

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 FY2023 (from January 1 to December 31 of 2023), part of the information also includes contents prior to/after the said

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SUSTAINABILITY

REALIZING A BETTER WORLD
THROUGH SOCIAL VALUE CREATION.



Since our company's founding in 1872, we have demonstrated our respect for society, the environment and nature. Shiseido's approach has been to create social value across our business activities, and now with our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, we aim to solve social issues through an approach unique to a beauty company, while working towards greater sustainability, and enriching people's lives.



Environment

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

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



Society

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

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

Culture

Corporate Governance

Sustainability Management



I believe Shiseido has a unique role as a Japanese company that brings joy and excitement to people's lives across the world through the power of beauty. I have always been proud to be part of Shiseido. I became President and COO in January 2023, and in line with our corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD, we are committed towards 2030 to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty. To realize our mission and become an essential company globally, I believe it is important to set social value at the core of our value creation.

At Shiseido, we see sustainability as encompassing the environment, society, economy, as well as corporate entities like us. In 2022, we incorporated functions to embed Shiseido Group's overall sustainability approach into our Corporate Strategy department. We also established new sustainability functions within our major departments to drive the strategic actions we are taking to solve material issues.

In regard to "Society", we see diversity and inclusion (D&I) as a key part of our corporate strategy. We aim to create a society where people from different backgrounds and environments respect each other and can live their own unique lives. In Japan, gender equality is seen as particularly challenging. Here, we are actively working to promote women's empowerment through a range of initiatives, including support for a better work-life balance, mentoring programs, and our 'New Leadership for Women' development program. As a result of these actions, I am pleased to say that the percentage of managerial positions filled by women rose to 37.6%*. We contribute to advancing gender equality by sharing best practices to the Japanese society. As a company, Shiseido has also promoted the "Shiseido Life Quality Beauty" initiative. It helps people of all ages, people with diseases, and people with disabilities take unique steps forward by expressing and enjoying their own beauty. We have been using cosmetics to empower people in Japan who live with cancer. In 2022, we started to extend the program to four other countries and areas: China, Singapore, Thailand, and Taiwan to make change globally.

For "Environment", as part of our initiatives to help mitigate climate change, we are switching to renewable energy and reduce of CO₂ emissions at our domestic and overseas sites. In 2022, we obtained certification for our science-based targets to reduce CO₂ emissions by 2030 throughout the entire value chain. We also joined RE100, a global initiative that brings together companies committed to transitioning to 100% renewable electricity in business operations. When it comes to products, we promote sustainable procurement by working with suppliers to improve the traceability of raw materials connected to environmental and social issues. We are also reducing CO₂ emissions and plastic volume by expanding the use of 'refillable' packaging and raising awareness among consumers. Furthermore, in 2022, we initiated partnerships with companies from diverse industries, leveraging their expertise. Additionally, in 2023, we launched 'BeauRing', a pilot project aimed at testing the circular model for plastic packaging.

Finally, as part of our sustainability through business, we have issued "Sustainability-Linked Bonds". These are tied to our Sustainability Performance Targets in the areas of environment and society, and they help achieve our goals in these important areas. A key strategic action in environment and society has been to set up evaluation indices focused on "Reducing Our Environmental Footprint" and "Advancing Gender Equality", respectively. These will be used to assess and measure the impact of our activities moving forward.

There is no doubt that sustainability is increasingly important for our business. By recognizing sustainability as a new opportunity, we are making a commitment to create social value through our business for the growth, while maintaining absolute transparency towards our stakeholders, both internally and externally.

*As of January 2023 in Japan.

Representative Corporate Executive Officer,
President and COO
Kentaro Fujiwara



Shiseido's Strategic Actions Toward Sustainability

Shiseido has established 6 strategic actions based on different material issues, three each in the areas of environment and society, in order to realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

Our strategic actions for society focus on addressing social issues, primarily through our diversity and inclusion (D&I) initiatives. These three strategic actions are: "Advancing Gender Equality", which we will implement by leveraging our strengths as a beauty company; "Empowering People Through the Power of Beauty", which will help people shine in their own ways; and "Promoting Respect for Human Rights", which underlies all our activities.

Our actions for the environment are based on the idea of *banbutsu shisei** the phrase from which our company name "Shiseido" originates. We are working to develop technologies and business models that can reduce environmental impact and realize a circular economy. To do so, we are taking the following three strategic actions throughout the entire value chain: "Reducing our environmental footprint", "Developing sustainable products, and "Promoting sustainable and responsible procurement".

*From a phrase in Chinese Yi Jing, the Book of Changes from the Four Books and Five Classics of Confucianism, "Praise the virtues of the Earth, which nurtures new life and brings forth significant values."

Material Issues

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment through value creation, as we have done since our founding. To select social and environmental 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*.



(Approved in 2019)

*Materiality will be reviewed every few years based on the external environment and stakeholder requirements.

How We Formulated Our Material Issues

The following process was implemented to define material issues.

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

- Experts in environmental and social fields globally
- Consumer feedback (from company surveys conducted in five countries)
- External surveys, reports from major international organizations (GRI, SASB, SDGs etc.), and investor feedback
- Executive officer* and employee feedback

Step2> Shortlist the identified issues based on their relevance to our businesses and make a more informed analysis

- Issues are narrowed down to those highly relevant to our businesses through discussions with executive officers* and various internal divisions.
- Issues are then selected by scoring them based on the two axes of importance to our businesses and importance to the entire company's stakeholders (employees, consumers, business partners, shareholders, society, and the earth).
- The questions and strategic actions surrounding these issues are then confirmed by the executive officers*.

Step3> Submit the finalized list of material issues to the Sustainability Committee for approval

*Until the end of FY 2021, it was "corporate officers".

Strategic Actions & Corresponding SDGs

Shiseido has established 6 strategic actions based on different material issues, 3 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.

Material Issues	Strategic Action	Corresponding SDGs
<ul style="list-style-type: none"> • Climate change • Development of eco-friendly formulas • Sustainable packaging • Deforestation • Responsible procurement • Waste reduction • Water usage 	Reducing our Environmental Footprint	
	Developing Sustainable Products	
	Promoting Sustainable and Responsible Procurement	
<ul style="list-style-type: none"> • Diversity and inclusion • Quality of life • Professional development • Occupational health and safety • Respect for human rights 	Advancing Gender Equality	
	Empowering People Through the Power of Beauty	
	Promoting Respect for Human Rights	
<ul style="list-style-type: none"> • Strengthening of governance and accountability • Fair business transactions • Quality assurance • Responsible marketing and advertising • Information security and privacy • Art and heritage 	<ul style="list-style-type: none"> • We are committed to maintaining and improving the transparency, fairness, and speed of management initiatives by enhancing corporate governance as well as maximizing corporate and shareholder value over the medium term through dialogue with all stakeholders—consumers, employees, shareholders, the environment, and society at large—to fulfill our responsibilities as a public entity and optimize value distribution to each stakeholder. • We promote activities in art and heritage through our corporate culture that generates social value and shares a uniquely Japanese aesthetic with the world. 	

