

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 FY2022 (from January 1 to December 31 of 2022), part of the information also includes contents prior to/after the said

Table of contents

○ SUSTAINABILITY	1
○ CSO Message	4
● Approval and support for international norms	9
● The Ten Principles of the UN Global Compact	10
○ Environment	11
● Reducing Our Environmental Footprint	14
● 2023 Shiseido Climate/Nature-Related Financial Disclosure Report	20
● Developing Sustainable Products	41
● Our Environmental Approach	45
● Environmental Accounting	48
○ Society	50
● Resolving the Gender Gap and Empowering Women in Japan	52
● Empowering Women and Girls and Helping Them Become Self-Reliant	57
● Diversity, Inclusion and the Empowerment of Women at Shiseido	59
● Support for Patients with Xeroderma Pigmentosum	62
● Our Human Rights Approach	63
● Human Rights Promotion System	65
● Primary Initiatives	66
● Promoting Sustainable and Responsible Procurement	70
● Response to the United Kingdom's Modern Slavery Act 2015	82
● Shiseido Modern Slavery Statement (Year ended December 31, 2021)	83
● Basic Policy Regarding Personnel Affairs	92
● Diversity and Inclusion	93
● Realizing a Rewarding Workplace	97
● Human Resource Development and Fair Evaluation	101

● Health and Safety of the Shiseido GroupJapan	105
● Employment and Work of Employees	120
○ Empowering People through the Power of Beauty	122
○ Culture	128
● Performance in 2020	130
○ Compliance and Risk Management	134
● Risk Management	135
● Shiseido Group Policy on Anti-Corruption	139
● Activities to Enhance Corporate Ethics	141
● Information Security Management	143
● Privacy Protection	146
● Protection of Intellectual Properties	148
● Tax Policy	149
● Global Tax Policy	150
● Shiseido UK Tax Policy	152
○ Corporate Governance	153
● Corporate Governance System	154
● Basic Concept for Corporate Governance	160
● Principles of the Corporate Governance Code (CG Code) and Shiseido’s Response	163
● Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers	181
● Audit Structure	190
● Compliance and Risk Management	193
● Internal Control Systems of the Company	195
○ Customer Satisfaction and Product Safety	198
● Promotion of Safe and Reliable Manufacturing	200
● Excellent Services to Enhance Consumer Satisfaction	204
● Reflecting Consumer Feedback	205
● History of Shiseido’s Consumer Support	209
● Universal Design	214
● Information for Consumers	217
● Initiatives in Response to Animal Testing and Alternative Methods	220

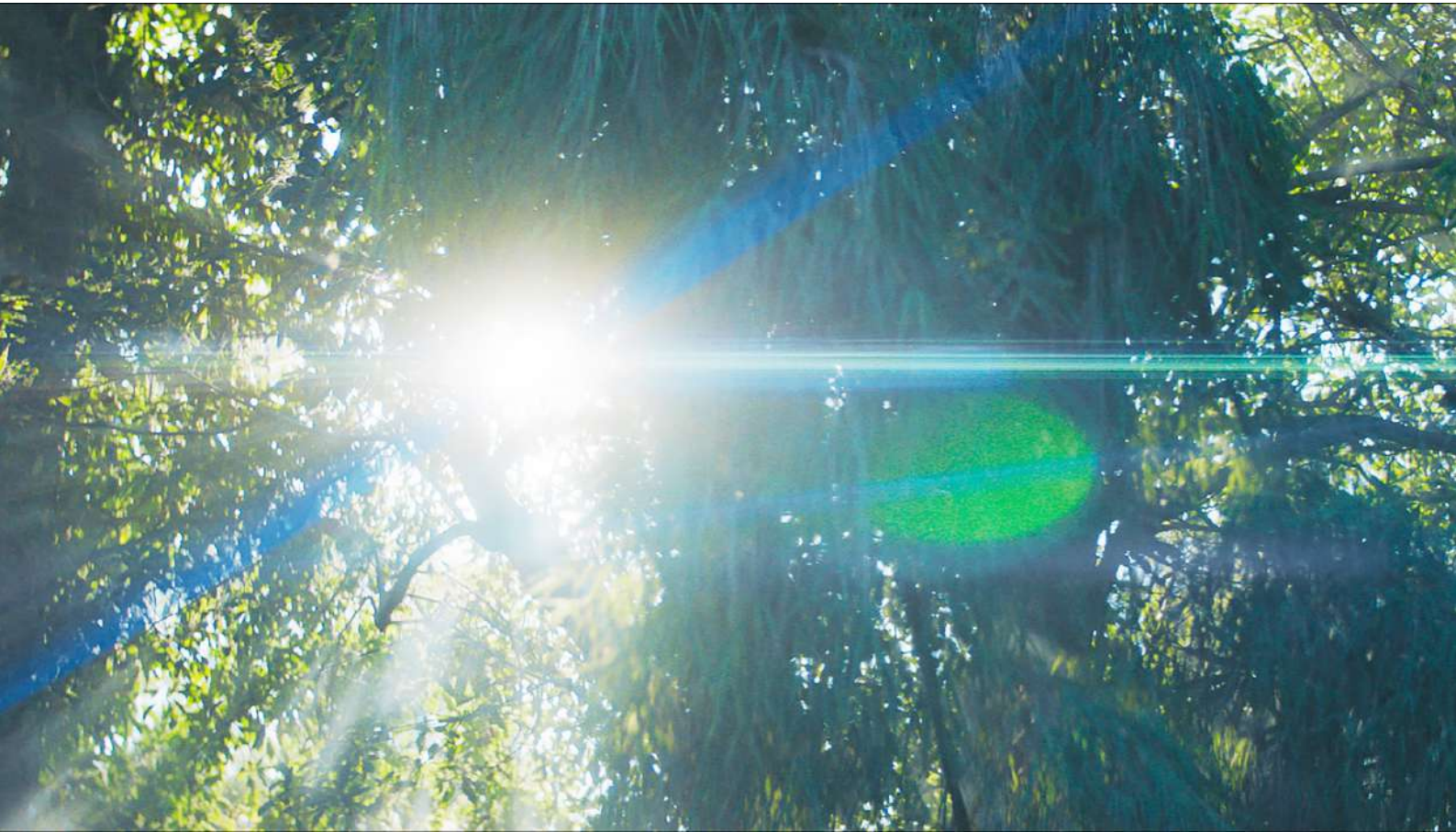
○ Social Contribution Activities	222
● Employee's Social Contribution Activities	225
● Disaster Relief Activities	227
● Shiseido's initiatives in the fight against COVID-19	235
● Activities for Children	240
○ Stakeholder Engagement	242
○ External Evaluations and Awards	244
○ Sustainability Data	247
● Environmental Data	249
● Assurance Statement for Environmental Data	254
● Social Data	257
● Independent Assurance Statement for Social Data	276
○ Editorial Policy • GRI Content Index • SASB Content Index	279

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

Corporate Governance

CSO Message



Current and future market conditions have been thrown into uncertainty by the ongoing COVID-19 pandemic, not to mention the extreme weather brought on by climate change. Now more than ever, the world is at our fingertips with recent technological advances that offer us instant access to information and affect our lives in new ways. As a result, people's values have become more diverse and, in many cases, the conventional definitions of concepts like wealth and happiness no longer apply.

In line with our corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD, we are committed to the realization of a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty toward 2030. As Chief Strategy Officer, I am responsible for establishing and promoting the broader sustainability strategy for the entire Shiseido Group. I intend to make sustainability a more integral part of our corporate strategy than ever before and promote the creation of social value and resolution of environmental and social issues through our core business.

In 2021, we worked together across brands, regional businesses, and corporate functions in order to accelerate our sustainability initiatives. We strengthened our existing Sustainability Committee, where we discuss and make corporate-level decisions regarding sustainability issues, and set up new meetings to specifically discuss and decide upon the Group-wide implementation of further initiatives in the areas of environment and society.

Regarding the environment, we have further evolved and accelerated our actions to achieve the KPIs set in 2020. Above all, given the seriousness of the impact of climate change on business growth and sustainability, we conducted a quantitative analysis of risks and opportunities in line with the TCFD framework and disclosed the results. In addition, to make a tangible difference, we are now in the process of switching to renewable energy at all our sites around the world.

Regarding society, we have appointed a Chief D&I Officer for internal and external acceleration of diversity and inclusion, with the aim of creating a culture where people accept and respect others as individuals, regardless of background or differences in circumstances.

By working to our unique strengths and tackling urgent global issues, we are making steady progress toward the realization of a sustainable world.

In 2021, we executed strategic environmental actions based on three commitments: "Reducing Our Environmental Footprint," "Developing Sustainable Products," and "Promoting Sustainable and Responsible Procurement."

To reduce our environmental footprint, we promoted the switch to renewable energy and introduced environment-friendly equipment at our factories. Furthermore, we have set science-based targets accredited by the SBTi*1 and joined the RE100*2 initiative.

In support of a circular economy, we are developing and introducing sustainable solutions such as refillable packaging. As well as in Japan, we have introduced refillable packaging to increase environmental awareness among consumers in countries/regions such as China, Singapore, and Taiwan. We are also pursuing innovative packaging solutions, and in 2021, we developed and marketed a mono-material packaging that can be easily recycled, and a biomaterial packaging that reduces CO₂ emissions. In addition, we introduced recycling programs in Japan and China to collect and recycle used cosmetics packaging.

To promote sustainable and responsible procurement, we revised the Shiseido Group Procurement Policy in February 2022. While continuing our Supplier Assessment Program, we also introduced a clearer risk elimination process and sustainability-focused policies.

In terms of society, we took actions based on three commitments: "Advancing Gender Equality," "Empowering People Through the Power of Beauty," and "Promoting Respect for Human Rights." To advance gender equality, we have been working for social change in the area of women's empowerment in Japan, where this is a particularly pressing issue. In collaboration with local governments and through the 30% Club Japan—of which our Representative Director, President and CEO Masahiko Uotani was appointed as the first chair—our efforts have included raising public awareness and sharing information about increasing the ratio of female executives on Japanese company boards and creating work environments that promote the advancement of women.

By utilizing our proven track record of research, development, and innovation, we aim to empower people through the power of beauty. We pursue initiatives and utilize our management resources to create new social value and empower people across all walks of life. In 2021, we received a Mécénat Award for Excellence in recognition of our support for people living with cancer.

In everything we do, we promote respect for human rights. We conducted human rights due diligence identifying risks such as "supplier human rights" and "harassment," and we work with related divisions to resolve such issues.

As we work to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty, we believe that sustainability will have an increasingly greater impact on corporate management. We see this as an opportunity for growth—a chance to create social value and solve social issues through our core business.

Executive Officer
Chief Strategy Officer
Toshinobu Umetsu

*1 : SBTi is a global initiative that defines and promotes best practices in science-based target setting and independently assesses companies' targets.

*2 : RE100 is a global initiative bringing together influential companies committed to 100% renewable electricity.

Material Issues

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment via value creation through beauty innovations, as we have done since our founding. To select environmental and social issues to be addressed through our business, we compiled a list of sustainability issues based on interviews, surveys, and discussions with stakeholders. We first examined the importance of these issues to Shiseido's business and to all of our stakeholders, from employees and consumers to business partners, shareholders, and society and the Earth. We then categorized and prioritized the issues along two axes and defined 18 material issues.



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 (employees, consumers, business partners, 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

A System for Promoting Sustainability

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

In 2020, we launched the Sustainability Committee, a dedicated body to ensure timely management decisions related to sustainability and their company-wide implementation. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as disclosure contents of TCFD and actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the Group CEO and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers from different fields to ensure discussions of a range of issues from different perspectives.

In 2021, besides the regular Sustainability Committee meetings, we held additional meetings to discuss and decide on measures for implementation with the relevant executive officers and those in charge of promoting sustainability in major departments in order to incorporate sustainability issues into management, thereby strengthening promotion across the Group. In addition, the Global Strategy Committee and the Board of Directors are consulted when a decision is needed on important matters related to business execution.

In January 2022, Shiseido underwent organizational reform to bolster and expand its sustainability activities and seamlessly incorporate and promote them in our management and business strategies. Specifically, the Sustainability Strategy Acceleration Department was established within the Corporate Transformation Acceleration Division to take charge of the Group-wide sustainability strategy and its acceleration. At the same time, the D&I Strategy Acceleration Department was created to accelerate Shiseido's diversity and inclusion (D&I) initiatives both internally and externally.

Moreover, in a bid to promote sustainability initiatives, we have revised indicators for the long-term performance-linked remuneration of internal directors and executive officers, increasing the weight of social value indicators from 10% to 20%. Also, in order to accelerate environmental efforts, from this year we have newly set an environmental indicator related to reducing CO₂ emissions, an important initiative under the Company's sustainability strategy.

Strategic Actions and Corresponding SDGs

Shiseido has established six strategic actions, three each in the areas of environment and society. To implement these initiatives, we are distributing management resources on a priority basis in each department across the entire company.

Area	Strategic Action	Corresponding SDGs
Environment	Reducing our environmental footprint	
	Developing sustainable products	
	Promoting sustainable and responsible procurement	
Society	Advancing gender equality	
	Empowering people through the power of beauty	
	Promoting respect for human rights	

Medium-Term Environmental Targets

Items	Targets (2020)	Target Year	2021 Results
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CO ₂ emissions	Carbon neutral*1	2026	18% reduction from 2019
Water	Water consumption reduced by 40%*2	2026	22% reduction from 2014
Waste	Zero landfill*3	2022	We achieved zero landfill waste at all 12 factories worldwide in 2020 ahead of schedule
Packaging	100% sustainable packaging*4	2025	Plan to disclose in 2022
Palm oil	100% sustainable palm oil*5	2026	27% (palm oil equivalent basis)*6
Paper	100% sustainable paper*7	2023	72% (paper weight basis)

*1 : At all our sites / Scope 1 and 2.

*2 : For all our sites, intensity per sales, compared with 2014.

*3 : For owned factories.

*4 : For sale of products with plastic packaging.

*5 : Physical supply chain options, identity preserved, segregated, and/or mass balance

*6 : The remainder continues to be covered by the RSPO Book & Claim model.

*7 : Such as certified paper and recycled paper.

Approval and support for international norms

Approval and support for international norms

<p>2019</p>	<p>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.</p>
<p>2010</p>	<p>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.</p>
<p>2008</p>	<p>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.</p>
<p>2004</p>	<p>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.</p>



UN Global Compact



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, use, and disposal — 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.

Reducing Our Environmental Footprint

The impact of climate change, including extreme weather events, is becoming more apparent every year. 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 goal." * In 2021, 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. To achieve these targets, we are taking action across all areas of our business and value chains, and promoting initiatives to reduce our environmental footprint in cooperation with various stakeholders.

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

We are reducing the environmental footprint of our activities by taking actions in three key areas:

- CO₂
We will be carbon neutral by 2026*¹.
- Water
We will reduce our water consumption by 40% by 2026*².
- Waste
We will send zero waste to landfills by 2022*³.

*¹ : At all our sites. Scope 1 and 2.

*² : For all our sites, intensity per sales, compared with 2014.

*³ : For owned factories.

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. We strive to provide new value to consumers by prioritizing high safety and quality standards, as well as excellent functionality, design and usability.

We have redefined our original research and development (R&D) philosophy — passed down for over 100 years — as "DYNAMIC HARMONY: a world where contrasting or complementary forces come together, exquisitely creating fusion and entirely new forms of beauty." Under the "Premium/Sustainability" pillar, one of the five research approaches, we will step up to the challenge of creating sustainable value unique to Shiseido, which balances the satisfaction stemming from the results, high-quality design, and feel of our products with respect for and coexistence between people, society, and the global environment.

We will contribute to the realization of a sustainable world through the development of our own technologies and in collaboration with external parties. This includes packaging initiatives that aim to make more effective use of limited resources, as well as raw material procurement and formula development that minimize our environmental footprint.

We use innovation to minimize the environmental impact of our products and disclose our policies on product development:

- Packaging
We will achieve 100% sustainable packaging by 2025*4.
- Formula/Ingredients
We aim to reduce our environmental and social impact by using sustainably sourced raw materials that are selected in consideration of safety, the environment and ethics.

*4 : For sale of products with plastic packaging.

Promoting Sustainable and Responsible Procurement

At Shiseido, we utilize the world's natural resources to develop products and operate our business. We understand these resources are limited, and as such, we place the utmost importance on the sustainable and responsible procurement of raw materials at every stage of the supply chain. This includes the reduction and reuse of resources from the perspective of environmental protection, biodiversity, and in support of a circular economy. In all our activities, we also work to address and strengthen our response to issues such as human rights.

We work with suppliers to procure raw materials in consideration of environmental protection, biodiversity and human rights:

- Sustainable Procurement
Palm Oil: We will achieve 100% sustainable palm oil*1 usage by 2026.
Paper: We will achieve 100% sustainable paper*2 usage for product packaging by 2023.
- Supplier Assessment Program
We aim to create a sustainable supply chain.

*1 : RSPO's physical supply chain models, identity preserved, segregated, and/or mass balance.

*2 : Such as certified paper and recycled paper.

Data

Reducing Our Environmental Footprint

The impact of climate change, including extreme weather events, is becoming more apparent every year. 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 goal."* In 2021, 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. To achieve these targets, we are taking action across all areas of our business and value chains, and promoting initiatives to reduce our environmental footprint in cooperation with various stakeholders.

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

Reducing CO₂ Emissions

Climate change is one of the major challenges of our time. It is deeply connected to various issues, including those surrounding water resources and energy. The Sixth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC) confirmed that "it is unequivocal that human influence has warmed the atmosphere, ocean and land." And at the UN Climate Change Conference of the Parties (COP26) Conference in Glasgow, an international 1.5°C goal was agreed upon. In order to mitigate climate change, the reduction of CO₂ emissions is imperative. Companies must take a resilient approach to both market and environmental changes, while ensuring transparency in terms of progress.

At Shiseido, in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework, we disclose the impact of long-term climate-related risks and opportunities in our financial plans and associated strategies. To realize a sustainable world, we announced our commitment to achieving carbon neutrality* by 2026. We have also set a science-based target to reduce CO₂ emissions throughout the entire value chain, and to achieve our goals, we are promoting the improvement of energy efficiency and the use of renewable energy.

* At all our sites. Scope 1 and 2.



Renewable Energy

Switching from fossil-derived energy 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. Four of our factories in Japan — Osaka, Kakegawa, Kuki, and Nasu — are actively using renewable energy from CO₂-free hydroelectric power. The Nasu factory and seven offices in Europe and Brazil have replaced 100% of their electricity with renewable energy.

In addition to the use of renewable energy, we are promoting the installation of solar power systems on the premises and buildings of factories and research centers worldwide. We strive to increase the use of renewable energy and are currently accelerating our transition. We have also joined RE100 — a global initiative bringing together businesses committed to 100% renewable electricity.



Solar panels at the Gien factory (France)



Improving Energy Efficiency

As part of our efforts to mitigate climate change, it is important to reduce and optimize energy consumption related to CO₂ emissions. Improving energy efficiency, such as the use of electricity in buildings and facilities, is an effective initiative to reduce CO₂ emissions.

At Shiseido factories, we are introducing building design improvements such as heat insulation, selecting more efficient equipment that leads to energy saving, and implementing environmental measures based on the ISO 14001 environmental management system.

At our Kakegawa factory (Japan), in addition to the use of LEDs, we installed Energy Management Systems (EMS) * to visualize and optimize energy consumption. Our Osaka Ibaraki factory and West Japan distribution center (Japan) were designed in consideration of sustainability. By pursuing an energy-saving design and improving the thermal insulation performance of the building, we have been able to reduce CO₂ emissions by approximately 30% compared to regular designs.

* 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 working to reduce our CO₂ emissions and environmental impact throughout the value chain, including during transportation.

As part of our efforts in Japan, we engage in joint delivery initiatives with other companies to improve efficiency surrounding intra-regional routes and loading. For ocean freight in Japan and the USA, we are working to reduce the number of shipments and containers in operation, while optimizing the use of packaging materials according to the shape and volume of shipped goods.

Engaging Suppliers

We also aim to reduce CO₂ emissions during the procurement of raw materials. As such, we hold a global conference to share information with our suppliers and business partners, communicating our strategic policies and asking for their cooperation in the reduction of CO₂ emissions.

We have also revised the Shiseido Group procurement policy. It includes the "policy for responsible procurement" in addition to the procurement vision and basic policy, which were stated in the previous policy. As part of the revision, we have established a sustainability-focused policy that clearly states our intention to promote initiatives to reduce CO₂ emissions with suppliers.

Assessing Climate Risks and Opportunities

In 2021, the Intergovernmental Panel on Climate Change (IPCC) published its Sixth Assessment Report, which summarizes the latest scientific findings on climate. In response to the findings, the Glasgow Climate Pact — which agrees to limit the global temperature increase to 1.5°C above pre-industrial levels — was adopted at the 2021 UN

Climate Change Conference (COP26).

We recognize that climate change is not only an environmental issue, but a broader issue that will affect our business strategies and financial plans over the medium to long term due to factors such as changing regulations, natural disasters, and consumer perceptions.

In 2020, in order to mitigate climate change, we disclosed our target of achieving carbon neutrality (Scope 1*1 and Scope 2*2) by 2026. 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 indirect 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 the Representative Director, President and CEO, and consists of executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications and Brands, as well as Corporate Auditors. The committee makes decisions on group-wide sustainability strategies and policies, manages the progress of medium- and long-term targets, and implements plans such as the Task Force on Climate-related Financial Disclosures (TCFD) and human rights actions.

For decisions regarding important business matters, issues are also discussed at the Global Strategy Committee and the Board of Directors. In 2021, due to the significance of climate change-related issues, the Board of Directors stressed the importance of reflecting our stakeholders' expectations (employees, consumers, business partners, shareholders, society, and the Earth) into our sustainable initiatives.

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 IPCC.

Regarding transitional risk, the elements associated with the transition to a decarbonized society — such as policy, regulation, technology, market, and consumer perceptions — were considered. Physical risks related to the acute or chronic phenomena caused by the rise in temperature — such as floods and water shortages — were also considered. Based on these considerations, the financial impacts of the 1.5/2°C and 4°C scenarios were then analyzed. The influence of carbon tax was identified as the most significant financial impact, with projections pointing toward approximately USD 1-7.2 million in 2030, depending on the number of countries and regions where carbon tax would be introduced.

As for 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 making the most of opportunities to provide sustainable products to consumers and promote our beauty innovations.

Risk Management

We assessed and identified the impactful risks holistically from a mid-to-long-term perspective. "Environment and Climate Change" and "Natural and Human-made Disasters" 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 climate change or natural disasters. The identified risks and their countermeasures are periodically reviewed by the Global Risk Management & Compliance Committee. As for the critical matters, they are also reviewed by the Global Strategy Committee and the Board of Directors.

Metrics and Targets

In order to mitigate the climate-related risks, we set the reduction of CO₂ emissions as our target.

We aim to achieve carbon-neutrality (Scope 1 and 2) by 2026, and we monitor the progress every year. 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 eliminate single-use plastics with the target of switching to 100% sustainable packaging by 2025*3.

To manage the risk of water shortage in the 4°C scenario, we selected water consumption at our sites as an indicator and set a target of reducing it by 40%*4 by 2026 (versus 2014).

As for other physical risks, we will examine appropriate metrics from the viewpoint of long-term risk management.

*3 : For sale of products with plastic packaging.

*4 : Water consumption volume to sales.

Climate-Related Disclosure

We support the Task Force on Climate-related Financial Disclosures (TCFD) and disclose the results of our climate-related risk analysis based on the TCFD framework.

In preparation for a decarbonized society, we have compiled our climate-related goals, scope and initiatives into a transition plan. We are disclosing climate-related information through our responses to the CDP*5, as well as our website, Integrated Report, and Sustainability Report. Our disclosures on CO₂ emissions (Scope 1, 2 and 3*6) are verified by an independent third party, SGS Japan*7, to ensure transparency. In addition, our target for mitigating climate change is certified by SBTi*8, and we have joined RE100.

*5 : The CDP is a not-for-profit charity that runs the global disclosure system for managing environmental impacts.

*6 : Scope 3 relates to the indirect CO₂ emissions generated from value chain activities other than Scope 2.

*7 : SGS is a global certification company.

*8 : SBTi is a global initiative that defines and promotes best practice in science-based target setting and independently assesses companies' targets.

Risks and Opportunities

		Risks	Opportunities
Transition (seen mainly in the 1.5/2°C scenario)		Carbon tax increase ☑ Fuel price increase Loss of sales opportunities for products using single-use plastics ☑	Improve energy efficiency Develop more ethical products (e.g. clean beauty)
Physical (seen mainly in the 4°C scenario)	Acute	Natural disasters stop operations (e.g. typhoons, floods) ☑ Natural disasters disrupt logistics	Develop environment-friendly products Develop climate-adaptive solutions
	Chronic	Changes in rainfall conditions impact the cost of procuring raw materials derived from crops ☑ Water shortages stop operations ☑	

☑Risk factor analyzed qualitatively and quantitatively.

Reducing Water Consumption

Quality water is not only essential to our industry, but also every aspect of life. While some countries and regions are rich in water, others are affected by water stress*1. It is predicted that approximately 5 billion people will face water shortages in 2050 due to urbanization and climate change.

Water supports every aspect of our products, including the development of water-containing products such as lotions; the growth of plants as raw materials; temperature control and equipment cleaning at factories; consumption; and waste disposal.

In consideration of water as a shared resource, we aim for reduced and sustainable consumption that respects and promotes a healthy water cycle and culture. We aim to reduce group-wide water consumption by 40% by 2026 (versus 2014) *2. To achieve this target and reduce the impact of our business activities on the water cycle, we are actively promoting water saving and recycling activities — especially in areas with high water stress and areas where rainfall is expected to decrease.

*1 : A situation where there is not enough water of sufficient quality to meet the demands of people and the environment.

*2 : Intensity per sales.

Water Saving Initiatives

We are working to reduce water consumption at all our factories.

As each site has various facilities and equipment tailored to the kind of cosmetics they produce, initiatives are specifically designed for each factory. For example, at our Gien factory in Europe — where there are concerns that rainfall will decrease — we switched from water to alcohol for cleaning fragrance product manufacturing equipment and resin skids. All alcohol used in the process is purified and reused repeatedly. We are also saving water by introducing automatic washing equipment in manufacturing facilities and consolidating the washing locations of equipment parts. In addition, we strive to educate and enlighten our employees on environmental issues, including water saving.

Utilizing Water Resources

In collaboration with local stakeholders, we promote "Water Stewardship"*— the concept of managing water resources as a common property within the same river basin. To make effective use of water, we focus on circular usage, where used water is purified and reused or recycled.

At our Osaka Ibaraki factory (Japan), we introduced a circulation-type system using recycled water as a cooling medium. This could lead to an annual reduction in water of 65,000m³. At our Nasu factory (Japan), we use the high-quality groundwater for manufacturing processes and as a raw material for cosmetics. In consideration of the natural environment, the Nasu factory has also established its own strict standards to control discharged water, thereby minimizing any impact on the local ecosystem.

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



Inspection of wastewater treatment facilities



Groundwater purification system at the Nasu Factory (Japan)

Engaging Stakeholders

In cooperation with our stakeholders, we conduct water footprint*1 assessments to understand the environmental impact of water usage throughout the value chain. We utilize the latest knowledge and findings on hydrology*2 and climatology to gain a better understanding of water as a resource, including availability and future projections in relation to climate change. As results suggest that a large environmental impact occurs during the raw material procurement stage, we ask our suppliers to provide information on their water usage through self-assessment.

At our Shanghai factory in China — a country affected by high water stress — we participate in a local environmental protection association and proactively obtain environmental information (including wastewater treatment and gray water recycling) such as environmental laws and regulations surrounding factory activities. We also report monthly

water consumption to the government, which promotes water conservation and is working to improve water utilization rates and strengthen water conservation management.

*1 : The water footprint is a measurement that quantitatively calculates the environmental impact from human water consumption and pollution directly and indirectly through the whole product lifecycle.

*2 : The study of the distribution and movement of water above and below the earth's surface, as well as the impact of human activity related to water resources.

Reducing Waste

As population growth continues and income levels rise, resource consumption and waste increase.

To make more effective use — and re-use — of limited resources, it is important to shift from a disposable, linear economic model to a circular economy. We are optimizing the use of raw materials and reducing waste throughout the entire value chain while comply with waste management and rules differ by country or region.

Waste Reduction

We are working to reduce, reuse, and recycle the waste generated at all our factories.

We achieved zero emissions* at domestic factories in 2003. We have been working on recycling and reusing waste for many years, promoting thorough waste management with careful sorting of materials before disposal and reuse of shipping boxes at all our factories. As for our target of zero landfill at all our factories worldwide by 2022, we achieved it in 2020— two years ahead of schedule and it is continued. We also plan to achieve zero landfill at our newly established Kurume factory (Japan) in 2022. The recycling rate of waste discharged from all Shiseido sites and treated for a fee reached 99% or more.

We are implementing various initiatives to minimize waste throughout the value chain, such as reducing packaging materials, optimizing containers and packaging, eliminating paper inserts, and designing lightweight cardboard. By carefully planning inventory and improving the accuracy of demand forecasts, and shortening delivery times of production and procurement, we aim to prevent the generation of excess inventory.

* Excluding waste designated as landfill by law.

Employee Training

We held online seminars and remote confirmations for newly appointed 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.

Both the seminars and remote confirmations were used to check the processing of industrial waste disposal, and with the help of our original guidelines and checklists, each participant can now identify how to effectively manage waste.



2023 Shiseido Climate/Nature-Related Financial Disclosure Report
May 30, 2023

Background

“Give a human face to the global market”

The philosophy of the ESG investment called for by then UN Secretary-General Kofi Annan in his 1999 speech at the Davos Forum is changing the values of the global economy. Nonfinancial information is now being used to judge a company's future value, as well as financial information by investors, and companies are increasingly required to transparently disclose their goals and performance in sustainability-related initiatives, including climate change. The TCFD¹⁻³⁾ and the TNFD⁴⁾ have demonstrated to corporate managers the importance of considering and addressing climate change and biodiversity issues as one of the business priority issues by providing a simple framework, including *governance, strategy, risk management, and metrics and targets*.

In the *Global Risks Report 2023*⁵⁾, the World Economic Forum warned of the “failure to mitigate climate change,” “the failure of climate change adaptation,” “natural disasters and extreme weather,” and “biodiversity loss and ecosystem collapse” as the greatest long-term risk factors to the global economy. It is important to accurately analyze climate-related or nature-related risks and opportunities and to respond to those issues in advance in order to ensure sustainable business growth considering the recent severe damage caused by disasters.

For example, many cosmetic raw materials are made from agricultural products, such as oil palms. Stable climate conditions, including rain and temperatures, are essential for continuous business growth. If the weather conditions change because of climate change, it will cause water shortages and serious disasters, which will have significant impacts on society, as well as our value chain, including procurement, production, logistics, and sales activities. Therefore, we disclosed the science-based target along the 1.5° C trajectory in addition to analyzing sustainability-related risks and opportunities to mitigate climate change and its risks. We also committed to accelerating and to analyzing

climate-related risks and opportunities and integrating them into company-wide actions. Furthermore, we will switch to RSPO-certified raw materials by 2026 for all cosmetic raw materials derived from oil palms in order to minimize supply chain risks and biodiversity loss as much as possible.

In this report, we present the results of our analysis of the climate-related and the nature-related risks and opportunities based on scientific and statistical evidence as comprehensively as possible in line with the TCFD framework of *governance, strategy, risk management, and metrics and targets*.

The analysis of global environmental issues, such as climate change, assumes a much longer time scale than that of normal business planning and risk management, and it is impossible to forecast all the various changes in society and markets that may occur as a result of environmental issues. Hence, the results contain a great deal of uncertainty and indeterminacy.

Governance

Shiseido is promoting sustainability initiatives through our brands and regional businesses. In 2022, the Shiseido Sustainability Committee was held regularly to ensure prompt decision-making in sustainability-related operations and company-wide implementation. The committee makes decisions on group-wide sustainability strategies and policies, manages the progress of medium- and long-term targets, and implements such activities as the TCFD and human rights actions. Attendees consist of representative directors and executive officers of corporate strategy, R&D, supply network, public relations, brand holders, who actively discuss issues from the perspective of their respective areas of expertise. For decisions regarding business execution, issues are also discussed by the Global Strategy Committee and the Board of Directors.

Strategy

1. Screening of factors related to risks and opportunities

In considering factors related to climate change, we conducted a scenario analysis for both the transitional and the physical risks and 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). A variety of factors and relationships among them are assumed to contribute to climate-related risks and opportunities.

Regarding transitional risk, the elements associated with the transition to a decarbonized society, such as the policy, regulation, technology, market, and consumer perceptions were considered. Since factors that pose climate-related risks and opportunities are influenced by a variety of events and relationships, we comprehensively identified key physical risk factors based on the IPCC *Sixth Assessment Report*⁽⁶⁾ and the Shiseido Group's areas of activity.

Table 1: Key risk factors reported by IPCC and Shiseido's activity area

Area	Key Risk	Procurement	Manufacturing	Distribution
Europe	(1) Coastal and inland flooding (2) Increasing temperatures and heat extremes (3) Ecosystem disruptions (4) Water scarcity (5) Losses in crop production	✓	✓	✓
North America	(1) Mental health and mortality (2) Increasing temperatures and heat extremes (3) Ecosystem disruptions (4) Water scarcity and quality (5) Losses in crop production (6) Sea level rising	✓	✓	✓
Central and South America	(1) Water scarcity (2) Infectious diseases (3) Coral ecosystem disruptions (4) Food security (5) Floods (6) Sea level rising	✓		✓
Asia	(1) Human health (2) Floods (3) Ecosystem disruptions (4) Sea level rising (5) Water scarcity (6) Food security	✓	✓	✓
Australasia	(1) Ecosystem disruptions in ocean or alpine area (2) Sea level rising (3) Losses in crop production (4) Increasing temperatures (5) Wildfire	✓		✓
Africa	(1) Ecosystem disruptions (2) Food security (3) Human mortality (Heat and infections) (4) Economic growth and poverty (5) Water scarcity	✓		

In the following sections, the results of the qualitative and quantitative analysis of financial impacts as of 2030 are described. The analysis was conducted based on scientific and statistical data by selecting items with significant impacts from among the individual risk and opportunity factors presented in the IPCC *Sixth Assessment Report*, considering the sustainability and uncertainty of the business and assets, and the lifetime of the business and facilities.

2. Carbon tax

The financial impact of a carbon pricing scheme is a concern in the transition to a decarbonized society. Various carbon pricing schemes are being discussed, including a carbon tax, a border carbon tax on the movement of goods from countries and regions with weak carbon regulations to those with strong carbon regulations, Cap & Trade, and an emissions trading system.

Currently, carbon tax prices are set at US\$20–140 per ton of GHG emissions in European countries.⁷⁾

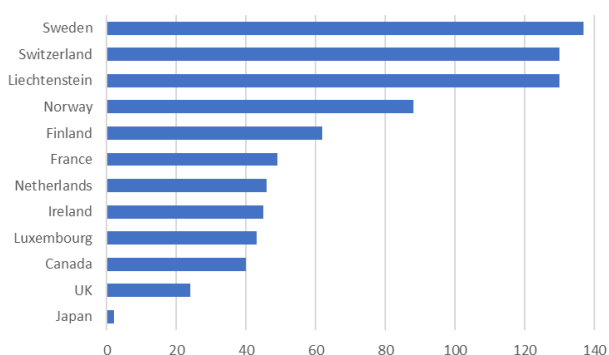


Figure 1: Price of carbon taxes worldwide (as of April 2022, USD/t-CO₂e)

Since the carbon tax is used to secure the budget for implementing mitigation, adaptation measures, and compensation for climate disasters, the carbon tax price is expected to be determined based on the social cost of carbon in the near future. The International Energy Agency (IEA) has projected a carbon price of US\$120 in the Announced Pledges Scenario to US\$130 in the Net Zero Emissions by

2050 Scenario per ton of GHG emissions in 2030, which includes the cost of implementing climate-related policies. With France and Iceland announcing carbon taxes of €100 and CA\$170 in 2030, the trend toward higher carbon tax prices is likely to continue.

In recent years, a series of studies on the social cost of carbon have been published, and some reports put the appropriate future carbon price at \$500–1,500^{8, 9)}. As the carbon tax becomes more expensive, the transaction price in the ETS market is expected to follow the carbon tax price. With this current situation regarding carbon pricing as background, we analyzed the financial burden of the carbon tax in 2025 as a short-term impact, adopting the current level in France, where we have a production plant, and the annual burden as of 2030 using the IEA AP and NZE scenarios for the medium- to long-term impact. Based on the projections for GHG emissions of Scope 1 and Scope 2, we considered the financial impact of the border carbon tax as well, according to the following formula with the assumption that a border carbon tax with the same level is introduced in Europe in 2030 or in all countries and regions where our production plants are located.

$$\text{Carbon tax impact} = \text{GHG}_{\text{in}} * \text{CT}_{\text{in}} + \text{GHG}_{\text{out}} * (\text{CT}_{\text{in}} - \text{CT}_{\text{out}}) * \text{S}_{\text{in}} / (\text{S}_{\text{in}} + \text{S}_{\text{out}}) + \text{GHG}_{\text{out}} * \text{CT}_{\text{out}}$$

GHG_{in}: GHG emissions in countries and regions with a border carbon tax

GHG_{out}: GHG emissions in countries and regions without a border carbon tax

CT_{in}: Carbon tax price in countries and regions with a border carbon tax

CT_{out}: Carbon tax price in countries and regions without a border carbon tax

S_{in}: Sales volume to countries and regions with a border carbon tax

S_{in}: Sales volume to countries and regions without a border carbon tax

Table 2: Projected financial impact from carbon tax

	Period	Tax price	Region	Impact
1	2025	\$52	France	¥12 mil.
2	2030	\$130	EU	¥53 mil.
3	2030	\$130	All	¥0.87 bil.
4	2030	\$130	All	¥2.2 bil.

As a result, it was estimated that the financial impact over the short term would be small (Scenario 1). However, for the medium to long term, if a carbon tax is introduced only within the EU, the annual impact would be approximately ¥53 million in 2030 (Scenario 2), and if the same level was applied globally, the annual impact would be approximately ¥0.87 billion per year (Scenario 3). If the level of renewable energy deployment in 2030 were to remain at the same level as in 2020, the annual carbon tax burden would be approximately ¥2.2 billion (Scenario 4).

At COP27, it was agreed to establish a fund to compensate for losses and damages caused by climate change. According to the *Sharm el-Sheikh Implementation Plan*¹⁰⁾, it is reported that US\$5.8 trillion to US\$5.9 trillion will be needed until 2030 to support such developing countries. Assuming that these losses and damages will be financed by a carbon tax in the future, we estimate that the annual burden would be approximately ¥250 million to ¥840 million under the 1.5° C scenario and ¥360 million to ¥1.2 billion under the 4° C scenario even if we had reduced our Scope 1 and Scope 2 GHG emissions by 95% in 2050.

The carbon tax would affect procurement costs. If only GHG emissions at Tier 1 suppliers were subject to a carbon tax, additional costs would be incurred for raw material procurement in proportion to the ratio of GHG emissions from electricity and fuel consumption of GHG emissions from raw material procurement, but in practice, it should be assumed that electricity

and fuel consumption, especially at upstream suppliers located in countries and regions that have introduced carbon taxes, would also be considered. The share of GHG emissions that would be subject to a carbon tax if all upstream suppliers were covered is calculated as the sum of the following infinite sequence of numbers.

$$\text{Carbon tax coverage} = \sum_{n=1}^{\infty} \{(1-x)^{n-1} * x\}$$

x : Ratio of GHG emissions from electricity and fuel consumption of GHG emissions from raw material procurement

For $0 < x < 1$, this infinite series converges to 1. If a carbon tax were introduced globally, a carbon tax would be imposed on all GHG emissions from raw material procurement, but discussions at the Conference of the Parties to the United Nations Framework Convention on Climate Change often call for restrictions only on developed countries. Therefore, we calculated the impact of the carbon tax on raw material procurement costs under the IEA NZE scenario with a conservative approach, assuming that up to the tier 3 suppliers operate in countries and regions subject to the tax. The share of GHG emissions from procurement of cosmetic raw materials and packaging materials, which are emitted through electricity and fuel consumption at suppliers, was estimated based on our raw material procurement results using an analysis based on IDEA v2, a life cycle inventory database.

$$\text{Carbon tax impact} = \sum_{n=1}^3 \{(1-x_m)^{n-1} * x_m\} * \text{GHG}_{C1m} + \sum_{n=1}^3 \{(1-x_p)^{n-1} * x_p\} * \text{GHG}_{C1p}$$

x_m : Ratio of GHG emissions from electricity and fuel consumption of GHG emissions from cosmetic raw material procurement

x_p : Ratio of GHG emissions from electricity and fuel consumption of GHG emissions from packaging

material procurement

GHG_{C1m}: GHG emissions from cosmetic raw material procurement

GHG_{C1p}: GHG emissions from packaging material procurement

As a result, an additional burden of approximately ¥3.5 billion per year was expected, suggesting the importance of working with direct and indirect suppliers to decarbonize the supply chain.

3. Floods

The impact of large-scale floods due to the temperature increase was evaluated. For the flood frequency in future, we used the return period of large-scale floods in the RCP 8.5 scenario reported by Hirabayashi *et al.*¹¹⁾ As for the current frequency, we adopted the average number of floods per unit area by country and region for the decade from 2000 to 2019 based on the *Emergency Events Database*¹²⁾ published by the Universite Catholique de Louvain. The inverse of the number of return period in 2100 is taken as the probability of flooding per year. The sum of the probability of flood occurrence at present and one third of the difference between the current probability and the probability in 2100 was adopted as the probability of flooding in 2030.

The amount of damage was calculated for all domestic and overseas factories. Assuming that 50% of the facilities are to be replaced at the factories located in areas where flooding is predicted to be greater than 50 cm, according to hazard maps published by local governments and other sources, the financial impact was the total amount of loss if shipments were suspended with the assumption that production activities at the affected factories would be halted for one month. And for the factories whose hazard maps predicted inundation of 50 cm or less, the financial impact was calculated as the impact of a three-day suspension of production activities due to disruption of surrounding logistics and difficulty in

commuting for employees, assuming no damage to facilities caused by the inundation.

