	☑0.00 (39.6)	☑2.56 (79.5)	☑0.00 (79.5)
Shiseido Group outside Japan	Directly hired employees (Coverage (%))	-	-	-		1.6 (100)	
Supplementary data: Frequency rate at member company of Japan Chemical Industry Association*8	Directly hired employees and indirectly hired employees	0.360	0.310	0.420		0.28	
	Employees of partner companies	0.486	0.520	0.570		0.59	

Data marked with ☑ has been third-party certified.

*1 : Number of labor accidents resulting in suspension of work

*2 : Shiseido Group in Japan (2020): Shiseido Company, Limited and 21 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

*7 : In 2020, 3 occupational accidents occurred at the Kuki Plant of the Shiseido Group in Japan. The accidents included burns during work, injury caused by furniture, and back injury during transportation. Immediately after an accident occurs, measures are taken along with a detailed disaster report to the safety manager on matters including "when", "where", "who (main)", "member types/associated impact", "considerations made", "concrete prevention measures" to prevent reoccurrence.

*8 : Frequency rate = Number of casualties resulting in a leave of absence for 1 day or more / Total number of working hours x 1,000,000. Cases of loss of physical function are included in the number of casualties even if they do not result in a leave of absence.

Labor Union

Percentage of Corporations with Labor Union (%)

Indicator	Period	2018	2019	2020	2021
Shiseido Group in Japan (coverage 100%)	As of January 1 each year	26.3	29.4	29.4	29.4
Shiseido Group outside Japan *1 (coverage 100%)		68.4	68.4	68.4	68.4

Number of Labor Union Members (persons)

Indicator	Period	2018	2019	2020	2021
Shiseido Group in Japan	As of January 1 each year	11,680	12,732	13,334	13,672

Ratio of Labor Union Members (%)

Indicator		Period	2019	2020	2021
Shiseido Group in Japan	Ratio including fixed-term contract employees*2	As of January 1 each year	52.3	53.3	55.0
	Ratio excluding fixed-term contract employees*3		76.2	76.5	77.3

*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

Talent Development

Indicator		2019	2020
Average hours per FTE* of training and development	All Shiseido Group	22.4	26.0
Average amount spent per FTE on training and development (yen)		111,562	200,868

* FTE: Full-Time Equivalent

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

	2017	2018	2019	2020
"Impressions of Shiseido" among current Shiseido customers* (top 2 box scores <Very favorable / Favorable> on a 5-point scale) (%)	95.9	93.1	94.0	95.4

* Survey conducted in Japan only.

Compliance and Risk Management

Anti-Corruption

	Target	2017	2018	2019	2020
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	2017	2018	2019	2020
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 (Case)

Reporting/consultation desks	Target	2017	2018	2019	2020
In-house Shiseido Consultation Office	Employees of the Shiseido Group in Japan	224	241	265	289
External Shiseido Hotline					
Compliance Committee Hotline					
Shiseido Group Global Hotline	Employees of the Shiseido Group Overseas	0	0	2	2

Note : In fiscal 2020, among hotline reports concerning discrimination or harassment in the Shiseido Group in Japan, fact-finding investigations were completed for 17 cases, and 1 case of disciplinary action was taken for violation of employment regulations on discrimination/harassment.

Target and Performance of Human Rights Education Training for Employees

Type of training	Target	Target	2017	2018	2019	2020
Human rights enlightenment training (for Human Rights Enlightenment Promotion Representatives)	Representatives of each department of Shiseido Group in Japan	-	258 persons	250 persons (93% attendance rate)	238 persons (98% attendance rate)	0 persons*
Human rights enlightenment training (for domestic employees)	Employees of Shiseido Group in Japan	100%	93%	95%	97%	68%*

* Human rights enlightenment training for Human Rights Promotion Representatives was not implemented in 2020 due to COVID-19. Training for Shiseido Group employees in Japan was implemented online.