*We will disclose strategic actions related to governance materiality.

A System for Promoting Sustainability

At Shiseido, we work to promote sustainability across the entire company through our brands and regional businesses. In 2022, the Sustainability Committee met regularly to ensure timely management decisions related to sustainability and their implementation. The committee decides on Group-wide sustainability strategies and policies, discusses specific topics such as TCFD reporting and human rights actions, and monitors the progress of medium-to-long-term goals. The committee consists of the representative directors 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, allowing us to discuss a range of issues from different perspectives. In addition, the Global Strategy Committee

and the Board of Directors are specifically consulted when a decision is needed on important matters related to business execution. We also publish an annual sustainability report for our global stakeholders in which we disclose the medium-to-long-term targets we have for actions we can take toward sustainability in our core business, as well as the progress toward those goals. Furthermore, in order to promote sustainability initiatives, we have introduced a long-term incentive-type remuneration that incorporates multiple internal and external performance targets related to ESG including CO₂ emissions reduction and female ratio in managerial positions, for Directors (excluding external Directors and Auditors), Executive Officers and leaders in critical positions in Japan and overseas. The actual value of this incentive remuneration increases or decreases depending on the achievement against each individual target.

*Until the end of FY 2021, it was "corporate officers".

Medium-to-Long-term Sustainability-related Targets

Strategic Action	Environment	Targets		Target Year	2022 Results
1. Reducing our environmental footprint	CO ₂ Emissions	Carbon neutral*1		2026	45% (compared with 2019)
		CO ₂ emission reduction (SBTi, Scope 1 and 2)	46.2%*1	2030	Plan to disclose in 2024
		CO ₂ emission reduction (SBTi, Scope 3)	55%*2	2030	
	Water	Water consumption reduction	40%*3	2026	37% (compared with 2014)
2. Developing sustainable products	Packaging	Sustainable packaging	100%*4	2025	64%
3. Sustainable and responsible procurement	Palm Oil	Sustainable palm oil	100%*5	2026	36%(palm oil equivalent basis)
	Paper	Sustainable paper	100%*6	2023	97%(paper weight basis)

Strategic Action	D&I	Targets		Target Year	2022 Results
4. Advancing Gender Equality	in Shiseido	• Ratio of female leaders at all levels in Japan	50%	2030	Directors and A&SB Members 40.0%*7 Executive Officers 35.3%*8 Managers in Japan 37.6%*9
	in Society	• Empower women at workplaces in Japan • Support education and financial independence for socially vulnerable women worldwide	1 million people(to reach directly)	2030	Related indicators are posted on the Sustainability page of our corporate website
5. Empowering People Through the Power of Beauty	in Society	• Cultivating Self-Efficacy Through the Power of Beauty • Challenging the Unconscious Biases and Prejudices That Limit Individual Beauty	1 million people(to reach directly)	2030	

*1 : At all our sites (compared to 2019)

*2 : Throughout our value chain, excluding Shiseido sites Economic Intensity Target (compared to 2019)

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

*4 : For sale of products with plastic packaging.

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

*6 : Such as certified paper and recycled paper.

*7 : As of April 1, 2023, Directors and Audit & Supervisory Board Members

*8 : As of April 1, 2023

*9 : As of January 1, 2023

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 classical Chinese text, I Ching: "Praise the virtues of the Earth, which nurtures new life and brings forth significant value." This praise for the Earth, which continuously gives birth to new things, is consistent with Shiseido's goal of sustainability, which aims to create and circulate new value in society. Since Shiseido was founded in 1872, we have developed a business model that combines business success with respect for people, society, and the planet.

In everything we do, we cooperate with our stakeholders across our entire value chain – from procurement of materials and product development through to production, use and disposal – to create value through our products and services and enable the coexistence of people and the environment. This is how we create new sustainable value for the world.

Reducing Our Environmental Footprint

The impact of climate change, including extreme weather events caused by global warming, is becoming more apparent each year. To preserve the natural environment and its biodiversity, companies must take action to resolve these environmental issues — while simultaneously ensuring sustainable growth for themselves and the global economy. Shiseido has set long-term targets to be achieved by 2030 in order to reduce the environment impact of its business operations. We have identified 3 key actions 'the reduction of CO₂ emissions', 'the reduction of water consumption', and 'waste reduction' under the strategic action of "Reducing environmental footprint". We will continue to work with stakeholders throughout our value chain to create sustainable impact within each of these actions.

■ We are reducing the environmental footprint of our activities by taking actions in three key actions.

- CO₂ : By 2026 Carbon neutral*1
By 2030
Reduce CO₂ 46.2% (SBTi, Scope 1 + 2*1).
Reduce CO₂ 55% (SBTi, Scope 3*2).
- Water : By 2026 Reduce Water consumption 40%.*3
- Waste : By 2022 Zero landfill.*4

*1 : At all our sites, compared with 2019.

*2 : Entire value chain excluding our sites, Economic Intensity Target, compared with 2019.

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

*4 : For Shiseido owned factories.

Developing Sustainable Products

Shiseido's original research and development (R&D) philosophy is based on high safety and quality standards, and this has been passed down for over 100 years. Today, we have redefined this philosophy as "DYNAMIC HARMONY: "fusion of different values" for the new value creation, rooted Western science and Eastern wisdom, as the origin of Shiseido to identify the core of our R&D strategy.

Premium/Sustainability, one of the research approaches of, states that "we will step up to the challenge of creating sustainable value unique to Shiseido, which balances 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".

To ensure we can make effective use of limited resources, mitigate climate change, and minimize our impact on ecosystems, we focus on developing sustainable formulas and ingredients, circular packaging and recycling models. In addition, we have implemented a Life Cycle Assessment (LCA) evaluation system to promote the reduction of environmental impact based on life cycle thinking."

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

- Packaging : By 2025 100% Sustainable Packaging.*5
- Formula/Ingredients : Reduce our environmental and social impact by using sustainably sourced raw materials that are selected in consideration of safety, the environment and ethics.

*5 : 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 that these resources are limited, and we place the utmost importance on the sustainable and responsible procurement of raw materials at every stage of the supply chain. We focus on reducing and reusing resources to promote environmental conservation and biodiversity and contribute to a circular economy. In all our activities, we also work to address and strengthen our response to other sustainability issues, such as human rights.

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

- Palm Oil : By 2026 100% Sustainable Palm Oil Usage*⁶
- Paper : By 2023 100% Sustainable Paper Usage*⁷
- Supplier Assessment Program : Create a sustainable supply chain.