The reported data are evaluated at a spatial 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. An impact assessment was conducted for all factories, and the total was calculated as the impact of the flooding on the Shiseido Group as a whole. The Kurume factory, which began operations in June 2022, is not included in this evaluation because its contribution to sales is unclear.

$$f(F_{2030}) = FR_0 * FF_{2030} * (S/12 + C)$$

$$\text{Flood impact} = \sum f(F_{2030})$$

FR₀: Initial value of flood risk

FF₂₀₃₀: Probability of large-scale flooding in 2030

S: Sales of products shipped from the target factory

C: Value of facility of the target factory

As a result, the potential impact of flooding in 2030 was estimated to be about ¥830 million per year of which ¥120 million is attributable to climate change under the RCP 8.5. Especially in Japan, where factories are concentrated, the impact of flooding is expected to increase toward the end of this century; therefore, the importance of taking such measures as developing a business continuity plan and predicting flooding from a long-term perspective was pointed out.

Such extreme weather events have a significant impact not only on shipping from our factories but also on logistics. Therefore, we started to investigate the flood risk of important distribution centers. First, we carried out an analysis based on the same methodology for our distribution centers in Japan and confirmed that the flood risk was low according to the hazard maps published by the local governments. In some countries and regions other than Japan, as

detailed hazard maps are not provided by local governments, a detailed method of analysis based on topographical and other information is under consideration for overseas factories and distribution centers.

4. Drought and water shortage

Shiseido has 13 factories in Japan, France, the United States, China, Taiwan, and Vietnam that use approximately 1.04 million m³ of water resources annually. According to the Aqueduct¹³⁾ provided by WRI, two of these factories in China are rated as being located in high water stress areas. On the other hand, even if water resources are abundant at present, rainfall in some areas is expected to decrease in the future due to climate change. In this section, the result of the analysis of how access to freshwater resources may change because of reduced rainfall associated with climate change and demographics and how the operations of production factories may be affected by these changes will be described.

Table 3: Water usage at factories in 2022

Water stress	Country and region	Withdrawal (m ³)
Low – Medium	Japan France US Vietnam Taiwan	937,000
High	China	102,000

According to the report *Current Status of Water Resources in Japan*¹⁴⁾ published by the Ministry of Land, Infrastructure, Transport and Tourism, a survey of approximately 170 sites throughout Japan showed that water supply restrictions were implemented 590 times during the 30 years from 1991 to 2020 due to drought. Long-term water supply restrictions were imposed 40 times for 2,865 days. This means that per year, water supply restrictions are in place for 96 days. Short-term water supply

restrictions are in place for 128 days per year based on the assumption of 7 days for each short-term restriction. When assuming that the percentage of factory production capacity lost due to short-term and long-term water supply restrictions is 10% and 100%, respectively, the potential drought risk for factories in Japan today can be set at 0.041% of production capacity lost. For the factories located in countries and regions other than Japan, the initial value of the drought risk in Japan was used as the standard value, and the value weighted by the Water Unavailability Factor (f_{wua})¹⁵⁾ for surface water was adopted as the initial risk. The f_{wua} is a characterization factor that weights the scarcity of water resources by the size of the land area required to collect 1 m³ of rainwater, surface water, and groundwater, respectively.

Rainfall projections were based on the relative precipitation change from 2011 to 2040 under the RCP 8.5 scenario, reported by Hanasaki *et al.*¹⁶⁾ The reported data are evaluated at a spatial resolution of 0.25 degrees in latitude and longitude. Therefore, the results might 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 was located was adopted as one of the explanatory variables based on the medium scenario of the United Nations demographic projections¹⁷⁾ because access to water resources is also affected by the population. The effect of demographic change is weighted 1/9 compared to the effect of precipitation change.

The financial impact due to suspended factory operation was calculated for all domestic and overseas factories by the risk function with a sinusoidal curve in response to the risk factors of 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 water storage infrastructure should be taken into consideration.

The reciprocal of the standard deviation σ_N of the rainfall variability from the average rainfall in the years without long-term water supply restrictions over the past 30 years was used as the threshold at which the impact begins to become apparent. The standard deviation σ_L of the rainfall variability from the average rainfall in the year when long-term water supply restrictions were implemented is taken, and the threshold at which the impact is maximized is the amount of rainfall that decreases by an amount equivalent to $3\sigma_L$. The following formula was used to model the relative change in drought risk to initial risk, and the amount of damage caused by the suspension of manufacturing operations for each domestic and overseas factory was evaluated as the financial impact. And the sum of these was calculated as the impact of water shortages for the entire Shiseido Group.

$$f(P) = (\sin((T_{Pmin} - P)/(T_{Pmin} - T_{Pmax}) * \pi - \pi/2) + 1)/2$$

$$f(D) = (\sin((T_{Dmin} - D)/(T_{Dmin} - T_{Dmax}) * \pi - \pi/2) + 1)/2$$

$$\text{Drought impact} = \sum \{R_0 * (0.9 * f(P) + 0.1 * f(D))\} * S$$

P: Relative change in rainfall from 2011 to 2040

D: Population growth rate from 2011 to 2040

R_0 : Initial risk magnitude

TP_{min} : Threshold for the rate of rainfall decrease at which impacts begin to become apparent

TP_{max} : Threshold of the rate of rainfall decrease at which the impact is maximized

TD_{min} : Threshold for the rate of population growth at which the impact begins to become apparent

TD_{max} : Threshold of population growth rate at which the impact is maximized

S: Sales of products shipped from the target factory

As a result, the potential financial impact of water shortages as of 2030 was projected to be about ¥3.5 billion of which the risk was assessed to be about ¥10 million less due to climate change. This is because the

competition for water resources in Japan, the center of production, is expected to ease as rainfall tends to increase toward the end of the century and the population is expected to decline. On the other hand, the potential risks in China, which is currently experiencing high water stress, and in Europe, where rainfall is expected to continue to decline toward the end of the century, were rated as high, and attention should be paid to water risk management, especially in these regions. In order to manage water risk from a long-term perspective, we selected “water consumption at our business sites per net sales” as the metric and set the target as a reduction by 40% per unit of sales 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.

In addition, as a pioneering initiative for water resource management through the Ohta River basin, the Nasu factory has begun surveying the water environment of the Nasu area. By comparing the input and output of water resources by the natural water cycle in the influencing area of the basin with the status of water intake and drainage throughout the entire basin society, including the Nasu factory, we aim to share the criterion for sustainable water resource management among the stakeholders in the basin.

5. Impacts on procurement

Many of the cosmetic raw materials purchased by Shiseido are made from plants. The precipitation change due to climate change also affects raw material production derived from agricultural harvests. Based on our actual raw material procurement results in 2021, we analyzed how much and in which regions water resources were used to grow raw material crops on the basis of water footprint methodology¹⁸⁾. The sustainability of water consumption was analyzed by the precipitation change until 2100 and the demographic projections for each country and region

used in the previous chapter.

As a result, we identified the material crops and locations whose cultivation would be significantly affected by climate change. These crops may make procurement impossible along with significant increases in costs. We will implement measures to avoid or mitigate the risk by changing the materials and diversifying the production areas for the material crops that might be severely affected.

Second, we analyzed the increase in procurement costs for palm oil and palm kernel oil, which are the most commonly used oilseed crops for cosmetic raw materials, because of the instability of agricultural production. First, we identified the raw materials containing ingredients derived from palm oil and palm kernel oil, such as glycerin and fatty acids, based on the actual procurement of raw materials in 2019, and calculated the total usage of palm oil and palm kernel oil. Then, we estimated the usage of palm oil and palm kernel oil for raw material production in 2030 based on our business growth scenario. Next, a regression analysis was conducted based on the monthly market transaction prices of palm oil and palm kernel oil over the past 25 years (1997–2021) to determine the average price increase, the standard deviation of the ratio of price fluctuations to the average price, and the frequency of prices exceeding the average. Based on the price trends, we forecasted the average price of palm oil and palm kernel oil in 2030 and calculated the potential price increase due to production instability caused by climate change by assuming a contribution of 0.5 from extreme weather events to the frequency of price upswings. The rate of increase in the frequency of once-every-10-year hot temperatures over land, heavy precipitation, and droughts as reported in the IPCC *6th Assessment Report* was applied to project the increase in the frequency of production destabilization. The IPCC report shows the frequency of extreme weather events in 2100. Therefore, the frequency of extreme weather events in 2030 was set for the 1.5/2° C (RCP 1.9, RCP 2.6) and 4° C temperature increases (RCP 8.5)

based on the assumption of a linear increase in frequency from 2020 to 2100. We calculated the potential price increase of palm oil and palm kernel oil due to climate change by multiplying the average price, estimated procurement volume in 2030, standard deviation of the price fluctuation rate, and the frequency of extreme weather events.

$$\text{Procurement impact} = A_{2030} * P_{2030\text{AVE}} * \sigma * R_{\text{AW}}$$

A_{2030} : Expected procurement amount in 2030

$P_{2030\text{AVE}}$: Expected average price in 2030

σ : Standard deviation of the percentage change in price relative to the moving average

R_{AW} : Percentage of price upswing by extreme weather events

As a result, we estimated that the potential cost increase as of 2030 would be about ¥140 million per year due to climate impacts under the 1.5/2° C scenario and about ¥290 million under the 4° C scenario.

In addition to promoting the procurement of sustainable palm oil, with regard to material crops other than oil palm, we should also be aware of the possibility that material demand might lead to higher procurement costs in the future, as well as the possibility that procurement itself might become impossible because of climate change. We will continue to analyze the financial impact and implement measures to avoid or mitigate risks, such as changing materials and diversifying production areas.

6. Geopolitical risks

In 2021, while Asian countries and regions were accelerating the phase out of coal, coupled with the economic stagnation caused by the Covid-19 pandemic, fuel shortages became apparent in Europe. The global shortage of the natural gas supply rapidly increased fuel dependence on some natural gas producing countries and regions, and this became one

of the factors that triggered the military invasion. At first glance, international military conflicts and decarbonization may seem unrelated, but decarbonization is closely linked to energy security. The global expansion of renewable energy will promote local energy production for local consumption and be able to stabilize the energy supply for the long term. But in the short term, it may destabilize the balance between international energy supply and demand and result in serious financial impacts. In addition, the civil war that broke out in the Middle East region in 2011 made the acceptance of refugees a major social issue in Europe. A severe drought that lasted for several years devastated agricultural production in rural areas, and the influx of many people into urban areas is said to have been one of the causes of this civil war. A climate model analysis suggests that this drought was caused by climate change¹⁹⁾. The breakdown of risks related to such conflicts and civil wars can include the following items:

- (1) Opportunity losses resulting from the suspension of production and sales activities in the countries involved in the conflict
- (2) Increased procurement costs due to shortages in the supply of raw materials and energy produced in the countries involved in the conflict
- (3) Decrease in sales in other countries due to stagnation of the global economy

The potential financial impact of international conflict is expected to be significant compared to other transition and physical risks. We should consider geopolitical instability and destabilization of the energy supply-demand balance as new climate-related risks, and we should also recognize that analyzing the magnitude of the potential impact and developing countermeasures are also important issues to be addressed in the future.

7. Increased sales opportunities related to climate change

In a 4° C scenario with a significant increase in

temperatures, 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 research in the structure of the cell surface²⁰⁾. 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) announced that the amount of UV radiation reaching the ground surface in the mid-latitudes of the Northern Hemisphere is expected to increase toward the end of this century due to the various environmental factors, including climate change²¹⁾. The mid-latitudes of the Northern Hemisphere have many large cities with concentrated populations, such as Tokyo and Beijing. The increase in UV radiation is expected to lead to opportunities for the sale of sunscreen products or skincare products that treat skin damaged by UV rays.

In addition to these expectations, we are attempting to identify temperature-dependent consumption and consumer behaviors by a regression analysis of the relationship between temperatures and cosmetics sales performance in Japan over the past five years (2017–2021). Analyzing the relationship between weather, climate, and business is one of the key objectives of climate risk and opportunity analysis because it can lead to the acquisition of new business opportunities.

8. Risks and opportunities related to nature and biodiversity

Biodiversity and ecosystem issues are the aggregation of a myriad of problems at the local level that form a global problem, which are much different from the GHG emissions considered to have a uniform effect on change in radiative forcing. While there are many reports on the effects of economic activities and climate change on biodiversity, there are

very few examples of quantitative and macroeconomic correlations between the effects of biodiversity loss on society and the economic activities of the cosmetic or personal care business sector because the conditions of biodiversity loss and the magnitude of the effects may vary depending on the region where the problem occurs.

Therefore, a screening analysis was conducted to identify the dependencies and impacts related to ecosystem services of the personal care industry in accordance with ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure)²²⁾ provided by the Natural Capital Finance Alliance.

Table 4: Dependencies suggested by ENCORE and Shiseido's activities

Factor	Shiseido's activity
Dilution by atmosphere and ecosystems	Unintentional release of pollutants Release ingredients from products
Fibers and other materials	Raw material procurement
Surface water	Cultivation of raw material crops Raw materials production Manufacturing and facility cleaning Use of products
Ground water	Raw materials production Manufacturing and facility cleaning Use of products

Table 5: Impacts suggested by ENCORE and Shiseido's activities

Factor	Shiseido's activity
Water use	Cultivation of raw material crops
	Raw materials production
	Manufacturing Use of products
GHG emissions	Energy consumption Activities on the value chain
Non-GHG air pollutants	NOx, SOx, and PMS from fuel combustion
Water pollutants	Eutrophication, acidification, heavy metal
Soil pollutants	
Solid waste	Waste from our business
	Waste from sold products

The results indicate that the impacts of raw material procurement and production activities should be considered from the perspective of both the dependencies and impacts on ecosystem services. Since the impact of water resources used in production activities overlaps with the risk of drought and water shortages as climate change-related risks, the results of the assessment of land occupation and water resource consumption at the raw material procurement stage and the biodiversity impacts at our production sites will be described in the following sections.

9. Biodiversity impacts due to raw material procurement

In general, cosmetic raw materials, such as surfactants and moisturizers, are classified as chemicals, but many of them actually are made from bio-based resources for all or part of their ingredients. Since many materials, such as paper and bio-based plastics, are also made from bio-based resources for packaging, it is important to analyze the characteristics of individual ingredients and their regional characteristics in order to procure raw materials that have a large biodiversity impact. For this reason, TNFD recommends the LEAP approach as a way for investigating nature-related risks/opportunities.

Table 6: LEAP approach

L Locate	Understand the relationship between business activities and nature, including local characteristics
E Evaluate	Analyze the magnitude of the impacts on nature from business and the dependencies on nature
A Assess	Identify the risks/opportunities with double materiality method from a perspective of dependencies and impacts
P	Set metrics and targets to manage risks/opportunities for nature

Prepare

conservation and restoration, and disclose the efforts

As part of the “L” and “A” investigations in the LEAP approach, based on the molecular structure of ingredients used in cosmetic ingredients, we identified raw materials derived from the bio-based resources of fats, oils, fatty acids, sugars, and alcohols that are used in the production of ingredients and estimated the amount of crop inputs for the agricultural crops that serve as raw materials. Since it is important to identify the regions where these crops are grown in order to assess the biodiversity impact, we mapped the producing countries and regions for each major agricultural crop related to our procured raw materials based on the results of interviews with suppliers, FAOSTAT²³⁾, and the market price of crops. Based on that, we calculated the area of land transformation, land occupation, and water consumption.

We are focusing on these items as candidates for the metrics to measure the biodiversity impact of our business activities, and we are currently developing a plan to conduct a more detailed analysis and mitigate the impact.

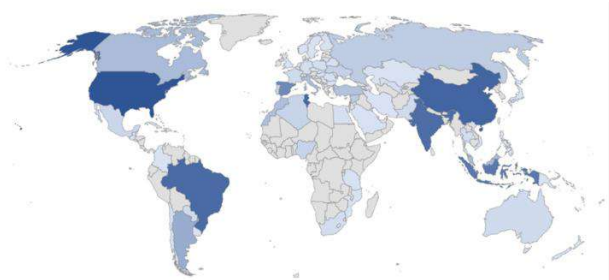


Figure 2: Area of land occupation for material crop production

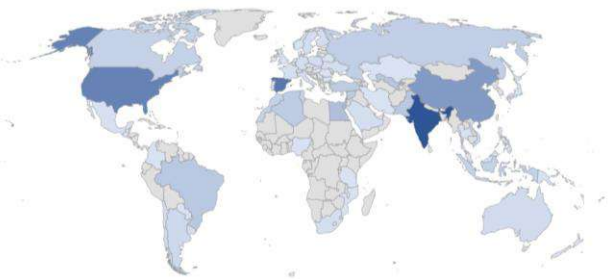


Figure 3: Consumption of irrigation water for material crop production

10. Impacts on biodiversity of land occupation of our business sites

Although the relative degree of impact is small, approximately 1% of the entire value chain, we recognize the importance of understanding and minimizing the impact of land occupancy on our own sites on biodiversity from the perspective of land manager responsibility. We, therefore, conducted a study of the relationship between the location of production sites with large areas of exclusive use among our own sites and the habitats of endangered species using the WWF Biodiversity Risk Filter²⁴⁾ and the J-BMP (Japan Biodiversity Mapping Project)²⁵⁾ provided by ThinkNature, Inc.

As a result, it was confirmed that in Japan, the areas surrounding the Kakegawa and Osaka-Ibaraki factories have high populations of endangered species of vascular plants and freshwater fishes, respectively. In addition to these plants and vertebrates, in France, where the Gien and VDL factories operate, there has been concern in recent years about the decline in the number of honeybees. In order to solve this region-specific problem, the factory stopped the use of pesticides on its premises and installed beehives in the factory to protect the bees. In the future, we will promote the consideration of initiatives to preserve the ecosystem, including endangered species, at other sites by utilizing green areas and water ponds at the sites in accordance with region-specific conditions.

Table 7: Condition of biodiversity and endangered species habitat around production sites

	Country/ Region	Condition of Biodiversity	Physical Biodiversity Risks	Endangered species around site
Kakegawa	Japan	7	6	Vascular plants
Osaka		5	6	Freshwater fishes
Ibaraki		5	6	—
Nasu		6	5	—
Kurume		6	8	—
Kakegawa		8	7	—
Gien	France	5	9	Under investigation
VDL		5	9	
SAI	USA	6	7	
SLC	China	9	10	
SZC		9	9	
TS	Taiwan	7	7	
SVI	Vietnam	9	9	

11. Organizing the relationship between factors

The risk and opportunity factors related to climate and nature are not independent variables but are intricately interrelated. For example, climate change can be a direct business risk factor in that it increases the probability of weather disasters, such as large-scale typhoons, while rising temperatures can also increase supply chain vulnerability indirectly by destabilizing agricultural production through ecosystem impacts, such as the loss or displacement of habitat for temperature-sensitive organisms like honeybees. Conversely, the relationship of cause and effect can be reversed because deforestation with biodiversity loss leads to releasing the carbon stored in the soil, which accelerates climate change.

Therefore, focusing on the factors identified in the previous section, we organized the nexus among the physical and transitional factors related to climate change, biodiversity and ecosystems, water, and resources. Then, we classified the risks and opportunities in the short term (3–5 years), medium term (5–10 years), and long term (more than 10 years) based on the time scale in which each related

event becomes apparent in the future. Understanding the relationships among these factors is essential for appropriate action, and we will continue to analyze these factors for a comprehensive understanding of risk and opportunity.

Table 8: List of climate- and nature-related risks and opportunities

Risk/ Opportunity	Cause	Classification	Time scale		
			Short term	Mid term	Long term
Employee health damage	Temperature rising				+
Relocation of business site	Sea level rising				+
Declining real estate value	Sea level rising				+
Supply chain disruption	Floods				+
Increased procurement cost	Floods, droughts, agricultural production, resource depletion	Climate change (Physical)			+
Increased operating cost	Droughts, resource depletion				+
Suspension of production	Floods, droughts				++
Flood damage to facilities	Floods				++
Increased insurance costs	Floods, sea level rising				+
Disruption of logistics	Floods				+
Suspension of sales activities	Floods, geopolitics		++	++	++
Increased/decreased product sales	Temperature rising, market change			+	++
SCC burden	Carbon tax, adaptation costs		+	+	+
Renewal of energy equipment	Regulation, technology, market change			+	+
Sustainable packaging	Regulation, technology, pollution			+	+
Regulation for ingredient	Pollution		+	+	++
Sustainable brand/product development	Market change			+	++
Additional disclosure items	Land-based GHG emissions		+	+	+
Loss of innovation opportunities	Loss of genetic resources				+

12. Specifying the magnitude of impacts and the hotspots on the value chain

In the previous chapter, the relationship between risk and opportunity factors related to climate and nature was organized into four levels: impact drivers by Shiseido's activities, natural phenomena, social transition, and impacts on Shiseido. However, the magnitude of the impact and the dependency between factors are not uniform. In particular, the factors related to biodiversity are related to land use and pollution in a complex manner, and their relationships are influenced by region-specific circumstances, such as weather condition or habitat, making it extremely difficult to determine the degree of impact from each factor.

In general, indirect GHG emissions upstream and downstream of the value chain account for most of the total emissions, and the importance of reducing these emissions has been recognized. On the other hand, the demand to assume responsibility for reducing emissions from fuel and electricity consumption within a company is strong regardless of the amount of emissions. Similarly, in the case of biodiversity, management responsibility for one's business sites and the surrounding environment is recognized as important regardless of the magnitude of the impact, while it is expected that indirect impacts in the value chain will be prioritized based on the severity of the impact and that efforts will be required for maintenance, management, conservation, and

restoration. Therefore, it is important to logically estimate the magnitude of indirect impacts on biodiversity loss by factor in order to identify targets for protection and to set metrics and targets.

For the purpose of a comprehensive and quantitative understanding of the magnitude of environmental impacts related to climate and nature associated with business activities, an organizational life cycle assessment (LCA) by LIME 3²⁶⁻³⁴ was carried out based on the activity data of the Shiseido Group for 2021. LIME 3, which uses vascular plants with a population parameter of 300,000 species as a model creature, provides the expected increase in the number of extinct species per 1000 species per 1000 years as an endpoint impact of biodiversity loss.

The LCA results indicated that the hotspot for biodiversity impacts is at the procurement stage, and that most of the impacts are caused by land transformation associated with the cultivation of material crops, such as oilseeds and grains used for raw material production. It suggests the importance of collecting and analyzing more detailed information on the agricultural impacts in raw material

procurement in order to understand the impacts of biodiversity loss. An integrated analysis using the G20 population-weighted average willingness-to-pay showed that the externalized costs due to environmental impacts generated from annual business activities were valued at *US\$227 million of which *US\$58 million was related to GHG emissions, *US\$109 million was for water resources, and *US\$3.0 million was for biodiversity. The TNFD requires companies to address both perspectives of the *dependencies* and the *impacts* on natural capital. In addition, environmental taxes, including the carbon tax described below, are schemes that aim to internalize the externalized social costs caused by environmental impacts to the parties that generated the impacts. The integrated score presented by LIME 3 can be interpreted as reference values to verify the relevancy of the nature-related financial impact and of the expected burden from environmental taxes since it can be considered a proxy of the socially implicitly agreed-upon cost to avoid damage from the environmental impacts.

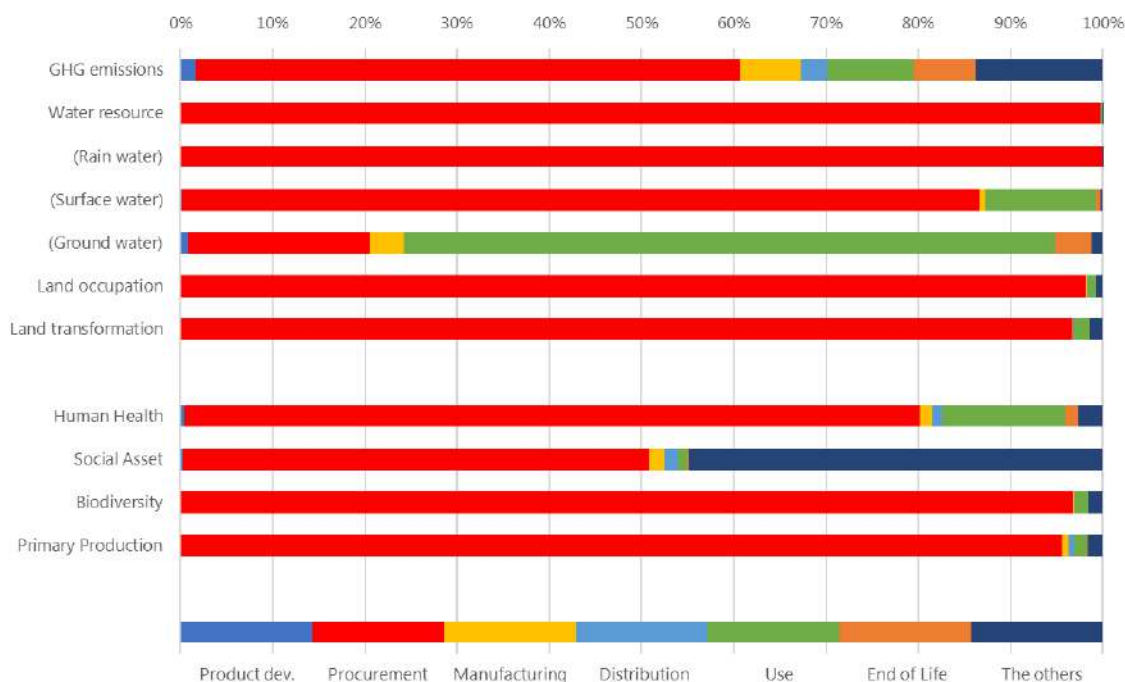


Figure 4: Environmental impacts through Shiseido's value chain

The role of pollinators, such as honeybees, and weevils in the production of agricultural products is well known as one of the most important dependencies on nature. The Food and Agriculture Organization of the United Nations (FAO) has proposed some methods for calculating the value of pollinators³⁵): one is an evaluation method based on the additional cost when pollinators are replaced by other pollinators or labor, and the other is based on the amount of loss resulting from changes in supply and demand when the work of pollinators is lost. This can be interpreted as the impacts of the business risk by biodiversity loss and inadequate functioning of ecosystem services by pollinators. Therefore, for the purpose of quantifying biodiversity-related risks, we estimated the number of crops required to produce raw materials based on the actual procurement volume in 2021, and the dependence on pollinators was calculated using the FAO methodology. As a result, the dependence on pollinators was estimated to be about ¥5 billion per year.

On the other hand, these services provided by pollinators are only part of the dependence on biodiversity. If plant seeds attempt to germinate under sterile conditions with a significant lack of biodiversity, they can easily be killed by fungi if they are inadvertently introduced. The fact that plants can germinate and grow in soil inhabited by many different varieties of bacteria and fungi is a benefit of biodiversity that has created a well-balanced state of competition among different organisms. Most of our products contain plant-derived ingredients, and in a broad sense, all of our sales depend on biodiversity. It is important to develop a more comprehensive understanding of both *dependence* and the *impact* on biodiversity, as well as to promote quantitative assessments.

*Because LIME3 adopts the US\$ as the unit of endpoint assessment, the results are shown in US\$.

Risk management

We assessed and identified the impactful risks holistically from a mid-to-long-term perspective. “Environment and Climate Change” and “Natural and Human-made Disasters” are listed as the categories related to sustainability.

Climate-related risks are analyzed based on scientific and socioeconomic evidence and integrated into the enterprise risk management system as one of the elements related to climate change or natural disasters. Based on the significance of the evidence, the Shiseido Group’s risk assessment and countermeasures are reviewed by the Global Risk Management & Compliance Committee, the Global Strategy Committee, and the Board of Directors.

Metrics and Targets

In 2021, the IPCC declared in its *6th Assessment Report* that it was unequivocal that human influence had warmed the atmosphere, oceans, and land and announced its prediction that the temperature increase would exceed 1.5° C around 2030. In response, the Glasgow Climate Pact, which agreed to limit the increase in global average temperature to 1.5° C or less compared to pre-industrial levels, was adopted at COP26. The Pact can be interpreted as countries all over the world recognize “the toward net-zero emissions” as a common goal. As society moves toward decarbonization, there is no doubt that our business environment will also be greatly affected. Shiseido has continuously promoted initiatives to reduce GHG emissions as a pillar of our environmental activities since the publication of our first *Environmental Report '97* in 1998.

In this chapter, our transition plan for decarbonization and biodiversity conservation is described along with the metrics and the targets for risk and opportunity management and confirmation of the effectiveness of the activities. The plan will be added or modified when longer or more concrete action will be planned, and we will ensure transparent disclosure. For other climate- and nature-related

factors not shown below, we will consider setting appropriate metrics and targets depending on the magnitude of the impact from a long-term risk management perspective.

1. GHG emissions and renewable energy

About 60% of the energy-derived GHG emissions come from production at our factories. We use the latest IT technologies, such as energy management systems, to reduce unnecessary energy consumption and visualize GHG emissions from our production processes. This allows us to educate and motivate employees to save energy at our sites. At the same time, we aim to switch 100% to renewable energy-derived electricity by 2030. Regarding GHG emissions, we set the science-based target of 46.2% reduction for Scope 1 and Scope 2 GHG emissions,

and 55% reduction by 2030 in terms of economic intensity along the 1.5° C trajectory.

Shiseido aims to reduce GHG emissions throughout the value chain by working with our suppliers and other stakeholders on introducing renewable energy into our supply chain, preventing deforestation related to raw material production, and developing and implementing new social models for the efficient collection and recycling of a wider range of materials, as well as our own efforts for selecting raw materials based on green chemistry principles, replacing with plant-derived materials, reducing packaging weight by expanding refilling and design optimization, making packaging recyclable, reducing energy consumption, and expanding renewable energy at our sites.

Table 9: GHG emissions of Shiseido

		(t-CO ₂ e)	
		2019 (Base year)	2022
Scope 1		27,036	23,912
Scope 2	Market-based	51,714	22,527
Scope 3	1 Purchased products and services	644,000	473,000
	Land use change related to raw material procurement* ¹	(563,000) ^{*2}	458,000
	2 Capital goods	231,000	150,000
	3 Fuel- and energy-related activities	15,600	9,500
	4 Upstream transportation	110,000	67,500
	5 Waste treatment generated from business	20,700	15,500
	6 Business travel	14,600	2,440
	7 Employee commuting	5,390	7,520
	8 Upstream leased assets	0	0
	9 Downstream transportation	(252,000) ^{*2}	87,000
	10 Processing of sold products	0	0
	11 Use of sold products	1,580,000	143,000
	12 Waste treatment of sold products	148,000	94,600
	13 Downstream leased assets	0	0
	14 Franchises	0	0
15 Investments	(4,250) ^{*2}	2,770	

*1 Indirect emissions related to land transformation were added after 2021 assessment.

*2 Retroactive calculation results for 2019 are shown in brackets.

2. Raw material procurement

Raw material procurement is the largest contributor to our carbon footprint. We recognize the importance of reducing GHG emissions related to raw material procurement through collaboration with our suppliers. Some raw materials generate significant indirect emissions upstream of the supply chain. Palm oil and palm kernel oil, which are one of the most important oilseed crops for food and daily necessities, as well as cosmetics, are derived from oil palms grown in Southeast Asia. Oil palm plantations are often developed and cause deforestation and significant loss of biodiversity. According to a report by Germer *et al.*³⁶⁾, when 1 hectare of tropical rainforest is developed to create a plantation, 777 to 1,443 t-CO₂e of GHG will be released from the ground over the next 25 years. In order to prevent GHG emissions associated with such land use changes and to conserve the precious rainforest ecosystem, Shiseido aims to switch all cosmetic ingredients directly purchased to RSPO-certified ingredients by 2026. The GHG emissions that can be reduced by this initiative are estimated as approximately 70,000 t-CO₂e per year for oil palm-derived cosmetic raw materials. In 2022, we switched 36%(w/w) of oil palm-related raw materials to the mass balance-based RSPO-certified raw materials.

In the future, as with oil palms, we will continue to investigate the environmental impact of raw materials due to land use changes for other bio-based ones. Also, we will make efforts to minimize our impact on the climate and ecosystems by switching to sustainable procurement.

3. Saving water

Water is an essential resource in all aspects of cosmetics, including the cultivation of crops used as raw material ingredients, heat transfer medium during production, cleaning, and product use, as well as an important raw material for cosmetics. Climate change is expected to affect atmospheric circulation on a global scale, resulting in significant changes in

rainfall conditions. In addition, glaciers in the Himalayas and the European Alps, which are water sources for Asia and the European region, are expected to recede due to rising temperatures. Because of the effects of climate change, there are regions that currently have abundant water resources but will face the threat of droughts in the future. Therefore, in order to make effective use of water resources and mitigate water risks caused by climate change, we are promoting water saving activities, especially at production plants with high water consumption, with the goal of reducing the amount of water consumption at our sites by 40% per sales by 2026 compared to 2014 levels. In addition to saving water by optimizing equipment cleaning and reviewing manufacturing processes, our factories in France, which are particularly interested in water issues, have set their own targets and are working on initiatives to reuse water once used and switch from water to alcohol cleaning for fragrance product manufacturing equipment. As a result, the factories achieved water savings of more than 60% per unit of bulk production compared to 2009.

4. Product development

As the transition to a decarbonized society, consumer awareness of climate and environmental issues is expected to increase more than ever. Responding flexibly to these changes in consumer awareness is critical to the sustainability of our business. We aim to replace all plastic cosmetics packaging with reusable, recyclable, or biodegradable materials by 2025. Shiseido developed and provided a variety of solutions for packaging since the launch of the first refillable face powder in 1926. Shiseido declares that it will optimize packaging design, select appropriate materials, and implement the concept of global reuse by refillable and replaceable products for consumers. In addition to these efforts, we will also work to reduce GHG emissions through innovation for a sustainable future by developing new materials using algae and new chemical recycling methods that

can regenerate various types of plastic.

5. Disclosure

Shiseido supported the TCFD and disclosed the result of climate-related risk analysis based on the TCFD framework. In preparation for a decarbonized society, we compiled our climate-related goals, scope, and initiatives into a transition plan. We are disclosing climate-related information through our responses to the CDP, as well as our website, *Integrated Report*, and *Sustainability Report*. Our disclosure on Scope 1, Scope 2, and Scope 3 GHG emissions are verified by the independent third party verification organization, SGS Japan, to ensure transparent disclosure. In addition, our target on mitigating climate change is certified as the science-based target along the 1.5° C trajectory by SBTi. Regarding renewable electricity, we have joined RE100 to promote the introduction proactively.

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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. We strive to provide new value to consumers by prioritizing high safety and quality standards, as well as excellent functionality, design and usability.

We have redefined our original research and development (R&D) philosophy — passed down for over 100 years — as "DYNAMIC HARMONY: a world where contrasting or complementary forces come together, exquisitely creating fusion and entirely new forms of beauty." Under the "Premium/Sustainability" pillar, one of the five research approaches, we will step up to the challenge of creating sustainable value unique to Shiseido, which balances the satisfaction stemming from the results, high-quality design, and feel of our products with respect for and coexistence between people, society, and the global environment.

We will contribute to the realization of a sustainable world through the development of our own technologies and in collaboration with external parties. This includes packaging initiatives that aim to make more effective use of limited resources, as well as raw material procurement and formula development that minimize our environmental footprint.

Shiseido's 5Rs



Sustainable Packaging

Sustainable packaging plays a critical role in our efforts to reduce our environmental footprint related to climate change and marine debris.

In 2020, we introduced our packaging development policy, "Shiseido's 5Rs" *1. To support the concept of a circular economy, we also disclosed our medium-term target: 100% sustainable packaging by 2025*2 *3. To achieve this target, we are working to reduce packaging weight, develop refillable, recyclable and mono-material packaging, and use biodegradable resins.

*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 2021 (Including estimates) : 17,000t

Reduce/ Reuse

In line with our packaging development policy, "Shiseido's 5Rs", we promote efforts to reduce the amount of plastic used by optimizing the size of packaging according to product, reducing the weight of packaging, and offering refillable packaging.

Refillable packaging is a solid example of how a company's sustainability efforts can help solve environmental issues, particularly when consumers are engaged. We use fewer resources for refillable packaging than regular (primary)

packaging, while repeated reuse of regular packaging leads to a reduction in the amount of plastic used. The use of refillable packaging also reduces resource input and waste, resulting in carbon footprint reduction (compared to regular packaging) based on the Life Cycle Assessment methodology.

In addition to product packaging, we have also begun efforts to reduce the amount of plastic used at in-store point of sales by sequentially switching from plastic to paper materials.

We will continue to tackle environmental issues and offer new value through innovation, such as the development of new materials, new manufacturing processes, and new business models to establish a circular economy.



SHISEIDO, Clé de Peau Beauté and ELIXIR

Recycle

To realize a circular economy, it is important to select materials and design products that can be recycled. In order to reduce the use of single-use plastics, we are actively developing recyclable packaging such as mono-material packaging and packaging that can be easily disassembled after use to facilitate refilling — without compromising design quality. We are promoting such packaging through major brands with high sales volumes, including *SHISEIDO*, *Clé de Peau Beauté*, and *ELIXIR*.

In-store Collection and Recycling

As the global issue of plastic waste worsens, society is changing from a 'take-make-waste' linear economy to a recycling-focused circular economy. Companies are being asked to take responsibility for the products they produce and sell at every stage of the product life cycle — including after use and at disposal.

To support and promote recycling, we work closely with consumers, waste collection companies, and other related parties within the industry. As part of our responsibility, we collect empty packaging and recycle it as new a resource.



IPSA's in-store recycling program

Replace

We are engaged in the development of alternative plastics, biomass-based materials with low environmental impact, and packaging that biodegrades naturally.

We are also expanding our use of biodegradable materials for cases and packaging, while pursuing biomass-based materials which emit less CO₂ than petroleum-derived materials.

We will continue to take on the challenge of solving environmental issues through innovative packaging solutions in order to achieve our goal of 100% sustainable packaging.



SHISEIDO AquaGel Lip Palette made from KANEKA Biodegradable Polymer Green Planet

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 eight 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, is working to select raw materials and develop formulations that are not only safe but also respect the environment.

When selecting raw materials and ingredients, we strive to prioritize human safety, reduce our environmental footprint, and carefully consider various ethical issues.

* As of March 2022.

UV Care

We are accelerating innovation in the field of suncare to protect against UV, and pursuit coexistence between people, their ecosystems, and the environment. As a result of climate change, UV exposure for people around the world is expected to increase. Exposure to UV rays over extended periods of time causes spots and wrinkles on skin — symptoms of photoaging.

We developed an innovative new technology to convert UV light, which has been considered to have deleterious effects on the skin, into visible light (skin-beautifying light) that brings about beneficial effects on the skin — a first for cosmetics. We will continue our research with the aim of providing products and services with new values, including innovations such as this that realize harmonious coexistence with the environment.



SHISEIDO Ultimate Sun Protector Lotion
ANESSA Perfect UV Sunscreen Skincare Milk N

We are assessing the impact of UV filters in our products on corals* by conducting joint research with the University of the Ryukyus and using the advanced method of ocean elution simulations. We are utilizing the results of these assessments for ingredient selection and the development of coral-respecting formulas, while applying them to suncare product development for both *SHISEIDO* and *ANESSA*.

* Colony of egg-laying size excluding planktonic larvae and juvenile coral colonies.

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 corporate product development policy, which reflects our human safety, environmental, social, and ethical considerations. We also exercise transparency in terms of corporate product development and raw material usage directions for all our brands.



Drunk Elephant



BAUM

Abolishing Animal Testing

We strive to provide safe and effective products to consumers while complying with cosmetics regulations and respecting the principles of animal protection.

For all our cosmetics and quasi drugs, we have established a safety assurance system based on alternative methods using cell cultures or in silico*1, etc., that do not involve animal testing*2. We continue to develop effective alternatives to test product safety, and work with administrative agencies in various countries/regions to certify these methods as official, according to the laws and regulations of the given countries/regions.

*1 : A method of prediction by computer-based calculation.

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

Our Environmental Approach

Toward a Rich Global Environment Where People Can Truly Enjoy Beauty

'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, use, and disposal—we work to preserve the global environment that we all depend on. That is how we create sustainable value.

In 1992, Shiseido established the "Shiseido Eco Policy", a management policy on the environment and has been working to preserve the global environment. Today, this aspiration is carried on in the "Shiseido Code of Conduct and Ethics" under THE SHISEIDO PHILOSOPHY. Please refer to the "Aiming for a Sustainable World" section of the "With Society and the Earth" chapter of the "Shiseido Code of Conduct and Ethics".

“Shiseido Code of Conduct and Ethics”*Excerpts

With Society and the Earth

Aiming for a sustainable world

We promote environmental initiatives in line with our own stringent standards. We consider biodiversity as we aim for a sustainable world in which humankind and the Earth coexist harmoniously.

1. We strive to reduce our environmental impact through efforts such as reducing emissions of carbon dioxide (CO₂), which makes up the majority of greenhouse gases (GHG), utilizing water resources effectively, and reducing waste in the production of our products.
2. We strive to minimize waste in our business processes and when our products are used by consumers, with emphasis on Shiseido's 5Rs: Respect, Reduce, Reuse, Recycle, Replace.
3. We work to develop and innovate new products and services that promote the beauty and well-being of consumers and are also eco-friendly.
4. We proactively develop new technologies and engage in technical collaboration with the aim of lessening the environmental impact of our business activities.

Based on the "Shiseido Code of Conduct and Ethics", we will not only comply with environmental laws and regulations, but also commit to set targets and strategic actions to reduce environmental impacts, and promote continuous improvement of our environmental management and performance. To ensure our commitment and oversight the implementation in these areas, decision-making on sustainability strategies and policies, and specific action plans such as TCFD disclosure, as well as monitoring the progress of medium-to-long-term targets will be carried out at the Sustainability Committee. The Committee is headed by the Representative Director, President and CEO and composed of executive officers from the Global Headquarters' key concerned functions in sustainability. Board of Directors will be consulted when a decision is needed on particularly important matters. In order to raise awareness on sustainability, we will also conduct training for employees and promote communications with internal and external stakeholders. We will promote sustainability under the "Shiseido Code of Conduct and Ethics" for the entire life cycle (research and development, procurement, production, distribution and logistics, use, recycle and disposal) together with our business partners including suppliers, outsourcing partners, and etc.. This will include business expansion through mergers and acquisitions and new entry projects for subject business activities.