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	2017	2018	2019	2020
Shiseido Group	None	None	None	None

* Determination and management of serious compliance violations within internal business operations of Shiseido Group

Donations to Political Parties

	2018 (million yen)	2019 (million yen)	2020 (million yen)
Shiseido Company, Limited	None	None	None
Shiseido Group in Japan*	None	None	None

* Shiseido Group in Japan: Shiseido Company, Limited and 19 domestic affiliated companies subject to consolidation (as of December 31, 2020)

Non-Compliance with Laws and Regulations in the Social and Economic Area

Incidents of Non-Compliance Concerning Health and Safety Impacts and Services

	Target	2017	2018
Examples of administrative guidance based on the Pharmaceuticals and Medical Devices Act, etc.	Japan	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	2020
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	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: 2 cases

Incidents of Non-Compliance Concerning Product and Service Information and Labeling

	Target	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	No violations against regulations and voluntary codes

	Target	2019	2020
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

Incidents of Non-Compliance Concerning Marketing Communications

	Target	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

	Target	2019	2020
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	No violations against regulations and voluntary codes

Incidents of Reporting Personal Information Disclosure to Personal Information Protection Commission (Case)

Target	2018	2019	2020
Shiseido Group in Japan	3	0	0

Violations or Complaints regarding Customer Privacy Protection received from Regulatory Authorities, Public Institutions, Consumer Rights Groups, etc. (Case)

Target	2018	2019	2020
Shiseido Group in Japan	0	0	0

Non- Compliance with Laws and Regulations in Social and Economic Areas

Target	2017	2018	2019	2020
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	No fine imposed for violation of law

Social Contribution Activity Highlights

Number of Social Contribution Activities (activities)

Target	2018	2019	2020
All Shiseido Group	408	1,337	797

Number of Participating Employees (cumulative persons)

Target	2018	2019	2020
All Shiseido Group	10,040	9,197	3,410

Spending on Social Contribution Activities (millions of yen)

Target			2018	2019	2020
Shiseido Company, Limited	Spending on donations		☑203	☑553	☑410
	Breakdown	Donations made in cash	☑203	☑552	☑387
		Donations made by product offerings	☑0	☑0.24	☑23
Shiseido Group in Japan ^{a)}	Spending on donations		☑210	☑563	☑432
	Breakdown	Donations made in cash	☑210	☑562	☑394
		Donations made by product offerings	☑1	☑0.37	☑38
Shiseido Group outside Japan ^{b)}	Spending on donations		114	124	811
	Breakdown	Donations made in cash	101	111	686
		Donations made by product offerings	12	13	125
Shiseido Group outside CHINA ^{c)}	Spending on donations		-	-	☑562
	Breakdown	Donations made in cash	-	-	☑482
		Donations made by product offerings	-	-	☑80
All Shiseido Group	Spending on donations		324	687	1243
	Breakdown	Donations made in cash	311	673	1080
		Donations made by product offerings	13	14	163

a) Shiseido Group in Japan: Shiseido Company, Limited and 19 domestic affiliated companies subject to consolidation (as of December 31, 2020)

b) Shiseido Group outside Japan: 52 overseas affiliated companies subject to consolidation (as of December 31, 2020)

(Shiseido China Co.,Ltd., Shiseido Liyuan Cosmetics Co.,Ltd., Shiseido Hong Kong Ltd., Shiseido Guangdong Cosmetics, Ltd., Shiseido Asia Pacific Pte. Ltd., Shiseido Singapore Co., (Pte.) Ltd., Taiwan Shiseido Co.,Ltd., Shiseido Thailand Co.,Ltd., FLELIS International Inc., Shiseido Korea Co.,Ltd., Shiseido Malaysia Sdn.Bhd., Shiseido Cosmetics Vietnam Co.,Ltd., PT Shiseido Cosmetics Indonesia, Shiseido Philippines Corporation, Shiseido Americas Corporation, Shiseido (Canada) Inc., Shiseido do Brasil Ltda., Shiseido UK Limited, Shiseido America, Inc., Davlyn Industries, Inc., Shiseido Europe S.A., Shiseido International France S.A.S., Shiseido Group Switzerland S.A., Shiseido (Rus) LLC, Shiseido Middle East FZCO, Shiseido Group Italy S.p.A., Shiseido Germany GmbH, Les Salons du Palais Royal Shiseido S.A., BeautPrestige International S.A.U., BeautPrestige International S.A., Shiseido group Austria GmbH, Shiseido Belgium s.r.l., Shiseido Group Netherlands B.V., Shiseido Travel Retail Asia Pacific Pte. Ltd., Shiseido Travel Retail Americas INC., Shiseido Professional (Thailand) Co.,Ltd., Shiseido Citic Cosmetics Co.,Ltd., Shiseido China Research Center Co., Ltd., Shiseido Vietnam Inc., hanghai Honey, Tai Tsu Holding Ltd., Bare Escentuals KK (Japan), Bare Escentuals France SAS, Bare Escentuals Europe Limited (Ireland), Bare Escentuals Shanghai Company, JWALK, LLC, Drunk Elephant Holdings, LLC, VMG Drunk Elephant Blocker, Inc., Drunk Elephant, LLC, Drunk Elephant UK Ltd., Beaute' Prestige International(Miami), Shiseido Group Middle East LLC)