*⁶ : Roundtable on Sustainable Palm Oil's (RSPO) physical supply chain models, identity preserved, segregated, and/or mass balance.

*⁷ : Such as certified paper and recycled paper.

Data

Reducing Our Environmental Footprint

The impact of climate change, including extreme weather events caused by global warming, is becoming more apparent each year. To preserve the natural environment and its biodiversity, companies must take action to resolve these environmental — while simultaneously ensuring sustainable growth for themselves and the global economy. Shiseido has set long-term targets to be achieved by 2030 in order to reduce the environment impact of its business operations. We have identified 3 key actions 'the reduction of CO₂ emissions', 'the reduction of water consumption', and 'waste reduction' under the strategic action of "Reducing environmental footprint". We will continue to work with stakeholders throughout our value chain to create sustainable impact within each of these actions.

Reducing CO₂ Emissions

The increasing severity of climate change is leading to numerous issues, including direct health hazards caused by temperature extremes, insufficient water resources, and an accelerated loss of biodiversity. For responding to Climate Change, the world leaders gathered at the COP26 summit*1 agreed to limit global temperature rises to 1.5°C.



In accordance with the TCFD*2 framework, Shiseido discloses information on the financial impact that long-term climate-related risks and opportunities may have on its business. Moreover, to ensure a thorough response to these risks — and to leave a better environment for future generations—we support the Paris Agreement and the Glasgow Climate Pact, and have set goals following the Science Based Targets*3 initiative, which aims to cut CO₂ emissions*4 in line with the 1.5°C target ahead of 2030. Our CO₂ reduction goals were accredited by the Science Based Targets initiative in 2022.



*1 : The 26th Session of the UN Climate Change Conference of the Parties.

*2 : Task Force on Climate-related Financial Disclosures (TCFD).

*3 : Scope 1, Scope 2, and Scope 3 emissions.

*4 : Greenhouse gases usually refer to CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃. In this report, unless otherwise specified, these greenhouse gases will be collectively referred to as 'CO₂'.

Reducing CO₂ Emissions from Energy Consumption (Scope 1 and 2)

To mitigate climate change, we are committed to reducing CO₂ emissions from the electricity and fuel used in our business activities. As part of our efforts, we use renewable energy where possible and constantly seek to improve energy efficiency in our factories, offices, and other facilities.

Increasing the Use of Renewable Energy

We are constantly working to increase the use of renewable energy at our factories and offices. By the end of 2022, all our factories (both domestic and overseas) operated on 100% carbon neutral electricity. In addition, we are promoting the use of renewable energy in our offices, such as switching 100% of the electricity at our Shiodome and Ginza headquarters offices to



renewable electricity. As a result, renewable electricity now accounts for 75% of all the electricity used at Shiseido Group.

In addition to promoting the use of renewable energy, we are installing solar panels on the premises and in the buildings of our factories and research centers worldwide. In 2022, our Fukuoka Kurume factory, Osaka Ibaraki factory (both in Japan) and Taiwan factory were equipped with solar panels, and now nine of our factories* are equipped with solar power generation facilities.



Solar panels at the Fukuoka Kurume factory (Japan)

Shiseido is a member of the RE100 global initiative, which brings together businesses committed to using 100% renewable electricity in their activities. We will continue to accelerate our transition to renewable electricity in our operations to reduce fossil-fuel derived electricity.

*The nine factories are: Kakegawa (Japan), Osaka Ibaraki (Japan), Fukuoka Kurume (Japan), Shanghai (China), Beijing (China), Taiwan factory, Vietnam, East Windsor (US), Gien (France).

Improving Energy Efficiency

To increase energy efficiency, we are introducing several building design improvements at our factories, including improved heat insulation, more energy-efficient equipment, and new environmental measures based on the ISO 14001 environmental management system.

In addition to using LED lighting to reduce energy consumption, we installed Energy Management Systems (EMS*) to visualize energy use and CO₂ emissions on equipment that uses electricity, steam, or compressed air. These systems allow us to optimize energy usage in a number of ways and, in this way, help us to reduce energy consumption.



West Japan Distribution Center

Furthermore, at our Osaka Ibaraki factory and neighboring West Japan Distribution Center—our production and logistics hub in Japan—we installed sandwich panels in the exterior walls. Lightweight and with excellent heat insulation properties, these panels have helped reduce CO₂ emissions generated by operations at the facilities by approximately 30%.

*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

■ Kakegawa Factory Initiative Wins the Director General Prize for Agency of Natural Resources and Energy

Our Kakegawa factory in Japan was awarded the Director General Prize for Agency of Natural Resources and Energy (Energy Conservation Best Practices Category) at the Energy Conservation Grand Prize 2022. The Energy Conservation Grand Prize recognizes outstanding energy-saving initiatives and advanced, high-efficiency energy-saving products in Japan's industrial, business, and transportation sectors.

We received this prize for our energy-saving activities at our Kakegawa factory. These include an initiative to achieve carbon neutrality of electricity in cosmetics manufacturing by enabling factory employees to proactively participate in energy-saving projects. As a result of our work, we reduced CO₂ emissions at our Kakegawa factory by 9.5% in 2021 compared to 2019.



The prize recognized the initiatives at the Kakegawa factory for their outstanding versatility. They can be transferred to other sectors, and so have the potential to accelerate energy-saving measures in other industries.

Reducing Indirect CO₂ Emissions from the Value Chain (Scope 3)

Our indirect CO₂ emissions result from our business activities but they are not directly under our control – for example, emissions that derive from the manufacturing and shipping of raw materials or the use and disposal of our products. As part of our work to reduce the impact of our business activities on climate change, we have established science-based long-term reduction targets for our indirect CO₂ emissions, and we are working with our suppliers and other stakeholders to reduce emissions across our entire value chain.

Procurement of Raw Materials

In line with the green chemistry principles,*1 we select raw materials that generate low CO₂ emissions, just as we strive to reduce CO₂ emissions during product development. With regard to palm oil-derived materials, which are key ingredients in our products, as well as sugarcane-derived polyethylene and paper for containers, we use raw materials that are not linked to deforestation.

In 2022, Shiseido participated in the CDP Supply Chain Program*2. Through the program, we expect to reduce CO₂ emissions related to raw material procurement. In 2023, we will begin to monitor our suppliers' CO₂ emissions and engage with them to reduce emissions.

*1 : The design of chemical products and processes that reduce or eliminate the use or generation of substances that are hazardous to people or the environment.

*2 : The Carbon Disclosure Project (CDP) Supply Chain Program is an initiative in which member companies use the CDP platform to request that their suppliers disclose information related to climate change, water, and forestry.

Reducing CO₂ Emissions During Transportation

Shiseido is striving to reduce waste and CO₂ emissions by repeatedly using shipping boxes when procuring raw materials, mainly from bottle suppliers that deliver frequently.