Our Thoughts Regarding "Biodiversity"

Our company name 'Shiseido' implies a meaning "Praise the virtues of the Earth, which nurtures new life and brings forth significant values ". We recognize that natural resources, which are the source of Shiseido's value creation, are limited. Aiming for biodiversity conservation and no deforestation in the countries of origin, we are committed to switch to 100% sustainable paper by 2023 and 100% sustainable palm oil by 2026, and will promote sustainable procurement of our own operations, and also of our tier-1 and non-tier-1 suppliers.

Moreover, we will work with external partners to mitigate negative impacts, conserve, and restore biodiversity when operating in areas in close proximity to critical biodiversity.

Our Thoughts Regarding "Freshwater Resources"

Water supports various aspect of our products, including the development of water-containing products such as lotions; the growth of plants as raw materials; temperature control; equipment cleaning; consumption; and waste disposal.

In light of the unique characteristics of water resources, such as its circularity and uneven distribution, we want to respect and promote a healthy water cycle, culture, and the human right to water and sanitation. We aim for a sustainable consumption for not only regulatory compliance but to also be in alignment with initiatives such as SDGs. We aim to reduce water consumption by 40%*1 by 2026 (versus 2014). In addition to promoting technological innovations, we promote water saving and recycling activities — especially in areas with high water stress and areas where rainfall is expected to decrease due to climate change. Furthermore, in collaboration with local stakeholders, we promote "water stewardship"*2 as a common property. To make effective use of water resources we focus on circular usage, where water used is purified and reused or recycled.

*1 : intensity per sales

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

Promoting Environmental Management

The Shiseido Group's production sites introduced the ISO 14001 environmental management system for the first time in 1997. Our eleven production sites worldwide have obtained ISO 14001 certification. We are reducing our environmental impact and improving our management system by placing an Environmental Management Representative in each production site responsible for environmental initiatives including, setting policies and targets, promoting activities, confirming compliance with regulations, properly managing chemical substances, educating employees, and conducting the PDCA cycle. The progress of these activities is validated through third-party audits.

Status of ISO14001 Certification

Production sites		Date of certification
Shiseido Company, Limited	Shiseido Kuki Factory Certificate of Registration [PDF : 70.4KB]	October 27, 1997
	Shiseido Kakegawa Factory Certificate of Registration [PDF : 81.8KB]	October 5, 1998
	Shiseido Osaka Factory Certificate of Registration [PDF : 139KB]	March 24, 1999
	Shiseido Nasu Factory Certificate of Registration [PDF : 74.3KB]	June 13, 2022
	Osaka—ibaraki Factory Certificate of Registration [PDF : 139KB]	March 24, 1999
Taiwan Shiseido Co., Ltd. Hsinchu Factory	Certificate of Registration [PDF : 110KB]	August 31, 1999
Shiseido America, Inc.	East Windsor Factory Certificate of Registration [PDF : 274KB]	March 31, 2000
Shiseido International France S.A.S.	Unité de Gien Unité du Val de Loire Certificate of Registration [PDF : 387KB]	August 8, 2000 February 8, 2002
Shiseido Liyuan Cosmetics Co., Ltd.	Certificate of Registration [PDF : 0.98MB]	August 17, 2000
Shiseido Cosmetics Manufacturing Co., Ltd.	Certificate of Registration [PDF : 674KB]	November 9, 2004
Shiseido Vietnam Inc.	Certificate of Registration [PDF : 86KB]	December 15, 2011

Cooperating Companies

Production sites		Date of certification
Shiseido Honeycake Industries Co., Ltd.*	Certificate of Registration [PDF : 227KB]	September 29, 1999

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

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, 2021

Scope: Domestic sites (production sites, research centers, 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			515	444
Breakdown	(1)-1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	123	150
	(1)-2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	299	8
	(1)-3 Resources recycling costs	Waste processing, recycling, Wastewater re-use, reducing materials, etc.	92	284
	(1)-4 Chemical substance reduction cost		-	2
(2) Upstream/downstream costs		Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc.	-	222
(3) Administrative costs		Personnel expenses (excluding R&D), environmental management costs	-	452
(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.	-	35
(6) Environmental remediation costs		Environmental remediation costs, etc.	-	-
(7) Other costs			-	-
Total			515	1154

2. Economic Benefit Associated with Environmental Conservation Activities (Unit: 1 million yen)

Outcomes		Economic Benefit
Earnings	Revenue from the recycling of waste generated in main business activities and the recycling of used products, etc.	40
Cost savings	From energy conservation	117
	Waste-related	10

	From resource conservation	6
	Other	-
Total		174

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 prolonged COVID-19 pandemic that has spread worldwide 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. As a result, in 2000, almost 100% of female employees returned to work after childcare leave. We have promoted advanced initiatives in Japan ever since.

Building on our heritage of empowering women in Japan and around the world, we also collaborate with organizations, governments and businesses to promote gender equality for all, so that everyone can live life exactly as they wish.

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 lessen the suffering of wartime burn victims. Since then, we have developed a wide range of cosmetics for discolorations and scars. In recent years, as part of our Shiseido Life Quality Makeup initiative, 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 business 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 Code of 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.

Respecting Human Rights and Ensuring Responsible Procurement

Human Resources

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:

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

The 30% Club Japan aims to increase the proportion of women among executive officers in Japanese companies*1. A global initiative that originated in the UK, the Japan chapter was started in May 2019 in the drive to achieve a 30% proportion of female directors*2 at TOPIX 100 companies by 2030. Masahiko Uotani, Shiseido Representative Director, Chairman and CEO, became the founding chairperson and formed the TOPIX Presidents' Committee consisting of 33 chairperson and presidents of companies listed chiefly in TOPIX 100 and TOPIX Mid 400.

As concrete measures to address the three issues involved in the career development of women found through the Committee, projects have been organized and implemented jointly among member companies, such as creating opportunities for young female employees to examine their career paths at an early stage, sharing management know-how regarding employees in their childbirth and childcare phases of life, and exchange with female managerial candidates and top executives of member companies.

TOPIX Presidents' Committee meetings attended by top executives of member companies have been held five times to date. In 2021, lively discussions were held on the theme of "appointment of women to executive officer and line manager (organization head) posts," through case studies at various member companies. In the project management team organized by business operation personnel of member companies (75 from 33 companies), cross-company projects have been organized to promote concrete action to resolve common issues, especially in the development of career awareness among young women and elimination of the so-called "mommy track."*3

Through activities during the past three years, the ratio of women among executive officers in companies belonging to the TOPIX Presidents' Committee rose by 14.1 percentage points vis-à-vis the national average. It has also brought a steady progress for eliminating gender inequality, such as advancement of women to posts such as managers of business operations and of manufacturing operations, that had been rare in the past.

Shiseido will lead the transformation of Japanese companies toward breaking away from homogeneity through innovation and by promoting the active participation of women.

*1 : Executive officers here refer to directors and auditors.

*2 : The ratio of female directors in TOPIX 100 boards of directors (including auditors for companies with board of auditors)

*3 : "Mommy Track" is a term used to describe the employment environment in Japan where mothers raising children tend to leave the promotion course.

[Click here for the 30% Club Japan](#)



TOPIX Presidents' Committee



Empowering Women through Collaboration with Local Governments

In 2021, Shiseido Japan Co., Ltd., and Hiroshima Prefecture have concluded an agreement on promoting empowerment of women. As part of Shiseido's ongoing activities to empower women and promote gender equality, we are making contributions to regional societies through support in job placement and empowerment of women in Hiroshima Prefecture, chiefly through beauty seminars, promotion of awareness and communication regarding empowerment of women and assistance in creating networks among working women. To commemorate the partnership, an event was held in March 2021 to support 14 women planning to return to work, including basic makeup lecture and makeup tips when preparing for online interviews. Beauty lectures on skincare and makeup for job-hunting activities have been organized in the workplace experience program sponsored by Hiroshima Prefecture to support mothers with young children planning to return to work, as well as online, joint company briefing sessions. In addition, an empowerment of women training was organized, in which a managerial woman representing Shiseido Japan's Hiroshima Office appeared to encourage women and mitigate their anxieties over pursuing advancement into managerial posts.

In March 2022, Shiseido Japan Co., Ltd., has joined a citizen collaboration project "Machi, Watashi, Kirameku Women's Campus Yamagata" which Yamagata City and Ridilover, the general incorporated association organizing educational and training programs on social issues had concluded a comprehensive partnership agreement.

[Click here for the news release regarding the agreement with Hiroshima Prefectural Government. \(Japanese language only\)](#)

[Click here for the news release regarding the joint press conference with Yamagata City. \(Japanese language only\)](#)



Signature ceremony of the partnership agreement attended by the Deputy Governor of Hiroshima Prefecture, branch manager of Shiseido Japan Chu-Shikoku Branch Office and manager of Chu-Shikoku Sales Branch



Online beauty lecture commemorating conclusion of the partnership



Joint press conference with Mayor of Yamagata City, CEO of Ridilover Inc. and Shiseido Japan Region Chief Executive Officer

Childcare Support

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 such as Kangaroom Shiodome (2003) and Kangaroom Kakegawa (2017), we began supporting and managing two childcare facilities at other companies in Kanagawa and Shizuoka prefectures.

In 2021, the childcare training program for men, *Ikutore*, was started. Through hands-on training by childcare staff at Kangaroom Shiodome, participants gain awareness toward childcare and toward family involvement in childcare while pursuing careers.

[Click here for information on employee support in balancing work and family care.](#)



In-house daycare nursery "Kangaroom Kakegawa"



Ikutore at Kangaroom Shiodome

[Click here for the corporate website of KODOMOLOGY Co., Ltd. \(Japanese language only\)](#)

Supporting Female Researchers in Natural Sciences

The proportion of female researchers in Japan is low compared to Western nations, remaining at roughly 17.5%. In order to improve this situation, Shiseido is offering continuing support to female researchers in Japan who are engaged in world-leading, innovative research in natural sciences. Starting in 2007, Shiseido Female Researcher Science Grant has been providing support in this area. Now in its 15th year, 2022, 10 women researchers have been granted a subsidy of one million yen. This subsidy is distinguished for its versatility in providing support to women in their life events such as childbirth and childcare, so long as the objective of the funding is research. To date, it has contributed to the research results and the career development of 149 researchers.

In 2022, 15th award presentation ceremony and 14th research presentation event were held at the Shiseido Global Innovation Center (Yokohama) for the first time in 3 years. At the research presentation, 9 female researchers working on the cutting edge of research in fields such as Material Science and Molecular Biology reported on the progress of the previous year's award-winning research and exchanged opinions among researchers from different fields. Furthermore, at a social gathering held before the award ceremony, while thoroughly taking countermeasures against the coronavirus, the award recipients shared their research and worries about life events and deepened their friendship. We hope that the network built through the award of this grant will support them to make further achievements as female researchers into next-generation natural science.

[Click here for details on the Shiseido Female Researcher Science Grant \(Japanese language only\)](#)



The Shiseido Female Researcher Science Grant award ceremony

**SCIENCE
GRANT**
SHISEIDO FEMALE RESEARCHER



The 15th Shiseido Female Researcher Science Grant award ceremony (Japanese language only)

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, the tournament was held on the theme of "Power of Women 2021: Let's expand the circle of support!" in order to encourage all women working under harsh conditions during the pandemic. Preliminary rounds were held in August in four locations nationwide followed by the final round held in December. The number of participants in 2021 was 232 from 90 companies. In the three years since its inception, a total of 716 from 149 companies came together to strengthen the network, while taking infection prevention measures, in order to invigorate them for their future.

[Click here for the website of Shiseido Corporate Ladies Team Golf Tournament \(Japanese language only\)](#)



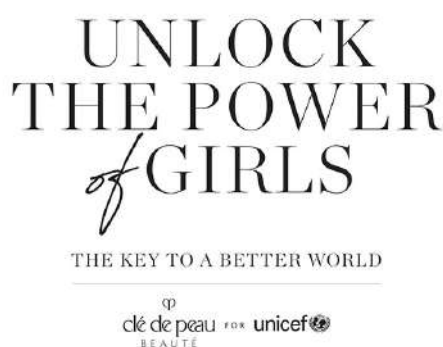
Shiseido Corporate Ladies Team Golf Tournament

Empowering Women and Girls and Helping Them Become Self-Reliant

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 help them become more self-reliant.

Clé de Peau Beauté: Supporting Education for Girls

In October 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 8.7 million USD in support of UNICEF's Gender Equality Program. In this way, the brand has helped to promote the organization's effort to empower 7.9 million girls globally with skills for the future through education, skills development, and empowerment programs.



Due to COVID-19, education activities have been disrupted. The situation has highlighted the urgency for digital inclusion through our increased reliance on technology and made it clear that the future will demand a greater focus on STEM*2 education. As the world reimagines learning systems to adapt to our new reality, Clé de Peau Beauté's partnership with UNICEF helps young girls in Kyrgyzstan, Bangladesh, and Niger amongst other countries and regions to gain access to STEM education and acquiring skills for the future development.

In September 2021, the brand team held a Virtual Field Visit (online tour) to connect with students, parents, and school teachers in Kyrgyzstan — one of the partnership's supported countries and regions. STEM Project participation not only helped increase the number of female students in STEM fields, but also helped eliminate stereotypes regarding female students pursuing such fields.



Virtual Field Visit (online tour) with participants from Kyrgyzstan

At events such as 2021 ADB*3 Asia and the Pacific Virtual Gender Forum in November 2021 and the UNICEF-hosted Global Forum for Children and Youth in December 2021, 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.

This year, the brand also held a worldwide CRM Campaign*4 featuring the brand's best-selling product, The Serum, inviting consumers' participation and aiming to raise awareness for UNICEF's program.

Additionally, Clé de Peau Beauté also held the Power of Radiance Awards*5 — a long-term philanthropic endeavor to honor women from around the world who have acted to drive positive change through knowledge.

In the fourth year of the program, the Power of Radiance Awards recognized Amanda Simandjuntak from Jakarta, Indonesia in recognition of her efforts to empower young girls through STEM education. Amanda is the CEO and co-founder of MARKODING*6, a non-profit organization with a mission to empower underprivileged youth in Indonesia through innovation and technology.

Funding for these charity programs comes from a portion of the global sales of the brand's best-selling product—The Serum.

The brand will continue to support women who have a positive impact on society.

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

*2 : Science, Technology, Engineering, and Mathematics.

*3 : Asian Development Bank

*4 : CRM Campaign: A Cause-Related Marketing Campaign whereby a portion of The Serum's sales will be donated to support UNICEF's program for education and empowerment of girls around the world.

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

*6 : MARKODING which "2022 Power of Radiance Awards" recipient Ms. Amanda Simandjuntak serves as CEO and co-founder, is a non-profit organization with a mission to empower underprivileged youth in Indonesia through innovation and technology such as coding, UI/XU design and product development. Since 2019, MARKODING has partnered with UNICEF Indonesia and launched the 'Digital Innovation Challenge' to equip adolescent girls and boys with transferable, digital and entrepreneurship skills aiming at developing human resources who can solve the problems by themselves.

POWER of RADIANCE



Amanda Simandjuntak, recipient of the 2022 Power of Radiance Award

[Click here for information on the Power of Radiance Award.](#)

[Click here for Clé de Peau Beauté global partnership with UNICEF.](#)

Shiseido Travel Retail: Supporting Marginalized Women and Girls in Cambodia

Since 2020, Shiseido Travel Retail has partnered with Friends-International on 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 have contributed cash donations and beauty products; we are also involved in the development of the training curriculum. In 2021, 78 students received vocational beauty training — 41 of whom were placed in employment.



Students participating in beauty training



Hairdressing practice at a beauty salon

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.

Empowerment women at Shiseido

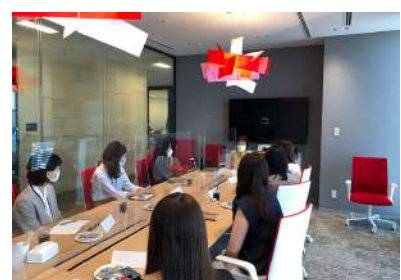
In the Shiseido Group, more than 80% of the workforce are women. The percentage of women in leadership positions across our global organization is 58.3%*. Also, 46% of directors and auditors are women (as of April 2022), and the ratio of women leaders in Japan is at 37.3%*. We believe that empowerment of women creates innovation and will lead to further growth of the company and to self-fulfillment of the employees. For this reason, we plan to raise the proportion of female leaders on all levels of the organization in Japan to 50%, which is the symbol of equal job opportunity, by the year 2030.

In Japan, we have long been implementing measures and programs to support the life events of women including childcare leave and shorter working hours during the childcare period since the early 1990s before the childcare and family care leave law took effect in Japan.

Specifically, childcare facilities (Kangaroom Shiodome in 2003 and Kangaroom Kakegawa in 2017) were opened and also provide service to nearby businesses and residents. In 2008, the Kangaroo Staff program was created to provide personnel to supplement the Shiseido Beauty Consultants taking shorter working hours due to childcare. In 2021, 1606 Shiseido Beauty Consultants in the childcare stage of life were supported by 1090 Kangaroo Staff personnel nationwide. Through these activities, the percentage of job reinstatement following childcare leave is at 99.3% for the Shiseido Group in Japan and continues to be maintained to date.

In order to train women leaders, "NEXT LEADERSHIP SESSION for WOMEN" was organized with 48 women participating in 2021. In the training program, female managerial candidates learn management and business skills while exploring their individual leadership styles. It is a combination of learning how to deal with obstacles they face in exercising leadership, attendance of lectures by women leaders, networking among employees, coaching, etc. In the five years since its introduction, 44% (59) of the 133 participants in the program were successfully promoted. Starting in 2021, the program has included mentoring between female officers and female employees. Interaction with female officers is providing employees opportunities to examine their own career development. In order to achieve 50% in women leaders on all levels of the organization, female senior leadership must be strengthened. For this purpose, "NEXT LEADERSHIP SESSION for WOMEN advanced" was created for female employees who head business divisions and business sites and drew attendance of 15 women. Participants assume the role of the company president to develop their own business vision, which is discussed with the CEO. In the 10-day program to delve into decision-making by the corporate executive in various situations, the participants are expected to clearly identify their decision-making standards and to acquire the skill to deal with pressure in making significant decisions.

In "Speak Jam", a mentoring program by female officers for female employees, 67 women in their 30s and working in various fields such as sales, manufacturing, and R&D participated in 2020-2021. Through dialogue, the female officers spoke their own past experiences to female employees facing issues in their life events, self-development, and career development. It has become an important program for female employees to gain a positive outlook toward their careers and for female officers to understand issues that impede the empowerment of women.



Mentoring program with female officers
"Speak Jam"

In order to assure the health, safety and sense of security, and work incentive of employees and foster business growth through greater productivity, various actions have been implemented to improve the work environment not only for women but also for employees with various attributes, such as revision for shift toward flextime work without designated core worktime, telework scheme implemented for all Shiseido Group companies in Japan and Shiseido hybrid work style that allows for versatile combination of remote work and office work, depending on the purpose of business operation.

Starting in 2021, office renovation based on the workplace concept of "Intersection of Creativity" was conducted for business sites both in Japan and other countries. It is an approach to office work style, aimed at creating possibilities of innovation through new communication that cross organizational boundaries and at encouraging a work style that produces the maximum results.



New value creation floor on 11F of Shiseido Shiodome Office, designed to create innovation

In May 2022, these efforts to promote women's participation and advancement in the workplace were highly evaluated and earned 1st place in the overall ranking of the "100 Best Companies Where Women Actively Take Part" 2022 at the "Survey on Female Workers' Workplace Opportunities" conducted by Nikkei Business Publications' Nikkei Woman together with Nikkei Womenomics Project of the Nikkei Group. This is the fourth time taking 1st place in the overall ranking since 2016. In 2017, we launched a leadership program session "NEXT LEADERSHIP SESSION for WOMEN" to enhance human resources development and the ratio of female leaders has increased to 37.3%. These efforts are highly evaluated as a women empowerment leading company.



Nikkei Woman publisher (left), Shiseido Representative Director and Senior Executive Officer (middle), and Nikkei Woman Chief Editor (right) at the "100 Best Companies Where Women Actively Take Part" 2022 ceremony

* As of January 1, 2022

[Click here for more on Shiseido's diversity&inclusion activities.](#)

External Recognition

Shiseido's diversity & inclusion activities have received multiple awards from various organizations.

We will continue to support the activities of employees of diverse backgrounds including foreign nationals and midcareer hires in addition to women in order to boost progress in diversity & inclusion.

女性が輝く
先進企業 2020

Prime Ministerial Award for Women Empowering Companies 2020*1

NADE
SHI
KO
BRAND
2022

FY2022 Nadeshiko Brand*2



2020 WCD Visionary Awards



MSCI Japan Empowering Women Index (WIN)* 3

- *1 : The Prime Ministerial Award for Women Empowering Companies is awarded to companies that have shown significant achievements in policy, activities and performance on appointment of women to executive and managerial posts, as well as information disclosure on such activities, in order to promote the development of work environments that empower women.
- *2 : Nadeshiko Brand is designed to spotlight stocks of listed companies that excel in the empowerment of women to attract investors. Selected companies are those that place emphasis on long-term corporate value improvement and the acceleration of activities designed for the empowerment of women. Shiseido has been selected consecutively since 2021.
- *3 : The MSCI Japan Empowering Women Index (WIN), developed by MSCI (USA), is designed to select Japanese businesses that rate highly in the empowerment of women and gender diversity. Shiseido has been selected five years in a row since its inception in 2017.

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 and to encourage them to perceive them as personal matters and make improvements voluntarily. In 2022, we conducted the Global Gender Culture Relay as a cross-regional initiative under the common theme, "Discover gender issues in your culture." As part of the campaign, we featured books, movies, art, and the like on the theme of the lives of women and gender that drew attention in respective regions across the world at Shiseido through our Company intranet.

Shiseido's regional headquarters for Asia Pacific held a campaign to declare the efforts of each and every employee under the theme of International Women's Day aiming to enlighten "gender equality". In Singapore, we also called for portraits and video shoots for the employee engagement and shared the history of Shiseido's gender equality advancement with our employees in a newsletter.

Shiseido's regional headquarters for Travel Retail also distributed the brand's efforts for gender equality through a newsletter for International Women's Day. In Singapore, we also called for employee participation in Global Gender Culture Relay in contest-form.

In our regional headquarters for the Americas, we shared portrait photos of each employee on the theme of International Women's Day on the Company intranet. Affinity group "Women Empowering Women" also held a panel discussion with female leaders.

Our regional headquarters for Europe held an internal movie event featuring Japanese women's lives. We learn about a diverse range of women's situations in different regions through the film.

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



Movie event (France)

Support for Patients with Xeroderma Pigmentosum

Support Outline

Since 2000, we have supported people living with Xeroderma Pigmentosum (XP) — a condition characterized by extreme sun sensitivity — through sunscreen donations and seminars led by our researchers and Beauty Consultants. At these seminars, we explain how to effectively protect skin in order to enjoy the outdoors.

In 2021, with support from sun care brand *ANESSA*, we held online seminars for parents of children with XP, providing basic information on UV rays, sun protection, and the correct use of sunscreen.

Since 2005, we have also provided financial aid for patient exchange meetings through voluntary donations from participating employees' salaries (Shiseido Camellia Fund).

For details on support, please refer to Social Data.



Purpose of Activities

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, and we offer insights into effective sunscreen usage and market a broad range of high-quality sunscreen products. Support for UV-sensitive people 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)

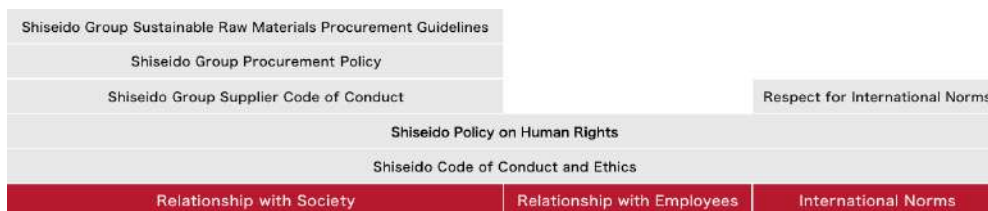
XP is an intractable disease that causes severe sunburn reactions, such as redness and swelling of areas exposed to UV rays. There are multiple types of XP with varying symptoms and severity. A severe form may involve the progression of neurological symptoms (e.g., walking difficulty, hearing loss, or 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 must 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).

At Shiseido, we remain committed to improving the quality of life of our consumers.

Our Human Rights Approach

In 2020, we established a human rights due diligence process to promptly identify, prevent and mitigate potential human rights issues. Shiseido has established the Shiseido 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.



Shiseido Code of Conduct and Ethics

For details, please refer to the Shiseido Code of Conduct and Ethics.

Shiseido Policy on Human Rights

It was formulated based on the United Nations Guiding Principles on Business and Human Rights and the Shiseido Code of 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 June 2022. This policy applies to the Shiseido Group and our business partners.

Shiseido Group Supplier Code of Conduct

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

Shiseido Group Procurement Policy

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

Shiseido Group Sustainable Raw Materials Procurement Guidelines

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 functions in the Global Headquarters (Human Resources, Risk Management, Sustainability, Procurement) work together with various departments and domestic and overseas group companies to further the promotion of human rights.

The Shiseido Group

We launched the Sustainability Committee, a dedicated body to ensure timely management decisions related to sustainability, including human rights, and their company-wide implementation. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the Representative Director President and CEO, and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers from different fields to ensure discussions of a range of issues from different perspectives.

At our global headquarters in Japan, the "Shiseido Group Global Hotline" has been established to receive reports directly from employees of our affiliates/business partners around the world.

Supply Chain

The Global Headquarters (Procurement, Risk Management, Sustainability) 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. 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

Based on the United Nations Guiding Principles on Business and Human Rights (UNGPs), National Action Plans (NAPs) have been formulated in various countries, mainly in the EU, and many NAPs include a statement on human rights due diligence.

In 2020, we established a human rights due diligence process to promptly identify, prevent and mitigate potential human rights issues.

The human rights due diligence process begins with a human rights risk assessment to assess and identify human rights risks for all stakeholders. Next, improvement activities are promoted to stop, prevent or mitigate the negative impacts of the identified human rights risks. The promotion of these activities is checked and activities to further reduce human rights risks are continued, as well as progress reporting and disclosure.



Human Rights Risk Assessment

Step1: 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 Labor Standards, the Universal Declaration of Human Rights, the Global Reporting Initiative (GRI), the CHRB, the Dow Jones Sustainability Index (DJSI), and the FTSE.

Step2: 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 Labor 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

Human Rights Risk Reduction Activities

In 2021, the eight areas identified by the human rights risk assessment were reorganized and integrated into six categories according to issues and measures to be taken. Executive officers were then assigned to each category to implement improvement activities aimed at curbing, preventing, and mitigating negative impacts on human rights. Human rights of employees are managed by the Human Resources and Risk Management departments, which promoted e-learning for employees and implemented activities to reduce the occurrence of occupational accidents. Human rights of suppliers and contracted manufacturers are handled by the Supply Network Division, which continuously conducts supplier assessment programs and reviews procurement policies.

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 800 primary suppliers who conduct direct transactions. Our aim is to create a sustainable supply chain built on responsible procurement and to minimize risk across the entire supply chain.

To do so, we are promoting the implementation of a supplier assessment program.

Beginning in 2022, based on the revised procurement policy, we will evaluate suppliers from a sustainability perspective and increase business with high-performing suppliers.

As well as Tier 1suppliers, we will also assess suppliers beyond Tier 1.

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.

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.

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.)

In 2022, in the case of employees of Shiseido Co., Ltd. and Shiseido Japan Co., Ltd. a self-assessment confirms that the basic salary is designed to exceed the living wage in comparison with the 2021 RENGO Living Wage Report issued by the Japanese Trade Union Confederation.

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.

In 2021, we held a dialogue with 14 human rights organizations and experts on the following topics.

- Forced labor and human trafficking in the supply chain
- Children's human rights in advertising and marketing
- LGBT human rights
- Living wage

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

We have established Whistleblowing and Consultation Hotlines at our global headquarters to handle consultations and reports from employees on various human rights and labor issues.

At each of our regional offices/headquarters, contact window has been setup to handle reports of violations of the Shiseido Code of Conduct and Ethics, internal rules and each country's laws and regulations.

At our global headquarters in Japan, the "Shiseido Group Global Hotline" has been established to receive reports directly from employees of our affiliates/business partners around the world.

Employees can also directly e-mail the Audit & Supervisory Board to report on words and/or actions breach of ethics by directors and executive officers. Furthermore, in Japan, we established "Sodan Room" (an in-house Shiseido hotline) and an "External Shiseido Hotline." Both handle general workplace issues and whistleblowing, while the "Compliance Committee Hotline" is dedicated to whistleblowing.

Information about all our hotlines — including instructions for use, internal rules, fair research processes, prohibition of disadvantageous treatments of whistleblowers, and confidentiality of reported and consulted contents — is well clearly communicated to every employee via a digital leaflet, intranet bulletin board messages, etc.

Human rights education training for employees

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

Employees of the Shiseido Group in Japan

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

Promoting Sustainable and Responsible Procurement

At Shiseido, we utilize the world's natural resources to develop products and operate our business. We understand these resources are limited, and as such, we place the utmost importance on the sustainable and responsible procurement of raw materials at every stage of the supply chain. This includes the reduction and reuse of resources from the perspective of environmental protection, biodiversity, and in support of a circular economy. In all our activities, we also work to address and strengthen our response to issues such as human rights.

Procurement of Raw Materials

The production of raw materials may lead to environmental destruction and human rights violations. Raw materials such as palm oil and paper have a large impact on biodiversity, therefore it is important for companies to 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 the mining of mica. As for mica, by clarifying our own procurement policy and building a support system in collaboration with other companies, we aim to make a positive change.

Palm Oil

While palm oil is a highly versatile raw material used in a variety of products from food to cosmetics, its production has caused deforestation and human rights issues. Therefore, sustainable and responsible procurement is essential.

As part of our efforts in this area, in 2010, we joined the Roundtable on Sustainable Palm Oil (RSPO), an international NPO and began purchasing RSPO certificates (credits) equivalent to 100% of palm-derived raw materials in 2018*1. And in 2020, we disclosed our medium-term target of reaching 100% sustainable palm oil by 2026*2. The relevant teams in our global and regional headquarters have been working together to promote initiatives aimed at achieving this target. In addition, we have been promoting the acquisition of RSPO Supply Chain Certification at all Shiseido factories.

Since 2019, we have 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 related to palm oil by strengthening collaboration with other companies.

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 palm oil smallholder farmers, we deepened our understanding of the human rights risks, abuses, and labor issues involved in palm oil production.

The Shiseido Camellia Fund supports the activities of the World Wide Fund for Nature Japan (WWF Japan), such as training smallholders in Indonesia who produce sustainable certified palm oil to protect the environment.

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.

*1 : Amount of palm oil sourced in 2021 (palm oil equivalent basis): 10,300t (MB: 27%, credit: 73%).

*2 : RSPO's physical supply chain models.



RSPO, Jonathan Perugia



Check our progress at www.rspo.org

Paper

Aiming to responsibly use resources and reduce single-use plastics, we actively promote the use of paper for secondary packaging such as folding cartons. However, there are environmental issues associated with the production of raw materials for paper, such as deforestation and loss of biodiversity, as well as human right issues. Therefore, sustainable and responsible procurement is essential.

We aim to be using 100% sustainable paper by 2023, and in 2021, we promoted the switch to sustainable paper*1, achieving a 72% weight shift*2. Cosmetics packaging must satisfy various expectations. It must be strong, sustainable, and sophisticated in design. In collaboration with paper manufacturers, we are developing innovative paper packaging solutions that meet such expectations and even go beyond. We are also promoting the switch to sustainable paper for promotional materials such as product displays, bags, and leaflets, as well as copier paper in our offices.

*1 : Such as certified paper and recycled paper

*2 : In 2021, the total percentage of sustainable paper was 72%. Certified paper and recycled paper was 56% (by weight).



FSC-certified ELIXIR packaging
FSC®N002397

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 aims to eliminate child labor and forced labor at Indian mica mining sites to establish Indian mica as a sustainably produced raw material. In collaboration with NGOs, the Indian Government and participating companies, RMI contributes to the stable employment of mica miners, aiming to improve working conditions from a health and safety perspective. Activities also support the development of local economies and provide educational, medical and nutritional aid to children in mica-dependent communities.



Responsible Mica Initiative

Biodiversity

We rely on natural resources for the production of cosmetics, and we recognize that the activities of the Shiseido Group have a considerable impact on the biodiversity of our planet — from the procurement of raw materials, through

sales and distribution, to the disposal of our products.

In recent years, environmental destruction has led to a rapid loss of biodiversity. We recognize this as an issue that must be addressed throughout the entire value chain. We support zero deforestation and are working to conserve and restore biodiversity.

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 forest soil into the atmosphere. We are also actively engaged in the conservation and restoration of activities for biodiversity through our brands and regional businesses.

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.



Supplier Assessment Program

Ethical Supply Chain Policies and Standards

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

In recent years, as social and environmental issues have become more serious, companies are strongly urged to not only comply with the laws and regulations of each country, but also respect international treaties and conventions and work toward the realization of a sustainable society and world throughout their supply chains. To this end, Shiseido has established standards and policies for procurement.

We have issued the Shiseido Group Supplier Code of Conduct and the Shiseido Group Procurement Policy 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 wide-ranging experts such as 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

We joined The United Nations Global Compact and took this opportunity to establish the Shiseido Group Supplier Code of Conduct. This code of conduct articulates norms related to human rights, compliance with laws and regulations, labor practices, protection of intellectual properties, protection of confidentiality, protection of the

environment and fair transactions. We request all suppliers who have transactions with us to comply with these standards.

To ensure sustainable procurement together with our suppliers, we regularly conduct supplier assessment and the supplier assessment program, which includes corrective actions after the assessment.

In the event that any supplier is identified to have violated the code of conduct, they are requested to implement corrective actions, and we support and educate them.

Shiseido Group Procurement Policy

Our procurement policy is to respect all our suppliers as well as ensure sustainable procurement taking society and the environment into account. This is because we aim to provide safe products with high quality which satisfy our customers.

We state a policy to create social value with suppliers in addition to economic one such as cost and quality. We define social value as fair transactions, compliance with laws and regulations, respecting different cultures and set of values, respecting human rights and protection of the environment.

To actively promote more sustainable and responsible procurement together with our suppliers, we revised the policy and announced it in February 2022. In the new Procurement Policy, we formulated requirements for our suppliers regarding the environment and human rights as well as introducing a strict, objective risk identification and correction process through third-party audits, clearly stating that we will evaluate our suppliers from the perspective of sustainability.

Shiseido Group Sustainable Raw Materials Procurement Guidelines

We take actions to resolve issues of raw materials that are determined to have a high probability of serious environmental and human rights issues in the country of origin, such as switching to materials with third party certification of zero involvement and joining international initiatives.

In particular, palm oil-derived raw materials, paper and mica cause deforestation and labor issues which have been frequently revisited. Therefore, we announced targets and measures to resolve the issues and set out a guideline to ensure sustainable procurement.

Overview of our Suppliers and Purchasing Commodities

Purchasing Commodities

Items to be purchased include direct materials such as raw materials and packaging for our products, sales support tools, OEM products and contract manufacturing goods.

Overview of Our Suppliers

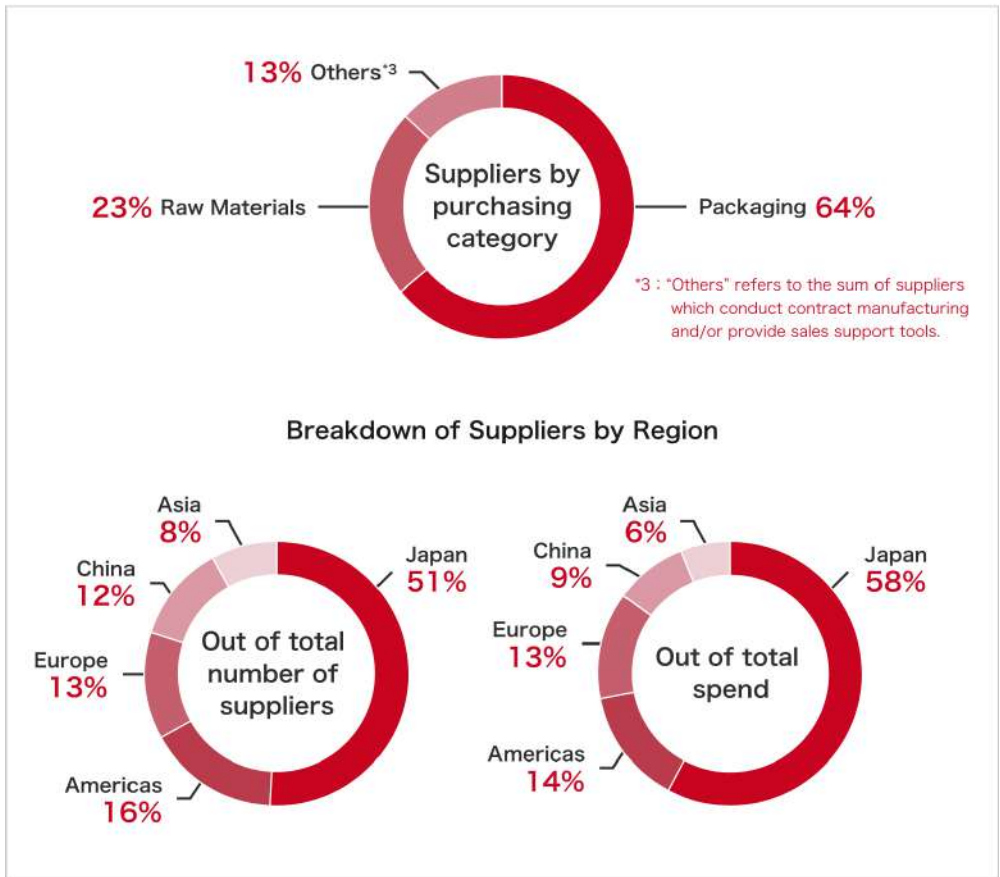
Our relationship with our suppliers is based on the following philosophies stated in the Shiseido Group Procurement Policy: "Building a Good Partnership," "Fair Purchasing Transactions," "Performance of contract", "Promoting sustainable procurement", and "Respecting diverse values".

We purchase materials for our products from over 800 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



Identification of Strategic Suppliers

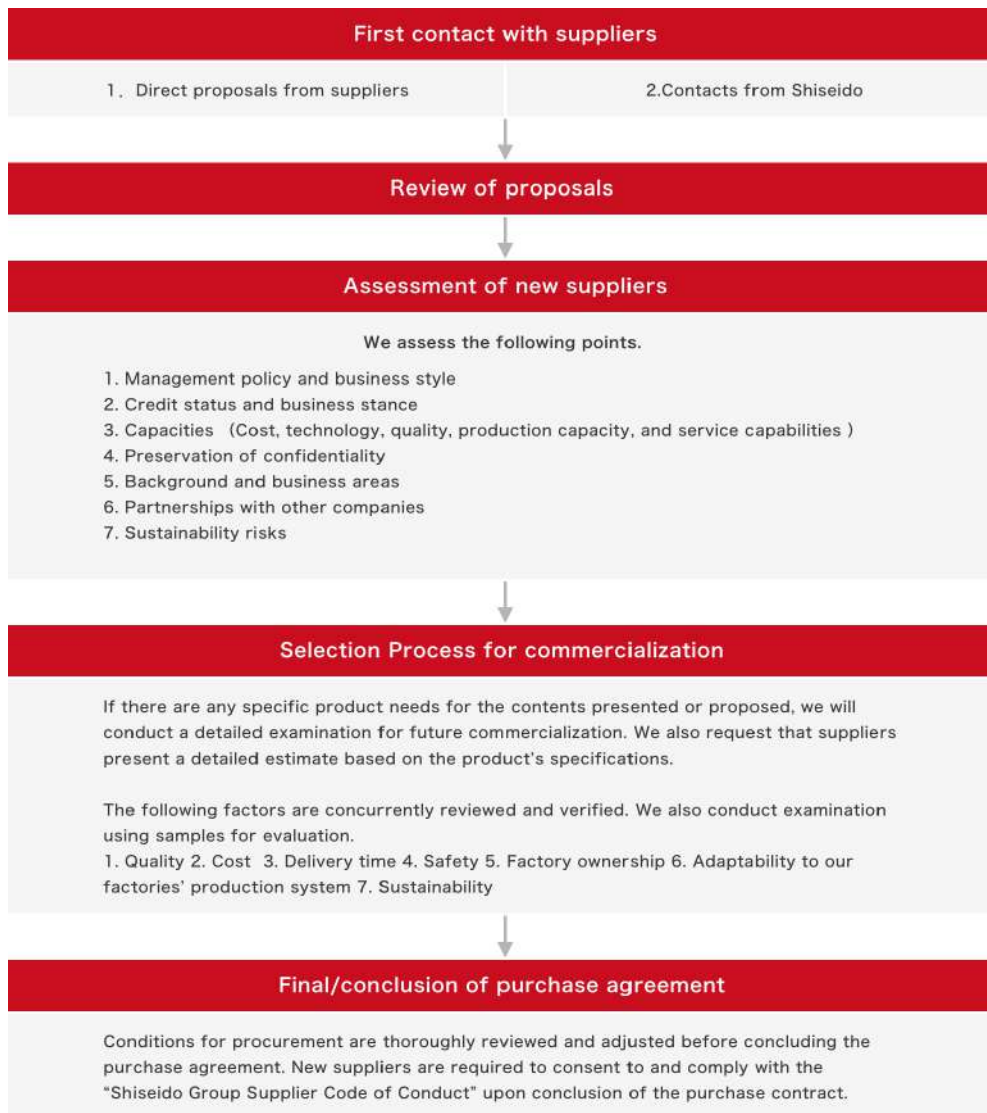
We identify strategic suppliers once a year by the following process



Number of strategic suppliers

	Suppliers
Tier1	23
Non-Tier 1	5
Total	28

Process for new suppliers to start business with Shiseido



Supplier Assessment Program

Our aim is to create a sustainable supply chain built on responsible procurement and to minimize risk across the entire supply chain. To do so, we are promoting the implementation of a supplier assessment program.