c) Overseas Shiseido CHINA: 4 overseas affiliated companies (as of December 31, 2020) Shiseido China Co.,Ltd., Shiseido Liyuan Cosmetics Co.,Ltd., Shiseido Hong Kong Ltd., Shiseido Guangdong Cosmetics, Ltd.

Data marked with ☑ has been third-party certified.

Expenses other than donations in 2020 include the cost of the time that employees spent volunteering during working hours (46 million yen) and management costs of social initiatives such as activities of the Relay of Love Project (for preventive initiatives against the spread of COVID-19 in China), the Shiseido Life Quality Beauty Centers and artist support (692 million yen).

Social Contribution Activities - Empowerment through the Power of Beauty

Item	Indicator	2016	2017	2018	2019	2020	Target
Shiseido Life Quality Beauty Centers	Number of facilities	1	1	1	1	1	Japan
		4	4	4	5	5	Outside Japan
	Number of users (persons)	495	466	319	177	5	Japan
		828	935	1,022	1,043	710	Outside Japan
Shiseido Life Quality Beauty Seminars	Total number of participants (persons)	73,345	74,014	70,222	57,910	6,601	Japan

Notes :

- Shiseido Life Quality Beauty Center offers free makeup for deep skin problems such as bruising and hair loss due to side effects of cancer treatment at 6 locations around the world (Hong Kong, Kaohsiung, Shanghai, Singapore, Taipei, Tokyo).
- The estimated number of users of "Perfect Cover Foundation," a special cosmetic product for people with serious skin concerns, is 15,000 (2020).
- The number of cosmetics stores that hold makeup health programs based on the results of Shiseido's cosmetic therapy research is 459 (2020, Japan region).

Social Contribution Activities - Gender Equality

Item	Results
30% Club Japan Chair: Masahiko Uotani, Shiseido	<ul style="list-style-type: none"> ● Target: 30% female board members in all TOPIX100 companies by 2030 ● Ratio of female executives in TOPIX100 companies: 12.9% (as of July 2020) ● Ratio of female executives of each company participating in this initiative: 21.3% (as of July 2020) * Officers are defined as directors and corporate auditors. Please refer to the 30% Club Japan press release for details. ● Number of member companies of the working group "TOPIX Presidents' Meeting" operated by Shiseido: 25 companies (as of March 2021) ● TOPIX Presidential Meeting: Held twice a year (2020)
Awards for career support	2020 <ul style="list-style-type: none"> ● Received the Prime Minister's Award from the "Gender Equality Bureau of the Cabinet Office of Japan". ● Received the 2020 Visionary Award for Leadership and Governance of a Public Company from the WomenCorporateDirectors Foundation (WCD), an international network of female directors active on corporate boards. ● Received the Social Value Award at the Second Nikkei SDGs Management Grand Prix ask ranked by Japanese economic newspapers.
Childcare facilities within the Company	2020 <ul style="list-style-type: none"> ● Operates two childcare facilities with a total capacity of 80 persons. Facilities are open not only to Shiseido employees but also to nearby companies and neighboring residents. ● Supported the establishment of 2 daycare centers for other companies.
Shiseido Female Researcher Science Grant	2020 <ul style="list-style-type: none"> ● Donated 1 million yen each to 10 female scientists, for a total of 10 million yen, to support career development and leadership.

Academic Support

Item	Indicator	2017	2018	2019	2020	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

Support for Patients with Xeroderma Pigmentosum (XP) (UV-sensitive intractable disease)

Item	Description	2018	2019	2020
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	1,937 items, 13 types of sunscreen products donated to 75 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	2,175,750 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	Patient exchange meetings and other meetings have not been held to prevent the spread of COVID-19.
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.	Approx. 120 patient group leaflets distributed 400 copies of 3rd XP national convention report produced	1,000 patient group leaflets produced and 285 copies distributed	No
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.			Other focus topics

* 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.

Activities for Children

Item	Indicator	2016	2017	2018	2019	2020
Initiatives for Children Shiseido Kodomo Seminar for Juniors	Number of participants* (persons)	659	753	781	1,555	1,270

* 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.