When shipping our own products, we conduct joint deliveries with other domestic companies to optimize transportation routes and improve loading efficiency. In addition, since in 2022, we began double stack palletization* for improving loading efficiency. We also optimize the use and design of packaging materials according to the shape and volume of the products shipped and actively promote the reuse of protective materials used in transportation.

In February 2023, we introduced an electric truck into our vehicle fleet in Japan on a trial basis. The electric truck is expected to reduce CO₂ emissions by 1 ton per year, and we plan to expand our fleet of electric vehicles moving forward.

*A logistics process consisting of placing goods together on top of a pallet to consolidate the load at the warehouse.



Shiseido's EV truck

Assessing Climate Risks and Opportunities

Given the seriousness of the impact of climate change issues on business growth and social sustainability, Shiseido has been disclosing information in line with TCFD's framework. Disclosures include the results of our qualitative and

quantitative analyses of the risks and opportunities associated with the transition to a decarbonized society and changes in the natural environment due to climate change for both the 1.5/2°C and 4°C scenarios, as well as our major actions, over the short, medium, and long term.

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 (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 transition risk, with projections pointing toward approximately JPY 0.05-0.87 billion in 2030, depending on the number of countries and regions where carbon tax would be introduced. For Physical risks, JPY 0.89 billion of floods and JPY 3.5 billion of water shortage were forecasted potentially. 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.

Risks and Opportunities

		Risks	Opportunities
Transition (seen mainly in the 1.5/2°C scenario)		<ul style="list-style-type: none"> • Carbon tax increase ● • Fuel price increase • Loss of sales opportunities for products using single-use plastics ● 	<ul style="list-style-type: none"> • Improve energy efficiency • Develop more ethical products (e.g. clean beauty)
Physical (seen mainly in the 4°C scenario)	Acute	<ul style="list-style-type: none"> • Natural disasters stop operations (e.g. typhoons, floods) ● • Natural disasters disrupt logistics 	<ul style="list-style-type: none"> • Develop environment-friendly products • Develop climate-adaptive solutions
	Chronic	<ul style="list-style-type: none"> • Changes in rainfall conditions impact the cost of procuring raw materials derived from crops ● • Water shortages stop operations ● 	

● Risk factor analyzed qualitatively and quantitatively.

Shiseido Climate/Nature-related Financial Disclosure Report, including detailed results of scenario analysis.

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 order to mitigate the climate-related risks, we set the reduction of CO₂ emissions as our target. We aim to achieve carbon-neutrality by 2026, and to reduce by 46.2 % by 2030 compared to emissions in 2019 for Scope1 and Scope2 emissions. For the target of Scope 3 emissions, 55% reduction in economic intensity by 2030 was set. These were accredited by SBTi* as a scientific target along the 1.5°C trajectory. In addition, we have set appropriate metrics and targets related to climate issues, such as "Water consumption at our sites" and "Rate of switching to RSPO-certified raw materials," and aim to build a resilient business.

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

Reducing Water Consumption

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 view of the importance of water resource management, we cooperate with stakeholders (Water Stewardship*¹), we cooperate with stakeholders to promote the sustainable use of water resources by working to understand the water cycle and the environment of watersheds, reduce water consumption, increase the effectiveness of its use, and ensure thorough control of water quality. In addition, we prioritize the healthy circulation of water in water systems, value unique regional water-related cultures, and respect people's right to safe drinking water and sanitation*². At the same time, we work to educate our employees on water-saving measures, and encourage our stakeholders, including our employees, to contribute to achieving Goal 6 of the UN Sustainable Development Goals*³.

*¹ : Using water in a way that is socially equitable, environmentally sustainable, and economically beneficial.

*² : SDGs Goal 6: Ensure availability and sustainable management of water and sanitation for all.

*³ : Using water in a way that is socially equitable, environmentally sustainable, and economically beneficial.

Water Saving Initiatives

We actively work to reduce water consumption at all our factories. As each Shiseido factory has various facilities and equipment tailored to the kind of cosmetics it produces, we design specific water reduction initiatives for each site.

Examples of our water-saving initiatives include using automatic cleaning to ensure the manufacturing equipment is cleaned more effectively, consolidating the washing locations of equipment parts, and redesigning the nozzles on our cleaning facilities. At our Val de Loire factory in France—an area where rainfall is expected to drop in future—initiatives like these successfully reduced the amount of water used per clean by 30%.

When we build new facilities, we incorporate water-saving processes in the design. This measure has a significant impact. For example, we expect our Fukuoka Kurume factory in Japan—which began operations in 2022—will use around 6,600 tons less water per year than equivalent factories, as well as expecting around 466 fewer hours on cleaning.

To ensure more effective use of water, we focus on circular systems that clean water and reuse or recycle it within the process. At our Taiwan factory, for example, we reuse 100% of the wastewater from our water purification systems in onsite facilities. At our Osaka Ibaraki factory in Japan, we introduced a circular system that utilizes re-used water to

cool the manufacturing tanks. This system led to an annual reduction in water consumption of around 65,000 m³ in 2022. Other new water utilization initiatives include optimizing our pure water manufacturing equipment – as we have done at our Nasu factory in Japan, for example. Pure water manufacturing consumes approximately half of all water used at the factory. Through this initiative, as well as other water recycling schemes, we reduced our annual water consumption by around 72,000 m³, an amount that is approximately one third of the factory's annual water usage.

At our Gien factory in France, we switched from water-based cleaning to alcohol-based cleaning for our fragrance manufacturing equipment and transportation components. The alcohol used is cleaned and reused in the process repeatedly.



Water treatment facilities at Nasu factory (Japan)

Engaging Stakeholders

To effectively use water resources, we are engaged in the management of water resources as common property of the water basin, including secondary use in cooperation with communities.

At our Nasu factory in Japan, we use high-quality groundwater for manufacturing processes and as a raw material for cosmetics. In consideration of the natural environment, the Nasu factory has established its own strict standards to control discharged water, thereby minimizing any impact on the environment and striving to coexist with nature. We regularly engage with local governments and related organizations to discuss the local water resource environment and appropriate water use at this factory.

At our Shanghai factory in China — which is located in a water-stressed*1 area — we participate in a local environmental protection association and proactively obtain environmental information, such as environmental laws and regulations regarding 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. In the area around our Val de Loire factory in France, rainfall volumes are expected to fall in future. Therefore, we regularly share information with other local industries on good water practices to decrease water consumption.

In cooperation with our stakeholders, we conduct water footprint*2 assessments to better understand the environmental impact of water usage throughout our value chain. We ask our suppliers to provide information on their water usage through self-assessment and strive to ascertain water-related environmental impacts. In addition, we have participated in the "Study Group on Water, Climate Change and Sustainable Development" organized by Professor Oki Taikan of the University of Tokyo, who has outstanding expertise in hydrology*3, to gather the latest scientific knowledge on the characteristics of water resource, water availability, and the future change forecast associated with climate change. We apply these findings to our analysis of risks and opportunities related to climate change to ensure sustainable water use.