At Shiseido, we implement the program based on the Shiseido Group Procurement Policy which was revised in 2022. We don't work with suppliers, if they are categorized as high-risk by the assessment and don't correct non-conformances identified by audits.

For new suppliers, we conduct a self-assessment* from the perspective of sustainability (human rights, occupational health and safety, environment, and business ethics) using either Sedex (Supplier Ethical Data Exchange), EcoVadis, or our original Self-Assessment Questionnaire (SAQ). We start business with new suppliers after conducting supplier assessment, confirming that they are not high-risk and then agree to the Shiseido Group Supplier Code of Conduct.

For existing suppliers, we continuously confirm compliance with the Shiseido Group Supplier Code of Conduct using the above assessments. We categorize suppliers into three groups according to the degree of risk: low-risk, medium-risk, and high-risk. If a supplier is categorized as high-risk, we conduct third-party audits.



During third-party audits, employee interviews and verification of required documentation are conducted. High-risk suppliers are then requested to implement corrective action plans, and in the event of critical non-conformance, we conduct further third-party audits to confirm correction status. If issues are not corrected within a set period, we consider suspension of business.

* About self-assessment tool

Tool	Explanation (main criteria etc.)
Sedex	Evaluate suppliers by the questionnaires based on labor standards, health and safety and business ethics. The number of questions vary depending on industries.
EcoVadis	Measure the quality of a company's sustainability management system through its policies, actions and results. The assessment focuses on sustainability criteria that are grouped into four themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement.
Shiseido SAQ (Self-Assessment Questionnaire)	Based on the Shiseido Group Supplier Code of Conduct. Evaluate suppliers from four perspective: human rights and labor, occupational health and safety, the environment and business ethics.

Since 2018, we have strengthened our supplier assessment program and expanded the scope gradually from a category, country, and Tier (a measure of the distance of a supplier from companies).

From a category perspective, we assess suppliers which provide direct materials, limited sales support tools, OEM suppliers, contract manufacturing suppliers, and from a geographical perspective, we conduct the assessment globally.

From a Tier perspective, we cover suppliers not only in Tier1 but also strategic Tier2 suppliers.

Results:

Our activities in 2021

We set the correction of high-risk suppliers identified in 2020 as our top global priority and implemented corrective actions globally for the applicable 132 suppliers.

Specifically, we provided feedback to all suppliers and requested corrective actions. For certain suppliers, we also conducted online verification of corrective status, reassessment by self-assessment, and third-party audits (2 suppliers). As a result of these corrective actions, the number of high-risk suppliers decreased from 132 to 40.

In 2021, we assessed suppliers in Japan and Europe, considering the magnitude of risk and the importance of the supplier. In total, we assessed 279 Tier 1 suppliers and 5 Tier 2 strategic suppliers. As a result, 17 Tier 1 suppliers were categorized as high-risk, while no Tier 2 strategic suppliers were categorized as high-risk.

In response, we provided feedback to the 17 high-risk suppliers, followed by a reassessment using self-assessment methods and third-party audits (3 suppliers). This resulted in 8 suppliers improving to medium-risk or low-risk.

Beginning 2022, we will conduct assessment program based on the new procurement policy for the remaining 44 high-risk suppliers* currently engaged in corrective actions.

* Assessment results for 2020 and 2021 (excluding duplicates).

Status of Remediation of High-Risk Suppliers

Year of Assessment	High-Risk Suppliers	Corrective Action Result*1	
		Improved to Medium-Risk or Low-Risk	Ongoing
2020	132 companies	92 companies	40 companies*2
2021	17 companies	8 companies	9 companies*2

*1 : As of the end of December of 2021.

*2 : 44 companies (excluding duplicates).

2021 Supplier Assessment Results

Tier 1 Suppliers	279 companies
Tier 2 Strategic Suppliers	5 companies

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

year	2019	2020	2021	2021 target	2023 target
% of suppliers assessed (number of suppliers assessed)*1	72% (356)	94% (791)	97% (279)	70%	100%
Geographical scope	Global headquarter and EMEA Regional headquarter	All Regions	Global headquarter and EMEA Regional headquarter		

*1 % of suppliers assessed = number of suppliers assessed / total number of suppliers in scope of assessment

(KPI2) % of strategic suppliers assessed (number of Tier 1 suppliers)*1

Year	2019	2020	2021	2021 target	2023 target
% of strategic suppliers assessed (number of suppliers assessed)	77% (131)	96% (239)	100% (17) *2	100%	100%

*1 : Geographical scope is the same as KPI.

*2 : We revised the definition of strategic suppliers in 2021. We regularly revisit the definition, considering business environment and strategies.

Issues of high-risk suppliers found through third-party audits

Due to logistic difficulties arising from the spread of COVID-19, we were only able to conduct the third-party audits of 5 suppliers in 2021. In total, we identified 18 issues and requested that the relevant suppliers correct them. Furthermore, we conducted further third-party audits by which we confirmed 12 of the issues had been remedied. As for those which had not been corrected, we will continue to monitor the progress.

Issues identified by audits and corrective actions

Area	Number	Examples of issues	Examples of corrective action plans
Human rights	7	Violation of 36 Employee-Employer Agreement	Restructured the management scheme of working hours and hired new employees
		Representatives of employees were not selected properly	Changed the method of selection
Occupational health and safety	9	No sign for emergency exits	Placed the signs in the facility
		Workplace patrols by industrial physicians were conducted only once every six months	Conducted the inspection in accordance with the laws and regulations
		Employees were using machinery without required trainings	Conducted trainings
Environment	1	No measurement of Greenhouse gas	Established a measurement plan
Business ethics	1	No employee training of business ethics	Established a plan to conduct the trainings

Furthermore, in 2021, we conducted supplier visits and verified documents online to prove if issues were corrected, on top of third-party audits. Through these activities, we endeavored to understand suppliers' issues and corrective action status.

Please see Our activities in 2021 for the details of status of remediation of high-risk suppliers.

Partnership with suppliers

Information session on our concept of procurement

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 the Global Headquarters and China Regional Headquarters hold an annual Supplier's Day to share purchasing activities and strategies with suppliers.

Taking this opportunity, our Global Headquarters procurement department 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.

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," in the Minato-Mirai area, of Yokohama. The top five suppliers were awarded in fiscal 2019 based on QCDEST*1 evaluation. We expressed our gratitude to our suppliers, shared our view for the future, and reaffirmed our commitment to forge a strong partnership.

*1 : Quality, Cost, Delivery, Environment, Service, Technology



Shiseido Supplier's Day

In 2021, we held our global online event, Shiseido Supplier's Day for the first time. Top management of direct material and OEM suppliers participated in the event. We used this opportunity to share our medium-term management strategy, procurement policies, and expectations.

We also explained our mid-term sustainability targets and actions, as well as our expectations of suppliers in terms of human rights, environment, and society and asked for their understanding and cooperation.



Global Purchasing Collaboration and Education for Buyers

Global purchasing collaboration

We regularly host meetings with purchasing leaders from each of our global facilities. In the meetings, we discuss important policies such as sustainability and strategies and make efforts to collaborate closely at a global level.

In addition, once per year, we host the Shiseido International Procurement Meeting (SIPM) attended by purchasing leaders from each of our global facilities. We also promote the global implementation of sustainability activities through this meeting. In 2020 and 2021, we didn't conduct the meeting due to COVID-19.



Education for buyers

To ensure sustainable and 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
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
September 2021	Online seminar about management of sustainable supply chain	Global Headquarter: Staff in charge of Sustainability
November 2021	Online Seminar held by Sedex	Global Headquarter: Staff in charge of Sustainability
November 2021	Internal seminar about sustainability ratings	Global Headquarter: Procurement department
December 2021	E-learning about sustainability	Global Headquarter: Procurement department

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

	2019	2020	2021	2022 (target)
Departmental ESG education participation rate	85%	86%	82%	90%

Reporting and Consultation Center for Suppliers

Protecting human rights and complying 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 2021, there were no reports of non-compliance.

CDP Supplier Engagement Rating

We have been highly praised for our efforts in managing greenhouse gas (GHG) emissions and reducing risks throughout the supply chain by CDP, an international environmental NGO. In 2021, we were selected as the Supplier Engagement Leader for coming out on top of CDP's Supplier Engagement Rating. Going forward, in collaboration with our suppliers, we will continue to promote activities that help reduce our environmental footprint.



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, 2021)

The statement below is the report for FY2021 as of December 31, 2021. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2021 and the initiatives planned for FY2022 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.

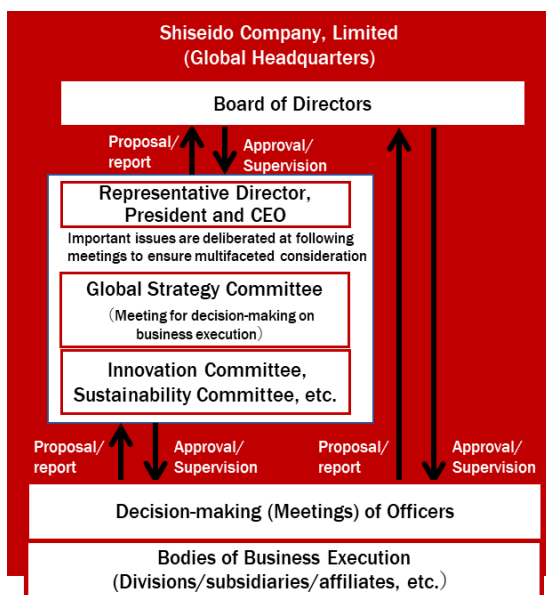
2 Business Operations and Organization

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 beauty innovations that enriches the lives of our stakeholders globally. It operates cosmetics businesses in more than 120 countries and areas with about 46,000 employees and a global turnover of 1035.2 billion yen in 2021. 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,” “Performance of Contract.” “Promoting sustainable procurement”, and “Respecting diverse values”. Of these, we purchase production materials from over 800 Tier 1 suppliers around the world. Our Tier 1 suppliers are all required to follow the Shiseido Group Supplier Code of Conduct, and they are responsible for adapting it to their Tier 2 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 Tier 1 and upstream suppliers. These policies were drafted by the person responsible for human rights at the GHQ and were approved by the Company’s Board of Directors. The progress of the human rights policy, including human rights due diligence and risk assessment, is reported at the Sustainability Committee meeting, which is dedicated to discussing sustainability-related issues. Designating an

Executive Officer to be responsible for human rights issues identified through the human rights risk assessment, and improvement activities are being implemented to stop, prevent, and mitigate negative impacts on human rights.

Shiseido's policies include the following:

■ Shiseido Policy on Human Rights

Adopted in 2017, the Shiseido Policy on Human Rights is based on the United Nations Guiding Principles on Business and Human Rights to prevent slave labour (e.g. child labour and forced labour) and other work under slavery and human trafficking. This Policy applies to Shiseido and its business partners.

<https://corp.shiseido.com/en/sustainability/human/pdf/policy01.pdf>

■ Shiseido Code of Conduct and Ethics

The Shiseido Code of Conduct and Ethics stipulate the mandatory behaviours expected of every individual working for Shiseido. 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 Procurement Policy

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

<https://corp.shiseido.com/en/sustainability/ethical/procurement/pdf/1.pdf>

■ 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. Shiseido 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 Tier 1 suppliers, and Shiseido recommends that these suppliers request Tier 2 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

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

<https://corp.shiseido.com/en/sustainability/ethical/procurement/pdf/2.pdf>

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

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.

- 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.

- **Human Rights Risk Reduction Activities:**

As a result of risk assessment of human rights issues, we will identify areas in our value chain where human rights risks are assumed to be relatively high, and plan and promote improvement activities to stop, prevent, and mitigate negative impacts. The status of the promotion of these activities has been confirmed, and activities to further reduce human rights risks are ongoing, as well as the progress reports and disclosures.

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, continuously.

- 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 FY2021. 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
- Employees’ personal data & privacy
- Occupational safety and health issues (work-related accidents)
- Breach of working hours, breaks, and rest period (overtime-work)

- Harassment and abuse
- Personal/confidential information leakages
- Incomplete supplier management (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 Group Supplier Code of Conduct through Sedex/EcoVadis/its own SAQ (Self-Assessment Questionnaire). We classify suppliers into three categories according to the degree of risk: low risk, middle risk, and high risk. 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, online verification of corrective actions 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. We are targeting a switch to 100% mass balance or better certified oil by 2026.

- 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. 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 responses to slave labour, including child labour.

7 Performance Assessment

Shiseido strives to prevent slavery (e.g. 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 Tier 1 suppliers but also Tier 2 and upstream suppliers on a global basis. The assessment results were used to determine the status of risks in the supply chain related to labour rights, health and safety, the environment, business ethics, and to request corrective actions.

■ Approach 1: Human rights due diligence

For the six human rights issues identified by the 2020 activities, Executive Officers were designated to be in charge, and improvement activities were implemented in 2021 to stop, prevent, and mitigate negative impacts on human rights. One of the issues identified was "incomplete supplier management," and we promoted the introduction of a rigorous and objective risk identification and remediation process, including through the implementation of third-party audits, and process to monitor the progress of high-risk suppliers and reduce the number of them.

<https://corp.shiseido.com/en/sustainability/rights/activity.html>

Approach 2: Supplier Assessment Results

In 2021, we set the correction of high-risk suppliers identified in 2020 as our top global priority, and implemented corrective actions globally for the applicable 132 suppliers.

Specifically, we provided feedback to all suppliers and requested corrective actions. For certain suppliers, we also conducted online verification of corrective status, reassessment by self-assessment, and third-party audits (2 suppliers). As a result of these corrective actions, the number of high-risk suppliers decreased from 132 to 40.

In 2021, we assessed suppliers in Japan and Europe, considering the magnitude of risk and the importance of the supplier. In total, we assessed 279 Tier 1 suppliers and 5 Tier 2 strategic suppliers. As a result, 17 Tier 1 suppliers were categorized as high-risk, while no Tier 2 strategic suppliers were categorized as high-risk. In 2022, we will conduct an assessment program based on the new procurement policy for the remaining 44 high-risk suppliers* currently engaged in corrective actions.

* Assessment results for 2020 and 2021 (excluding duplicates).

<https://corp.shiseido.com/en/sustainability/rights/procurement.html#08>

- **Approach 3: Direct action on raw materials identified as high human rights risk**
 - In regards to palm oil, the relevant teams in our global and regional headquarters have been working together to promote initiatives aimed at achieving this target, and in 2021, we replaced 27% of palm oil-derived raw materials (palm oil equivalent, weight basis) with RSPO's physical supply chain model. Shiseido have been using the book-and-claim to certify all palm oil since 2018.
 - Regarding mica, in collaboration with non-governmental organizations and the Indian Government, RMI implemented a community empowerment program for 10,927 mica-dependent families, improving the incomes and livelihoods of 62%, while securing improved access to safe drinking water and medical facilities.
- **Business Partner Hotline**

Shiseido established the Business Partner Hotline in 2013 to promote fair transactions that deepen understanding and mutual respect with suppliers. As posted on the corporate website, the Business Partner Hotline accepts comments and inquiries from suppliers in writing or via e-mail. In 2021, we did not receive any inquiries or feedback that indicated non-compliance.

8 Education and Training

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

- **Officer and vice president training**

The Company and Shiseido Japan Co., Ltd. had planned to hold executive integrity training in 2021, but it was cancelled due to the spread of COVID-19.
- **Japan Domestic Employees**

We conducted online human rights training for 1,566 management level employees in Japan, the theme for which was harassment. We also provided online human rights awareness training to employees in Japan. 14,295 employees participated in a training which focused on basic human rights, and 14,577 employees participated in one that was focused on harassment.

- Supply Chain

In order to implement responsible procurement, Shiseido provides various training programs for employees in the procurement department in terms of human rights, occupational health and safety, and the environment.

In FY2021, e-learning on sustainability was conducted, with 48 employees participating. Training on sustainability assessment was also conducted and attended by all employees in the Procurement Department.

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 FY2022, we will continue with the improvement activities implemented in FY2021 to stop, prevent, and mitigate negative impacts on human rights risks.

Especially, in the supply chain, a supplier assessment programme will be implemented based on the Shiseido Group Procurement Policy, which was revised in February 2022.

The policy stipulates what suppliers are expected to observe in terms of human rights and the environment, and also specifies the introduction of a rigorous and objective risk identification and correction process through the implementation of third-party audits, etc., and the assessment of suppliers from a sustainability perspective. In addition, in order to maximise the elimination of risks throughout the supply chain, the risks of not only direct suppliers but also Tier 2 and subsequent suppliers are to be checked.

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

June 7, 2022

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



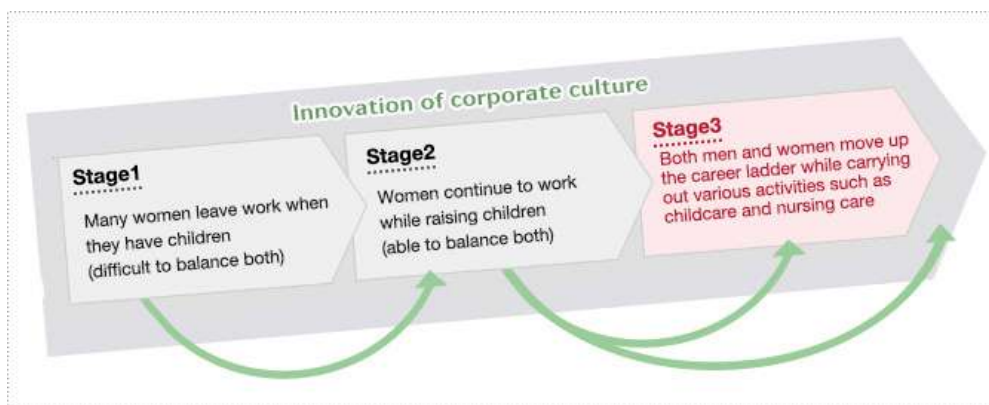
"NEXT LEADERSHIP SESSION for WOMEN"

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 3.3% of all employees in Shiseido Company, Limited, and 2.4% in the Shiseido Group in Japan (as of June 2021). 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. For more details, please refer to Recruitment and Disabilities. (Japanese language only)

* 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.

In 2021, Shiseido endorsed and joined "The Valuable 500," a global initiative for disability inclusion. "The Valuable 500" is a collective of business leaders who drive system change for people with disabilities to unleash their potential to deliver business, economic and social value. Shiseido continues disability inclusion initiatives in the area of recruitment or providing services through our beauty business.



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.

[Click here for Principles of the Corporate Governance Code \(CG Code\) and Shiseido's Response](#)

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.

Breast-feeding/breast-pumping facilities and benefits: Our Head office and Major facilities have spaces for breast-feeding and breast pumping. Employees of the Shiseido Group in Japan who support children receive allowances for breast pumps. Shiseido allows employees to take breaks (30 minutes or more each twice a day) for breast-feeding and pumping from their child's birth until they reach one year of age. During that period, one hour of break time is covered as paid time. This benefit is provided beyond the legally required minimum.

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.

For more details on support programs for childcare and family care, please refer to Social Data.

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.

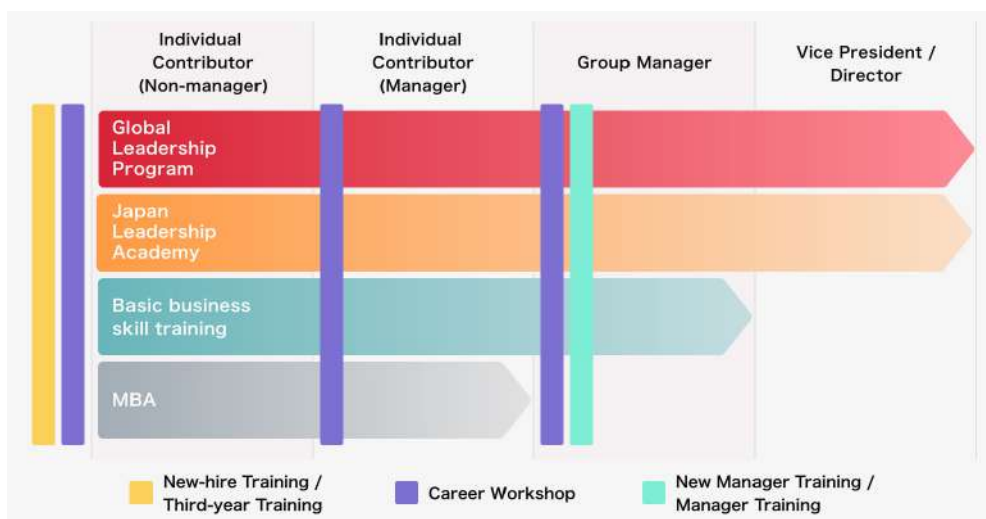
Autonomous Career Development Support

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.

For more details on education and training for employees, please refer to Social Data.

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.

Health and Safety of the Shiseido Group

Initiatives for health management and health and safety measures

"BEAUTY INNOVATIONS FOR A BETTER WORLD." This is the significance of Shiseido's existence, and our corporate mission is to contribute to the sustainability of a beautiful and healthy society and the earth by enriching people's hearts with "beauty" and bringing joy and happiness to their lives. To realize this philosophy, employees must lead a healthy, prosperous, and happy life and embody their healthy beauty. And as a foundation to support the employees, we need an environment where they can work safely and securely. To achieve this, Shiseido is working with the Shiseido Health Insurance Society to formulate the "Shiseido Health Declaration" to clarify support for employees to live a healthy and beautiful life. We have also established an "Occupational Health and Safety Management System" that realizes a safe and secure working environment for people working in the Shiseido Group. Furthermore, we have formulated the "Shiseido Vision Zero Declaration (Safety Declaration)" aiming for zero lost time accidents in all workplaces. We will continue to evolve activities based on the above, minimize occupational safety risks, and invest in health to make our employees healthier and as a result, give back to society. We aim for a virtuous cycle. Shiseido delivers beauty to consumers. We will continue to shine 100 years from now and will do our utmost to manage health and safety measures so that we can become a company that diverse people around the world know and trust.



Representative Director, Chairman and CEO

A handwritten signature in black ink, appearing to be the name of the Representative Director, Chairman and CEO.

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>

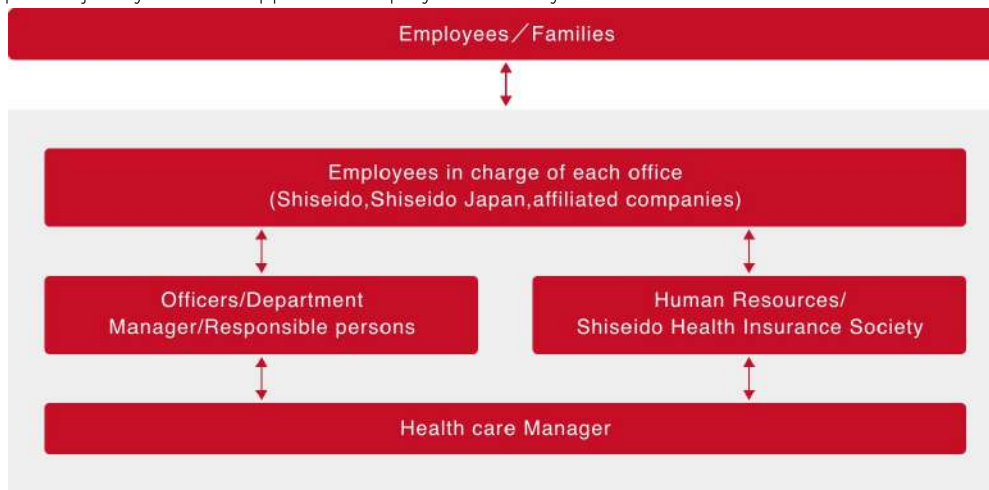
As members of a company delivering beauty, each and every employee shall have awareness and knowledge and take action proactively to work healthily, physically and mentally.

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 Wellness Support Group of the People Division 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.



Health Management System

Health issues and future initiatives of the Shiseido Group in Japan

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

(1) Reinforcement of the foundation of the occupational health system that supports health-related initiatives. We are working on various activities, including more frequent workplace inspections by members of the Health Committee, Safety and Health Committee, and occupational physicians, improving the frequency of conducting stress checks, maintaining a 100% health checkup rate, promoting reexamination and/or detailed examinations based on health checkup results to ensure early treatment, improving health guidance rules to render health guidance more effective and efficient, the addition of more information and resources. We are also improving upon multifaceted analysis of health data, mental health care measures, response to infectious diseases, and clarification of issues and reinforcement of the foundation for reducing long overtime work.

(2) Implementation of health-related initiatives
The Shiseido Group in Japan is working with the Health Insurance Society to promote health initiatives that take into account each office's health issues with the aim of promoting beautiful lifestyles, measures against smoking, improved women's health, mental health care measures, and support for balancing cancer treatment and work.

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 (Online exercise seminar and video viewing by RIZAP instructors) ■ Thorough implementation of health guidance ■ Organization health fairs ■ Dissemination of information in lunchtime sessions (live streaming) ■ Dissemination of exercise videos and columns via the company intranet 	<ul style="list-style-type: none"> ■ Provision of specified health checkups ■ Implementation of health support programs (specified health guidance; while the national age eligibility for above specified health checkups and guidance begins at age 40, Shiseido begins at age 35 to enable early detection/treatment). Recommendation of medical examination at the time of interview for those who need close examination or medical treatment as a result of the specified health checkup. ■ "Dental Examination Campaign": partial subsidy for dental checkup fees (Promotion

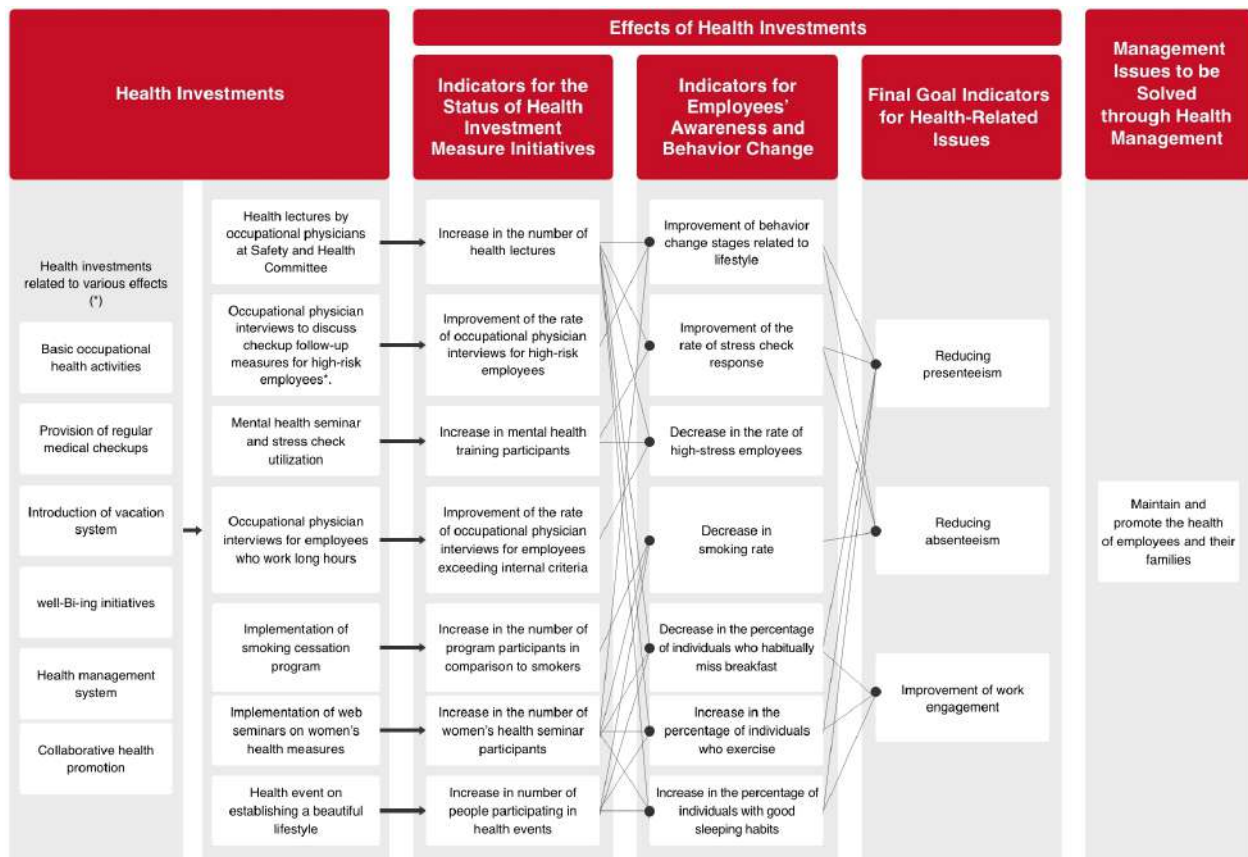
		<ul style="list-style-type: none"> ■ Organization of diet seminars (Seminars on eating, drinking, snacking, etc. by a nutritionist from asken Inc. and use of the ASKEN Diet's App) ■ Provision of My Sleep (sleep assessment) to employees (Sleep condition and improvement analysis reports are received by answering the questionnaire) ■ Questionnaire on health and dietary habits (Cafeteria patrons are offered gifts such as vegan doughnuts if they respond to a questionnaire using LINE) 	<p>of regular preventive dental care by family dentist)</p> <ul style="list-style-type: none"> ■ 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 ■ Provision of information through content on the Health Insurance Society website to introduce "Simple, Delicious, and Fat-Resistant Late-Night Meals" ■ Placement of a QR Code for "RIZAP Column" (a 1-minute workout video) in the Health Insurance Society public relations magazine
Measures against smoking	Promotion and maintenance of non-smoking	<ul style="list-style-type: none"> ■ Complete prevention of secondhand smoke at the workplace and dissemination of internal non-smoking rules (Posters and leaflets provided) ■ Provision of educational lectures on smoking behavior ■ Provision of health guidance on non-smoking ■ Trial implementation of in-house non-smoking counseling services (some offices) ■ Dissemination of information in lunchtime sessions (live streaming) ■ Placement of articles on the intranet (WITH) in conjunction with World No Tobacco Day. Conducted a survey on the awareness of anti-smoking information and secondhand smoke ■ Questionnaire for those who have quit smoking on their reasons for quitting and other matters. 	<ul style="list-style-type: none"> ■ Subsidy for outpatient consultation fees to quit smoking (year round) ■ Implementation of remote smoking cessation outpatient consultation (from 2021) ■ Instructions for smokers on how to quit smoking and guidance on smoking cessation outpatient consultation under health support programs (specified health guidance)
Women's health	Addressing female-specific health issues	<ul style="list-style-type: none"> ■ Dissemination of information in lunchtime sessions (live streaming) (1) On women's life stages and the need for gynecological checkups by Femmes Médicaux; (2) On osteoporosis, a disease that threatens women's health, to keep them healthy 30 years later by an occupational physician at the head office) ■ Women's life stages seminar (Online seminar on female hormones, menstruation, menopause, etc. by an instructor from Otsuka Pharmaceutical Co., Ltd.) ■ Introduction of services provided by Cradle Inc. (Online seminars and archived viewing on women's health issues and life planning for employees and their families, and distribution of coupons for gynecological examinations) 	<ul style="list-style-type: none"> ■ Full subsidy for cervical cancer and breast cancer screening ■ Clarify the list of medical checkup institutions where female doctors are available ■ Encouragement for women to undergo above screening (Provision of information leaflets on the necessity and advantages and disadvantages of gynecological examinations for all target employees, along with information on the medical checkups) ■ Placement of a link/banner to the "Women's Health Promotion Office Healthcare Lab" website on the front page of the Health Insurance Society website, and provision of relevant information on the society's website
Mental health measures	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, offices with mental health issues) ■ Implementation of e-learning courses on mental health self-care 	<ul style="list-style-type: none"> ■ Placement of "Interviews about Mental Toughness" articles in the 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 link/banner to the MHLW's "Ears for the Heart (kokoro no mimi)

		<ul style="list-style-type: none"> ■ Creation of short videos for self-care and line-care practices ■ 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) ■ Return-to-work support (organization and updates of return-to-work support programs, creation of handbooks, and other) 	<p>" website on the front page of the Health Insurance Society website, and provision of relevant information on the society's website</p>
		<p>Telephone consultation with Health Support Dial 24 (24 hours/day, 365 days/year), mental health consultation support (remote support started in 2021)</p>	
<p>Support for balancing cancer treatment and work</p>	<p>Early detection; balancing treatment and work</p>	<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 system for treatment/work balance (Grant of five days of special leave (can be taken on an hourly basis) to employees undergoing cancer treatment) ■ Participation in "Cancer Control Promotion Company Action" ■ Discussion with employees who survived cancer ■ Seeking stories about experiences of cancer survivor employees ■ Dissemination of information in lunchtime sessions (live streaming) ■ Provision of educational lectures on cancer 	<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 <p>*"Oshiete" meaning "teach us"</p> <ul style="list-style-type: none"> ■ Full subsidy for cancer screening (changed to full subsidy from FY2020) ■ Encouragement of follow-up consultation (necessary medical care /detailed examination) in cases indicating risk; confirmation of consultation result, promotion of confirmation; implementation of inquiry ■ Implementation of cancer screening for family members of employees (checkups for dependents) at the same grade as employee cancer screenings ■ Placement of the banner of National Cancer Center's "Cancer Information Service" website on the front page of the Health Insurance Society website, and provision of relevant information on the society's website

Health Management Strategy Map and Investment on Health Management

We have compiled a health management strategy map that presents the linkage between the issues we want to solve through health management and the expected effects of health investments and initiatives. We have also established management indicators that indicate the status of initiatives, awareness and behavior change, and final goal indicators for health-related issues.

In FY2022, we will particularly focus on anti-smoking measures, health events and seminars, and other initiatives aimed at decreasing the smoking rate, increasing the percentage of individuals who exercise, increasing the number of individuals with good sleeping habits, and decreasing the percentage of individuals who habitually miss breakfast.



*High-risk persons for health checkups: Those who meet the company's criteria for blood glucose, blood pressure, and anemia.

To promote various initiatives, we have invested a total of 4.9 million yen in anti-smoking measures to increase the smoking cessation rate, 2.4 million yen in health events and measures to increase the percentage of employees who exercise, and 38.58 million yen in mental health measures to prevent the occurrence of mental health problems or detect them early. (Actual results for FY2021)

Numerical Targets for Health Management

The status of employees' health efforts is evaluated by setting KPIs. The analyzed employee health data is used to implement health-related initiatives for the Shiseido Group in Japan.

Item	Analysis Target Age	FY2019	FY2020	FY2021	Target (FY2025)
Regular health checkup rate	All ages	100%	100%	100%	100%
Participation in programs for high-risk employees (implementation rate of physician interviews) *Blood glucose level, blood pressure, Hb (from FY2021)	All ages	50%	60.6%	86.5%	100%
Blood pressure risk: 180 mm Hg, 110 mm Hg (per 10,000 persons)	All ages	11.9	16.9	16.0	10
	35 and over	14.8	23.7	20.9	15
Blood glucose risk: HbA1c 9.0% or higher (per 10,000 persons)	All ages	23.4	27.5	16.1	15
	35 and over	30.0	37.6	21.6	20
Anemia risk: less than Hb 8.5 (per 10,000 persons)	All ages	29.1	39.2	31.5	30
	35 and over	35.1	50.0	41.2	35

Percentage of individuals who exercised *at least 30 min/day, at least 2 times/week	All ages	14.9%	17.3%	17.8%	20%
	35 and over	15.4%	17.6%	18.3%	22%
Percentage of individuals with good sleeping habits *well rested from sleep	All ages	59.4%	69.2%	66.4%	70%
	35 and over	56.8%	66.1%	63.6%	65%
Percentage of individuals who habitually missed breakfast	All ages	25.5%	25.2%	26.0%	20%
	35 and over	22.8%	21.5%	22.7%	18%
Smoking rate	All ages	20.8%	18.8%	17.8%	5%(FY2030)
	35 and over	23.2%	21.4%	20.1%	—
Item	Analysis Target Age	FY2019	FY2020	FY2021	Target (FY2025)
Success rate among smoking cessation program participants (percentage of participants who successfully quit smoking)	All ages	50.9%	70.0%	76.8%	Maintained at least 70%
Percentage of behavior change stages above the implementation stage	All ages	18.7%	21.9%	21.4%	23%
	35 and over	20.7%	23.4%	23.4%	25%
Percentage of employees concerned about their health *1	All ages	95.4%	95.3%	94.8%	97%
	35 and over	95.7%	95.3%	95.1%	97%
Percentage of individuals who meet the criteria for metabolic syndrome	40–74 years old	6.2%	7.1%	—	—
Percentage of individuals who conducted stress checks	All ages	78.0%	73.4%	80.7%	90%
Aggregate results of stress checks (percentage of high-stress persons)	All ages	13.2%	10.3%	12.4%	10.0%
Number of participants in mental health training (e-learning)	All ages	7,003	11,040	9,779	13,000
Number of participants in training on cancer and women's health	All ages	—	11,746	8,898	13,000
Number of participants in health events (including health fairs and seminar viewing) (health fair not held in FY2020–2021)	All ages	1,446	617	1,399	2,000
Labor productivity loss ratio due to presenteeism *2	All ages	—	35.8%	35.8%	34%
Absenteeism *3	All ages	—	—	100 (Base year)	95
Work engagement *4	All ages	76 points (Employee satisfaction)	—	—	Employee engagement*5 Up YoY (FY2023)

*1 : Percentage of respondents who responded with "yes" or "somewhat" to the question "Are you concerned about your health?"

*2 : Presenteeism survey of the WHO Health and Work Performance Questionnaire Short Form

*3 : Calculate the number of absences (including paid vacations) per person using the attendance data.

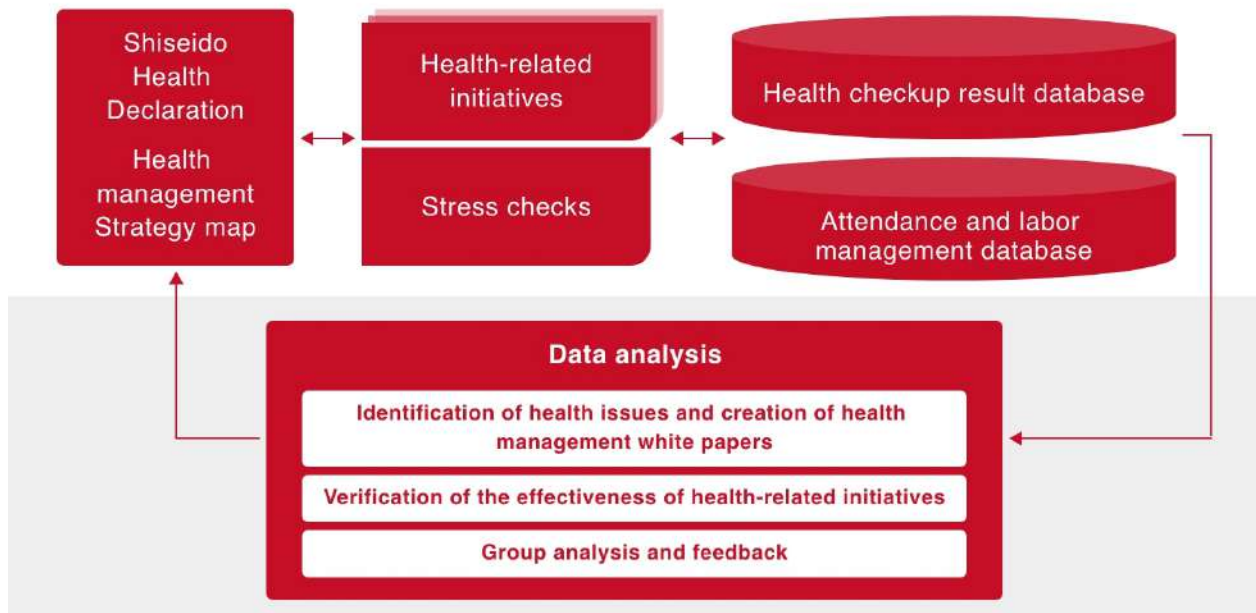
*4 : Willis Towers Watson's employee engagement survey (through FY2019) Qualtrics survey (from FY2022)

*5 : Short-term targets are set through 2023 due to changes in the survey design beginning in FY2022.

Effectiveness Verification of Measures through Data Analysis and Preparation and Utilization of White Papers

Through the construction of a health management strategy map, mid- to long-term evaluation indicators are defined, and the effects of the implementation of health-related initiatives are quantitatively verified. In addition to health checkups and lifestyle questionnaires, we compile data on overtime work, stress check results, and productivity (labor productivity loss ratio), and generate a health management white paper every fiscal year.* Furthermore, starting in FY2019, we have established a system that scores the health of each of the 120 organizations in the Shiseido Group and relays feedback from specialists to those responsible in the organization.

* Since FY2022, we have published part of the contents of the health management white paper on this website to clarify changes in the management of employee health and provide an evaluation of each measure.



Key initiatives

(1) Measures against smoking	Reduction of smoking rate and provision of support to quit smoking Complete prevention of secondhand smoke in workplace
(2) Beautiful lifestyles	Improvement of health guidance and health support program (specified health guidance) implementation rate Implementation of seminars to improve employee lifestyles Follow-up interviews after health checkups and thorough implementation of health guidance
(3) Women's health	Health support for female employees, who constitute more than 80% of the employees of the Shiseido Group in Japan Improvement of literacy on women's health issues Understanding of women's life stages and health issues, and creation of a comfortable work environment

(1) Initiatives and outcomes of measures against smoking

Since our smoking rate has been slightly higher than the national average for some time, we launched a No Smoking Day within the company in 2010, in addition to a program to subsidize the cost of anti-smoking treatment. Shiseido and the Shiseido Health Insurance Society have continued to work together on this initiative. Since 2019, we have been participating in the No Smoking Promotion Business Consortium to collect information and exchange opinions on the advanced practices adopted by other companies and promote smoking cessation based on employee feedback provided through internal surveys and other means.

Smoking rate

It has declined to 17.8% in FY2021 (-15.7 percentage points from 2010) and is decreasing every year. We aim to further lower the rate, with a target of less than 5% by 2030.