Social Contribution Activities - Education for Socially Vulnerable People

Item	Results
Independence support by Shiseido Social Welfare Foundation	<ul style="list-style-type: none"> Seminars of social skills for high school students living in orphanages and foster parents (2020: 288 students, 2019: 426 students, 2018: 721 students) The Shiseido Child Welfare Scholarship provides partial coverage of tuition fees (up to 500,000 yen per year from admission to graduation) for children and foster children enrolled in orphanages to support their future aim to engage in the field of child welfare. (2020: 14 students, 2019: 13 students, 2018: 13 students)
Support for girls' education by Clé de Peau Beauté	<ul style="list-style-type: none"> Clé de Peau Beauté, the luxury skincare and makeup brand of Shiseido Company Limited, has pledged the world's largest contribution of US\$8.7 million to support UNICEF's Gender Equality Program. As the first Japanese brand to commit to a multi-year global partnership with UNICEF in girls' empowerment and education, Clé de Peau Beauté will contribute to global efforts to support 6.5 million girls through education, employment and empowerment programs.
Employment support for women in a disadvantaged environment in Cambodia	<ul style="list-style-type: none"> Since 2020, Singapore's Travel Retail Regional Headquarters has partnered with "Friends-International" to support the "Empower Her" project. We provide beauty profession training programs for women in disadvantaged environments in Southeast Asia (Cambodia) to support employment in the beauty industry. In 2020, 38 women will be trained and 7 will have employment opportunities.

Social Contribution Activities – Art and Heritage

Item	Indicator	2017	2018	2019	2020	Target
Shiseido Gallery (Ginza) *1	Number of visitors (persons)	83,573	54,300	41,811	13,527	Japan
Shiseido Corporate Museum* (Kakegawa) *2		29,735	31,733	20,453	3,305	Japan
Shiseido Art House (Kakegawa) *3		23,536	35,177	31,590	8,908	Japan
S/PARK Museum (Yokohama) *4		-	-	49,215	14,985	Japan
Number of artist support by shiseido art egg	Number of award winners (groups)	3	3	3	3	Japan

*1 : Temporarily closed from March 1st to August 24th, 2020. Opened by advance reservation from August 25th of the same year, and normally opened from October 2nd.

*2 : Open only on Fridays, Saturdays, and Sundays from 2019. Temporarily closed from March 1st to July 23rd, 2020. Open only on Friday from July 24th of the same year.

*3 : Temporarily closed from March 1st to July 20th, 2020. Open only from Tuesday to Friday from July 21st.

*4 : Temporarily closed from February 28th to June 30th, 2020.

Community and Disaster Support

Donations and social contribution activities by Shiseido Group employee volunteers are as follows.

Item	Unit	2017	2018	2019	2020	Total	Target
Amount of donations through Shiseido Camellia Fund	Yen	17,623,751	16,884,724	17,245,134	31,127,781	333,253,508 (FY2005-2020)	Shiseido Group (Overseas regions will also participate from 2020)
Amount of donations through Disaster Contribution	Yen	0	2,974,526	1,712,500	0	63,973,986 (FY2004-2020)	Japan

In EMEA, Shiseido is also committed to supporting women in the workplace in the company. Each year, a selection of talented women joins the SHEseido program to enhance their leadership potential and to develop their career plans. In 2020 the ratio of women on the EMEA Leadership Committee reached 54% and 45% in the EMEA Executive Committee. Moreover, in January 2019, a new French regulation was implemented asking companies based in France to calculate a gender equality index, based on key indicators such as levels of compensation, promotions or pay increases. In 2020, the index for the legal entity UES Shiseido is 97/100 and 92/100 for Shiseido International France. This index is a key indicator for us to constantly improve our efforts for a better gender equal workplace.

Dans la région EMEA, Shiseido s'engage aussi à promouvoir la place des femmes dans notre organisation. Chaque année, le programme SHEseido accompagne une promotion de salariées à développer leurs compétences de leadership ainsi qu'à mieux définir leurs plans de carrière. En 2020, 54% du comité des dirigeants de la région EMEA sont des femmes, et 45% au sein du comité exécutif EMEA. En janvier 2019, la Loi pour la Liberté de choisir son avenir professionnel impose aux entreprises de calculer et communiquer sur un Index d'égalité professionnelle Femmes-Hommes. Cet index est basé sur des indicateurs clés tels que les niveaux de rémunération, les promotions ou les augmentations de salaire. Au titre de l'année 2019, Shiseido publie son indice pour ses deux entités juridiques basées en France : 97/100 pour l'UES Shiseido et 92/100 pour Shiseido International France. Publié chaque année, cet indice est un moyen supplémentaire pour continuer nos efforts en faveur de l'égalité professionnelle entre les femmes et les hommes.