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

*2 : A method to quantitatively calculate the environmental impact of direct and indirect water consumption and pollution throughout a product's lifecycle.

*3 : The study of all aspects of water, including the Earth's water cycles, water usage, and the protection of water sources.

Reducing Waste

As population growth continues and income levels rise, resource consumption and waste increase. To make more effective use—and reuse—of limited resources, it is important that businesses shift from a disposable, linear economic model to a circular economy.

At Shiseido, we are doing this by optimizing the use of raw materials and reducing waste throughout our entire value chain, while complying with all relevant waste management rules in the countries and regions where we operate.

Reducing, Reusing and Recycling Waste

At Shiseido, we continuously work to reduce, reuse, and recycle the waste we generate. In 2003, we achieved "zero emissions*1" at our domestic factories in Japan, and we continue our waste separation and recycling activities to this day. For example, to minimize the amount of sludge generated by our factories during wastewater treatment, we use dehydrators and dryers, recycle cardboard boxes and paper, and reuse shipping boxes. We also compress and melt waste plastics to both reduce waste volume and convert waste into valuable resources.

Our target was to achieve zero waste*2 to landfill from our factories worldwide by 2022. Thanks to the actions above and other initiatives, we managed to achieve our target in 2020, two years ahead of schedule, and continue to achieve it.

To constantly improve our efforts to reduce, reuse and recycle, we are engaging in various initiatives to minimize waste generated outside of our factories and branch offices. This includes streamlining our product containers and packaging, eliminating package inserts, and shifting to more lightweight cardboard boxes. Moreover, we also work to limit product waste by minimizing excess inventory through improved precision in demand forecasts and shorter lead times in production and procurement.

*1 : "zero emissions" is a concept defined by UN university in Japan. Recycled waste: 99.5% or higher (excluding waste designated as landfill by law).

*2 : Excluding waste designated as landfill by law

Employee Education

All our waste reduction initiatives are driven by our PEOPLE. Therefore, we arrange online seminars and training sessions* for newly appointed managers and employees in charge of industrial waste in Japan. Following the seminars and training sessions, each participant should be able to identify how to effectively manage waste with the help of our internal guidelines and checklists.

*Due to the coronavirus pandemic, these are held online.



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⁾

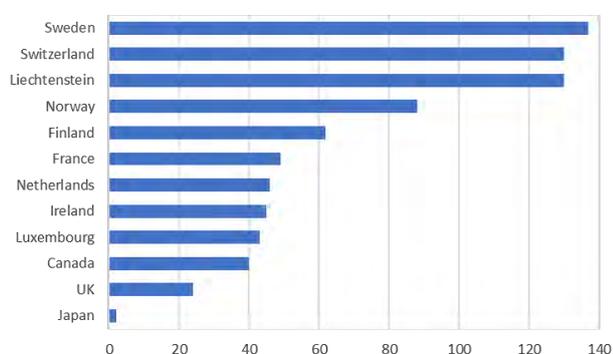


Figure 1: Price of carbon taxes worldwide
(as of April 2022, USD/t-CO₂e)

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.

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

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_{out}: Sales volume to countries and regions without a border carbon tax

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).

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.

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.

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

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

CT: Carbon tax price

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 2.6 and 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.

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

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

FR₀: Initial value of flood risk

FF₂₀₃₀: Probability of large-scale flooding in 2030

S: Hypothetical sales amount suspended by flooding

C: Value of facility of the target factory

As a result, the potential impact of flooding in 2030 under the 4° C scenario 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 Prepare	Set metrics and targets to manage risks/opportunities for nature 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.

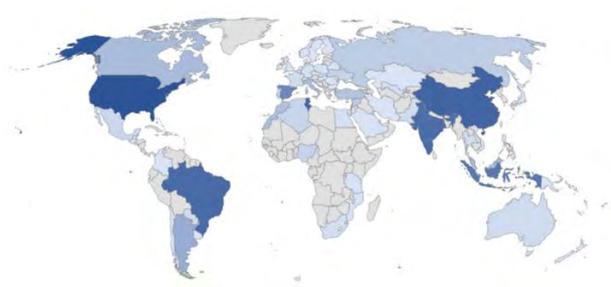


Figure 2: Area of land occupation for material crop production

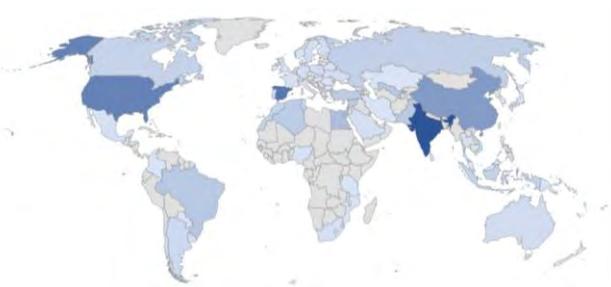


Figure 3: Consumption of irrigation water for material crop production

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	—
Kuki		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 of 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.