Support to quit smoking

In addition to individualized instructions to quit smoking at health guidance, we aim to create a system to provide a wide range of consultations regarding smoking cessation through the trial implementation of a non-smoking counseling service (at some offices). In addition to partial subsidies for the cost of smoking cessation treatment throughout the year, the Health Insurance Society launched a limited-time full subsidy for smoking cessation treatment in 2019 and a "remote smoking cessation outpatient consultation" (full cost subsidized by the Health Insurance Society) in FY2021. It resulted in a high smoking cessation success rate of 87.1% in FY2021. Our goal is to continue to maintain a success rate of at least 70% in the future. We will not only increase the success rate, but also develop measures to make it easier for people to try to quit smoking.

Internal non-smoking rules and measures against secondhand smoke

In 2012, we made the building smoke-free, and also prohibited employees from smoking when wearing uniforms and in company vehicles. In May 2019, we also introduced smoking-free working hours. In addition, we distribute leaflets to new employees and communicate regularly through health committee meetings, etc., to ensure that the no-smoking rule is enforced and prevent secondhand smoke.

Dissemination of information

We regularly disseminate information through posters, leaflets, health committee meetings, in-house intranet, and in-house live streaming. In addition to information on the dangers of smoking and the benefits of smoking cessation, we also present messages from top management and the results of questionnaires to encourage all employees to take an interest in the promotion of smoking cessation.

(2) Initiatives for a health-conscious lifestyle

The implementation rate of health support programs (specific health guidance) stood at 53.2% in FY2020, higher than the national average of 26.9%.

■ Completion rate of health support program

	FY2018	FY2019	FY2020
Number of Targets (Aged 40 and over)	1,456 (1,314)	1,541 (1,382)	1,752 (1,574)
Number of Targets who Completed the Program (Aged 40 and over)	805 (728)	773 (700)	928 (837)
Completion Rate (Aged 40 and over)	55.3% (55.4%)	50.2% (51.4%)	53.0% (53.2%)

National Average Completion Rate	25.2%	27.4%	26.9%
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■ Health fairs

Every year, we hold health fairs tailored to the health issues of each Shiseido Group location in Japan, including health-related measurement sessions, health education, and collaborative projects with cafeterias.

* In FY2021, we did not hold an in-person fair owing to COVID-19 prevention measures, but in FY2022, we are considering holding an in-person fair while implementing preventive measures.



<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

Since FY2019, the company has provided seminars on exercise, diet, and sleep that are designed to address health issues in each organization. These seminars have been well-received by participants. In FY2021, online yoga, stretching, and sleep seminars were organized. This led to efforts to improve employee's sleep quality toward behavior change, which resulted in a 20% increase in their sleep satisfaction.

We will provide further seminars designed to motivate participants to improve their lifestyles, which include their exercise, sleep, and eating habits.



<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 target for lifestyle improvement (FY2025 target)

Percentage of those who exercise regularly (at least 30 minutes of exercise at least twice a week): 20% [2021: 17.8%]

Percentage of those with good sleep habits (well rested from sleep): 70% [2021: 66.4%]

Percentage of those who habitually miss breakfast (skipping breakfast at least 3 times a week): 20% [2021: 26.0%]

(3) Initiatives for women's health

Diversity and inclusion is an important pillar of our management strategy, which seeks to create an organizational culture in which employees, regardless of gender, age, or nationality, recognize and respect each other's differences and continue to demonstrate their strengths and generate innovation. We are striving daily to improve employees' understanding of women's health issues (menstruation, pregnancy, childbirth, infertility treatment, menopause, etc.) and create a comfortable working environment for everyone.

Seminar on women's health

Based on the characteristics and needs of the offices, we provide training on women's life stages and health (such as female hormones, menstruation, and menopause).

Implementation of e-learning on cancer (including gynecological cancer)

Since FY2019, we have provided cancer education through e-learning. We are working to improve employees' cancer literacy. The topics we explore include basic knowledge about cancer, support systems and consultation services for balancing cancer treatment and work, and stories from employees who have undergone cancer treatment. The e-learning program is effective. It had a 98.6% comprehension rate and a 96.4% satisfaction rate in FY2021.

Introduction of services provided by Cradle Inc.

We will make further efforts to promote women's activities and health by educating employees through online seminars given by doctors and specialists provided by Cradle Inc. and by distributing coupons they offer that can be used for gynecological examinations.

Future target for women's health

Number of participants in training on women's health: 13,000 (2025) [2021: 8,898]

Shiseido certified in the "2023 Health & Productivity Management Outstanding Organizations Recognition Program" (Large Enterprise Category, White 500)



Shiseido, together with 20 domestic affiliated companies in the group, was certified in the "2023 Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category, White 500)" run by the Ministry of Economy, Trade and Industry (METI) and the Japan Health Conference.**1

In recent years, the areas of wellness and wellbeing have been attracting greater attention, with an increasing number of companies aiming for outstanding health and productivity management*2. While the number of companies participating in the Survey on Health and Productivity this time was 3,169, the highest number ever (up 10% from last year), the Shiseido Group was able to enter the top 10% in the large enterprise category and receive "White 500" certification with the highest grade. Going forward, we will continue to strive to achieve even greater heights in order to maintain and improve the health and safety of our employees.

*1: Since 2017, the Ministry of Economy, Trade and Industry (METI) and the Japan Health Council have jointly certified the top 500 companies and corporations that practice particularly excellent health and productivity management as "Health & Productivity Management Outstanding Organizations."

*2: "Health and productivity management" is a registered trademark of the NPO Health and Productivity Management Study Group.

Name of certified corporation	Names of affiliate corporations also certified
Shiseido Corporation	Japan Retail Innovation Inc.
	KODOMOLOGY Corporation
	Pierre Fabre Japon Corporation
	Shiseido Astec Corporation
	IPSA Corporation
	Etuce Corporation
	Etobas Corporation
	Effectim Corporation
	The Ginza Corporation
	Shiseido Parlor Corporation
	Hanatsubaki Factory Corporation
	Shiseido Interactive Beauty Corporation
	Shiseido Japan K.K.
	Shiseido Gakuen School Corporation
	Shiseido Corporate Pension Fund
	Shiseido Health Insurance Society
	Shiseido Children's Foundation
	Shiseido Beauty Salon Corporation
	Shiseido Pharmaceutical Corporation
	(Shiseido) Labor Union

COVID-19 prevention measures 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 employees with the aim of preventing the spread of COVID-19 and

improving the performance and productivity of employees and organizations.

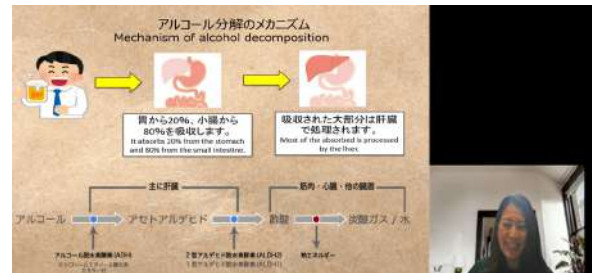
Since the adoption of the Shiseido Hybrid Work Style, which allows employees to work either at the office or home depending on their roles, employee workstyles have become more diverse. The Shiseido Group in Japan has taken measures to address health issues associated with remote work that are different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

Provision of information for employees

We conducted a survey among employees who choose to work remotely to understand their current situations and needs. Based on the survey results, we are providing information on dieting and exercise, advice from occupational physicians and counsellors, and tips for working remotely.

Lunchtime session (live streaming)

To reduce employees' stress and promote communication, we stream information on topics such as lower back pain, women's health, and preventive measures against alcoholism.



<Lunchtime session (live streaming)>

Online consultation

We have provided online video consultation to employees who choose to work remotely 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 the spread of COVID-19 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

From August 2021, we have implemented workplace COVID-19 vaccination programs for employees and their families at each location of the Shiseido Group in Japan. So far, we have administered two doses each to approximately 10,000 people. In addition, the third (booster) doses were administered to employees in April 2022.



<Workplace vaccination: Reception>



<Workplace vaccination: Filling the vaccine into syringes>

Shiseido Vision Zero Declaration (Safety Declaration)

Shiseido pursues "PEOPLE FIRST," which is an important management philosophy for people working in the Shiseido Group to bring about innovation in society by producing results. To that end, our vision is to create an environment in which people working in the Shiseido Group can work safely and securely, and to achieve zero lost time accidents*1 at all workplaces.

*1 : Lost work accident (Injuries and illnesses during work or commuting in Japan which lead to one or more days off)

Behavioral guidelines

This guideline applies to officers and employees (including dispatched employees and employees of cooperating companies) engaged in the Shiseido Group in Japan and overseas.

<Preventive measures>

Through thorough risk assessment, etc.*2, we will point out and eliminate factors that threaten the health and safety of the working environment and practice the creation of a workplace where everyone can work safely and healthily.

<Continuous education and compliance with rules> We take responsibility for our own safety and the safety of the people around us, receive regular education on health and safety, practice it, and act according to the set rules.

<Improvement activities> We make time at the workplace to regularly discuss unsafe behavior (behavior of workers who are likely to cause an accident or disaster), unsafe condition (working environment that is likely to cause an accident or disaster), cases of occupational accidents, and improvement measures that have occurred within the Shiseido Group and actively implement safety measures.

*2 : Standardized safety evaluations to prevent accidents and activities to identify potential causes of danger

This Code of Conduct is developed with reference to the Occupational Health Hierarchy Controls of the National Institute for Occupational Health and safety.

Health and safety promotion system

In promoting this, the officer in charge of human resources will become responsible for health and health and safety management, support business areas in Japan and overseas, and actively drive the maintenance and promotion of the health and safety of employees. Under the supervision of the Board of Directors on important occupational health and safety commitments, the health and safety manager will work with each officer, department head, and manager to support employees' voluntary efforts for health and safety.

In addition, at the Shiseido Group's domestic sites, we have set up a hygiene committee as well as a health and safety committee in accordance with laws and regulations to create a safe and comfortable working environment through investigation and deliberation. At laboratories and factories, we have established an occupational health and safety policy and a health and safety committee to improve upon dangerous areas and dangerous actions working toward our ultimate aim of zero lost time accidents at domestic factories.

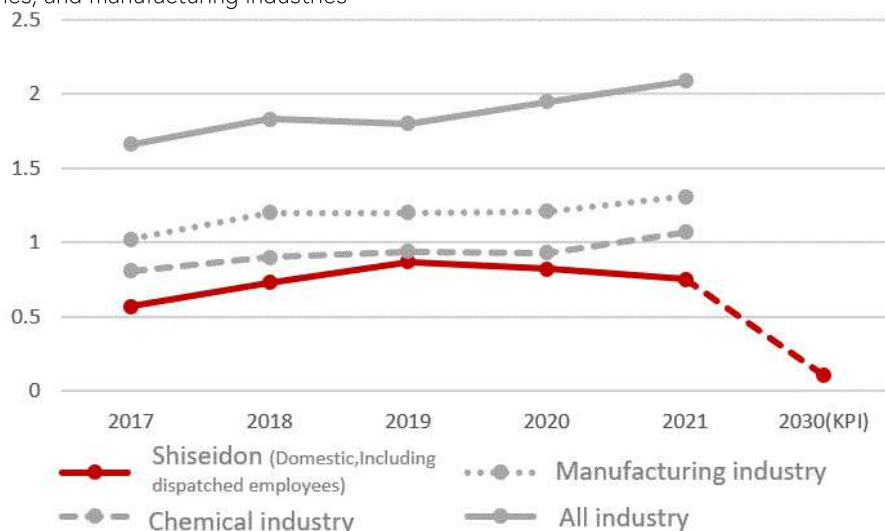


Medium- to long-term goals

The Shiseido Group aims to become a global, top-level, safe company. As a KPI, we have set a target value of achieving the leave frequency rate*3 "0.1 or less" by 2030. Creating an environment where employees can work safely and securely and having all employees work vigorously will lead to reduction of business risks and costs and increase of profits. Currently, we are able to ensure elevated safety of people working in the Shiseido Group compared to all industries in Japan and the chemical and manufacturing industries, but we will implement various measures to aim for even higher levels.

*3 : Lost Time Injuries Frequency Rate (LTIFR): Number of occupational accidents accompanied by leave / total working hours x 1,000,000

▼ Comparison of the percentage of leave of absence between the domestic Shiseido Group and all domestic industries, chemical industries, and manufacturing industries



Occupational health and safety issues

In 2021, the Shiseido Group had 110 occupational accidents for domestic employees and contract employees. Of these, 29 were lost time accidents, one of which was a contract employee.

The types of occupational accidents were slipping/tripping, falls from heights, and unreasonable movements, accounting for 46% of the total. There are many accidents such as "lifting a heavy object in an unreasonable posture" and "slipping in a hallway wet with rain", which can occur in daily life. Analysis of the causes of occupational accidents revealed that many occupational accidents occurred when safety in the work environment was neglected or when the work method was improperly abbreviated. In addition, as 50% of cosmetics sales accidents cause falls, daily cooperation with tenants is important for a better working environment. At affiliated companies, 90% of accidents occur in people in their 50s and 60s, and it is necessary to encourage them to exercise and stretch on a regular basis and to wear comfortable shoes.

In addition, to achieve our health and safety goals by 2030, we must prevent future accidents by implementing company-wide safety education and sharing information beyond the business domain, rather than relying on the governance at each site. Furthermore, it is essential to strengthen safety education especially for people in their 50s and 60s, who suffer many occupational accidents, to comply with the health and safety laws and regulations that will be further regulated in the future, and we need to reduce the risk of damaging society's trust in us.

Current and future efforts

To achieve the goal based on the above issues, we have built an "occupational health and safety management system" from 2022, positioned it as an initiative involving management, and are carrying out activities to protect the safe and secure working environment.

As a company-wide initiative, we analyze the occurrence status, factors, and countermeasures of occupational accidents every month and share the reports with the health and safety manager at the Occupational Health and Safety Management System Committee meeting, which is held six times a year. In addition, we are planning to carry out comprehensive safety education and training on fostering a culture of safety through health and safety-focused activities, analyzing the results of occupational accidents that have occurred in the past three years, and the characteristics of human behavior, self-preservation measures to prevent future accidents, places and conditions that are likely to occur, etc. We will also work to reduce commuting accidents as well as work-related accidents to protect

employees.

The details of future efforts in each business area are as follows.

Factory / Logistics Center:

The factory / logistics center are promoting the establishment of GSMS (Global Safety Management System), which sets common occupational health and safety standards in Japan and overseas. At the factory / distribution center, various education and trainings are conducted including a review of past occupational accidents, but at the Kakegawa factory, all workers in the production area (including indirect employment and employees with disabilities) are targeted. As a safety experience training, we conducted a training to "sense danger in dangerous settings". We plan to start operating GSMS in 2023 and to obtain ISO 45001 certification at our factory bases around the world by the end of 2024. (Acquisition of factory complete as of December 2021: Shanghai factory, Beijing factory, Vietnam factory) ISO 45001 certified factories have established and implemented the necessary processes to prepare for and respond to possible emergencies. In addition, we carry out systematic education and training, as well as regular internal audits and evaluations for the maintenance and management of the process and continuous improvement.

▼ Safety experience training



Research institute:

The research institute has set up contact persons for health and safety at each base in Japan and overseas to share information on occupational accidents and near-miss incidents that have occurred in Japan and overseas. In addition, domestic research institutes manage their chemical substances with their own IT systems, and by efficiently conducting risk assessments for increasing chemical substances without omission, we have achieved legal compliance and will be a researcher in the future. We aim to protect your health and safety.

Shops / Sales & Offices:

Shops and offices, we will continue to promote health and safety activities based on the Health Committee. The hygiene committee of each area continuously collects near-miss cases to strengthen PDCA functions such as sharing accident information and countermeasures to other areas and preventing accidents, and we are planning to use signage, etc. in the workplace to inform employees of occupational accidents with a higher possibility of future occurrence.

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 Code of 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)

For more details, please refer to Social Data.

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.

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 (SLQM) initiative, we operate dedicated Life Quality Beauty Centers in four countries/regions around the world*1.

In order to continue activities during the COVID-19 pandemic, we shifted our focus to digital solutions. In July 2021, we began offering online appearance care consultations at the Shiseido Life Quality Beauty Center (Japan). We also introduced online consultations in China in 2020, and by the end of 2021, we had catered to 2,658 consumers.



Online appearance care consultation

In October 2021, SLQM was featured in *Successful Aging in the Eye Area: From Ptosis, Non-Surgical Aesthetic Medicine to Makeup for the Aging* *2, a medical book published by Zennihon Byouin Shuppankai, a major Japanese publisher of medical texts. In one chapter, a Life Quality Makeup Consultant discussed makeup techniques to diminish the look of swelling and internal hemorrhaging following surgery. In the same month, we presented our beliefs and efforts to medical professionals in China at the 5th conference of the Chinese Non-government Medical Institutions Association*3. We also held 11 seminars attended by 380 medical doctors.

Shiseido Asia Pacific received a Champions of Good award in 2020 for its sustainability efforts — including activities led by the Shiseido Life Quality Beauty Center*4. The awards recognize organizations that are exemplary in their corporate giving and those that engage partners and stakeholders in their initiatives.

*1 : China, Japan, Singapore, Taiwan (as of December 2021).

*2 : Japanese title: 「目もとの上手なエイジング—眼瞼下垂から非手術的美容医療、エイジング世代のメイクアップまで—」.

*3 : Established in December 2015, the organization is under the guidance of the National Health Commission and an affiliated association of The Ministry of Civil Affairs.

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

The Designated Products for Shiseido Life Quality Makeup: Perfect Cover

In 1995, we launched the Perfect Cover series designated for Shiseido Life Quality Makeup which applied photochromic technology to address blue discolorations (nevi of Ota), red discolorations (hemangiomas), and conspicuous dark spots. Later, we reinforced the series to meet a wider range of deep skin concerns including uneven skin textures, such as scars and vitiligo.

The series went through another renewal in March 2022 and is now equipped with enhanced coverage for changes in appearance from the side effects of cancer treatment (such as dull complexions and pigmentations)*1 in even easier-to-use, safer formulations.*2 The flagship product Perfect Cover Foundation MC offers a comprehensive coverage solution to concerns with uneven skin tones and surfaces. The results of the pre-launch product test*3 were overwhelmingly positive. 100%*4 of the users found it "gives excellent coverage over discolorations" and "adheres to the skin well"; 96%*4 said it "gives good coverage and a natural-looking finish simultaneously," and they "want to continue using the product".

*1 : Perfect Cover Foundation MC.

*2 : All products in the new Perfect Cover series.

*3 : A study conducted by Shiseido on 24 consumers who have skin concerns (uneven skin tones and/or surfaces) over 2 weeks (February-March 2021).

*4 : The total percentage of users who answered "I agree" and "I somewhat agree".



Shiseido Life Quality Makeup for serious skin concerns



Renewed Perfect Cover products (launched in 2022)

Supporting People Living with Cancer

Since 2008, we have supported people affected by changes in their appearance due to cancer treatments.

In 2015, we released our first booklet for people living with cancer. In 2019, we released the Beauty Book for Cancer Patients. And in 2020, we followed up with Men's Grooming for Cancer Patients. These books have been provided to 385 cancer hospitals in Japan in 2021. In February 2022, to meet a growing interest in post-chemotherapy appearance care, we issued Appearance Care for Your Confidence and Comfort*1 featuring the latest information on appearance care for all genders.



Appearance Care for Your Confidence and Comfort

In association with the Japan Cancer Society's*1 Survivors Club, we produced a series of videos on appearance care for men. The videos introduced simple techniques for eyebrow and complexion makeup, as well as hair, skin, lip, and hand care.

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 Social Beauty Care Advisors*2 help make daily life more comfortable for our consumers.

Building on our experience in Japan, we are keen to expand our efforts globally. In 2021, in Spain, working with the Asociación Española Contra el Cáncer, we offered online appearance care lessons to 187 people with cancer across 12 cities. In Italy, we held makeup lessons in collaboration with La Forza e il Sorriso, a cancer patient support organization.

*1 : A public interest incorporated foundation.

*2 : Social Beauty Care Advisor is our name for certified hairstylists at the Shiseido Beauty Salon who have completed our original educational curriculum and passed the certification exam.



On the set of an appearance care video with the Japan Cancer Society



Online appearance care lesson in partnership with the Asociación Española Contra el Cáncer

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

Since 2017, we have participated in LAVENDER RING, a multilateral project in Japan 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.

For the second year in a row, LAVENDER RING was hosted online in August 2021. 14 employees volunteered to provide personal makeup lessons to 57 cancer survivors nationwide. The event also included a panel discussion on hair donation as a way to help cope with changes in hair during and after treatments, and how it creates bonds within society.

In September of the same year, eight pediatric cancer survivors joined a MAKEUP & PHOTOS WITH SMILES event for children with cancer. In recognition of these efforts, we received a Mécénat Award for Excellence in November 2021 from the Association for Corporate Support of the Arts, a public interest incorporated association in Japan.

On February 4, 2021 — World Cancer Day — LAVENDER RING released its first book, LAVENDER RING Photo Book: Smiles and Messages from 206 People Living with Cancer*. Featuring portraits and interviews with 206 cancer survivors, the book was published by Hearst Fujingaho Co., Ltd., and is available at hospitals and bookstores. The inspirational stories resonate with every reader.

* Japanese title: 「自分らしく、を生きていく。～がんとともに生きる206人の笑顔と想い～」.



Mécénat Award for Excellence



Participants of the online MAKEUP & PHOTOS WITH SMILES activity



LAVENDER RING Photo Book (Hearst Fujingaho Co., Ltd.)

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 residents of local communities. This inspired the creation of support structures for people with cancer and older people 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 people with cancer in the community 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 and make appearance care-related services accessible to the community. As of the end of December 2021, the number of stores handling Perfect Cover amounted to 432. We aim to increase this number.

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 2021, 459 CRC*2 member retailers had adopted the program.

*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 at the Sugi Pharmacy Fushimi branch



Designated private room at the Sugi Pharmacy Fushimi branch

Supporting Older People

Due to COVID-19, we refrained from hosting certain programs for older people in 2021. However, in April, we introduced in-store beauty and wellbeing workshops*1 at cosmetic retailers, as well as online mind and body refreshment workshops*2. Shiseido Beauty Therapists*3 shared their expertise at these events. In November, we then resumed Shiseido Beauty Seminars*4, aiming to bring a smile to older people and improve their quality of life.



Online Shiseido Beauty Seminar (Shirako, Chiba, Japan)

In collaboration with the town of Shirako in Chiba, Japan, we set up online sessions between the town's health promotion center and Shiseido Japan's Hamamatsu-cho office. 15 of Shirako's older residents enrolled in Shiseido Beauty Seminars (five participants per seminar across a total of three seminars). Following the seminars, we evaluated the effect on participants, confirming changes in their perception of self-efficacy that pertains to self-reliance and a sense of competence. We presented our findings at the 2nd Annual Meeting of the Japanese Society of Cosmetic Medicine 2021.

*1 : In-store conversational workshops to introduce the connection between beauty care and health, and share at-home beauty care tips (172 held as of December 2021).

*2 : In consideration of COVID-19 and related lifestyle changes, participants can choose from four short workshops (about 30 minutes each). Can be held in-person or online.

*3 : In 2022, the name Shiseido Beauty Therapist will be changed to Shiseido Social Area Partner.

*4 : Seminars in which Shiseido employees visit older people and provide information on skincare, makeup, and hand care self-application techniques.

Supporting People with Disabilities

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, we developed Shiseido Guide Makeup for people with visual impairments. However, as the method requires participants to touch their skin, we refrained from activities due to the risk of COVID-19. In response, we identified the unique needs of people with visual impairments during the pandemic, and developed online seminars focused on the self-application of skincare. In cooperation with various organizations, Shiseido Beauty Therapists led the small group seminars throughout 2021, closely observing participants and communicating each movement in detail.



Shiseido Guide Makeup

In 2021, we also collaborated with Japan Beauty Blind* on three makeup events. A Shiseido Life Quality Makeup Consultant, who is also a licensed hairstylist, worked with three people with visual impairments on Guide Makeup and hairstyling techniques. The final event, held in December, featured festive makeup and hairstyling tips from a Shiseido makeup artist. All three events were broadcast live on the radio application Voicy, with around 700 listeners tuning in.

* A general incorporated association.

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 Child 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.

* A public interest incorporated foundation.



Online grooming lessons

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

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.



Discover Shiseido — Inside our DNA

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.

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.



MEGENAT
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

Measures for cyber security and data protection initiatives of Shiseido Group.

Privacy Protection

Privacy initiatives and data protection initiatives of Shiseido Group.

Protection of Intellectual Properties

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

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 "building trust with multiple stakeholders and 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 proactively and expeditiously.

We have placed the Risk Management Department in the Global HQ which reports to CLO (Chief Legal Officer), and RMO (Risk Management Officer) in each regional headquarters to centrally manage related information. The Global Risk Management & Compliance Committee, composed of Executive Officers/Regional CEOs and chaired by the CEO, meets on a regular basis to discuss risks and countermeasures. In addition to this, we have identified "risk owners" for each risk category to clarify responsibility for countermeasures. Moreover, we have implemented a transparent monitoring and communicative framework within the Global Risk Management & Compliance Committee and the Board of Directors to regularly discuss and assess our progress in addressing these risks.

Risk Management

In fiscal year 2021, 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, and Regional CEOs. 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: "the impact on business in case of risk manifestation", "likelihood and timing of risk manifestation", and "preparedness to the risk". Through the above-mentioned Committees and related meetings, the risks were prioritized, and status of countermeasures were 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.

Risks identified through our risk assessment have been organized into three categories: "Consumer and Social-related Risks" stemming from external factors, "Operation & Fundamental Risks" stemming from internal activities, and "Other Risks".

As a noteworthy point of the risk assessment results mentioned above, individual risks identified are more interlinked than in the past and interdependency of countermeasures is increasing. In addition, "Changes in Consumer Values" and "Corporate Culture and Acquisition /Securing Outstanding Human Resources" have a large impact on the other identified risks.

For details on Business and Other Risks, please refer to the Annual Securities Report on the URL link below.

* 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 innovative marketing and robust organization 9. Build a digitally driven business model and organization 10. Enhance talent and organization through diversity and upskilling

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" with increasing importance and impact on our business.

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	As the values, behaviors, and preferences of consumers rapidly change and diversify with the development of a highly technological and borderless society, there is a risk of declining demand for cosmetics, such as skincare and makeup.	If we are unable to appropriately formulate our corporate strategy to respond to changes in consumer's sense of value regarding beauty and health to develop cosmetics and services that match demand, it may have a significant impact on our business.	<ul style="list-style-type: none"> Shiseido is concentrating its resources on "Skin Beauty Brands", our area of strength where strong market growth is expected and aim to promote our brands, expand our portfolio, and develop new businesses in this area. 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	With growing global environmental awareness, regulations such as formulation development/UV care/containers & packaging are tightened. There is a risk of expanded restrictions on our technologies and cosmetics in various countries and regions, resulting in R&D stagnation or a ban on production and sales.	Many countries and regions have developed proposals for a sustainable society, such as the European Green Deal and Chemicals Strategy for Sustainability. The number of cosmetics and services offered by the Company may decrease and negatively affect the business plan if unable to formulate unique strategy and effectively develop sustainable products in response to the tightening regulations. In addition, inadequate efforts in this field could result in a loss of trust from society and consumers.	<ul style="list-style-type: none"> 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

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. Earn 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. Protecting peoples' lives is the most important thing. Place the highest priority on ensuring the safety of employees and their families and confirm whether they are safe.
After this, when conducting business operations, consider the safety of employees, and prevent secondary disasters.
2. Protect finances, IT systems, buildings, equipment, and other company assets.
3. Perform operations essential to recovery and operations that should be continued in the event of an emergency by the target time, without fail.
4. Through the above, minimize the impact on customers, business partners (clients and suppliers, etc.), shareholders, employees, society, and other stakeholders; prevent damage to corporate value, and earn the trust of society by providing various forms of support to the local community, etc.

Our BCP consists of 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, with the Executive Officer in charge of Risk Management as director and members appointed 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 out 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 updated and all are prepared for immediate action.

Emergency education for employees

To promote individual employee awareness and knowledge of emergency preparedness, we run various training and education programs. 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 drills are conducted for all employees twice a year, and new hire orientation programs include lectures to raise knowledge and 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 Code of 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 Code of 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 Code of 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
Revised in April 2022

Activities to Enhance Corporate Ethics

In accordance with THE SHISEIDO PHILOSOPHY, Shiseido has put in place the Shiseido Code of Conduct and Ethics so that employees will act based on a stronger sense of ethics in all business activities. We also provide training and education to put the Code into actual practice, striving to build mutual respect among employees regardless of their background and to win the confidence of all our stakeholders. In addition, 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. Such ethical awareness initiatives and the framework to facilitate them are key to realizing a workplace where individuals can deliver their best performance, thereby promoting honest and ethical corporate behavior and business growth alike.

Training for Employees

(1) Enhancement of Corporate Ethics in Workplaces

At the global regional headquarters, Risk Management Officers take charge of ethics promotion in each region. The Risk Management Officers are supported by Business Ethics Officers assigned to each affiliate at the global level and Ethics & Compliance Leaders in Japan.

In 2022, we will hold the same training globally so that all employees can understand and act in line with the Shiseido Code of Conduct and Ethics.

(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 (executive 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 at each regional affiliate globally for employees to voice their concerns about or report on words and/or actions which are or may be unethical or in violation of laws in the relevant countries/regions, the internal rules and the Shiseido Code of Conduct and Ethics, and a Shiseido Group Global Hotline at Company headquarters can receive reports directly from employees of our affiliates around the world.

The hotline system in Japan consists of the "Sodan Room (in-house Shiseido Hotline)" and an external Shiseido Hotline that deals 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 members for reports from Japan and overseas relating to directors, executive officers and hotline staff members*.

Shiseido also has a Business Partner Hotline for suppliers and business partners in Japan to voice any concerns on violations of human rights and compliance by Shiseido Group companies and employees.

For more details, please refer to Social Data.

*The hotlines in Japan are available to everyone working at Shiseido Group companies in Japan (directors, Audit & Supervisory Board members, executive officers, employees, contract employees, dispatched employees, those who have retired from the company within the past year, and others who are protected pursuant to the Whistleblower Protection Act).

The hotlines described above are paired with fair problem-solving routes and rules which explicitly prohibit the disadvantageous treatment of whistleblowers and prescribe the confidentiality of reports and consultations. Information about the hotlines, which includes instructions on their use, is communicated to every employee via the distribution of digital leaflets, and Company intranet bulletin board messages, etc.

The Division in charge of the Whistleblowing and Consultation Hotlines handles reports and concerns with due care to protect the privacy of those concerned. As necessary, a fact-finding investigation is launched. If a survey reveals a compliance violation, the offender is taken disciplinary action 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.

Mitigating the Risk of Discrimination/Harassment

In addition to the employee hotlines, the Shiseido Group in Japan conducts regular surveys of employees to identify workplace discrimination/harassment/compliance issues and challenges, and to mitigate such risks. Our process for mitigating the risks of discrimination, harassment, and compliance issues includes sharing survey results with companies, affiliates and departments identified by the survey as having problems and proposing corrective measures that should be implemented, as well as incorporating issues/challenges identified through an analysis of survey results into employee education.

The Risk Management Department reports to management and the Audit & Supervisory Board members on whistleblowing records and employee survey results and receives supervision for risk mitigation.

Information Security Management

1. Policy Related to Information Security

The Shiseido Group (hereafter "Group") establishes "Shiseido Group Information Security Policy" for all people working in the 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.

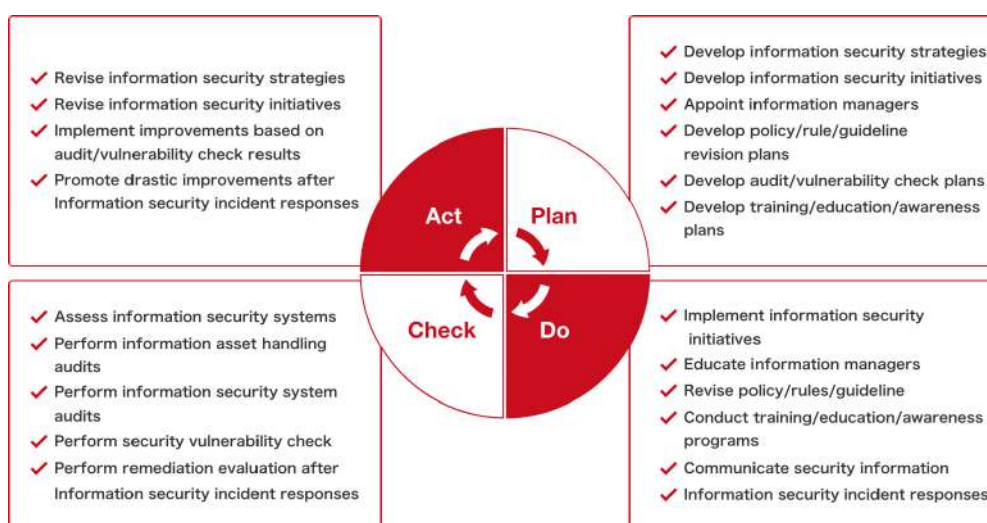
2. Information Security Management Systems

(1) Management structure

The Shiseido Group has established information security management systems, and the Chief Information Security Officer (CISO) has been appointed our 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. In the Shiseido Group, the Chief Financial Officer (CFO) has ultimate responsibility for information security.

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 management, information systems management and information security measures, installing safety measures, and providing training/education/awareness programs.

The heads of offices, departments, and affiliates are appointed as Information Managers responsible for the implementation of information security-related initiatives at their respective organizations. As for the regional headquarters outside Japan, information security contacts have been installed to regularly communicate with the CISO and HQ's Information Security department in order to ensure continued efforts to maintain and improve the Group's overall information security activities.



Shiseido Information Security Management

(2) Development of policies and rules

To promote information security management systems, we refer to several major related guidelines or best practices such as the ISO 31000 international standard for risk management, the ISO 27001 international standard for information security management systems, the NIST Cybersecurity Framework of the National Institute of Standards

and Technology, the CIS Controls of the Center for Internet Security, and the Cybersecurity Management Guidelines of Ministry of Economy, Trade and Industry.

Furthermore, specific guidelines and rules have been formulated. These include the above-mentioned "Shiseido Group Information Security Policy," in addition to rules and regulations regarding information asset handling/management and information systems 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", which includes requirements for proper handling of confidential information and protection of personal information. When outsourcing important operations, we check the information security management systems of the companies before we execute a service agreement requesting them to take appropriate safety management measures.



Structure of Information Security Rules

3. Information Security Enhancement Initiatives

(1) Employee training/education/awareness

The Shiseido Group conducts information security e-learning programs and group sessions on a regular basis to help employees increase their awareness and knowledge of information security. 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 on information security issues, the latest information is posted on our internal portal.

(2) Promotion of security by design

The Shiseido Group has developed internal systems and processes that enable the Information Security department to be involved in the development of new business or services from scratch so that necessary information security measures can be taken at the planning/designing stage.

(3) Monitoring activities

At the Shiseido Group, we ensure the proper handling of information assets as well as the implementation of appropriate information security measures for information systems development, operation, and management. Audits on information systems and related operations are performed on the risk basis, where supervision is conducted over improvements to any issue detected.

Also, we periodically perform vulnerability checks on information system infrastructures and application programs, and if vulnerability issues are detected, instructions and improvement advice are provided. In addition, we constantly monitor information security using external threat intelligence services.

For business partners to whom we outsource important operations, we regularly check their information security management systems even after contracts are concluded.

(4) 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 Systems departments depending on the impact of specific situations. The Information Security department works to

improve emergency response capabilities through organizing periodic drills (provided more than twice a year by several organizations including the Nippon CSIRT Association and a forensic service provider) 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.



Establishment of information security-related rules

(5) Third-party assessment

To verify that the Shiseido Group's implementation of its information security initiatives and management systems are appropriate, we enlist external experts to conduct an assessment if necessary. Issues and challenges identified through the assessment are then considered to develop information security strategies and initiatives.

Privacy Protection

1. Privacy Principles

The Shiseido Group (hereafter "Group") is fully aware of the importance of personal information obtained through business activities, considers ensuring the safety of such information to be its social responsibility, and makes sure to implement privacy protection on a Group-wide basis under the "Shiseido Group Privacy Rules," which must be followed by all people working for the Group.

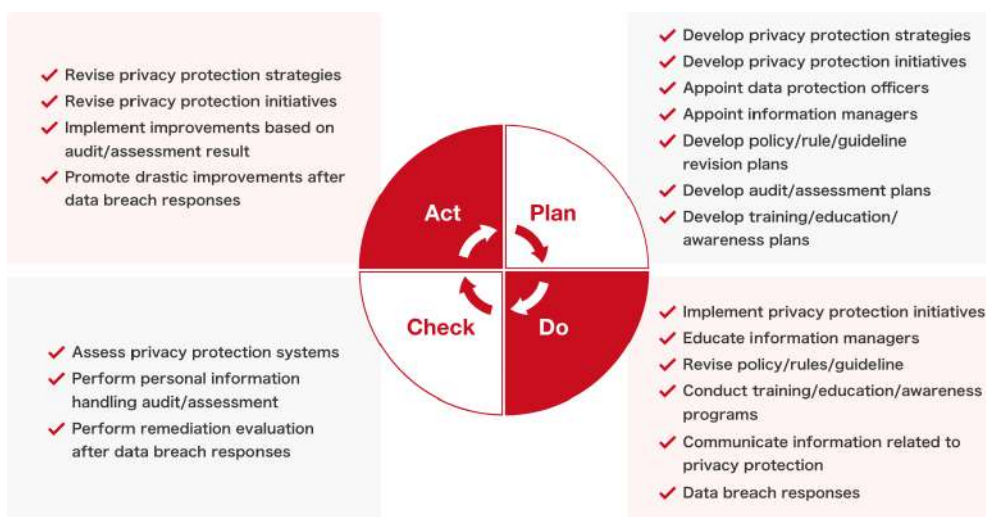
Also, the "Shiseido Global Privacy Principles," which were established as the Group's common privacy principles, as well as each Group company's privacy policies are publicly disclosed.

2. Privacy Protection Management Systems

(1) Management structure

The Shiseido Group has privacy protection systems in place under the leadership of the Chief Information Security Officer (CISO) and Chief Legal Officer (CLO). The CISO and CLO assume overall responsibility for privacy protection and engage in the planning and implementation of related strategies and initiatives while communicating with the management team.

Also, the CISO and CLO jointly supervise the development and enforcement of rules and guidelines for privacy protection as well as the implementation of safety measures and education/training in each Group company. The heads of offices, departments, and affiliates are appointed as Information Managers responsible for the implementation of privacy protection-related initiatives at their respective organizations. As for the regional headquarters outside Japan, privacy protection contacts in the local Information Systems and Legal&Governance departments periodically communicate with the CISO and HQ's Information Security and Legal&Governance departments to ensure continued efforts to maintain and improve the Group's overall privacy protection activities.



(2) Development of policies and rules

To promote privacy protection systems, we refer to several major related guidelines or best practices such as the ISO 31000 international standard for risk management, the ISO 27701 international standard for privacy protection, National Institute of Standards and Technology's Privacy Framework, and the Guidebook on Corporate Governance for Privacy in Digital Transformation (DX) promoted by the Ministry of Economy, Trade and Industry and the Ministry of International Affairs and Communications.

Furthermore, specific guidelines and rules have been formulated. These include the above-mentioned "Shiseido Group Privacy Rules," in addition to rules and regulations regarding information asset handling/management and information systems 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 privacy protection, we check the information security management systems of the companies to which we outsource the handling of personal information before we execute a service agreement requesting that they take appropriate safety management measures.

3. Initiatives to Promote Privacy Protection

(1) Employee training/education/awareness

The Shiseido Group conducts e-learning programs and holds group sessions on a regular basis to help employees increase their awareness and knowledge of privacy protection. We provide guidance to new graduate and mid-career hires during orientation sessions to instill the importance of privacy protection in our personnel from the time they start with the Group.

To keep employees updated on privacy protection issues, the latest information is posted on our internal portal.

(2) Promotion of privacy by design

The Shiseido Group has developed internal systems and processes that enable the Information Security and Legal&Governance departments to be involved in the development of new business or services from scratch so that necessary privacy protection measures can be taken at the planning/designing stage.

(3) Monitoring activities

The Shiseido Group periodically checks and assesses its information assets including personal information. Also, to check if privacy protection measures have been implemented appropriately in all offices, departments, and affiliates, we conduct a risk-based assessment of their information systems and issue an order for improvement if a problem is detected. As for our business partners to whom we outsource the handling of personal information, we check their information security management systems and operational status thereof on a regular basis even after executing service agreements with them.

(4) Privacy incident response

At the Shiseido Group, the Information Security department responds to accidents and emergency situations related to privacy protection executing the necessary actions in cooperation with the Legal&Governance, risk management, and Information Systems departments depending on the impact of specific situations.

If a privacy incident such as personal information breach occurs, the Group will report to the authorities concerned and data subjects, following the laws and regulations of each country/region.

(5) Third-party assessment

To verify that the Shiseido Group's implementation of its privacy protection initiatives and management systems are appropriate, we enlist external experts to conduct an assessment if necessary. Issues and challenges identified through the assessments are then considered to develop privacy protection 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 fully comply with the international guideline established by the OECD and the tax laws and regulations in all countries in which we run business. Furthermore, we also understand and respect the underlying intentions of the laws and regulations. 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 under the arm's length principle and 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 Code of 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 2023 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 Code of Conduct and Ethics and shared with all employees to ensure tax transparency.

The Chief Financial Officer (CFO) / The Finance Director (FD) and the Group Financial Controller(GFC) 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.

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.

Corporate 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 is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, "employees," "consumers," "business partners," "shareholders," and "society and the Earth." In addition, while fulfilling social responsibilities, the Company aims to achieve optimized distribution of values to respective stakeholders.