Editorial Policy • GRI Content Index • SASB Content Index

Editorial Policy

The "Sustainability" 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 (79 consolidated companies, as of December 31, 2020).
- Target period: Mainly fiscal 2020 (from January 1, 2020 to December 31, 2020). 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), TCFD (Task Force on Climate-related Financial Disclosures), SASB (Sustainability Accounting Standards Board), Environmental Reporting Guidelines of the Ministry of the Environment (2018 edition)
- Update period: July 2021 (next update scheduled July 2022, previous update September 2020)
- Our sustainability initiatives are also disclosed in our "Sustainability Report" and "Integrated Report".

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
102-3	Location of headquarters	Corporate Information
102-4	Location of operations	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 Major Offices Integrated Report 2020
102-8	Information on employees and other workers	Corporate Information Social Data
102-9	Supply chain	Promoting Sustainable and Responsible Procurement Global Network
102-10	Significant changes to the organization and its supply chain	Corporate Information Promoting Sustainable and Responsible Procurement Stock Information
102-11	Precautionary Principle or approach	Sustainability Top Commitment Risk Management
102-12	External initiatives	Sustainability Top Commitment Response to the United Kingdom's Modern Slavery Act 2015 External Collaboration Approval and support for international norms
102-13	Membership of associations	Sustainability Top Commitment Promoting Sustainable and Responsible Procurement External Collaboration
2. Strategy		Reference
102-14	Statement from senior decision-maker	Sustainability Top Commitment
102-15	Key impacts, risks, and opportunities	Sustainability Top Commitment Risk Management
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 Human Resource Development and Fair Evaluation

4. Governance		Reference
102-18	Governance structure	Governance
102-19	Delegating authority	Corporate Governance Report
102-20	Executive-level responsibility for economic, environmental, and social topics	Executive Officers Sustainability Top Commitment Business Management and Execution Structure
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement General Meeting of Shareholders
102-22	Composition of the highest governance body and its committees	Governance
102-23	Chair of the highest governance body	Governance
102-24	Nominating and selecting the highest governance body	Governance Corporate Governance Report
102-25	Conflicts of interest	Corporate Governance Report
102-26	Role of highest governance body in setting purpose, values, and strategy	Governance
102-27	Collective knowledge of highest governance body	Governance
102-28	Evaluating the highest governance body's performance	Governance
102-29	Identifying and managing economic, environmental, and social impacts	Risk Management Integrated Report 2020
102-30	Effectiveness of risk management processes	Integrated Report 2020 Corporate Governance Report
102-31	Review of economic, environmental, and social topics	Our Environmental Approach General Meeting of Shareholders Sustainability Report 2020
102-32	Highest governance body's role in sustainability reporting	Sustainability Top Commitment
102-33	Communicating critical concerns	Whistleblowing and Consultation Hotlines for Employees General Meeting of Shareholders Governance Integrated Report 2020
102-34	Nature and total number of critical concerns	Social Data
102-35	Remuneration policies	Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers

		Corporate Governance Report
102-36	Process for determining remuneration	Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers Corporate Governance Report
102-37	Stakeholders' involvement in remuneration	Employment and Work of Employees General Meeting of Shareholders Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers
102-38	Annual total compensation ratio	Social Data Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers
102-39	Percentage increase in annual total compensation ratio	—
5. Stakeholder engagement		Reference
102-40	List of stakeholder groups	Stakeholder Engagement
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	Reflecting Consumer Feedback
6. Reporting practice		Reference
102-45	Entities included in the consolidated financial statements	Editorial Policy
102-46	Defining report content and topic Boundaries	Sustainability Top Commitment
102-47	List of material topics	Sustainability Top Commitment
102-48	Restatements of information	Integrated Report 2020
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 Assurance Statement for Environmental Data Assurance Statement for Social Data