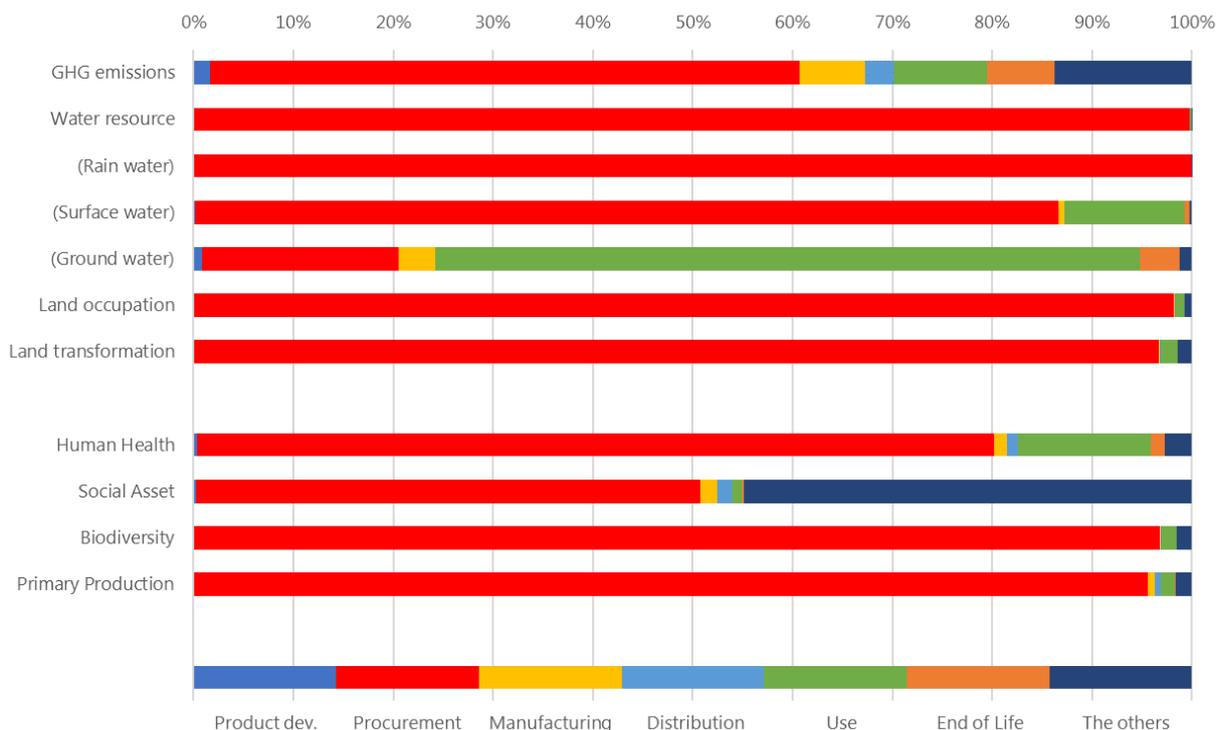


Figure 4: Environmental impacts through Shiseido's value chain

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. Analyses based on the inventory databases for LCA and the agricultural statistics suggested that about 80% of the land use change from forests for the production of our raw materials is likely due to palm plantation development. Therefore, 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

* Fragrances are not included.

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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If you have any questions about this report, please contact the following:

Kenji Ohashi

Mail to: kenji.ohashi@shiseido.com

Sustainability Strategy Acceleration Department
Shiseido Company, Limited

Developing Sustainable Products

Shiseido's original research and development (R&D) philosophy is based on high safety and quality standards, and this has been passed down for over 100 years. Today, we have redefined this philosophy as DYNAMIC HARMONY: "fusion of different values" for the new value creation, rooted Western science and Eastern wisdom, as the origin of Shiseido to identify the core of our R&D strategy.

Premium/Sustainability, one of the research approaches, states that "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".

To ensure we can make effective use of limited resources, mitigate climate change, and minimize our impact on ecosystems, we focus on developing sustainable formulas and ingredients, circular packaging and recycling models. In addition, we have implemented a Life Cycle Assessment (LCA) evaluation system to promote the reduction of environmental impact based on life cycle thinking.

Sustainable Packaging

Climate change and marine plastic waste are pressing environmental issues that need to be addressed on a global scale. It is expected that the Global Plastics Treaty (a resolution of the United Nations Environment Assembly approved by over 175 countries in Nairobi in 2022 which calls for urgent action to end plastic pollution globally by 2040) will be signed by the end of 2024. Shiseido aims to realize a circular economy where all materials are responsibly managed during production through efforts such as recycling to minimize the impact on our ecosystem. It is expected that the interest of consumers and other stakeholders in climate change and other environmental issues will continue to rise. Adapting to changes in societal awareness through product development and other means, is extremely important for the sustainability of our business. Based on the Shiseido 5Rs packaging development policy*1, Shiseido is working to reduce its environmental footprint and contribute to realize a circular economy. To achieve our goal of 100% sustainable packaging*2 by 2025, we are adopting recyclable and reusable designs, using bio-based and post-consumer recycled (PCR) materials, reducing packaging weight and encouraging refills to promote reused packaging. We have also started initiatives designed to reduce the amount of virgin petroleum-based plastic used by adopting non-plastic alternative materials, and we are introducing mono-material packaging to improve recyclability.*3 In addition, we aim to build a Shiseido circular business model that recycles used packaging as new resources in collaboration with consumers and external partners.

*1 : Packaging development policy: respect, reduce, reuse, recycle and replace.

*2 : For sale of products with plastic packaging.

*3 : Amount of plastic packaging used in Japan in 2023 (Including estimates): 9,700t. Sustainable packaging accounted for 63% of all plastic containers sourced in 2023 (weight basis, Japan only)



Products with Packaging

Reduce and Reuse

We understand that the Earth's resources are limited. In line with Shiseido's 5Rs packaging development policy, we are reducing the amount of plastic we use and reducing our impact on the environment by such as optimizing the size of packaging to suit the product, reducing packaging weight and offering refillable packaging. Compared to 2019, the average weight of a plastic packaging was reduced by 18% in 2023.

Refillable packaging significantly reduces resource use. By encouraging the reuse of main packaging, it is possible to reduce the total amount of plastic used for packaging. Our Life Cycle Assessment confirms that refillable packaging lowers resource use and waste and significantly reduces CO₂ emissions compared to the continuous disposal of regular (primary) packaging. To significantly contribute to the reduction of the environmental impact, we aim to promote the development of these products widely, not only in Japan but also on a global scale.

Since we launched our first refillable product in 1926, we have provided refillable packaging in a wide range of product categories, including skincare and makeup. In 2023, we offered refillable packaging for about 740 stock keeping units (SKUs) within 31 brands globally in an effort to reduce the amount of plastic and ultimately, to reduce the environmental footprint.

This included increasing the amount of refillable packaging in our prestige skincare brand *Clé de Peau Beauté* and launching refillable packaging for the cream LA CRÈME, which uses 95%*1 less plastic than its regular (primary) packaging. In 2023, the brand launched new refillable packaging for five new products, including SÉRUM RAFFERMISSANT SUPRÊME n. In 2023, sales of refillable packaging from *Clé de Peau Beauté* increased approximately 23% year on year.

Before launching a refill option for the *IPSA* loose powder that became available in 2023, we redesigned the main container to improve durability and to make it more suitable for repeated use.

We are also incorporating innovative technologies to reduce environmental impact. In 2023, the brand *SHISEIDO*, which operates in 88 countries and regions around the globe, became the first company to sell cosmetics in packaging made with LiquiForm® technology.*2 It is a one-step technology for manufacturing bottles and filling them with liquid content. Refillable cosmetics packaging made using LiquiForm® can reduce plastic usage per packaging approximately 70%.*3 Moreover, compared to our conventional refillable packaging (with the same volume), this technology can reduce CO₂ emissions throughout the supply chain—from raw materials procurement and production to use and disposal—around 70%.*3 We will raise awareness of refillable products by launching them not only in Japan but also in other Asian countries and regions, including China. We will also strengthen our activities to achieve toward a circular economy that seek the cooperation of consumers.

In 2024, *Ulé*, a skincare brand that promotes beauty both inside and outside the body, launched a refillable option made from 100% recyclable materials for cleansing gel Dream of Pure. The refill helps reduce plastic and aluminum usage by 23% and 100% respectively, as opposed to purchasing new packaging. In 2023, the luxury brand *Serge Lutens* launched a fragrance that strikes a delicate balance between sustainability and luxury. The refill packaging is made from 100% recyclable aluminum in consideration of environmental impact.