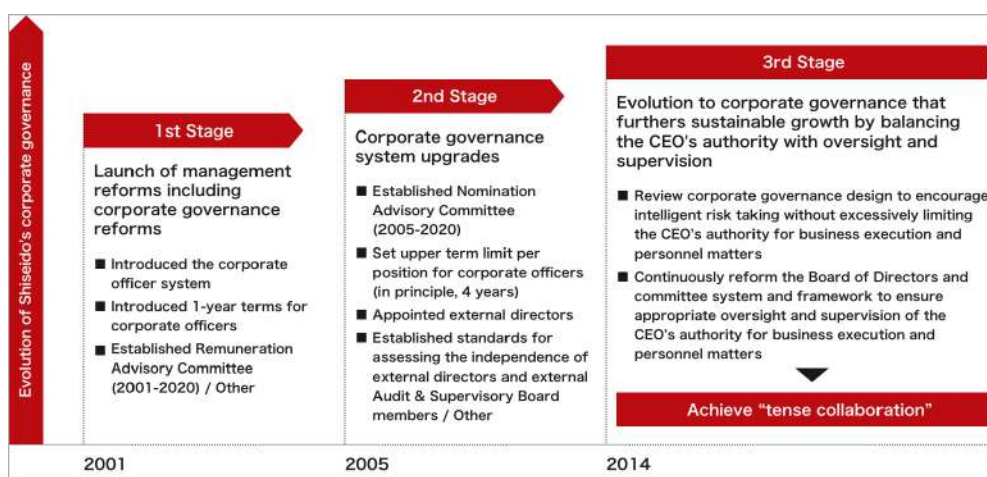
Corporate Governance System

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.

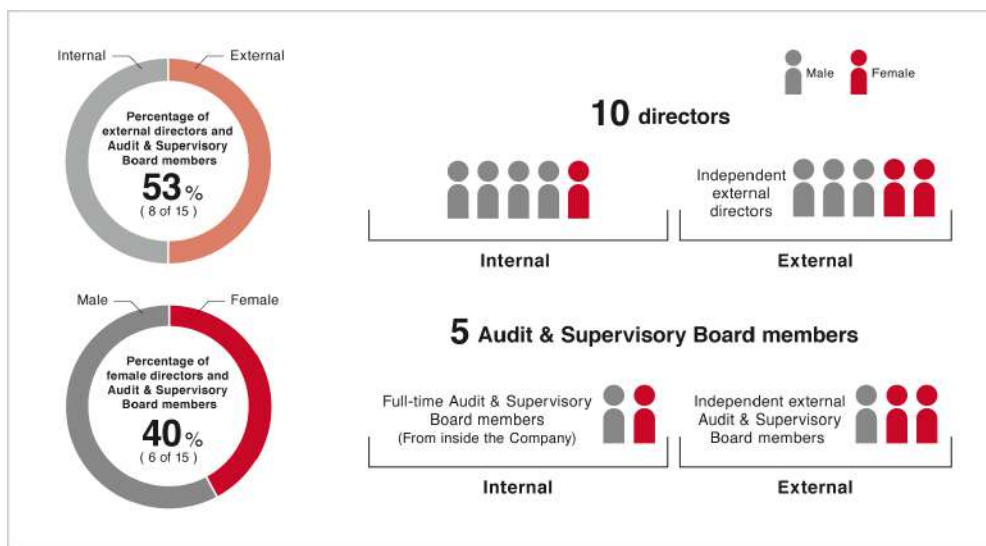
Moving to the Third Stage of Corporate Governance



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 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.

Directors and Audit & Supervisory Board Members



Of ten directors, five members(50%) are highly independent external directors who meet the "Criteria for Independence of external directors and Audit & Supervisory Board members" of the Company. The other five directors who serve concurrently as executive officers include one with career background in management outside the Shiseido Group, one with career background in head of finance outside the Shiseido Group, and three with career background in the Shiseido Group. The directors include three females (30%).

Of five Audit & Supervisory Board members, three members (60%) are highly independent external Audit & Supervisory Board members, and two are full-time members with career background in the Shiseido Group. The members include three females (60%).

Of the total 15 directors and Audit & Supervisory Board members, eight members (53%) are highly independent external directors or external Audit & Supervisory Board members, and six members are female (40%).

※ "Criteria for Independence of External Directors and Audit & Supervisory Board Members" and "Criteria for Important Concurrent Position Assumed by Company's Directors and Audit & Supervisory Board Members", etc.

The Company establishes its own "Criteria for Independence of External Directors and Audit & Supervisory Board Members" (the "Criteria") 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 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 the candidate has a high degree of the independence in accordance with the Criteria.

【Overview of "Criteria for Independence of External Directors and Audit & Supervisory Board Members"】

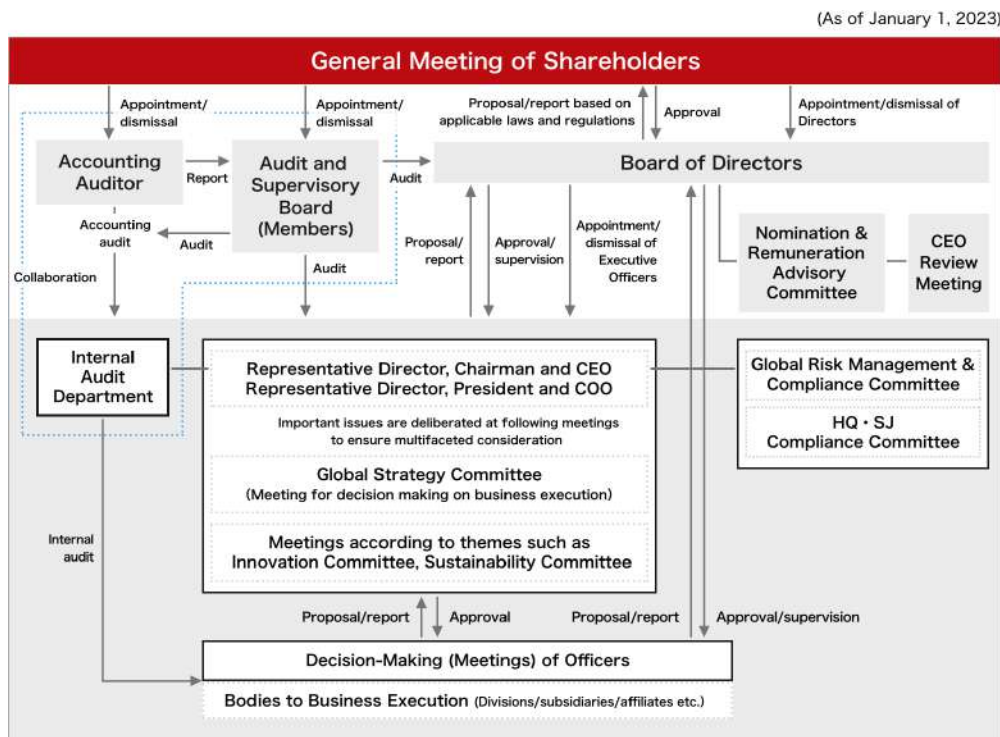
- i They are not originally from Shiseido Co., Ltd. (the "Company") or an affiliated company (collectively the "Shiseido Group");
- ii They are not a principal counterparty of the Shiseido Group or originally therefrom;
- iii They are not a person whose principal counterparty is the Shiseido Group or originally therefrom;
- iv They are not a large shareholder of the Company or originally therefrom;
- v They are not an executive of a company whose large shareholder is the Shiseido Group or originally therefrom;
- vi They are not a lawyer, consultant or the like receiving a large sum of remuneration from the Shiseido Group;
- vii They are not a person receiving a large amount of donation from the Shiseido Group or originally therefrom;
- viii They are not an accounting auditor of the Company or originally therefrom;
- ix They have no one falling under i to viii above among their close relatives;
- x They do not belong to any company, etc. where such person is in a state of "cross-assumption of Offices of Directors, etc." with the Company;

xi They are not in any other circumstances in which duties imposed on an independent External Director and Audit & Supervisory Board Member are reasonably deemed not to be achieved.

In order to clarify the status of competitive dealings by the Company's directors and audit & supervisory board members, and to enhance the independence of its external directors and audit & supervisory board members, the Company has set forth the following criteria regarding "important concurrent positions" assumed by its directors and audit & supervisory board members, and describes the status of the concurrent positions assumed by its directors and audit & supervisory board members in the Business Report based thereon.

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

Business Management and Execution Structure



Activities of the Board of Directors, its affiliated bodies, and the Audit & Supervisory Board

Board of Directors

Composed of ten members including five external directors, structured to be small for quick decision-making.

The Board of Directors meets approximately once a month to discuss all significant matters.

In 2022, 13 meetings* were held with an average participation rate of 100% by both internal and external directors.

* In addition to the number of Board of Directors meetings attended shown above, there were three deemed resolutions.

【Key Topics Discussed by the Board of Directors and Meetings of Directors in 2022】

- Appointment of the Next President
- Medium-to-Long-Term Strategy
- Sustainability Management Strategy
- Strategies for Future Business in Japan
- Strategies for Future Business in China
- Transfer of the Manufacturing Business of Personal Care Products

- Transfer of Professional Business
- Corporate Governance
- Major Risks Faced by the Shiseido Group
- Information Security Initiatives
- Reports on Investor Relations (e.g., Investor Feedback)

【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, and the Nomination & Remuneration Advisory Committee. 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 necessary measures are taken.

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

■ Implementation of the Fiscal 2022 Evaluation

We conducted the "Fiscal 2022 Effectiveness Evaluation of the Board of Directors" for the evaluation period between the previous year's general meeting of shareholders and this year's general meeting of shareholders.

The survey focused on the composition aspects such as the diversity of members of the Board of Directors, as well as deliberations and discussion aspects including agenda setting and content of materials and its explanation, operational aspects such as prior distribution of materials and the provision of prior briefings on the agenda, communication aspects such as demonstrating capabilities expected as roles of board members and strengthening of cooperation with Audit & Supervisory Board members and executive officers, and how our governance should be.

As a result, although we recognized the effectiveness of the Board of Directors has been ensured, there were opinions and recommendations for further improvement of the effectiveness.

Specifically, lively discussions with enriched diversity of the members of the Board of Directors and prior distribution of materials and briefings at appropriate timing were highly appreciated. On the other hand, we recognize the necessity for more strategic agenda setting to concentrate on discussions on important issues, status updates on the progress of strategy (medium-term strategy and plan), further improvement for prior briefings, materials, and additional information sharing to external directors.

In light of these results, we will continue to make efforts to strengthen the effectiveness of the Board of Directors by setting agenda strategically, preparing easy-to-understand materials which clarifies issues and points, and increasing opportunities for external directors to promote further understanding of the company. In particular, we focus on setting agenda items and enhancing discussions in order to fulfill the roles and responsibilities of the Board of Directors properly.

The measures we have taken so far and the opinions and future efforts to evaluate and improve these efforts in fiscal 2022 are as follows.

	Challenges by Fiscal 2021	Fiscal 2021 initiatives based on Challenges	Evaluations and Opinions for Fiscal 2022	Future Efforts
Agenda setting and discussion	<ul style="list-style-type: none"> Active discussions on future strategies are necessary. Discussion time should be focused on more necessary topics. 	<ul style="list-style-type: none"> Increased number of meetings focused on strategy (medium- to long-term strategy, regional strategy, sustainability strategy) and governance. Depending on the agenda, discussions are held with the EO in charge and the regional CEO. Use of written resolutions. 	<ul style="list-style-type: none"> Discussions on strategy formulation were solid. Strategic agenda setting including regular reports on execution status of important matters is necessary. 	<ul style="list-style-type: none"> Setting agenda strategically throughout the year. Progress updates on strategies regularly.
Prior Distribution and Content of Board Materials	<ul style="list-style-type: none"> There is room for improvement in the comprehensibility and timely provision of materials. 	<ul style="list-style-type: none"> Continuing to ensure prior distribution of materials and creation of easy-to-understand materials. Providing prior briefings for the Board of Directors. 	<ul style="list-style-type: none"> It was a big step forward that prior distribution of materials was ensured and prior briefings were provided. There is room for improvement in the method of prior briefings. Further clarification of points and arrangement of the issues in the materials are desired. 	<ul style="list-style-type: none"> Improvement on providing prior briefings. Further improvement on creating easy-to-understand materials (clarifying on issues and points).
Promoting the understanding of our external officers	<ul style="list-style-type: none"> It is desirable to enhance the provision of information to external directors, such as exchanging opinions with Audit & Supervisory Board members, the internal audit department, and the executive side. 	<ul style="list-style-type: none"> Holding external directors meetings. Increasing opportunities to visit and exchange opinions on-site at group companies, factories, laboratories, etc. Implementation of onboarding program for newly appointed external directors. 	<ul style="list-style-type: none"> Discussions were stimulated by issues raised from various angles by external directors. Improved cooperation and communication between Audit & Supervisory Board members and directors. It is desirable to set up more opportunities for direct communication with the execution (on-site) side. 	<ul style="list-style-type: none"> Further enhancement of external officers meetings, and strengthening cooperation between external directors and external auditors through exchanging of opinions. Continued onboarding program for newly appointed external directors. Further efforts to deliver voices and opinions from employees working on-site to external directors.

The Nomination & Remuneration Advisory Committee

The Nomination & Remuneration Advisory Committee makes reports to the Board of Directors on matters including the selection of candidates for directors, Audit & Supervisory Board members, and executive officers, promotion and demotion of directors and executive officers, and the remuneration policy for directors and executive officers as well as the details of remuneration payment based on the evaluation of their performance.

5 external directors (one of whom is chairman) and the CEO are members.

In fiscal 2022, 10 meetings were held. The committee discussed bonuses for directors and corporate officers for fiscal 2021, as well as the remuneration policy for directors and corporate officers, and remuneration for said individuals for fiscal 2022, and discussed and reported the selection of candidates for directors and Audit & Supervisory Board members, appointments of executive officers, etc.

CEO Review Meeting

In our corporate governance, there is a need to appropriately concentrate authority in the CEO while maintaining a strong supervisory function to counterbalance that authority.

Accordingly, the Company has established the CEO Review Meeting as a special deliberation body for the Nomination & Remuneration Advisory Committee to comprehensively oversee CEO by discussing and considering matters relating to the CEO, including performance evaluation that includes a personal evaluation of the CEO, and confirms the appropriateness of the CEO's remuneration. 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.

The committee met once in fiscal 2022.

Audit & Supervisory Board

Our Audit & Supervisory Board consists of five members, two full-time Audit & Supervisory Board members and three external Audit & Supervisory Board members.

The Audit & Supervisory Board receives reports on important matters related to audits, holds discussions, and makes resolutions pursuant to the provisions of laws and regulations, the Articles of Incorporation, and the Rules of the Audit & Supervisory Board.

In fiscal 2022, the Audit & Supervisory Board meetings were held 13 times, and the attendance rate of Audit & Supervisory Board members was 100%.

Basic Concept for Corporate Governance

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.

Succession Plan for CEO

The Company considers that the selection of succession candidates for the CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee. The 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 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 CEO, the Nomination & Remuneration Advisory Committee receives full reports from the 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 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.

Succession plan for the current CEO



In response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company developed the framework of a succession plan and launched it after obtaining approval at the Board of Directors meeting so that the successor can smoothly take over CEO's responsibilities without any problem. In this 5-year succession plan, after selecting the successor over the first three years, the successor works as the COO in cooperation with the CEO for the remaining two years. The Company aims to realize a smooth CEO succession and strengthen its management structure by making the successor have ample time to take on the responsibility to lead the Company in cooperation with the incumbent CEO.

The CEO and the members of the Nomination & Remuneration Advisory Committee had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, training policy, etc., from a medium-to-long-term perspective, and taking into account the Company's business environment, and then examined/implemented training programs for the carefully screened candidates so that they can fully demonstrate their ability. The members of the Nomination & Remuneration Advisory Committee had taken much time to hold in-depth discussions while collecting information from the incumbent CEO, referring to the results of the assessments conducted by external experts, and conducting personal interviews with candidates so that they can nominate the best successor among all candidates selected from inside/outside the Company. Additionally, they had regularly exchanged opinions with external Audit & Supervisory Board members. All things considered, the successor of the CEO was finally approved at the Board of Directors meeting.

Toward the launch of the new management structure in January 2023, the successor of the CEO was selected in accordance with the framework of the succession plan and through the objective and transparent process mainly led by external directors and Audit & Supervisory Board members. The external directors and Audit & Supervisory Board members continue to monitor the new management structure so that the COO can, through the joint management of the CEO and COO, smoothly assume the post of CEO.

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 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.

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

Last Update : June 8, 2023

Section 1

Securing the Rights and Equal Treatment of Shareholders	
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 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, confirms the existence of transactions with the said related parties and the materiality 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 by the Board of Directors from the perspective of quantitative materiality and qualitative materiality, such as the terms and reasonability of the transaction. A criteria are determined for quantitative materiality.

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 Code of Conduct and Ethics, which define the actions that must be taken and shared by each and every employee of the Shiseido Group.

It sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group, 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 Code of 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 Code of 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 the Shiseido Code of Conduct and Ethics 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 shares 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
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	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 first examined the importance of these issues to Shiseido's business and to all our stakeholders, from employees and consumers to business partners, shareholders, and society and the Earth. We then categorized and prioritized the issues along two axes and defined 18 material issues. Shiseido has established three strategic actions in each of the environmental and social areas.

- Each issue related to sustainability such as climate change and human rights were reviewed through discussions by Executive Officers and Audit & Supervisory Board members at the Sustainability Committee, a dedicated body to ensure timely management decisions related to sustainability and their company-wide implementation, established in 2020. In addition, the Global Strategy Committee and the Board of Directors are consulted when a decision is needed on important matters related to business execution.

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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- See below

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 each regional offices overseas (China, Asia Pacific, the Americas, EMEA, and Travel Retail). By 2030, we aim to raise it to 50% in Japan as well.

- 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 foreign nationals in Headquarter by hiring foreign nationals in Japan as well as promoting global mobility.

- For midcareer hires, we do not set any specific targets, but are mainly employing them for mid-career recruitment in the Shiseido Group in Japan .)

- 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 2022, approximately 2.3% of managers at Shiseido Group in Japan were foreign nationals, and approximately 29.6%—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 Group in Japan
- Ratio of mid-career hires to new hires at Shiseido Group companies 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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- See below

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>).
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	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 to the officer in charge of risk management. In Japan, 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 the 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 hotlines or 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 Investment Committee Meeting composed of the CFO, the Human Resources Department VP, the Finance and Accounting Department VP, the Strategic Finance Department VP, and the Pension Fund Directors, meets regularly to decide on asset portfolio, investment policies, and investment products with opinions and advice from outside investment consulting firms. In doing so, we properly manage conflicts of interest between the beneficiaries of the pension fund and the Company.

- Based on the policies determined by the Investment Committee Meeting, the Investment Managing Director executes asset management and reports the results to the Investment Committee Meeting, the Pension Fund Delegates Meeting and the Board of Pension Fund Directors to monitor investment performance.

- Regarding Executive Director and Investment Managing Director of the Pension Fund, we employ personnel with extensive experience in corporate pension operations at external financial institutions. Members of the Investment Committee Meeting acquire expertise by participating in seminars held by outside consulting firms and other specialized institutions.

- In addition, in order to fulfill its stewardship responsibilities appropriately as a responsible institutional investor, in March 2020, our Pension Fund announced their acceptance of the Principles of Responsible Institutional Investors (Japanese version of the Stewardship Code). As an asset owner, our Pension Fund strives to make stewardship activities more effective by encouraging the asset management companies we outsource to engage in dialogue with investee companies so that they can improve their corporate value and address sustainability issues.

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.

- See below

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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• See below

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	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. 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.
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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, the Company has decided to establish "Shiseido Future University," a facility to develop leaders of the next generation in Ginza (Chuo-ku, Tokyo), the Company's place of foundation, as part of the initiatives to commemorate the 150th anniversary of founding. The facility is scheduled to open in the autumn of 2023. Masahiko Uotani, the CEO of the Company has always strongly believed that people are the greatest asset and that investment in people increases corporate value, so has upheld the management philosophy of "PEOPLE FIRST." We will further strengthen our investment in people capital through "Shiseido Future University." Specifically, we will work on people development through the original curriculum which combines the state-of-the-art, global level business school education with the learning from Shiseido's heritage which has pursued a sense of beauty and richness of spirit since its founding. We will nurture global leaders suitable to lead a global beauty company, who have acquired strategic thinking, leadership and sensitivity, and contribute to the realization of a better society through generating innovations and growing business. As an example of return on such investment, Shiseido's global EC sales ratio has been growing rapidly to 33% of total net sales in fiscal year 2022.

• 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 impacts.

• In fiscal 2022, our R&D expenditure came to 26.7 billion yen (or 2.5% 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	External auditors and companies should recognize the responsibility that external auditors owe toward shareholders
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3.2	and investors, and take appropriate steps to secure the proper execution of audits.
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• See below

Supplementary Principle 3.2.1	The <i>kansayaku</i> board should, at minimum, ensure the following: 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, Director Chief Financial Officer and heads of departments relevant to financial 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 (Financial Accounting Department and Internal Audit Department) about the accounting auditor and exchanges opinions with the Director Chief Financial Officer at the Audit & Supervisory Board.

Supplementary Principle 3.2.2	The board and the <i>kansayaku</i> board should, at minimum, ensure the following: 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. The accounting auditor and the full-time Audit & Supervisory Board members hold meetings on reporting accounting auditor's audit results on a quarterly basis. These quarterly meetings are also attended by the external directors and external Audit & Supervisory Board members twice a year, at the end of the first half and at the end of the fiscal year, to promote sharing of information.

• The 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 the full-time 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 related to business execution held by executive divisions, such as the Board of Directors and Global Strategy Committee meetings, to check on the content of deliberations.

Section 4

Responsibilities of the Board	
General Principle 4	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: (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. 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.

• 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
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	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 have established "SHIFT 2025 and Beyond," a medium-term strategy centered on the three years from 2023 to 2025. With "SHIFT 2025 and Beyond," the Company will take the next three years under a new management structure to shift itself from "Defense" to "Offense" and ensure further growth to "Be a Global Winner with Our Heritage." As part of "SHIFT 2025 and Beyond," we aim to first regain the growth of the Japan business, which is the remaining challenge of "WIN 2023 and Beyond." We will achieve core operating profit exceeding ¥50 billion in the Japan business by 2025 through fundamental reforms over a three-year period from 2023. During the same period, the entire Company will implement reforms to improve sustainable sales growth and profitability, aspiring to become a Personal Skin Beauty & Wellness Company. As we aim for long-term growth, we are strengthening investment in the three priority areas of brand, innovation, and people, and plan to achieve our core operating margin of 12% by 2025 and 15% in the plan's final year of 2027. We will continue to aspire to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty through our corporate mission, "BEAUTY INNOVATIONS FOR A BETTER WORLD."

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 CEO, who is the top executive of the Company, can make decisions after deliberations at important meeting bodies for decision-making on business execution such as the Global Strategy Committee and others.

- 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, 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 launched WIN 2023, our previous medium-term strategy to achieve our vision for 2030: becoming the world's No.1 company in skin beauty. During the three-year period from 2021 to 2023, we are implementing radical transformations focused on profitability and cash flow rather than growth via sales expansion in a bid to solidify our foundation as a skin beauty company. We designated 2021 as a period of "Groundwork" to focus on structural reforms centered on reviewing our business portfolio and strengthening our financial base while responding to and preparing for current and post-COVID-19 markets. We positioned 2022, which marked the 150th anniversary of Shiseido's founding, as the "Back on Growth Track" year to accelerate further growth of our global brands and DX initiatives. The final year of the WIN 2023 strategy is a year of "Full Recovery." We aim to achieve net sales of approximately ¥1 trillion and an operating profit margin (OPM) of 15% as a Skin Beauty Company. Furthermore, we are continuing to strengthen our active investment in our brands, innovation, supply network, DX, and people over these three years. 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 CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee. The 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 the 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 CEO, the Nomination & Remuneration Advisory Committee receives full reports from the 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 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 response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company developed the framework of a succession plan and launched it after obtaining approval at the Board of Directors meeting so that the successor can smoothly take over CEO's responsibilities without any problem. In this 5-year succession plan, after selecting the successor over the first three years, the successor works as the COO in cooperation with the CEO for the remaining two years. The Company aims to realize a smooth CEO succession and strengthen its management structure by making the successor have ample time to take on the responsibility to lead the Company in cooperation with the incumbent CEO. The CEO and the members of the Nomination & Remuneration Advisory Committee had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, training policy, etc., from a medium-to-long-term perspective, and taking into account the Company's business environment, and then examined/implemented training programs for the carefully screened candidates so that they can fully demonstrate their ability. The members of the Nomination & Remuneration Advisory Committee had taken much time to hold in-depth discussions while collecting information from the incumbent CEO, referring to the results of the assessments conducted by external experts, and conducting personal interviews with candidates so that they can nominate the best successor among all candidates selected from inside/outside the Company. Additionally, they had regularly exchanged opinions with external Audit & Supervisory Board members. All things considered, the successor of the CEO was finally approved at the Board of Directors meeting. Toward the launch of the new management structure in January 2023, the successor of the CEO was selected in accordance with the framework of the succession plan and through the objective and transparent process mainly led by external directors and Audit & Supervisory Board members. The external directors and Audit & Supervisory Board members continue to monitor the new management structure so that the COO can, through the joint management of the CEO and COO, smoothly assume the post of CEO.

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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- See below

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 (stock compensation) 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.

- The "long-term incentive-type 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. As performance indicators to evaluate the enhancement of economic value, a mix of quantitative targets to be aimed for with a long-term perspective has been set under the medium- to long-term strategy. 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).

- 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 formed a board members' company stock ownership association, and encourages them to join. This program has been provided with the aim of establishing a sense of common interests with the shareholders, as the directors and Audit & Supervisory Board members purchase the Company's shares on a regular basis and hold them as shareholders.

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 our WEB site and the 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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- See below

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 CEO, the Nomination and Remuneration Advisory Committee conducts more careful deliberations in addition to the above procedures. Candidates for the 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 CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nomination and Remuneration Advisory Committee. Whether the 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 CEO and the development of the succession plan requires the cooperation of the incumbent and the Nomination & Remuneration Advisory Committee.

The 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 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 CEO, the Nomination & Remuneration Advisory Committee receives full reports from the 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 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 response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company developed the framework of a succession plan and launched it after obtaining approval at the Board of Directors meeting so that the successor can smoothly take over CEO's responsibilities without any problem. In this 5-year succession plan, after selecting the successor over the first three years, the successor works as the COO in cooperation with the CEO for the remaining two years. The Company aims to realize a smooth CEO succession and strengthen its management structure by making the successor have ample time to take on the responsibility to lead the Company in cooperation with the incumbent CEO. The CEO and the members of the Nomination & Remuneration Advisory Committee had fully discussed the necessary qualifications and requirements for CEO, the focal point of successor selection, training policy, etc., from a medium-to-long-term perspective, and

taking into account the Company's business environment, and then examined/implemented training programs for the carefully screened candidates so that they can fully demonstrate their ability. The members of the Nomination & Remuneration Advisory Committee had taken much time to hold in-depth discussions while collecting information from the incumbent CEO, referring to the results of the assessments conducted by external experts, and conducting personal interviews with candidates so that they can nominate the best successor among all candidates selected from inside/outside the Company. Additionally, they had regularly exchanged opinions with external Audit & Supervisory Board members. All things considered, the successor of the CEO was finally approved at the Board of Directors meeting. Toward the launch of the new management structure in January 2023, the successor of the CEO was selected in accordance with the framework of the succession plan and through the objective and transparent process mainly led by external directors and Audit & Supervisory Board members. The external directors and Audit & Supervisory Board members continue to monitor the new management structure so that the COO can, through the joint management of the CEO and COO, smoothly assume the post of CEO.

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 CEO will be dismissed by a resolution of the Board of Directors after careful consideration by the Nomination and Remuneration Advisory Committee.

- Whether the 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 and President 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 shares 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 audits of the Company's risk management system and its operational status. The results of the audits are reported to Representative Director Chairman and CEO, Director Chief Financial Officer, and Audit & Supervisory Board members every month, and they are also reported to the Board of Directors twice a year.

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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- See below

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.

- The Audit & Supervisory Board members actively express their opinions by attending meetings of the Board of Directors. The full-time Audit & Supervisory Board members also attend important meetings related to business execution, such as Global Strategy Committee and HQ/SJ Compliance Committee. The 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.

- The 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 the 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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- The Shiseido Code of Conduct and Ethics define the actions that must be taken and shared by each and every employee of the Shiseido Group. It sets out not only abiding by the laws of each country and region, internal rules and regulations of the Shiseido Group, but also the action standards for business conduct with the highest ethical principles. Also, the Company defines what corporate actions should be taken in relation to stakeholders (employees, customers, business partners, shareholders, and society and the Earth).

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> .
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	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	The board should ensure the following in relation to the operation of board meetings and should attempt to make deliberations active: 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, materials for Board of Directors' meetings are share online 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 the Board of Directors, which are compulsory statutory meetings, the full-time Audit & Supervisory Board members are secured with opportunities to attend important meetings related to business execution, such as Global Strategy Committee, as well as Global Risk Management & Compliance Committee and HQ/SJ Compliance Committee as observers, and reports and information are provided to the Audit & Supervisory Board members 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 members, 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 and company internal regulations, 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 Representative Director Chairman and CEO, Director Chief Financial Officer, and Audit & Supervisory Board members every month, and they are also reported to the Board of Directors twice a year.

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 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 new directors and new Audit & Supervisory Board members with training regarding legal and statutory authorities and obligations, etc. In addition, the Company provides new external directors with training regarding the industry it operates in, its history, business overview, strategy, material risks etc. (approximately once a year for each subject).

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, COO 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;
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	<ul style="list-style-type: none"> 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.

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

1. Basic Philosophy of the Remuneration to Directors and Executive Officers of the Company

The Company regards the directors and executive officers remuneration policy (remuneration policy for the executive officers including directors who concurrently serve as the executive officers) as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the directors and executive officers remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by an external director to incorporate objective points of view, and the outcome is reported to the Board of Directors for the resolution.

Basic philosophy and policy of the remuneration to directors and executive officers

The remuneration policy to directors and executive officers shall:

1. encourage to realize the corporate mission;
2. aim to ensure attractive remuneration to acquire and retain top talent in global talent market;
3. aim to enhance the long-term corporate value and strongly incentivize to achieve the company's long-term vision and medium- to long-term strategy;
4. have a mechanism incorporated to prevent overemphasis on short-term views while instilling motivation to achieve short-term goals;
5. be designed as transparent, fair and reasonable from the viewpoint of accountability to stakeholders including shareholders and employees, and remuneration shall be determined through appropriate processes to ensure those points.
6. be designed to establish remuneration standards based on the significance (Grade) of role/responsibility reflecting the mission of respective directors and executive officers, and differentiate remuneration according to the level of strategic target accomplished (achievements).

2. The Company's Directors and Executive Officers Remuneration Policy

Based on the above basic philosophy, the Board of Directors of the Company has resolved its policy on decisions regarding matters including remuneration, etc. of individual directors.

The Company's directors and executive officers remuneration policy, including an outline of the contents of the policy on decisions regarding matters including remuneration, etc. of individual directors, 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 incentive" and "long-term incentive-type remuneration (non-monetary remuneration)" as performance-linked remuneration, and the Company sets remuneration levels by benchmarking peer companies in the same business industry or in the similar business size inside or outside Japan and by taking the Company's financial condition into consideration. Matters including remuneration, etc. of individual directors are determined at the Board of Directors meetings after deliberations by the Nomination & Remuneration Advisory Committee. Matters including

remuneration, etc. of individual directors for the fiscal year ended December 31, 2022 were deliberated on by the Nomination & Remuneration Advisory Committee, while taking into account the social conditions and economic situation surrounding the Company, according to the specific remuneration framework and indicators designed based on the policy on decisions regarding matters including remuneration, etc. of individual directors. They were then reported to the Board of Directors, and the Board of Directors made decisions on matters including remuneration in deference to the said report. The Company therefore determines that matters including remuneration, etc. are in line with the aforementioned policy on decisions.

External directors and Audit & Supervisory Board members receive only basic remuneration (fixed remuneration), as variable remuneration such as performance-linked remuneration is inconsistent with their supervisory roles independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan, and none of the directors or the Audit & Supervisory Board members was paid remuneration other than described above.

{The proportion of each remuneration element for directors eligible for the payment by remuneration type and rank as executive officer}

The proportion of remuneration is set by Grade, and the higher the Grade becomes, the higher the proportion of performance-linked remuneration becomes.

Rank as Executive Officer	Composition of Remuneration for Directors and Executive Officers			
	Basic Remuneration	Performance-linked Remuneration		Total
		Annual Incentive	Long-Term Incentive-Type Remuneration	
Chairman and CEO	33.3%	33.3%	33.3%	100%
President, Executive Vice President, Senior Executive Officer and Executive Officer	36%~63%	18.5%~32%	18.5%~32%	

Notes :

1. The proportions shown in the above table may change depending on the Company's performance and/or its stock price's fluctuation, as financial value of performance-linked remuneration is shown at target where the Company pays 100%.
2. There is no differentiated proportion of each remuneration element for directors pegged to having a representation right.
3. Because different remuneration tables will be applied depending on the Grade of executive officers, proportions of each individual remuneration element will vary even within a same rank.

■ Basic remuneration

The Company designs basic remuneration in accordance with Grades based on the size and level of responsibility of executive officers in charge, as well as the impact on business management of the Group. In addition, even at the same grade, the basic remuneration may increase within a certain range based on the individual executive's performance for the previous fiscal year (numerical business performance and personal performance evaluation). This ensures the Company to reward executive officers for their individual outstanding achievement.

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

For external directors and Audit & Supervisory Board members, the Company shall pay fixed remuneration only, which is determined in accordance with their respective roles.

■ Performance-linked remuneration

The performance-linked remuneration consists of an "annual incentive" provided as an incentive for achieving goals for the corresponding fiscal year, 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 enhance corporate value over the medium to long term. Accordingly, it is designed to motivate the directors and executive 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.

■ Annual incentive

Of the performance-linked remuneration the Company has set evaluation items for the annual incentive in accordance with the scope that executive officers are in charge of as described in the table below, in addition to the achievement rate of target consolidated net sales and core operating profit which are financial indicators, as common performance indicators across executive 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 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 Nomination & 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 Nomination & Remuneration Advisory Committee will consider the possibility of lowering the percentage amount of the annual incentive payment attributable to the whole group performance component of the total annual incentive, if results fall below the thresholds. In determining the achievement rate of each target and threshold for consolidated net sales, core operating profit and profit attributable to owners of parent, actual performance may be adjusted by resolution of the Board of Directors following deliberation by the Nomination & 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 executive 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 incentive is paid once a year.

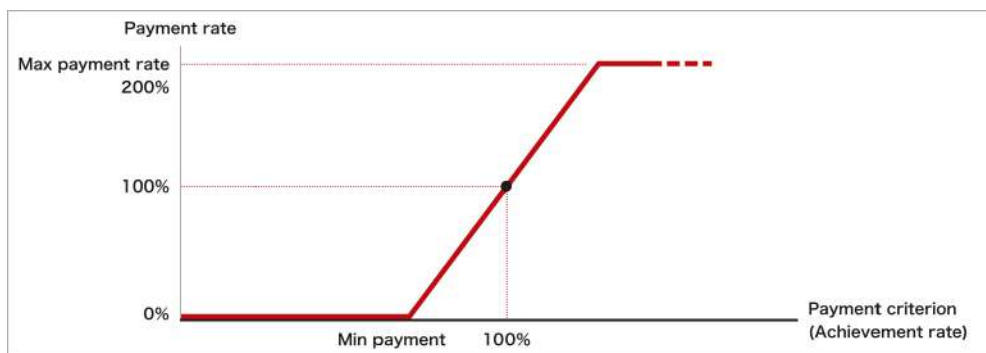
[Performance indicators and evaluation weights for annual incentive for directors eligible for the payment as executive officers]

Evaluation Item	Performance Indicators	Evaluation Weight								
		CEO and COO		Executive Officers in Charge of Businesses				Executive Officers Other than Those in Charge of Businesses		
				Regional Headquarters President		Other		Corporate Function		
Whole Group Performance	Consolidated net sales	30%	70%	10%	20%	10%	20%	30%	70%	
	Core operating profit	40%		10%	10%	20%	40%			
	Profit attributable to owners of parent	If this amount ends up below the threshold, the Nomination & 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%								
		Strategically prioritized transformations and initiatives for realizing our long-term vision and strategy, building and strengthening organizational capabilities to realize said transformations and initiatives, own growth goals and recommendations to the CEO								

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.

[Model of annual incentive payment rate]



■ 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). 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.

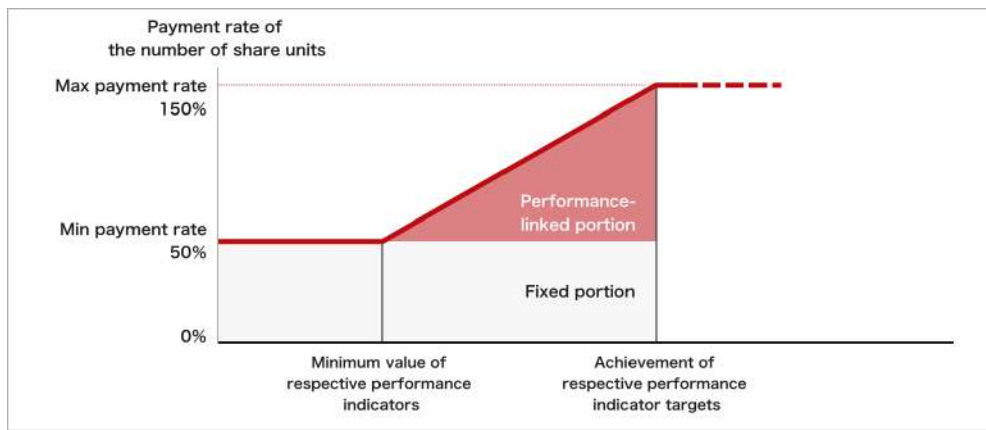
{Purposes of introducing the LTI}

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.

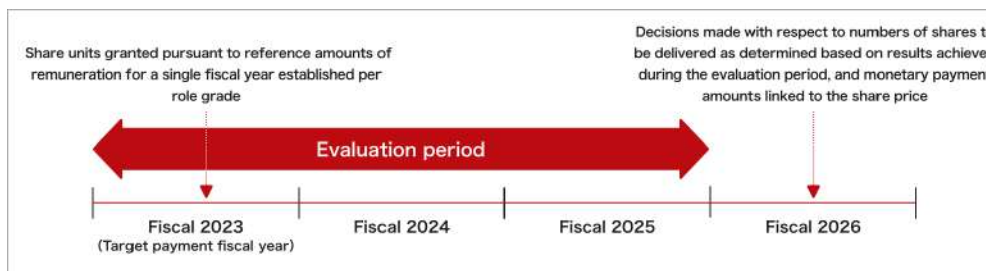
Under the Company's performance share units, the Company will allot a reference share unit to each of the eligible parties once every fiscal year, and on each annual allotment, the number of fiscal years that the payment relates to shall be one fiscal year. To make such allotments, the Company shall 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 for the delivery of the shares of the Company's common stock and cash 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. Meanwhile, it features a fixed portion involving a set payment in addition to its performance-linked portion. 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 evaluation period with fiscal 2023 as the fiscal year that the payment relates to covers the three fiscal years from January 1, 2023, through December 31, 2025, and determination of the amount of monetary remuneration claims for the delivery of the Company's common stock and cash and their payment to Eligible Directors will take place after the evaluation period has ended, in principle. Furthermore, under the LTI, monetary remuneration claims for the delivery of the Company's common stock and cash will be paid in accordance with the level of achievement of performance indicators, etc., and therefore, at the time share units are granted, it is undetermined whether or not this delivery or payment of remuneration, etc. to each Eligible Director will take place. Likewise, the number of shares of the Company's common stock, the amount of monetary remuneration claims for delivery of the Company's common stock, and the amount of cash are also undetermined.

[LTI schedule]



[Structure of the LTI]

The specific structure of the LTI is as follows:

- 1) The LTI has a performance-linked portion and a fixed portion.
- 2) Performance indicators linked with the medium-term business plan, etc. shall be used for the performance-linked portion, and the percentage amount of payment, etc. attributable to the level of achievement, etc. of each performance indicator required for the specific calculation of the number of shares, etc. to be delivered to each Eligible Director will be determined. The Board of Directors of the Company will determine these performance indicators and the percentage amount of payment, etc., following deliberation by the Nomination & Remuneration Advisory Committee.
- 3) The overall picture of the performance indicators and their weights under the LTI is shown in the table below. Among the performance indicators, we have established upper and lower valuation limits for the core operating profit margin and the consolidated average annual growth rate (CAGR) in the final fiscal year of the evaluation period, which are economic evaluation indicators. If the upper valuation limit is achieved, the maximum percentage amount of payment for each indicator is applied, and if the performance falls below the lower valuation limit, the performance-linked portion is not paid for each indicator. With regard to the indicators of environment and society among the social value indicators, the achievement or non-achievement of the target is judged for each of the indicators, and if the target is achieved, the maximum percentage amount of payment for each indicator is applied. If the target is not achieved, the performance-linked portion is not paid for each indicator, and for ESG in general, the target value is set, and the percentage amount of payment fluctuates according to the level of achievement.

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

Evaluation Item	Performance Indicators		Evaluation Weight	
Economic Value Indicators	Core operating profit margin for the final fiscal year of the evaluation period		50%	100%
	Consolidated net sales compound average growth rate (CAGR)		30%	
Social Value Indicators	Environment	Status of the achievement of the CO ₂ emissions reduction target	20%	
	Society	Ratio of female managers/leaders in Japan and overseas at the Company, and the status of inclusion in the indices related to the promotion of women by ESG rating agencies designated by the Company		
	ESG in general	Evaluation scores by ESG rating agencies designated by the Company		
Economic Value Indicator	Consolidated ROE		If this falls below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.	