200 : Economic

201 : Economic Performance		Reference
201-1	Direct economic value generated and distributed	Historical Financial Data
201-2	Financial implications and other risks and opportunities due to climate change	Reducing Our Environmental Footprint The Report of Climate-related Financial Disclosure
201-3	Defined benefit plan obligations and other retirement plans	Integrated Report 2020
201-4	Financial assistance received from government	Consolidated Settlement of Accounts P14,20
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 Social Data
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	Developing Sustainable Products
302 : Energy		Reference
302-1	Energy consumption within the organization	Environmental Data

302-2	Energy consumption outside of the organization	—
302-3	Energy intensity	—
302-4	Reduction of energy consumption	Environmental Data
302-5	Reductions in energy requirements of products and services	—
303 : Water and Effluents		Reference
303-1	Interactions with water as a shared resource	Reducing Our Environmental Footprint
303-2	Management of water discharge-related impacts	Environmental Data
303-3	Water withdrawal	Environmental Data
303-4	Water discharge	Environmental Data
303-5	Water consumption	Reducing Our Environmental Footprint Environmental Data
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	Promoting Sustainable and Responsible Procurement
304-3	Habitats protected or restored	Promoting Sustainable and Responsible Procurement
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	—
305-5	Reduction of GHG emissions	Reducing Our Environmental Footprint
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 : WASTE		Reference
306-1	Waste generation and significant waste-related impacts	Reducing Our Environmental Footprint
306-2	Management of significant waste-related impacts	Reducing Our Environmental Footprint Environmental Data
306-3	Waste generated	Environmental Data
306-4	Waste diverted from disposal	Not Applicable
306-5	Waste directed to disposal	Environmental Data
307 : Environmental Compliance		Reference
307-1	Non-compliance with environmental laws and regulations	Environmental Data

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 Work of Employees 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 Work of Employees
403 : Occupational Health and Safety		Reference
403-1	Occupational health and safety management system	Employee Safety and Health Social Data
403-2	Hazard identification, risk assessment, and incident investigation	Social Data
403-3	Occupational health services	Employee Safety and Health
403-4	Worker participation, consultation, and communication on occupational health and safety	Employee Safety and Health Employment and Work of Employees
403-5	Worker training on occupational health and safety	—
403-6	Promotion of worker health	Employee Safety and Health
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	—
403-8	Workers covered by an occupational health and safety management system	Social Data
403-9	Work-related injuries	Social Data
403-10	Work-related ill health	Social Data
404 : Training and Education		Reference
404-1	Average hours of training per year per employee	Social Data
404-2	Programs for upgrading employee skills and transition assistance programs	Human Resource Development and Fair Evaluation
404-3	Percentage of employees receiving regular performance and career development reviews	Performance measurement setting and appraisal on regular basis : 100% Human Resource Development and Fair Evaluation

405 : Diversity and Equal Opportunity		Reference
405-1	Diversity of governance bodies and employee	Governance
405-2	Ratio of basic salary and remuneration of women to men	Employment and Work of Employees Social Data
406 : Non-discrimination		Reference
406-1	Incidents of discrimination and corrective actions taken	Social Data
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 Primary Initiatives
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 Primary Initiatives
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 Rights Assessment		Reference
412-1	Operations that have been subject to human rights reviews or impact assessments	Our Human Rights Approach Primary Initiatives
412-2	Employee training on human rights policies or procedures	Primary Initiatives Social Data
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Primary Initiatives
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 Social Data
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

SASB Content Index

Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting Metric	Code	Reference
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	CG-HP-140a.1	Environmental Data
	Description of water management risks and discussion of strategies and practices to mitigate those risks	CG-HP-140a.2	Reducing Water consumption The Report of Climate-related Financial Disclosure (P10-12)
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	CG-HP-250a.1	Promotion of Safe and Reliable Manufacturing
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	CG-HP-250a.2	Shiseido Safety Assurance System
	Discussion of process to identify and manage emerging	CG-HP-250a.3	Ingredients Policy

	materials and chemicals of concern		
	Revenue from products designed with green chemistry principles	CG-HP-250a.4	—
Packaging Lifecycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	CG-HP-410a.1	Developing Sustainable Products
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	CG-HP-410a.2	
Environmental & Social Impacts of Palm Oil Supply Chain	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	CG-HP-430a.1	Palm Oil

Activity Metrics

Activity Metrics	Code	Reference
Units of products sold, total weight of products sold	CG-HP-000.A	—
Number of manufacturing facilities	CG-HP-000.B	Global Network

"—" : Not disclosed