*1 : Weight ratio of regular (primary) packaging

*2 : The new packaging technology was developed chiefly by Amcor. Shiseido worked with Yoshino Kogyosho, a company that has put the technology to use, to jointly develop cosmetic packaging.

*3 : Comparison with a refillable packaging of the same volume, not including contents



SHISEIDO, Clé de Peau Beauté and Ulé. Left: main container, Right: refill/ refill container.

Recycle

To realize a circular economy, it is important to select materials and design products with the reuse of resources in mind.

To reduce our consumption of single-use plastic, we are developing packaging made from a material that can be more easily sorted and reused/recycled after use without compromising the quality of the packaging's design.

In 2023, a number of our brands launched products with packaging that is easier to recycle, including SHISEIDO and Clé de Peau Beauté. In addition, the tube packaging for SIDEKICK — a cosmetics brand launched for young male consumers in 2022 — is made of easily recyclable aluminum.



SIDEKICK

Replace

To mitigate climate change and marine plastic pollution, we are focusing on the research of post-consumer recycled (PCR) materials, plastic alternatives, and bio-based materials with low environmental impact — and promoting their use. For example, packaging of some Clé de Peau Beauté and ELIXIR products is made from recycled plastic.

Over 72% of the PET in the bottles of ELIXIR facial lotion and emulsion is recycled. The facial lotion and emulsion refills help reduce plastic usage by over 85%*1 and CO₂ emissions by 85%.*2



ELIXIR facial lotion and emulsion

We also use some plant-derived bio-based plastic in the outer packaging of our ANESSA sun care brand. BAUM, which celebrates and honors our connection with nature, offers environmentally friendly products. Packaging, for example, use sustainable raw materials such as upcycled wood left over from furniture industry, plant-derived or recycled plastic, and recycled glass. Additionally, many containers are refillable.



BAUM facial lotion

In 2023, the Shiseido Group used approximately 200 tons of recycled plastic and bio-based plastic in total.

Products' secondary packaging that is made from plastic is being replaced with paper alternative. In addition, Point of Sale Materials (POSM) used at retail stores, such as drug stores, and counters that are

made from plastic will also be replaced with paper alternatives in due course to further reduce the amount of plastic we use. In 2022, we switched approximately 70%*3 of our plastic POSM in Japan to paper.

*1 : Comparison between the existing main container and refill

*2 : Comparison of the existing main container and refill in terms of CO2 emissions per packaging. The evaluation was carried out by Shiseido using Japan EPD Program by SuMPO (which complies with ISO/TS14067: 2013)

Calculated using the container of the facial lotion sold in September 2022 and onward

*3 : For promotional materials of premium Japanese brands, such as set cases and hooks.

Initiatives to Build a Circular Model

Shiseido started a new scheme to collect used plastic cosmetics packaging in stores, utilizing a wide range of business partners and consumer touchpoints. As well as increasing consumer awareness about the value of used containers as a recyclable resource, we hope the scheme will help drive wider behavioral change in society and encourage competitors and companies in other industries to implement circular models.

In-store Collection and Recycling

To support and promote recycling, we collect used cosmetics packaging in-store and recycle it as new materials. We work with multiple parties to ensure containers are recycled fully and correctly, including customers, waste collection companies, and other companies.

Our skincare brand *IPSA*, for example, operates a recycling program to reduce its environmental impact and promote environmental awareness among consumers. In 2022, the brand collected approximately 63,000 (1,400 kg) cosmetics containers in China through 94 stores, and approximately 22,000 containers in Taiwan*1.

In Japan, we collected around 30,000 *1 used containers through 88 AEON stores in collaboration with Aeon Retail Co., Ltd., TerraCycle Japan*2, and other companies.

*1 : Collection period: January 2022 - December 2022.

*2 : TerraCycle is a US-based social enterprise whose mission is "Eliminating the Idea of Waste".

Collaborating to Build a Circular Model for Plastic Cosmetics Containers

When developing cosmetic containers, protecting the contents, ensuring ease of use, and giving the premium look and feel are considered and designed. As a result, they have to be made from a wide variety of plastics, which can make it challenging to recycle them back into reusable plastic resources. To solve this issue, Shiseido launched an initiative in 2022 in collaboration with SEKISUI CHEMICAL CO., LTD. and Sumitomo Chemical Co., Ltd. The initiative involves creating a circular economy in which plastic cosmetics containers are collected and recycled without separating the materials. We are planning to manufacture recycled plastics in the future by collecting used cosmetic packaging, which we then turn into new cosmetic packaging. The three companies will be advancing this cross-sectoral alliance, while also calling on related industries and companies to join the effort to create a circular economy.



[Click here for Press Release: Collaborating in Building a Circular Economy for Plastic Cosmetics Containers](#)

“BeauRing” Circular Model Project for Plastic Cosmetics Containers

In 2023, we launched the "BeauRing" project – a circular model project to collect and recycle plastic containers into new ones for reuse. As well as driving in-house initiatives, we are encouraging other companies to join the project to expand the circle of resource circulation and, ultimately, create a sustainable society in which consumers use cosmetics with a more positive mindset. In April 2023, we began collecting used containers from several Shiseido product retailers in Yokohama. The POLA brand of POLA ORBIS HOLDINGS INC. joined in the project.



[Click here for press release: Circular Model Project "BeauRing"](#)

R Plus Japan Ltd.

To play a part in solving the global plastics recycling challenge, Shiseido invested in R Plus Japan in 2022 and engaged in recycling used plastics. By bringing together companies across the plastic packaging industry—from monomer and polymer manufacturers to packaging producers, trading, food and beverage companies—R Plus Japan aims to commercialize an efficient, low-environmental impact recycling technology by 2030.



[Click here for press Release: R Plus Japan](#)

Formulas/Ingredients

Shiseido develops and provides safe and high-quality products and services based on more than a century's experience in dermatology and material science.

From an environmental perspective, the sustainable and responsible procurement and use of these products is of the utmost importance. Our Global Innovation Center in Yokohama, Japan, which manages all regional centers, is working to select raw materials and develop formulations that are not only safe and functional but also respect the environment. In line with green chemistry principles, we carefully evaluate our raw materials, ingredients and formulas to ensure they are safe for the human body, have minimal environmental impact, and use natural and upcycled materials sourced through ethical procurement.

Environmental Initiatives

UV Care

We are accelerating innovation in the field of skincare to protect against UV and pursue coexistence between people, their ecosystems, and the environment. The effect caused by the climate change, UV exposure for people around the world is expected to increase*1. Exposure to UV rays over extended periods of time causes spots and wrinkles on the skin — symptoms of photoaging.