- 4) The fixed portion is provided for the purpose of sharing a sustainable sense of profit with shareholders, checking the impairment of corporate value and maintaining high corporate value over the long term, and acquiring and maintaining talented human resources by stably providing certain stock compensation to Eligible Directors.
- 5) After the end of the evaluation period, the Board of Directors shall determine the number of shares of the Company's common stock to be allotted to each Eligible Director and the amount of cash to be paid, following deliberation by the Nomination & Remuneration Advisory Committee, in accordance with the percentage amount of payment (which fluctuates in the range between 50% and 150%) determined according to the level of achievement, etc. of each performance indicator. In the event the Nomination & Remuneration Advisory Committee determines that an unexpected external factor, etc., which was difficult to reasonably foresee when setting targets under the medium-term business plan, etc., occurs, the Committee shall conduct careful deliberation by comprehensively considering such factor, and the Board of Directors may, if it is deemed appropriate, decide to adjust the percentage amount of payment with respect to the performance indicator related to economic value among the performance indicators.
- 6) Pursuant to a resolution by the Board of Directors, the Company will pay monetary remuneration claims for the delivery of the Company's common stock to each Eligible Director, in accordance with the number of shares of the Company's common stock to be allotted to each Eligible Director as determined in item 5), and each Eligible Director will receive delivery of the Company's common stock by providing all of the monetary remuneration claims as contributions in kind. Furthermore, the amount paid for the Company's common stock will be determined by the Company's Board of Directors based on the Share Price at Time of Delivery within a range that is not especially advantageous for each Eligible Director subscribing to the Company's common stock.
- 7) Each Eligible Director will incur tax expenses in accordance with the delivery of the Company's shares as described in item 6), and therefore the Company will pay each Eligible Director an amount of cash determined in item 5) in addition to the monetary remuneration claims in item 6), in order to secure funds for these tax expenses.
- 8) Conditions for the delivery of shares to each Eligible Director and other details will be determined by the Board of Directors.

〔Conditions for Payment of Remuneration, etc. based on the LTI〕

The Company will pay remuneration, etc. based on the LTI to Eligible Directors who fulfill the following conditions. Delivery of the Company's common stock shall be conducted by issuing shares or disposing of treasury stock, and the Board of Directors shall determine the Eligible Directors to whom the Company's common stock will be delivered and matters related to subscription for the issuance of shares or disposal of treasury stock after the evaluation period has ended, in accordance with the below conditions 1) through 3) and the calculation method described above.

- 1) The required period in office must be fulfilled (must have served continuously in the position of director or executive officer of the Company or a subsidiary of the Company during the entire period of the fiscal year that the payment relates to, etc.).

- 2) When retiring prior to the vesting of rights, the retirement must not be due to disciplinary action or such like.
- 3) Any other conditions set forth by the Board of Directors as necessary to achieve the intent of the LTI must be fulfilled.

Under the LTI, the Company has introduced the malus and clawback provisions. In certain conditions, such as in case of serious misconduct of Eligible Directors, the Board of Directors is entitled to make the decision to reduce the number of the share units or receive a refund.

[Treatment when Eligible Directors Retire]

Even if an Eligible Director loses his/her position as a director or executive officer of the Company or any of its subsidiaries during the evaluation period, such Eligible Director may be provided with the number of shares of the Company's common stock and/or cash prorated based on a reasonable method prescribed by the Company's Board of Directors of no more than the Maximum Payment Amount and the Maximum Number of Shares to be Delivered corresponding to the nature of the reason for loss of the aforementioned position in case certain requirements such as the conditions for payment described above are fulfilled at the timing prescribed by the Board of Directors. In addition, if as a result of the resignation of Eligible Directors, payments of remuneration, etc. are made under the terms of the LTI before the end of the evaluation period, the number of shares to be delivered or the amount paid to such Eligible Directors shall be computed using the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of resolution of the Board of Directors of the Company concerning said payments (if no trades are made on this day, the closing price on the most recent preceding trading day).

■ Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2022

(Millions of yen)					
	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Stock Compensation) (b)	Total [(a)+(b)]
Directors (9 persons)	361	225	587	308	895
External Directors Among Directors (5 persons)	56	—	56	—	56
Audit & Supervisory Board Members (5 persons)	104	—	104	—	104
External Audit & Supervisory Board Members Among Audit & Supervisory Board Members (3 persons)	39	—	39	—	39
Total	465	225	691	308	999

*Total remuneration in cash that has been confirmed by March 2022

Notes:

1. The total amount of the basic remuneration and annual incentive 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. The number of directors at the conclusion of the said general meeting of shareholders was six (three of whom were external directors). Furthermore, it was resolved at the 122nd ordinary general meeting of shareholders (March 25, 2022) that, separate from the monetary remuneration, up to 86,000 shares would be provided as performance-linked stock compensation (performance share units) (of which, with a maximum of 43,000 shares, the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash) to directors excluding external directors. The number of directors at the conclusion of the said general meeting of shareholders was eight (four of whom were external directors). 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. The number of Audit & Supervisory Board members at the conclusion of the said general meeting of shareholders was five.
2. The annual incentive of directors for fiscal 2022 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th 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 incentives paid to directors excluding external directors. The Company has received a proposal from Representative Director Masahiko Uotani to decline 5% of the annual incentive proposed by the Nomination & Remuneration Advisory Committee, taking into account the status of bonuses paid to employees of Group companies in Japan. The Board of Directors has resolved the said proposal (continuing from fiscal 2020 and fiscal 2021, Masahiko Uotani has declined part of his annual incentive). The above amounts of annual incentive have been already adjusted based on the reduced amounts.

3. The amount of long-term incentive-type remuneration (stock compensation) indicated above represents the total amount of the expenses recognized and measured in accordance with IFRS 2 "Share-based Payment" for the fiscal year ended December 31, 2022, 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. It has been resolved that the portion equivalent to 50% of the remuneration, etc. based on the aforesaid remuneration policy is provided in monetary remuneration claims for the delivery of shares of the common stock of the Company and the rest in cash. The said amount of the expenses recognized includes \2 million in adjustment to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
4. In addition, an adjustment of \0.2 million was recorded to the expenses recognized for the fiscal year ended December 31, 2021, on the performance-linked stock compensation (performance share units) delivered to three directors of the Company, at the time the directors served as corporate officers or employee not holding the office of directors.
5. None of the directors or the Audit & Supervisory Board members was paid remuneration other than described above (including that described in notes 1. through 4.).

■ 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, 2022

(Millions of yen)

	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Stock Compensation) (b)	Total [(a)+(b)]
Masahiko Uotani, President and CEO	169	160	329	201	531
Norio Tadakawa Senior Executive Officer	55	23	79	44	124

* Total remuneration in cash that has been confirmed by March 2023.

Notes:

- The annual incentive of directors for fiscal 2022 indicated above represent the amounts that will be paid upon the resolution of the Board of Directors based on the resolution of the 118th 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, 2022. The Company has received a proposal from Representative Director Masahiko Uotani to decline 5% of the annual incentive proposed by the Nomination & Remuneration Advisory Committee, taking into account the status of bonuses paid to employees of Group companies in Japan. The Board of Directors has resolved the said proposal (continuing from fiscal 2020 and fiscal 2021, Masahiko Uotani has declined part of his annual incentive). The above amount of annual incentive has been already adjusted based on the reduced amount.
- 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, 2022, recognized and measured in accordance with IFRS 2 "Share-based Payment" 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 recognized includes an adjustment of 2 million to the expenses recognized based on the achievement rate of performance indicator of the delivered long-term incentive-type remuneration (stock compensation).
- No director above was paid remuneration other than described above (including that described in notes 1. through 2.).

■ Performance-linked targets, actual performance and payment percentage, etc. of annual incentive 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%	1,075.0	1,067.4	99.3%	0%
Core Operating Profit		62.0	51.3	82.8%	0%
Profit Attributable to Owners of Parent	—	(Note 4.)	34.2	—	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.) 80.0% (Average)
				Total payment rate	(Note 3.) 87.8%

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, 2022, although there was intermittent impact in China and Japan from the prolonged conflict in Ukraine, which

began at the beginning of the year, and the COVID-19 pandemic, 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 a certain amount of impact on the Company, and the Board of Directors sufficiently deliberated on the matter. In this deliberation, the Company received a proposal from Representative Director Masahiko Uotani to decline 5% of the annual incentive proposed by the Nomination & Remuneration Advisory Committee, taking into account the status of bonuses paid to employees of Group companies in Japan. The Board of Directors has resolved the said proposal (continuing from fiscal 2020 and fiscal 2021, Masahiko Uotani has declined part of his annual incentive). The above payment factors, etc. have been already adjusted based on the reduced amount.

3. The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for directors.

4. Net profit attributable to owners of parent is set as a benchmark for the Nomination & Remuneration Advisory Committee to discuss the notion of lowering the payment percentage in the event that profit attributable to owners of parent falls below certain thresholds set.

■ Performance-linked targets, actual performance and payment percentage, etc. of long term incentive-type remuneration granted for fiscal 2019 and paid to directors excluding external directors

Performance Evaluation Indicators		Fluctuation Range of Payment Percentage (Note 3)	Weight	Targets for Maximum Payment Percentage	Actual Performance	Achievement Rate against Target for Maximum Payment Percentage	Payment Percentage	
The performance-linked portion	Compound average growth rate (CAGR) of consolidated net sales	50%–150% (including fixed portion 50.0%)	45.0%	Compound average growth rate (CAGR) from 2017: 8.0%	0.7%	0.0%	0.0%	
	Compound average growth rate (CAGR) of consolidated operating profit		45.0%	Compound average growth rate (CAGR) from 2017: 15.8%	-15.2%	0.0%	0.0%	
	Multiple internal and external indicators pertaining to the environment, society and governance (ESG) with focus on the area of "empowered beauty"		Ratio of female managers in Japan	2.0%	40% in the final fiscal year of the three-year period	36%	0.0%	0.0%
			Ratio of female leaders in overseas	2.0%	50% in the final fiscal year of the three-year period	53%	100.0%	2.0%
			MSCI Japan Empowering Women Select Index	1.0%	Continuing adoption as main stock in the final fiscal year of the three-year period	Continued adoption as 2nd place in 2021	100.0%	1.0%
			Dow Jones Sustainability Indices (DJSI)	5.0%	Difference between top rated companies of DJSI World and DJSI Asia Pacific in the final fiscal year of the three-year period: Average 90 to 100 percentiles	97iles	100.0%	5.0%
Fixed portion		—	—	—	—	50.0%		
Consolidated ROE		thresholds	—	Threshold target: Average of 5.0% or more in the past 10 years	6.8%	Achieved	—	
					Total payment rate	58.0% (including fixed portion 50.0%)		

Notes :

1. The period of evaluation for the performance-linked stock remuneration (performance share units) granted for fiscal 2019 is from January 1, 2019 to December 31, 2021.
2. As for performance indicators, from the perspective of creating corporate value from both aspects of economic and social values, the Company has adopted the compound average growth rate (CAGR) of consolidated net sales and the compound average growth rate (CAGR) of corporate operating profit as indicators related to economic value among corporate value, and the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value.
3. Since the fixed portion (50%) is set, the fluctuation range of the total payment percentage, which is the sum of the fixed portion and the performance-linked portion, is from 50% to 150%.
4. Consolidated ROE is set as a benchmark for the Nomination & Remuneration Advisory Committee to discuss the notion of lowering the percentage amount of payment of the performance-linked portion in the event that consolidated ROE falls below certain thresholds set.

Audit Structure

Internal Audit

The Internal Audit Department evaluates the validity and effectiveness of risk management and offers advice and proposals for its improvement while verifying the establishment and operation of internal controls throughout the Group in terms of "the effectiveness and efficiency of operations," "the reliability of financial reporting," "compliance with related laws and regulations, and company internal regulations," and "asset preservation" from a comprehensive perspective. The audit results are reported to the Representative Director, Chairman and CEO; Director, Chief Financial Officer; and Audit & Supervisory Board members every month and to the Board of Directors periodically.

In addition, regarding internal controls over financial reporting, the Internal Audit Department, as an independent division, summarizes and reviews the evaluation results of internal controls throughout the Group, in accordance with the internal control reporting system based on the Financial Instruments and Exchange Act, to conduct a final evaluation. The evaluation results are reported to the Representative Director, Chairman and CEO; Director, Chief Financial Officer; and Audit & Supervisory Board members every month and to the Board of Directors and the Audit & Supervisory Board periodically.

Additionally, we recognize that promoting the utilization of the three lines model is a part of our corporate governance activities, and in collaboration with the business divisions on 1st line and the global headquarters functional divisions and regional headquarters on the 2nd line, the Internal Audit Department on the 3rd line is implementing activities to develop and improve risk scenarios and countermeasures thereto in order to promote sound growth strategies and achieve sustainable improvement of corporate value. Furthermore, risk assessments and the internal audits for specialized areas, e.g. information security, product quality are mainly conducted by the relevant departments. The Internal Audit Department reports directly to the Representative Director, Chairman and CEO to maintain independence and objectivity and aggressively puts a new framework in place to respond to globalization in business, such as assigning six regional auditors to EMEA, the Americas, Asia Pacific, and China (as of December 31, 2022), in addition to the 19 staff members belonging to the department (as of December 31, 2022).

Furthermore, a risk assessment and an internal audit for specialized areas, i.e., information security and product quality, are mainly conducted by 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, 2022)

1. Name of Accounting Auditor

KPMG AZSA LLC

2. Period of the consecutive audit by the Accounting Auditor

The Company selected KPMG AZSA LLC as its accounting auditor on June 29, 2006. Thus, the period of the consecutive audit by the accounting auditor is 16 years of this fiscal year.

3. Names of certified public accountants engaged in audit work

Masakazu Hattori (consecutive auditing period: three years)

Kentaro Hayashi (consecutive auditing period: three years)

Unshil Kang (consecutive auditing period: two year)

Note:

The 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 audit firm's policies (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 16 certified public accountants, 9 qualified professionals, and 25 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 and Supervisory Board after discussions based on the results of evaluations by each member of the Audit & Supervisory Board, as well as evaluations by the Director and 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, suppose 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 the accounting audit. In that case, 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 the executive bodies.

The Audit & Supervisory Board evaluated the accounting audits of the accounting auditor for Fiscal 2022 in line with the following items and processes and resolved to reappoint the accounting auditor for Fiscal 2023.

The Audit & Supervisory Board confirms such items as the appropriateness of the accounting auditor, quality control, independence and professional competence of the audit team, audit plan, and communication with Audit & Supervisory Board members. Prior to the reappointment resolution, the Audit & Supervisory Board conducts the hearings on the accounting auditor with heads of business departments (Financial Accounting Department and Internal Audit Department) and exchanges opinions with the Director and 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, 2022	234
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	291

Note: In the audit contract between the Company and its accounting auditor, remuneration paid for audits under the Companies Act and remuneration paid for 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, 2022" 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.

Details of Services Other Than Audit

The Company entrusted the accounting auditor with "advisory services on the adoption of IFRS" and "documentation work concerning a 'comfort letter' for the issuance of corporate bonds," which are services other than services under Article 2, paragraph (1) of the Certified Public Accountants Act (services other than an audit). The amount of remuneration, etc. is ¥12 million, which is included in the "Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor" under the "Remuneration, etc. to the Accounting Auditor" above.

Policy Relating to Determination of Dismissal of or Not to Reappoint Accounting Auditor

In the event that the Company determines that keeping an accounting auditor as its 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 as 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 of the accounting auditor or not to reappoint the accounting auditor in accordance with the resolution of the Audit & Supervisory Board on the proposal resolved in consideration of the opinion of the executive agency.

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, which reports into the Office of Chief Legal Officer of the Group. 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 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 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.

Enterprise Risk Management

In fiscal year 2022, the Risk Management Department interviewed HQ 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 advisors, were also taken into consideration. As a result, the Risk Management Department identified material risks that may impact the key areas of our medium-term strategy, SHIFT 2025 and Beyond. As shown in the table below, the identified risks were evaluated with three axes: "the impact on business," "likelihood," and "vulnerability." Furthermore, the above-mentioned committees and related meetings held discussions to prioritize the risks and consider the status of countermeasures.

<Risk evaluation methodology>

Impact on business	<ul style="list-style-type: none"> Quantitative impact on business performance (e.g., topline sales) in case of manifestation Qualitative impact on our corporate/brand image and culture
Likelihood	<ul style="list-style-type: none"> Likelihood and timing of risk manifestation

Vulnerability	<ul style="list-style-type: none"> • Preparedness to the risk • Controllability of the manifestation of the risk due to external factors
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Total 21 material risks identified through our risk assessment have been organized into three risk categories: "Consumer and Social-related Risks," "Operation & Fundamental Risks," and "Other Risks."

We have identified "Risk Owners" for each risk category in an effort to clarify responsibility for countermeasures. Moreover, we have implemented a transparent monitoring and communicative framework within the Global Risk Management & Compliance Committee and the Board of Directors to regularly discuss and assess our progress in addressing these risks.

Business and Other Risks

Consumer & Social related Risks	Operation & Fundamental Risks	Other Risks
<ul style="list-style-type: none"> • Changes in Consumer Values • Speed of Digital Acceleration • Pace of Cutting-Edge Innovation • Corporate and Brand Reputation • Environment and Climate Change • Diversity & Inclusion • Natural and Human-Made Disasters • Infectious Disease • Geopolitical Tensions 	<ul style="list-style-type: none"> • Corporate Culture and Acquisition / Securing Outstanding Human Capital • Business Structure Transformation • Operating Infrastructure • Supply Network • Compliance • Regulatory • Quality Assurance • Governance • Information Security & Privacy 	<ul style="list-style-type: none"> • Exchange Rate Fluctuations • Business Investment • Material Litigation

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 and has received reports of all forms of misconduct, including harassment and bribery, as well as any potential misconduct. 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 HQ/SJ Compliance Committee Hotline through which employees are able to make direct reports to the Committee Chair. The hotlines allow anonymous reporting. 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 150 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 "Shiseido Code of 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 "Shiseido Code of 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, 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 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 internal audits shall be regularly reported to the representative director, chief financial officer, and Audit & Supervisory Board members. In addition, reports shall be made regularly to the Board of Directors.

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

"Shiseido Code of 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 cooperation 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 December 27, 2022)

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.

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 Code of 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 Code of 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 (2022)

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.

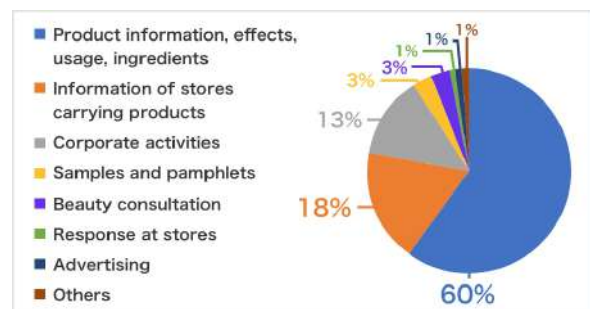
Please check support details at "History of Shiseido's Consumer Support."

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)

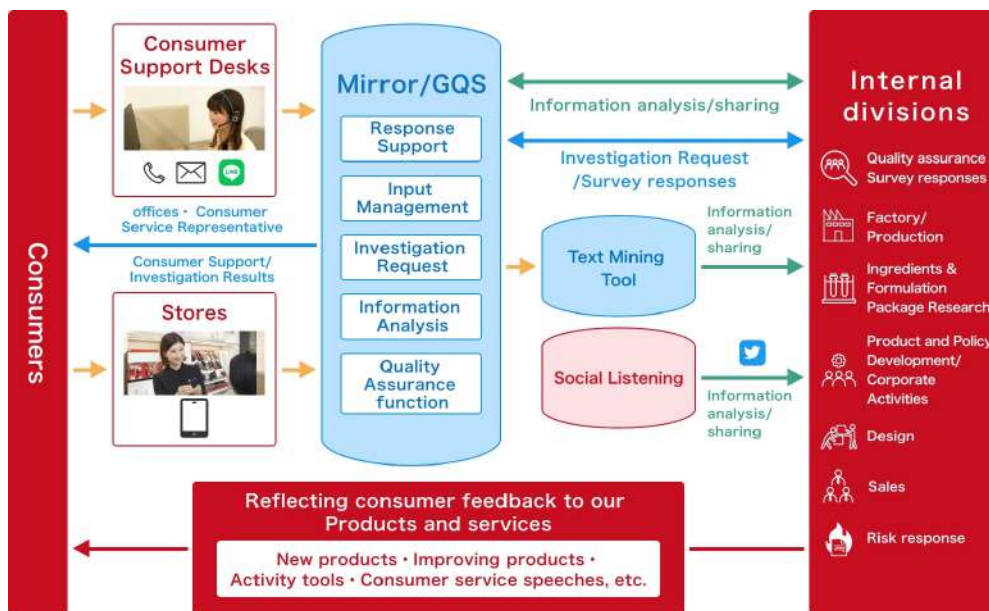
Consumer Feedback Information Management Systems

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 social listening 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.



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.

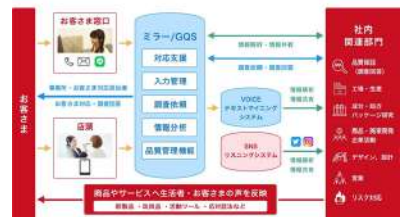
The highest rating is based on the auditor's rating of the customer support staff's call records on a four-point scale according to the fields of "service system, communication, response skills, processes/response procedures, and difficult responses" and is only given to a small percentage of the companies 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.



Consumer Communication Center Shiseido Japan Co., Ltd. Logo (2018~)

※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.

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.

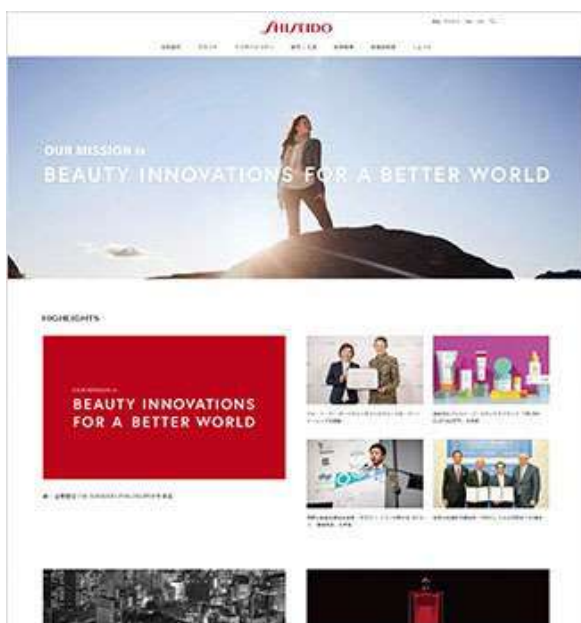


Clé de Peau Beauté
MICELLAR CLEANSING WATER

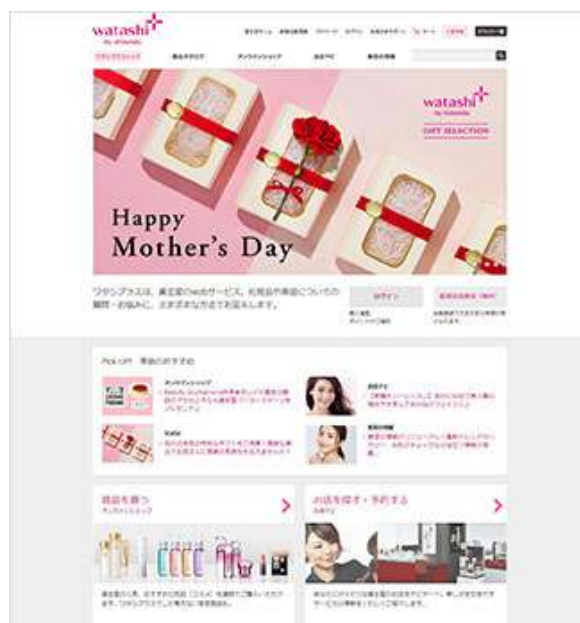
Information for Consumers

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.



[Click here for details on . \(Japanese language\)](#)

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.

<p>For All Generations</p>	<p>Makeup</p>		<p>Shiseido Life Quality Makeup</p>
<p>For Working Adults For Elderly People</p>	<p>Skincare Makeup</p>		<p>Shiseido Life Quality Beauty Seminar</p>
<p>For Babies and Toddlers</p>	<p>Skincare</p>		

<p>For Children</p>	<p>Skincare</p>	
<p>For Expectant Mothers and Mothers</p>	<p>Skincare</p>	

Initiatives in Response to Animal Testing and Alternative Methods

Initiatives towards Abolishing Animal Testing

Shiseido has established a safety assurance system based on alternative methods and has discontinued animal testing in cosmetics/quasi drugs that are developed in April, 2013 or later. This excludes cases in which we must explain the safety to society.

We will continue to develop effective alternative methods in the future and proactively and sternly work with administrative agencies in various countries with the aim of establishing alternative methods as official methods (to be certified as official experimental methods according to laws and regulations of various countries/regions).

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

Shiseido will contribute to society through activities related to our core areas of sustainability and solutions leveraging our corporate strengths to address local issues. We aim to achieve sustainable development together with society and the earth.

Guidelines for Social Contribution Activities

In accordance with the "Shiseido Code of Conduct and Ethics", Shiseido will contribute to the realization of a sustainable world through our efforts to resolve social and environmental issues to which we can leverage our business, as well as through engaging in activities that respond to the challenges of each local community, to gain support from various stakeholders around the world for years to come.

"Shiseido Code of Conduct and Ethics"*Excerpts

With Society and the Earth

Contribution to society

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 beauty to lift people's spirits and improve their quality of life, promoting gender equality in the workplace and in society, promoting the arts and culture, and implementing environmental initiatives.
2. We aim 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 Code of Conduct and Ethics and corporate materiality, Shiseido has defined core areas of social contribution activities in "society" and the "environment". In particular, in the area of "society", Shiseido promotes initiatives on "empowerment through the power of beauty to improve the quality of life (QOL) of people" and "advancement of diversity, including gender equality", with employee participation and leveraging Shiseido's human resources and technologies. In addition, as part of our efforts to support local communities and disaster relief, we will 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.

System and Governance

Key operations related to social contribution activities are promoted and results compiled by the departments in charge at the Global Headquarters (Sustainability Strategy Acceleration Department, D&I Strategy Acceleration Department and People Division) in collaboration with relevant departments, brands, and Regional Headquarters. In addition, sustainability promotion officers whose promotional responsibilities include social contribution are also appointed at the Regional Headquarters overseas, and the Global Headquarters and Regional Headquarters work together to promote and manage activities in each country and region.

For more details, please refer to Social Data.

For details on our system for promoting sustainability including social contributions, please refer to "A System for Promoting Sustainability"

Initiatives for Social Contribution Activities

In 2021, due to the continued impact of COVID-19, we strengthened our online social contribution activities in addition to cosmetics donations and monetary donations. Employees around the world participated in various activities tailored to the needs of their local communities across the fields of "society" and the "environment".

For more details, please refer to the respective links.

1. 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.

Shiseido Life Quality Makeup: Supporting People with Serious Skin Concerns

Supporting People Living with Cancer

Supporting Older People and People with Disabilities

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

Initiatives for Children including Activities to Raise Awareness of Sunscreen Care

"JSID Fellowship Shiseido Research Grant" to Support Advanced Dermatological Research and Development Initiatives
(Japanese Only)

"Japanese Dermatological Association Basic Medical Science Research Fund (Donation by Shiseido)" Supporting Basic
Medical Research in Dermatology(Japanese Only)

- Aiming to close the gender gap, we lead the way in supporting women's activities in Japan.

Resolving the Gender Gap and Empowering Women in Japan

Shiseido Female Researcher Science Grant

- Shiseido aims to create a society in which everyone can play an active role by educating and supporting people in socially disadvantaged situations.

Clé de Peau Beauté: Supporting Education for Girls

Shiseido Travel Retail: Supporting Marginalized Women and Girls in Cambodia

Social Support for Children in Need through the Shiseido Child Foundation

2. Environment

Shiseido produces products from natural resources including many plant-derived ingredients. As part of our efforts to reduce our environmental impact and to promote the sustainable use of resources, we are making efforts to raise employee awareness through environmental greening, ocean protection, and environmental education at our brands, countries, and regions.

Activities to Protect the Ocean "SHISEIDO BLUE PROJECT"

Honeybee Protection in Production Sites in France

3. Community, Disaster and Various Support

We believe the growth of employees, in turn, will lead to the growth of the company, as employees enhance themselves through their involvement with society. Shiseido will deepen interactions with local communities and work to solve local issues.

Employee's Social Contribution Activities

Disaster Relief Activities

Shiseido's Initiatives in the Fight Against COVID-19

Employee's Social Contribution Activities

Shiseido aims to realize a sustainable world where everyone can experience happiness through the power of beauty. We believe it is important for each employee to think about social and environmental issues and consider ways in which we can address them. Based on our sustainability strategies, we encourage employees to participate in voluntary social contribution activities across the fields of society and the environment. In Japan, EMEA, Americas, Asia Pacific and Travel Retail, schemes have been established to allow employees to take part in social contribution activities during working hours.

Social contribution activities by employees around the world

In 2021, due to the continued impact of COVID-19, we strengthened our online social contribution activities. Employees around the world participated in various activities tailored to the needs of their local communities. Activities included those that only Shiseido can offer through cosmetics, such as virtual hair and makeup lessons.

Every year since 2017, Shiseido has hosted "Shiseido Camellia Day" in EMEA — a day dedicated to employee social contributions. In 2021, we expanded this initiative to all regions. For the inaugural "Shiseido Camellia Day" in Asia Pacific and Travel Retail, employees supported non-profit organizations (NPOs) through a virtual "ideathon" — a brainstorming session focused on generating ideas and possible solutions for the challenges faced by the NPOs. Other activities held around the world in 2021 included online seminars to raise awareness on gender equality and education for girls, and campaigns to promote the use of reusable water bottles and the collection and upcycling of used cosmetic containers. In-person activities were also held, including riverbank cleaning, beach cleaning and tree planting — all implemented under strict regulations to protect our employees and help stop the spread of COVID-19.

In Shiseido Americas, employees participated in social contribution programs throughout the year under "THE BEAUTY OF HELPING OTHERS" initiative. Programs included those supporting environmental conservation and the beautification of urban green spaces, supporting children in underserved communities, and building meaningful human connections with isolated populations such as the elderly. Additionally, employees participated in programs to promote Diversity, Equity, and Inclusion, celebrating culture and heritage through educational opportunities during key moments like Black History Month, Juneteenth, and Hispanic Heritage Month. Employees also provided support and representation for gender equality during Women's History Month and Pride Month.

Photos from "Shiseido Camellia day"



Shiseido employees in EMEA participate in a voluntary green maintenance activity



Shiseido employees in Japan share photos of their reusable water bottles as part of the "My Bottle, My Friend" campaign











Shiseido Americas employees participate in a beach cleaning activity

Global Expansion of the "Shiseido Camellia Fund"

The "Shiseido Camellia Fund" is backed by charitable contributions from current and retired Shiseido Group employees. It supports NPOs working to solve social issues. The "Shiseido Camellia Fund" began in Japan in 2005 and expanded to EMEA, Americas, Asia Pacific and Travel Retail in 2020. It supports initiatives tailored to the needs of each region across the fields of society and the environment. This includes initiatives in the areas of women's empowerment, children's education, environmental conservation, and disaster relief.

For details on donation, please refer to Social Data.

Organizations and Activities Supported by the "Shiseido Camellia Fund" in Japan in FY 2022

Areas	Supported organizations		Support activities of the Camellia Fund
Environment	WWF Japan		To foster producers of Indonesia's sustainable certified palm oil to protect the global environment
Society	All Japan Women's Shelter Network		To support the schooling of children who have escaped domestic violence with their mother
	JOICFP		To support in developing health facilities and provide childbirth kits to help mothers in Zambia give birth safely
	Save the Children Japan		To secure food through agricultural guidance and health/nutrition care services for mothers and children facing serious malnutrition in Western Uganda
	Shiseido Child Foundation		To help receive higher education for children raised in children's homes or foster parents who have to start living independently at the age of 18
	Japanese National Network of Xeroderma Pigmentosum (XP)		To raise awareness on XP, and to purchase UV protection products and medical care products for children with the intractable disease XP
	Japan Cancer Society		To support cancer patients and their families through free cancer consultations, charity activities and support for cancer survivors
Culture	Arts Initiative Tokyo		Create artistic experiences to nourish the heart and nurture self-esteem through the power of art for children and young people who, due to disabilities or other factors in their upbringing, have limited opportunities to experience art or express themselves freely

Initiatives in the fight against COVID-19

In order to protect the safety of our stakeholders around the world against COVID-19, Shiseido was quick to establish the COVID-19 Emergency Task Force in early February 2020 and shared the safety guidelines across all regions. In addition, task force teams were set up at each regional headquarters to respond quickly to assist employees in working safely.

Disaster Relief Activities

Companies exist with society and live within society. It is our desire for the company to play its part as a member of society when society is in difficult times. Reconstruction of the areas that have suffered unprecedented damage will be a long road. We are committed to supporting the people affected by the disaster to become self-reliant by making the most of our resources including people, goods, information, technology, and culture.

Disaster Relief Funds

Donations from current and retired Shiseido Group employees are donated to disaster-affected areas as disaster relief funds for natural disasters that have occurred around the world. The combined goodwill of each of our employees and corporate alumni is a great source of strength.

For details on donation, please refer to Social Data.

Efforts in Response to the Great East Japan Earthquake

Supporting Post-Disaster Recovery through Camellia

Shiseido has always had a strong 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, Shiseido has been taking actions to support the recovery of the town with the people of the city through continuous discussions. In the process, we learned that until a few decades ago, households in the Kesen area pressed oil from camellia nuts and used it for food and hair care and that the city wanted to make camellia a new industry for the city. We also learned that in Ofunato, the camellia was a staple of tourism even before the earthquake. Through this connection we made through the camellia flower, Shiseido has been conducting camellia tree-planting activities in Ofunato City every year since 2012 so that the camellia cherished by the town can become a new industry and be used as a tourism resource. 10 years after the 2011 disaster, a total of 889 camellia seedlings and mature trees, including those provided by Shiseido and the town of Shin-Kamigoto in Nagasaki Prefecture, were planted together with the people of Ofunato City.



Hosting In-house Events to Support Post-Disaster Recovery

From 2011 to 2020, Shiseido hosted an in-house market to sell local products from the Sanriku area as part of our efforts to support post-disaster recovery of the Sanriku area, a region Shiseido had been supporting after the Great East Japan Earthquake.

<Objectives of the market>

For Region	Improvement of the recognition of the Kesen area Development of new sales channels
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<p>For Employees</p>	<p>Opportunity to PR the activity to gain sympathy Opportunity for employees to take part in supporting post-disaster recovery efforts</p>
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In 2020, due to the impact of COVID-19, in-house market to sell local products from the Sanriku area that had been held at Shiseido's Shiodome headquarters in previous years was switched to an online "Virtual Market" so that employees from all over Japan could also participate, even those outside the headquarters. 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 Market", which brought smiles to the faces of all employees and their families.



Key Initiatives to Date

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 Fukushi-no-sato Center. 20 employees from Shiseido participated in the event and planted trees together with people from Taiyo-kai, the Ofunato City Office, and the JAPAN CAMELLIA SOCIETY.

(1) Mature camellia tree planting

In order to harvest camellia seeds, from which oil is extracted, at an early stage, we planted 20 mature trees. This year, as well as last year, the JAPAN CAMELLIA SOCIETY donated 30-year-old trees.

(2) Nursery camellia tree planting

In the hope that the trees will grow well and vigorously, commemorative trees were planted by Ofunato City Mayor Kimiaki Toda, Shiseido Executive Vice President and Representative Director Tsunehiko Iwai, Taiyo-kai Director Noriya Kikawada, and Mr. Kiyohiko Nakamura of the JAPAN CAMELLIA SOCIETY. 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.



● 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 Fukushi-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.



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 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.



●“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."



● 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.



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".



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 has reached approximately 10,200 children in total.

For details, please refer to Social Data.



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	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	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	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	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	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	Environmental education Social contribution activities by each corporation and business office	The Kakegawa Factory offers an environmental study session every year for elementary school students in cooperation with Kakegawa City.
NPOs/NGOs	Dialogue with stakeholders Camellia Fund	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	General Meeting of Shareholders Financial results Briefing session for individual investors Integrated Report	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.

	Shareholders' meeting	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 both Japan and overseas.

Global

Dow Jones Sustainability World Index (the "DJSI World")

Dow Jones Sustainability Asia Pacific Index (the "DJSI Asia Pacific")

Jointly developed by S&P Dow Jones Indices LLC and RobecoSAM AG, this series of indices evaluate companies' performance from economic, environmental, and social perspectives and select leaders in sustainability. They are among the most influential indices for investment decisions focused on corporate social responsibility.



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.



Japan

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. It is designed to be industry neutral.

Shiseido has been continuously selected for excellence in ESG practices since the introduction of this index in 2017.



The FTSE Blossom Japan Sector Relative Index

An index that was designed by the UK's FTSE Russell in March 2022 and selects Japanese companies in each sector that demonstrate strong ESG practices. It is designed to be sector-neutral.



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.

2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

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.

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 Sampo 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

Shiseido certified in the "2023 Health & Productivity Management Outstanding Organizations Recognition Program" (Large Enterprise Category, White 500)

Shiseido, together with 20 domestic affiliated companies in the group, was certified in the "2023 Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise Category, White 500) run by the Ministry of Economy, Trade and Industry (METI) and the Japan Health Conference."



Shiseido Selected as a "Nadeshiko Brand" in FY2022

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.



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 2021, we were selected for the Supplier Engagement Leaderboard for coming out at the top of CDP's Supplier Engagement Rating.



Shiseido Japan Consumer Support Desk receives the double Three Stars rating in HDI Rating Benchmark for Second Consecutive Year

Our consumer support desk at Shiseido Japan Co., Ltd. receives the highest rating in both the "Response Record/Monitoring Evaluation (Phone Channel)" and "Inquiry Desk Rating (Chat Channel)" categories in 2022 HDI Rating Benchmark hosted by HDI-Japan, the largest membership association for the support services industry in the world, for the second year in a row since 2021.



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 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.



Sustainability Data

Data detailing Shiseido's activity towards sustainability is available.

- CO₂ / Scope 1,2 / Scope 3 / Scope 1,2 and 3
- Avoided CO₂ emissions
- Energy
- Water
- Waste
- Environmental pollution (Air/Water)
- Responding to Environmental Risks
- CO₂ emissions from cosmetics and personal care products (environmental footprint)

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 / Breakdown of new hires / Starting Pay / Average Annual Salary / Equal Remuneration / 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
- 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 / Performance of Human Rights Education Training for Employees
- Activities to Enhance Corporate Ethics: Survey on employee harassment
- Number of Serious Compliance Violations
- Donations to Political Parties
- Non-Compliance with Laws and Regulations in the Social and Economic Area / 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
- Overall Spending on Social Contribution Activities of Shiseido Group in 2021
- 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

Scope 1,2*1

(t)

	2018	2019	2020	2021
Total	<input checked="" type="checkbox"/> 81,249	<input checked="" type="checkbox"/> 78,750	<input checked="" type="checkbox"/> 72,458	<input checked="" type="checkbox"/> 65,481
Coverage (%)*2	96.1	96.8	100.0	100.0
Scope 1	<input checked="" type="checkbox"/> 27,632	<input checked="" type="checkbox"/> 27,036	<input checked="" type="checkbox"/> 25,968	<input checked="" type="checkbox"/> 28,744
Coverage (%)*2	94.0	95.0	100.0	100.0
Scope 2	<input checked="" type="checkbox"/> 53,617	<input checked="" type="checkbox"/> 51,714	<input checked="" type="checkbox"/> 46,490	<input checked="" type="checkbox"/> 36,737
Coverage (%)*2	97.3	98.0	100.0	100.0

*1 : The performance data was calculated based on the GHG Protocol. Scope 2 was based on the market-based method.

*2 : At all sites.

Scope 3*1

(t)

		2019	2020	2021
Total		2,760,000	2,540,000	1,520,000
Purchased goods and services (Category 1)	Emissions from other than land-use change	<input checked="" type="checkbox"/> 644,000	<input checked="" type="checkbox"/> 528,000	<input checked="" type="checkbox"/> 606,000
	Emissions from land-use change	-	-	<input checked="" type="checkbox"/> 347,000*2
Capital goods (Category 2)		231,000	246,000	<input checked="" type="checkbox"/> 225,000
Upstream transportation and distribution (Category 4)		110,000	85,400	<input checked="" type="checkbox"/> 51,600*3
Waste generated in operations(Category 5)		20,700	33,000	<input checked="" type="checkbox"/> 15,100
Use of sold products (Category 11)		<input checked="" type="checkbox"/> 1,580,000	<input checked="" type="checkbox"/> 1,540,000	<input checked="" type="checkbox"/> 134,000
End of life treatment of sold products(Category 12)		<input checked="" type="checkbox"/> 148,000	<input checked="" type="checkbox"/> 81,900	<input checked="" type="checkbox"/> 118,000*3
Total of other categories(Category 3, 6, 7)		30,800	20,900	21,900

*1 : Changed CO₂ calculation basis database to IDEA v2 and ecoinvent v3.8.

*2 : Emissions from land-use change related to the procurement of raw materials and ingredients were taken into account from 2021.

*3 : Excluding the sold business and brands.

Scope 1, 2 and 3

(t)

	2019	2020	2021
Total	2,838,750	2,612,458	1,585,481

Avoided CO₂ emissions

Approximately 4,300 tons of CO₂, was reduced thanks to the sale of refill products.

(t)

Each stage of the value chain	Avoided CO ₂ emissions
Procurement	3,000
End of life	1,300
Total	4,300

Energy

(MWh)

	2018	2019	2020	2021
Energy consumption	☑267,530	☑289,280	☑298,589	☑322,527*4
Coverage (%)*1	96.1	96.8	100.0	100.0
Electric power	☑108,452	☑115,228	☑127,188	☑137,881
Gas*2	☑126,255	☑122,636	☑128,568	☑139,424
LPG	☑2,941	☑2,771	☑2,552	☑2,370
Fuel*3	☑24,112	☑24,358	☑16,146	☑20,181
Steam	☑5,771	☑24,286	☑24,135	☑22,671

*1 : At all our sites.

*2 : Total consumption of city gas and natural gas.

*3 : Total consumption of gasoline, kerosene, diesel oil and fuel oil.

*4 : Non-renewable energy consumption in 2021 : 253,188MWh

Water*

(Mil. m³)

	2018	2019	2020	2021
Water withdrawals	☑1.2	☑1.2	☑1.2	☑1.2
Municipal water	☑1.1	☑1.0	☑0.9	☑0.9
Municipal water(Industrial grade)	☑0.1	☑0.1	☑0.1	☑0.0
Ground water	☑0.1	☑0.1	☑0.3	☑0.3

Water discharged	1.0	0.9	1.0	1.0
Sewage	1.0	0.9	0.8	0.8
Surface water	0	0	0.2	0.2

* Production sites in 2018 - 2020, Production sites and domestic research centers in 2021(coverage of production sites is 100% for 2018-2021)

- Other sources of water withdrawals (surface water, harvested rainwater, external wastewater, sea water, quarry water):0m³

- Other destinations of water discharged (ocean, subsurface / well, off-site water treatment, beneficial / other use):0m³

- Total net fresh water consumption in 2021 (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 water stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct in 2021: 11%

Waste*1

(t)

	2018	2019	2020	2021
Waste discharged	14,288	14,297	12,825	13,096
Recycled*2	13,980	13,910	12,779	13,038
Disposed	308	387	47	58

*1 : Production sites(Coverage 100%) and domestic research centers

*2 : Including thermal recovery

Environmental Pollution (Air/Water)

(t)

	2018	2019	2020	2021
NOx emissions	26	27	23	24
Coverage (%)*	54.5	81.8	90.9	100.0
SOx emissions	0	0	0	0
Coverage (%)*	54.5	81.8	90.9	91.7
Chemical Oxygen Demand	116	103	70	68
Coverage (%)*	90.9	90.9	90.9	91.7

*At 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.

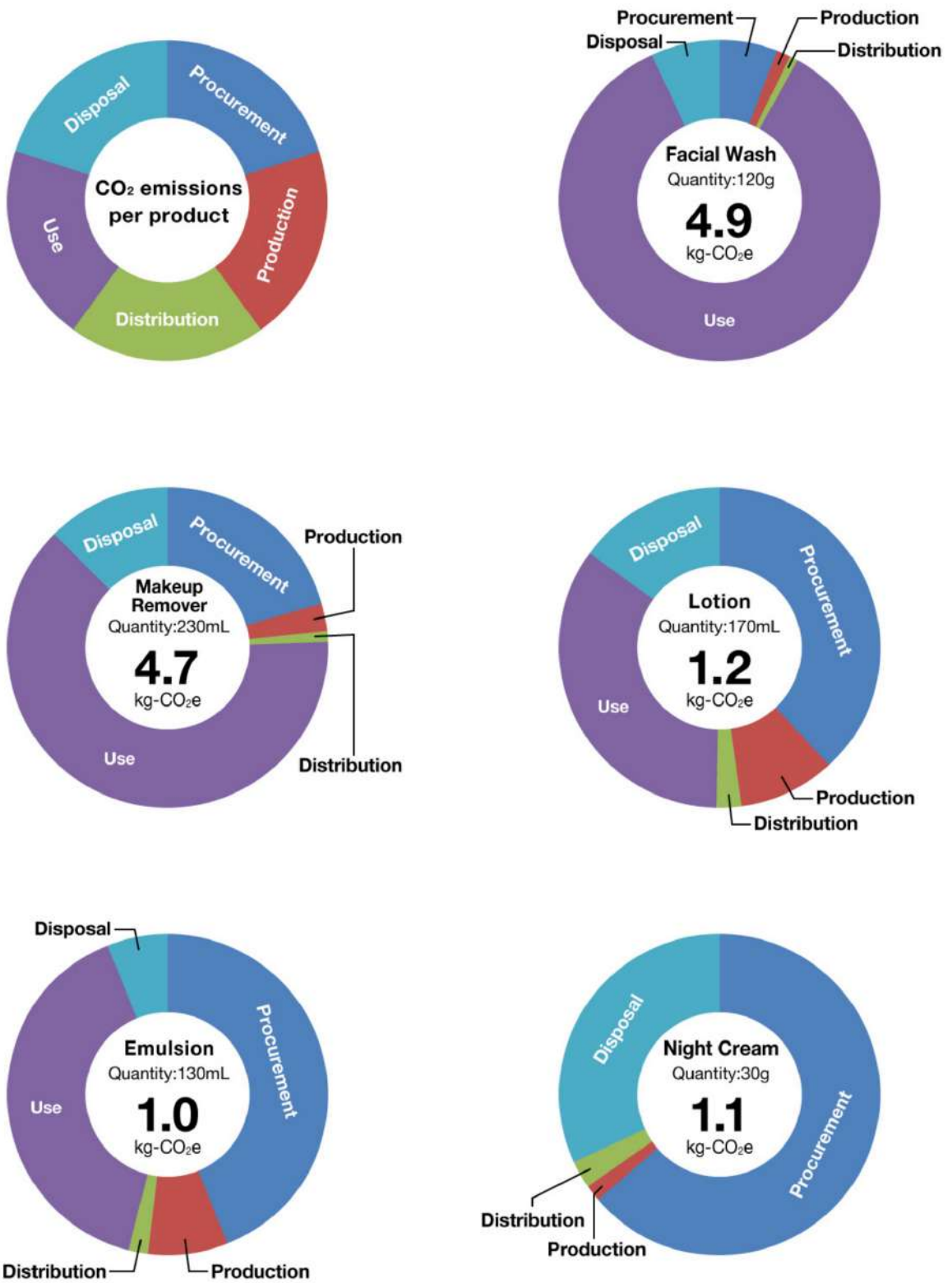
Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations in the last 4 years including 2021.

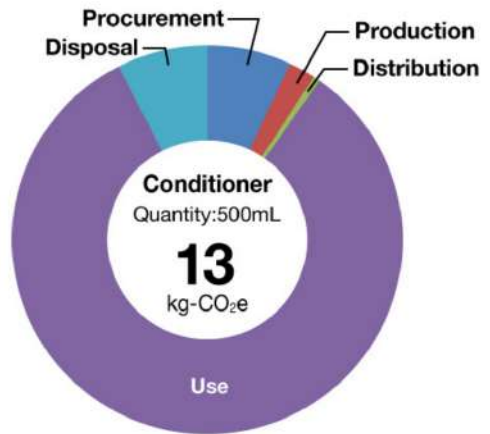
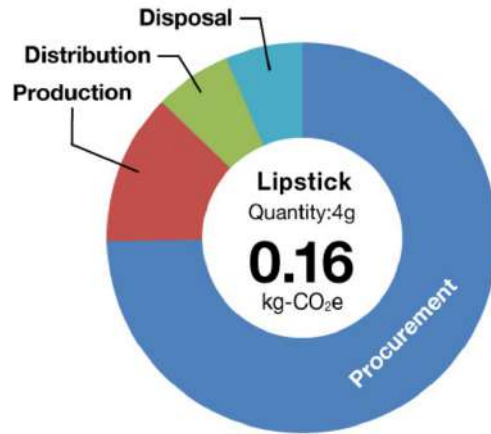
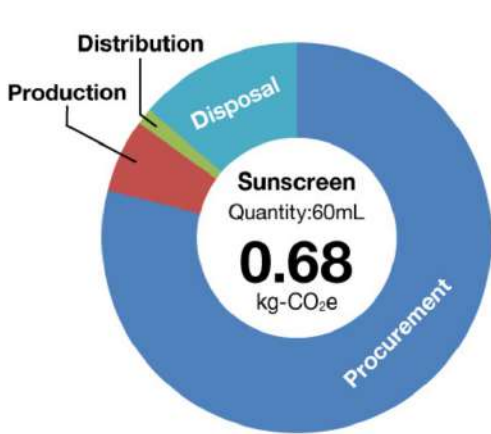
Shiseido is committed on appropriate operation that complies with the environmental laws and regulations continuously.

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 1,2,4,5,11 and 12 of Scope 3), energy consumption, amount of water intake and drainage, total net fresh water consumption, 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(2019);

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 Osaka-Ibaraki Factory and Shiseido Kuki 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 2021 to 31 December 2021.

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

18 May, 2022

Signed:




AA1000
Licensed Report
000-8/V3-VDFY1

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	All Shiseido sites	GHG: 65,481 t-CO ₂
2	Scope 3 Category 1,2,4,5,11,12	All Shiseido sites	Category 1: 953,265 t-CO ₂ Category 2: 224,745 t-CO ₂ Category 4: 51,637 t-CO ₂ Category 5: 15,105 t-CO ₂ Category 11: 133,630 t-CO ₂ Category 12: 118,343 t-CO ₂
3	Amount of water withdrawals and drainage, total net fresh water consumption, BOD/COD	Domestic and overseas production sites (12 sites) and Domestic Laboratories (2 sites)	Withdrawal: 1,250,000 m ³ Drainage: 980,000 m ³ Total net fresh water consumption: 1,250,000 m ³ BOD: 23 t, COD: 68t
4	SO _x and NO _x emissions	Domestic and overseas production sites (12 sites)	SO _x : 93 kg, NO _x : 24,280kg
5	Waste (waste discharged and waste disposed)	Domestic and overseas production sites (12 sites) and Domestic Laboratories (2 sites)	Discharged: 13,096t Disposed: 58t

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Attention is drawn to the limitation of liability, indemnification and jurisdiction issues defined therein. Any holder of this document is advised that information contained hereon reflects the Company's findings as the time of its intervention only and within the limits of Client's instruction, if any. The Company's sole responsibility is to Client and this document does not exonerate parties to transaction from exercising all their rights and obligations under the transaction documents. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

Social Data

Human Resources

Number of Shiseido Group Employees

Indicator		Period	2019	2020	2021	2022
Total (persons)		As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	45,493	46,763	45,527	40,484
Female Ratio (%)	All Shiseido Group	As of December 31 of the previous year	83.1	85.6	83.0	82.2
	Shiseido Group in Japan	As of January 1 each year	83.0	82.6	82.0	81.3

Number of Employees by Region (persons)

Indicator	Period	2019	2020	2021	2022
Japan	As of January 1 each year	☑24,346	☑24,884	☑24,903	☑23,458
China	As of December 31 of the previous year	8,264	8,975	9,019	8,174
Asia Pacific		3,699	4,635	4,392	3,858
Americas		4,314	3,685	2,997	1,939
Europe		4,675	4,386	4,031	2,900
Travel Retail		225	198	185	155

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	2019	2020	2021	2022	
Japan	Employees	Total	As of January 1 each year	16,704	17,322	17,698	17,160
		Male		3,598	3,714	3,835	3,783
		Female		13,106	13,608	13,863	13,377
	Fixed-term contract employees	Total		7,642	7,562	7,205	6,298

	Male	559	605	655	610
	Female	7,083	6,957	6,550	5,688

Number of Leaders (persons)

Indicator		Period	2019	2020	2021	2022
Japan	Leaders*1	Male	☑817	☑813	☑862	☑841
		Female	☑389	☑403	☑459	☑500
	Junior managers*2	Male	589	606	535	490
		Female	384	244	246	248

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	2019	2020	2021	2022
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	54.8	52.7	57.5	58.3*1
Japan	Ratio of female leaders*2 Target: To achieve 50.0%	As of January 1 each year	☑32.3	☑33.1	☑34.7	☑37.3
	Ratio of female junior managers*3		39.5	28.7	31.5	33.6
China	Ratio of female leaders	As of December 31 of the previous year	57.0	61.2	63.5	65.2
Asia Pacific			65.4	69.8	67.9	65.4
Americas			72.6	70.5	73.1	76.4
Europe			63.4	73.9	73.5	68.7
Travel Retail			19.6	48.5	79.1	82.6

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: 61.6%.

*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	2022
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Female director ratio (%)	As of April 1 each year	33.3	37.5	37.5	37.5
Ratio of female directors and Audit & Supervisory Board members (%)		45.5	46.2	46.2	46.2
Ratio of external directors and Audit & Supervisory Board members (%)		54.5	53.8	57.1	53.8
Female ratio of all top management* (%)		28.3	28.3	41.7	42.9

* Leaders within 2 levels from the CEO

Ratio of Employees with Disabilities*1 *2 (%)

Indicator	Period	2019	2020	2021	2022
Shiseido Company, Limited	As of June 1 each year	3.25	3.04	3.89	4.18
Shiseido Group in Japan*3		☑2.12	☑2.22	☑2.44	2.65
Target		2.2	2.2	2.3	2.3

Data marked with ☑ has been third-party certified.

*1 : Ratio of Employees with Disabilities: Persons with physical, mental, and intellectual disabilities are included, and the employment rate for disabled persons is indicated by three significant figures.

*2 : The ratio is calculated based on home company of each employee from 2022.

*3 : Shiseido Group in Japan: 11 special subsidiary companies of Shiseido Group in 2022, 10 special subsidiary companies of Shiseido Group until 2021.

Employee Diversity

Ratio of employees by age group

Indicator	Period	Age group	2020	2021	2022
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	18.6
		30-49 years old	-	55.5	58.5
		50 years old and over	-	20.4	22.9
Japan	As of January 1 each year	Under 30 years old	19.8	20.4	18.6
		30-49 years old	50.3	49.3	49.4
		50 years old and over	29.9	30.3	32.0
China	As of December 31 of the previous year	Under 30 years old	30.1	24.5	18.0
		30-49 years old	68.6	73.9	79.3
		50 years old and over	1.3	1.6	2.7
Asia Pacific		Under 30 years old	42.0	36.3	25.0
		30-49 years old	52.1	57.1	67.5
		50 years old and over	5.9	6.6	7.5
Americas		Under 30 years old	33.5	26.5	13.3
		30-49 years old	47.1	51.0	55.7
		50 years old and over	19.3	22.5	31.0

Europe		Under 30 years old	36.0	30.9	15.4	
		30-49 years old	50.9	53.3	62.1	
		50 years old and over	13.1	15.8	22.5	
Travel Retail		Under 30 years old	26.8	21.6	16.8	
		30-49 years old	69.7	73.0	76.8	
		50 years old and over	3.5	5.4	6.5	
Indicator		Period	2019	2020	2021	2022
Ratio of female managers in revenue-generating functions (%)	All Shiseido Group	As of January 1 each year	65.9	62.8	69.0	70.0
Female ratio in STEM-related departments (%)	All Shiseido Group		-	-	-	59.0
	Shiseido Group in Japan		-	-	33.3	58.1

Indicator		Period	2019	2020	2021	2022
Number of non-Japanese hires in Japan	Shiseido Group in Japan	As of January 1 each year	390	467	486	443
Ratio of non-Japanese hires in Japan (%)			1.6	1.9	2.0	1.9

Average Service Years of Employees (years)

Indicator		Period	2019	2020	2021	2022
Shiseido Group in Japan Employees (excluding fixed-term contract employees)	Average	As of January 1 each year	14.9	14.5	14.4	14.9
	Male		15.5	14.9	14.5	14.2
	Female		14.7	14.4	14.4	15.0

Job Turnover Rate (%)

Total employee turnover rate*

Indicator		Period	2018	2019	2020	2021
Shiseido Group in Japan	All employees	As of December 31 each year	4.1	4.3	3.5	4.4
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)		3.5	3.2	2.3	3.4

* 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	2018	2019	2020	2021
Shiseido Group in Japan	All employees	As of December 31 each year	3.9	4.0	3.3	4.2
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)		3.3	3.1	2.1	3.2

* Retirement, early retirement, and retirement for personal reasons

Working Hours

Indicator			2018	2019	2020	2021
Working hours	Total annual hours worked per person (hours/years/persons)	Shiseido Company, Limited	1,909.0	1,878	1,955	2,003
		Shiseido Group in Japan	1,817.5	1,807	1,863	1,901
Prescribed working hours	Annual prescribed working hours (hours/years/persons)	Shiseido Group in Japan	1,844.5	1,844.5	1,836.75	1,844.5
Overtime hours	Annual overtime hours per person (hours/years/persons)	Shiseido Company, Limited	215.6	204	173.4	211.6
		Shiseido Group in Japan	102.7	101.7	69	88.2

Rate of Paid Leave Taken

Indicator		2018	2019	2020	2021	Target
Annual rate of paid leave taken per person (%)	Shiseido Company, Limited	77.4	78.8	70.4	76.3	To achieve 80.0%
	Shiseido Group in Japan	65.1	84.6	80.6	80.3	

Number of Employees Hired

Indicator			2018	2019	2020	2021
Shiseido Group in Japan	Total number of new hires (persons)		560	634	667	411
	Periodic employment of career path positions	Male (persons)	70	62	65	26
		Female (persons)	93	82	85	35
		Female ratio (%)	57.1	56.9	56.7	57.4
	Periodic employment of Beauty consultant (BCs) positions	Male (persons)	2	5	5	0
		Female (persons)	269	268	333	26

		Female ratio (%)	99.3	98.2	98.5	100.0
Periodic employment of production positions		Male (persons)	—	—	—	30
		Female (persons)	—	—	—	45
		Female ratio (%)	—	—	—	60.0
Mid-career employment		Male (persons)	72	106	79	122
		Female (persons)	54	111	100	127
		Female ratio (%)	42.9	51.2	55.9	51.0

Breakdown of new hires

Indicator			2021	
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Total number of new hires (persons)	985	
		Female ratio (%)	66.7	
		Ratio of employees by age group (%)	Under 30 years old	49.0
			30-49 years old	42.0
			50 years old and over	8.9
		Management level (%)	Non-managerial positions	89.8
			Manager positions	10.2
		Ratio of employees with disabilities (%)		3.8

Percentage of open positions filled by internal candidates (internal hires) in Shiseido Company, Limited and Shiseido Japan Co., Ltd.: 27% (2021)

Starting Pay (yen/month)

Indicator			2018	2019	2020	2021
Monthly amount paid*	Doctoral graduate	Employees who joined the company in April each year	265,000	265,000	265,000	293,450
	Master's graduate		235,000	235,000	235,000	261,310
	Undergraduate		215,000	215,000	215,000	237,890
	Technical/Junior college graduate		195,000	195,000	195,000	215,670

* 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	2018	2019	2020	2021
Shiseido Company, Limited	7,313,401	7,165,467	6,585,163	7,058,131

* Including bonuses and extra wages

Equal Remuneration

Indicator			2021
All Shiseido Group	Executive Officer	Base salary only	☑ Male 100 : Female 85
		Base salary + bonuses*1 *2	☑ Male 100 : Female 81
Shiseido Group in Japan	Manager positions	Base salary only	☑ Male 100 : Female 96
		Base salary + bonuses※1	☑ Male 100 : Female 96
	Career path positions	Base salary only	Male 100 : Female 99
	Beauty consultant (BC) positions	Base salary only	Male 100 : Female 120

Non-managerial positions of Shiseido Group in Japan: Male to Female Base salary ratio ☑ Male 100 : Female 85

*1:Base salary + other cash incentives

*2:2021 bonus amount to be paid in March 2022

Data marked with ☑ has been third-party certified.

Employees Rehired after Retirement

Indicator		Period	2021
Number of employees rehired after retirement (persons)	Shiseido Company, Limited and Shiseido Japan Co., Ltd.	As of January 1 each year	633
Percentage of employees rehired after retirement (%)			2.7

Childcare Leave and Family Care Leave

Number of Employees who Used Childcare Leave System*1 (persons)

Indicator			2018	2019	2020	2021
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	30	30	67	61
		Female	1,300	1,360	1,303	1,260

Number of Employees who Used Childcare Time System*2 (persons)

Indicator			2018	2019	2020	2021
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	3	4	8	14
		Female	2,159	2,296	2,430	2,364
	In-store beauty consultants	Male	0	0	0	0
		Female	1,530	1,596	1,673	1,591

Reinstatement Rate after Childcare Leave*3 (%)

Indicator	2018	2019	2020	2021
-----------	------	------	------	------

Shiseido Group in Japan	Manager positions/Career path positions	97.5	95	97.3	99.3
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)	93.1	93.6	94.4	92.3

Retention Rate after Childcare Leave*4 (%)

Indicator		2018	2019	2020	2021
Shiseido Group in Japan	Manager positions/Career path positions	98.9	100	94.1	91.2
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)	92.1	98.8	90.3	88.8

Number of Employees who Used Family Care Leave System*5 (persons)

Indicator			2018	2019	2020	2021
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	0	1	2	1
		Female	22	28	40	37

Number of Employees who Used Family Care Time System*6 (persons)

Indicator			2018	2019	2020	2021
Shiseido Group in Japan	All employees (including fixed-term contract employees)	Male	2	1	1	0
		Female	30	27	35	30

Kangaroo Staff*7 (persons)

Indicator	2018	2019	2020	2021
Shiseido Group in Japan	2,009	2,095	1,659	1,090

*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			2018	2019		2020		2021	
				Number	Coverage (%)	Number	Coverage (%)	Number	Coverage (%)
Shiseido Group in Japan*2	Directly hired employees	Total (factories)	25 (4)	☑30 (9)	100	☑32 (6)	100	☑28 (4)	100
		Fatalities	0	0	100	0	100	0	100
	Indirectly hired employees (temporary staff)*3	Total	0	☑0	39.6	☑3	79.5	☑1	85
		Fatalities	0	0	39.6	0	79.5	0	85
Shiseido Group outside Japan	Directly hired employees	Total	54	65	80	61	100	66	100

Accident Severity Rate*4

Indicator		2018	2019	2020	2021
Shiseido Group in Japan*2	Directly hired employees	0.010	☑0.013	☑0.007	0.013
Supplementary data: Member company of Japan Chemical Industry Association	Directly hired employees and indirectly hired employees	0.026	0.010	0.107	-
	Employees of partner companies	0.071	0.029	0.145	-

LTIFR*5

Indicator		2018	2019	2020	2021
Shiseido Group in Japan*2	Directly hired employees (Coverage (%))	0.73 (92.1)	☑0.87 (100)	☑0.77 (100)	☑0.74 (100)
	Indirectly hired employees (temporary staff)*3 (Coverage (%))	0.00 (38.8)	☑0.00 (39.6)	☑2.56 (79.5)	☑0.73 (85.0)
	Directly hired employees and indirectly hired employees	-	-	0.82	0.74
Shiseido Group outside Japan	Directly hired employees (Coverage (%))	-	-	1.6(100)	1.9(100)
Supplementary data: Frequency rate at member company of Japan Chemical Industry Association*6	Directly hired employees and indirectly hired employees	0.310	0.420	0.28	-
	Employees of partner companies	0.520	0.570	0.59	-

Data marked with ☑ has been third-party certified.

*1: Number of labor accidents (injury and illness) resulting in suspension of work

*2: Shiseido Group in Japan (2021): Shiseido Company, Limited and 22 consolidated subsidiaries

*3: Data from our three major dispatch companies, GIC, and dispatch companies using factories

*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: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	2019	2020	2021	2022
Shiseido Group in Japan (coverage 100%)	As of January 1 each year	29.4	29.4	29.4	22.2
Shiseido Group outside Japan *1 (coverage 100%)		68.4	68.4	68.4	68.4

Number of Labor Union Members (persons)

Indicator	Period	2019	2020	2021	2022
Shiseido Group in Japan	As of January 1 each year	12,732	13,334	13,672	13,438

Ratio of Labor Union Members (%)

Indicator		Period	2019	2020	2021	2022
Shiseido Group in Japan	Ratio including fixed-term contract employees*2	As of January 1 each year	52.3	53.3	55.0	56.6
	Ratio excluding fixed-term contract employees*3		76.2	76.5	77.3	77.1

*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	2021
Average hours per FTE* of training and development	22.4	26.0	66

Average amount spent per FTE on training and development (yen)		111,562	200,868	203,914
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* 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

	2018	2019	2020	2021
"Impressions of Shiseido" among current Shiseido customers* (top 2 box scores <Very favorable / Favorable> on a 5-point scale) (%)	93.1	94.0	95.4	94.7

* Survey conducted in Japan only.

Compliance and Risk Management

Anti-Corruption

	Target	2018	2019	2020	2021
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	2018	2019	2020	2021
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	2018	2019	2020	2021
In-house Shiseido Hotline	Employees of the Shiseido Group in Japan	241	265	289	255
External Shiseido Hotline					

Compliance Committee Hotline					
Shiseido Group Global Hotline	Employees of the Shiseido Group Overseas	0	2	2	0

Note : In fiscal 2021, the breakdown of 255 consultations / reports was 44 discrimination / harassment cases, 11 legal / internal rule violations cases, 63 workplace environment / communication cases, 75 personnel management cases, and 62 inquiries / others cases. Of these, 99 cases were investigated. There were no cases of disciplinary action for violating employment rules regarding discrimination / harassment.

Performance of Human Rights Education Training for Employees

Type of training	Target	number of graduates (persons)
Human rights awareness programs	Employees of Shiseido Group in Japan	14,295
Harassment awareness programs	Employees of Shiseido Group in Japan	14,577
Harassment awareness e-learning training for managers	Employees of Shiseido Group in Japan	1,566

Activities to Enhance Corporate Ethics: Survey on employee harassment

Subjects	Type	Target	2022 results and improvement measures
Workplace harassment	Questionnaires*	All employees of Shiseido Group in Japan Number of departments involved: 309 Job type/position: Full-time employees (manager, comprehensive work main career track, beauty consultant, administrative work), fixed-term contract employees (including rehires), temporary staff.	Number of respondents: 22,865 (response rate: 53.3%) Risk assessment method: The risk of harassment was analyzed and evaluated for each workplace in accordance with the Shiseido Code of Conduct and Ethics*. Risk reduction measures: Shiseido Headquarters will provide ethics training to all departments surveyed during 2022 to reduce the risk of harassment. In addition, feeds back the survey results to the heads of high-risk departments and asks them to work on solving harassment issues.

* Questionnaires were prepared in two languages in order to show consideration of the diverse workforce including non-Japanese speaking foreign national employees and human rights awareness. 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.

* The "Shiseido Code of Conduct and Ethics" has been improved in 2022 in line with changes occurring in today's business environment, such as the growing social awareness of human rights, diversity, individual privacy, and sustainability.

Number of Serious Compliance Violations*

Target	2018	2019	2020	2021
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)	2021 (million yen)
Shiseido Company, Limited	None	None	None	None
Shiseido Group in Japan*	None	None	None	None

* Shiseido Group in Japan: Shiseido Company, Limited and 23 domestic affiliated companies subject to consolidation (as of December 31, 2021)

Non-Compliance with Laws and Regulations in the Social and Economic Area

		Target	2018	2019	2020	2021
Incidents of Non-Compliance Concerning Health and Safety Impacts and Services	Examples of administrative guidance based on the Pharmaceuticals and Medical Devices Act, etc.	Japan	None	None	None	None
	Examples of product recall from consumers and the market	Global	1	5	2	2
Incidents of Non-Compliance Concerning Product and Service Information and Labeling	Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations and Pharmaceuticals and Medical Devices Act, etc.	Japan	None	None	None	None
Incidents of Non-Compliance Concerning Marketing Communications	Examples of administrative guidance based on the Act against Unjustifiable Premiums and Misleading Representations and Pharmaceuticals and Medical Devices Act, etc.	Japan	None	None	None	None

* Above data represent the number of violation against regulations and/or voluntary codes

Incidents of Reporting Personal Information Disclosure to Personal Information Protection Commission (Cases)

Target	2018	2019	2020	2021
Shiseido Group in Japan	0	0	0	0

* This table shows the number of data breaches to be reported to the Personal Information Protection Commission.

Incidents of Reporting Personal Information Disclosure to Personal Information Protection Commission (Cases)

Target	2018	2019	2020	2021
Shiseido Group in Japan	uncounted	uncounted	uncounted	10

* The number of applicable cases from the customer's request to our Consumer Center is shown.

Non- Compliance with Laws and Regulations in Social and Economic Areas

Target	2018	2019	2020	2021
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	2021
Shiseido Group	408	1,337	797	879

Number of Participating Employees (Cumulative Persons)

Target	2018	2019	2020	2021
Shiseido Group	10,040	9,197	3,410	3,952

Spending on Social Contribution Activities (Unit: Millions of Yen)

Target		2019	2020	2021	
Shiseido Group	Spending on Donations	687	1,243	1,518	
	Breakdown	Cash Donations	673	1,080	1,056
		Product Donations	14	163	461
Japan a)	Spending on Donations	☑563	☑432	☑950	
	Breakdown	Cash Donations	☑562	☑394	☑911
		Product Donations	☑0.37	☑38	☑38
Shiseido Company, Limited	Spending on Donations	☑553	☑410	☑899	
	Breakdown	Cash Donations	☑552	☑387	☑899

		Product Donations	☑0.24	☑23	☑0
Overseas b)	Spending on Donations		124	811	567
	Breakdown	Cash Donations	111	686	145
		Product Donations	13	125	422
China c)	Spending on Donations		-	☑562	☑144
	Breakdown	Cash Donations	-	☑482	☑18
		Product Donations	-	☑80	☑126
Americas d)	Spending on Donations		-	☑562	☑125
	Breakdown	Cash Donations	-	☑482	☑107
		Product Donations	-	☑80	☑17

*Fraction have been rounded down

a) Japan	Shiseido Company, Limited and 23 domestic affiliated companies subject to consolidation (2021) (Shiseido Co., Ltd., Shiseido Japan Co., Ltd., AXE Co., Ltd., Shiseido Pharmaceutical Co., Ltd., Ettusais Co., Ltd., Shiseido FITIT Co., Ltd., Shiseido International Inc., FT Shiseido Co., Ltd., Japan Retail Innovation Co., Ltd., Shiseido Parlour Co., Ltd., ETWAS Co., Ltd., Shiseido Cosmetics Manufacturing Co., Ltd., Shiseido China Innovation Center Co., Ltd., Shiseido Vietnam Inc., EFFECTIM Co., Ltd., The Ginza Co., Ltd., KODOMOLOGY Co., Ltd., Shiseido Astech Co., Ltd., Hanatsubaki Factory Co., Ltd., Shiseido Beauty Salon Co., Ltd., IPSA Co., Ltd., Shiseido Professional Co., Ltd., Shiseido Creative Co., Ltd., Shiseido Interactive Beauty Co., Ltd.)
b) Overseas	50 overseas affiliated companies subject to consolidation (in addition to the following 30 companies, include companies listed under China and Americas, 2021) (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, Tai Shi Trading Co., Ltd., Tai Tsu Holding Ltd., Shiseido Philippines Corporation, Shiseido Europe S.A., Shiseido International France S.A.S., Shiseido Group Switzerland S.A., Shiseido (Rus) LLC, Shiseido Middle East FZCO, Shiseido Italy S.p.A., Shiseido Germany GmbH, Les Salons du Palais Royal Shiseido S.A., Shiseido Spain S.A.U., Beauté Prestige International S.A.S, Shiseido Austria GmbH, Beauté Prestige International, Inc. (Miami), Shiseido Belgium S.r.l., Shiseido Netherlands B.V., Shiseido Group Middle East LLC, Shiseido Travel Retail Asia Pacific Pte. Ltd., Shiseido Travel Retail Americas INC., Shiseido Professional (Thailand) Co., Ltd.)
c) China	5 overseas affiliated companies (2021) (Shiseido China Co., Ltd., Shiseido Liyuan Cosmetics Co., Ltd., Shiseido Hong Kong Ltd., Shiseido Guangdong Cosmetics., Ltd., Shanghai Hauni Transparent Beauty Soap Co., Ltd.)
d) Americas	15 overseas affiliated companies (2021) (Shiseido Americas Corporation, Shiseido (Canada) Inc., Shiseido do Brasil Ltda., Shiseido UK Limited, Bare Escentuals KK (Japan), Bare Escentuals France S.A.S., Shiseido Ireland Limited, Bare Escentuals Shanghai Company, Shiseido America, Inc., Davlyn Industries, Inc., JWALK, LLC, Drunk Elephant UK Ltd., Drunk Elephant, LLC, Drunk Elephant Holdings, LLC, Drunk Elephant Blocker, Inc.)

Data marked with ☑ has been third-party certified.

Overall Spending on Social Contribution Activities of Shiseido Group in 2021 (Unit: Millions of Yen)

Item	Amount
Cash Donations	1056
Product Donations	461
Cost of the Time Employees Spent on Volunteering During Working Hours	43
Management Costs of Social Initiatives*	273

* Management costs of social initiatives such as activities of the Shiseido Life Quality Beauty Centers and artists support

Social Contribution Activities - Empowerment through the Power of Beauty

Item	Indicator	2018	2019	2020	2021	Target
Shiseido Life Quality Makeup	Number of Facilities	1	1	1	1	Japan
		4	5	5	5	Overseas
	Number of Users (Persons)	319	177	5	9	Japan
		1,022	1,043	710	626	Overseas
Shiseido Life Quality Beauty Seminars	Total Number of Participants (Persons)	70,222	57,910	6,601	8,451	Japan

Notes :

- As part of the Shiseido Life Quality Makeup initiative, we operate dedicated Life Quality Beauty Centers in countries/regions around the world (China, Japan, Singapore, and Taiwan). We offer free makeup for deep skin concerns such as bruising and changes in appearance due to side effects of cancer treatments.
- The estimated number of users of "Perfect Cover Foundation," a special cosmetic product for people with serious skin concerns, is 15,000 (2021).
- Shiseido Life Quality Beauty Seminars offer a wide variety of menus to support people stay beautiful and healthy.
- The number of cosmetics stores that hold makeup health programs based on the results of Shiseido's cosmetic therapy research is 459 (2021, Japan region).

Social Contribution Activities - Gender Equality

Item	Results
30% Club Japan Chair: Masahiko Uotani, Shiseido	<p>Target: 30% female board members in all TOPIX100 companies by 2030</p> <p>Ratio of female executives in TOPIX100 companies: 15.3% (2021)</p> <p>Ratio of female executives of companies participating in the "TOPIX Presidents' Committee" of 30% Club Japan: 21.6% (2021)</p> <p>* Officers are defined as directors and corporate auditors.</p> <p>Please refer to the 30% Club Japan for details.</p> <p>Number of member companies of the working group "TOPIX Presidents' Meeting" operated by Shiseido: 25 companies (as of March 2021)</p> <p>TOPIX Presidential Meeting: Held twice a year (2021)</p>
Awards for Career Support	<p>Selected as No. 1 in the 2022 "Best 100 Companies for Women" sponsored by Nikkei WOMAN. (2022)</p> <p>Received the Prime Minister's Award from the "Gender Equality Bureau of the Cabinet Office of Japan". (2020)</p> <p>Received the 2020 Visionary Award for Leadership and Governance of a Public Company from the WomenCorporateDirectors Foundation (WCD), an international network of female directors</p>

	<p>active on corporate boards.</p> <p>Received the Social Value Award at the Second Nikkei SDGs Management Grand Prix ask ranked by Japanese economic newspapers. (2020)</p>
Childcare Facilities within the Company	<p>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.</p> <p>Supported the establishment of daycare centers for other companies.</p>
Shiseido Female Researcher Science Grant	<p>Donated 1 million yen each to 10 female scientists for a total of 10 million yen to support career development and leadership.</p>

Academic Support

Item	Indicator	2018	2019	2020	2021	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	2021
Donation of Sunscreen Products	We provided Shiseido Group's various sunscreen products (ANESSA, 2e, 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	2,291 items, 16 types of sunscreen products donated to 87 XP patients
Donations by Employees (Unit: Yen)	We make good use of donations by employees (Shiseido Camellia Fund) to support patient exchange meetings and purchase UV protective clothing.	2,164,977	2,204,700	2,175,750	1,927,150
Number of Employees Involved in Support of Activities of the Japanese National Network of Xeroderma Pigmentosum (XP)	<ol style="list-style-type: none"> Seminar on usage of sunscreen products Support for patient meetings 	18 employees	12 employees	Patient exchange meetings and other meetings have not been held to prevent the spread of COVID-19.	6 employees
Number of XP Awareness Raising 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	-	-
Other Focus Topics	In February 2019, we won the Corporate Philanthropy Award from the Japan Philanthropic Association in recognition of our social contribution activities that utilize our management resources organically and sustainably to resolve				

social issues.

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

For details, please check "Support for Patients with Xeroderma Pigmentosum (XP), a UV-Sensitive Intractable Disease"

Activities for Children

Item	Indicator	2018	2019	2020	2021
Initiatives for Children Shiseido Kodomo Seminar for Juniors	Number of participants* (Persons)	781	1,555	1,270	1,438

* 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.

For details, please check "Activities for Children."

Social Contribution Activities - Education for Socially Vulnerable People

Item	Results
Independence Support by Shiseido Child Foundation	Seminars of social skills for high school students living in orphanages and foster parents (2021: 456 students, 2020: 288 students, 2019: 426 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. (2021: 15 students, 2020: 14 students, 2019: 13 students)
Support for Girls' Education by Clé de Peau Beauté	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.
Shiseido Travel Retail: Supporting Marginalized Women and Girls in Cambodia	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 2021, 78 women were trained, and 41 received employment opportunities.

Social Contribution Activities - Art and Heritage

Item	Indicator	Target	2018	2019	2020	2021
Shiseido Gallery (Ginza) *1	Number of Visitors (Persons)	Japan	54,300	41,811	13,527	22,658
Shiseido Corporate Museum* (Kakegawa) *2		Japan	31,733	20,453	3,305	2,081
Shiseido Art House (Kakegawa) *3		Japan	35,177	31,590	8,908	6,615
S/PARK Museum (Yokohama) *4		Japan	-	49,215	14,985	15,621
Artist Support by "shiseido art egg"	Number of Award Winners (Groups)	Japan	3	3	3	3

*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.

For details, please check "Culture."

Community and Disaster Support

Donations from Shiseido Group employees are as follows.

Item	2018	2019	2020	2021	Total	Target
Amount of Donations Through "Shiseido Camellia Fund" (Unit: Yen)	16,884,724	17,245,134	31,127,781	13,897,113	347,150,621 (FY2005-2021)	Shiseido Group (Participation by Overseas Regions from 2020)
Amount of Donations Through "Disaster Contribution" (Unit: Yen)	2,974,526	1,712,500	0	0	63,973,986 (FY2004-2020)	Japan

Please click [here](#) for more details on "Shiseido Camellia Fund"

INDEPENDENT ASSURANCE STATEMENT

To: Shiseido Company, Limited



Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Shiseido Company, Limited (Shiseido) to provide limited assurance over its sustainability information selected by Shiseido. This Assurance Statement applies to the related information included within the scope of work described below.

Selected information

The scope of our work was limited to assurance over the following information included within Shiseido Corporate Website 'Sustainability' page (the 'Web page') for the period of January 1, 2021 through December 31, 2021 (the 'Selected Information'):

Shiseido Group

- Equal Remuneration (Executive officer)

Shiseido Group (Japan)

- Number of employees (Total)
- Number of leaders (Male / Female)
- Ratio of female leaders
- Ratio of employees with disabilities
- Equal Remuneration (Managerial positions / Non-managerial positions)
- Number of work-related accidents (Directly hired employees)
- LTIFR: Lost Time Injury Frequency Rate
(Directly hired employees / Indirectly hired employees)
- Spending on social contribution activities
(Spending on donations / Donations made in cash / Donations made by product offerings)

Shiseido Group (China)

- Spending on social contribution activities
(Spending on donations / Donations made in cash / Donations made by product offerings)

Shiseido Group (Americas)

- Spending on social contribution activities
(Spending on donations / Donations made in cash / Donations made by product offerings)

Reporting criteria

The Selected Information included within the Web page needs to be read and understood together with the reporting criteria stated in the Shiseido Corporate Website.

Limitations and Exclusions

Excluded from the scope of our work is any verification of information relating to:

- Activities outside the defined verification period;
- Any other information within the Web page, which is not listed as the 'Selected Information'.



This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

This preparation and presentation of the Selected Information in the Web page are the sole responsibility of the management of Shiseido.

Bureau Veritas was not involved in the drafting of the Web page or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of Shiseido.

Assessment Standard

We performed our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Effective for assurance reports dated on or after December 15, 2015) issued by the International Auditing and Assurance Standards Board.

Summary of work performed

As part of our independent verification, our work included:

1. Conducting interviews with relevant personnel of Shiseido;
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by Shiseido;
4. Reviewing Shiseido systems for quantitative data aggregation and analysis;
5. Verification of sample of data back to source by carrying out physical site visit to Shiseido's head office;
6. Reperforming a selection of aggregation calculations of the Selected Information;
7. Comparing the Selected Information to the prior year amounts taking into consideration changes in business activities, acquisitions and disposals.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

On the basis of our methodology and the activities described above:

- Nothing has come to our attention to indicate that the Selected Information has not been properly



- prepared, in all material respects, in accordance with the Reporting Criteria;
- It is our opinion that Shiseido has established appropriate systems for the collection, aggregation and analysis of quantitative data within the scope of our work.

Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA), across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

Bureau Veritas Japan Co., Ltd.
Yokohama, Japan
April 28, 2022



Editorial Policy • GRI Content Index • SASB Content Index

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 consolidated subsidiaries (collectively, the Shiseido Group)
- Target period: Mainly fiscal 2021 (from January 1, 2021 to December 31, 2021). 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 2022 (next update scheduled July 2023, previous update September 2021)
- Our sustainability initiatives are also disclosed in our "Sustainability Report [PDF : 5.31MB]" and "Integrated Report".
Assurance Statement Environment Data [PDF : 3.48MB] Social Data [PDF : 171KB]

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 [PDF : 142KB]
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 Code of 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 [PDF : 1.42MB]
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 [PDF : 1.42MB]
102-25	Conflicts of interest	Corporate Governance Report [PDF : 1.42MB]
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 [PDF : 1.42MB]
102-31	Review of economic, environmental, and social topics	Our Environmental Approach General Meeting of Shareholders Sustainability Report 2020 [PDF : 5.31MB]
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 [PDF : 1.42MB]
102-36	Process for determining remuneration	Remuneration for Directors, Audit & Supervisory Board Members and Executive Officers Corporate Governance Report [PDF : 1.42MB]
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 Code of 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 [PDF : 3.48MB] Assurance Statement for Social Data [PDF : 171KB]

200 : Economic

201 : Economic Performance		Reference
201-1	Direct economic value generated and distributed	Historical Financial Data [EXCEL : 40.6KB]
201-2	Financial implications and other risks and opportunities due to climate change	Reducing Our Environmental Footprint The Report of Climate-related Financial Disclosure [PDF : 753KB]
201-3	Defined benefit plan obligations and other retirement plans	Integrated Report 2020
201-4	Financial assistance received from government	Consolidated Settlement of Accounts P1 4,20 [PDF : 363KB]
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) [PDF : 753KB]
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 materials and chemicals of concern	CG-HP-250a.3	Ingredients Policy
	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