We have developed an innovative new technology to convert UV light into visible light (skin-beautifying light) that has beneficial effects for the skin. This is a first in cosmetics. We will continue our research in order to provide products and services with added benefits, including innovations like this that help people coexist more harmoniously with the environment.



Artificial marine ecosystem reproduced in an aquarium using environmental transfer technology developed by Innoqua Inc.

We are assessing the impact that UV filters used in sunscreen products have on the ocean. This includes working with the University of the Ryukyus to assess the impact of each UV filter used in our products on coral*2, and performing simulations*3 of how sunscreen products spread into the ocean when used by people at the seashore. We are utilizing the results of these assessments for ingredient selection and the development of coral-respecting formulas, while applying them to sunscreen product development for both *SHISEIDO* and *ANESSA*.

In 2023, in order to evaluate the impact of cosmetic ingredients on marine ecosystems, we began a partnership agreement with Innoqua Inc., a start-up company with proprietary technology to reproduce ecosystems in an aquarium. The aquarium can reproduce possible future environmental change scenarios, including 'rising seawater temperatures', which are predicted to have a tremendous impact on marine life. This allows us to evaluate the impact of various cosmetic ingredients, such as those used in sunscreen, on the entire marine environment, including coral and other organisms.

*1 : According to an announcement by the Japan Agency for Marine-Earth Science and Technology.

*2 : Egg-laying size groups of coral, excluding those in the planktonic larval and juvenile stages.

*3 : Utilizing the Tokyo Bay risk assessment model developed by the National Institute of Advanced Industrial Science and Technology

[Click here for corporate WEB site :Research on Sustainability](#)

[Click here for brand Web Site: ANESSA](#)

Transparent Information Disclosure

At Shiseido, we want to help tackle issues concerning people's health and the environment. Therefore, we disclosed our company policies regarding the use of ingredients and raw materials that could be concerning for consumers, such as oxybenzone and parabens.

We comply with all relevant regulations in each country where we operate. In addition, we have our own in-house standards for ingredients – and only select ingredients that meet our strict safety, environmental, and ethical standards.

[Click here for Product Development Policy | About Ingredients/Formulas](#)

[Click here for Our Approach for Chemical Substances](#)

Procuring Sustainable Raw Materials

Shiseido strives to procure environmentally friendly, sustainable raw materials.

Palm oil is used in cosmetics and household goods for a range of purposes, including as a humectant and as an oil. However, palm oil production can have a significant impact on the environment. We have disclosed our medium- to long-term targets for the procurement of sustainable palm oil, as well as our goal to switch from palm oil to more sustainable raw materials. Please see the "Sustainable Raw Material Procurement" section for more details.

Brands That Caters to Consumer Needs

When selecting a product, consumers increasingly place importance on a company's approach to social responsibility, environmental protection, and ethical raw material sourcing. At Shiseido, in addition to disclosing our corporate policy on ingredient and raw material sourcing, we work to develop brands with a strong environmental, social and ethical profile.

Drunk Elephant originating in the U.S. that sold in 40 countries and regions, for example, is a leading brand in the clean beauty market, known for its sustainable and responsible raw material procurement as well as its promotion of sustainable action. Taking this stance, the brand has gained significant support from Millennial and Generation Z consumers.

BAUM was established around the theme of coexistence with trees and offers environmentally friendly products. Its containers, for example, use sustainable raw materials—such as upcycled wood from furniture scraps, plant-derived PET, and recycled glass—and many containers are refillable. The brand is also growing its own forest by planting oak trees in the *BAUM* Oak Forest in Iwate Prefecture, Japan—some of this wood is even used as a raw material for packaging. Prior to being planted in the forest, the saplings are nurtured in *BAUM* stores.

In 2022, we launched the *Ulé* skincare brand in France. Based on plant-derived ingredients, Ulé promotes beauty both inside and outside the body. The brand emphasizes responsible procurement, product efficacy and safety, lower environmental impact, and transparency. To ensure clearer raw material traceability and reduce environmental impact from transportation, the brand buys its three botanical treasures (Centella, Coleus and Tulsi) and produces all its products locally in France. The names and origins of the raw materials can be found on the brand website. *Ulé* was awarded the Young and Sustainable Brand Prize in the "Prix d'Excellence Marie-Claire" 2023, the most prestigious beauty awards in France.



「Ulé」



No 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 : Except when mandated by law.

[Click here for corporate WEB site: Initiatives in Response to Animal Testing and Alternative Methods](#)

Initiatives with External Institutions

Granting Technology License to Toyo University for Environmental Impact Reduction

In March 2020, Shiseido became the first WIPO GREEN* partner company from the cosmetics industry. In 2022, we granted Toyo University a license to use our low-energy manufacturing technology, which is listed in the WIPO GREEN database. Through joint research, Toyo University developed a low-environmental impact, sustainable hand serum using extract from boysenberries harvested near the university.

*The World Intellectual Property Organization (WIPO) is a specialized agency under the United Nations, responsible for developing international intellectual property systems. WIPO GREEN is an international framework for promoting innovation in environment-related technologies, and has more than 150 partner companies. As of April 2023, Shiseido had licensed out 11 patented technologies registered in the WIPO GREEN database.

Developing Cosmetic Ingredient Using Protein Fiber and Formulate It into Products

In 2022, we jointly developed a cosmetics ingredient using Brewed Protein™*1, a biodegradable*2 fiber made of plant-derived biomass developed by Spiber. This environmentally friendly material is being used in Shiseido mascara products to create supple and beautiful eyelashes. We are now looking into further applications of the fiber in other Shiseido products.

*1 : Brewed Protein™ is a trademark or registered trademark of Spiber Inc., applicable in Japan and other countries.

*2 : Biodegradation of raw Brewed Protein™ fiber has been demonstrated in various natural environments including seawater, freshwater, and soil. (Tests for seawater and freshwater were conducted in accordance with ASTM D6691 and ISO 14851, respectively. The seawater test confirmed more than 70% biodegradation within 30 days.)

[Click here for press release: Shiseido and Spiber Jointly Develop Cosmetic Ingredient](#)

Exploring the Possibilities of Algae in the MATSURI Project

Shiseido has joined the MATSURI project, the world's first corporate joint project to explore how algae can be used to drive a sustainable future. Powered by the sun, algae absorb CO₂ through photosynthesis, while also generating useful proteins, lipids, and carbohydrates. More extensive use of algae is expected to contribute to lower CO₂ emissions in future, where algae products can replace fossil-derived raw materials. MATSURI Project partner companies will work together to develop new business opportunities for the cosmetic industry using algae as a raw material.



[Click here for MATSURI](#)

Our Environmental Policy and Environmental Management

Shiseido Environmental Policy

Shiseido will promote sustainability throughout our business including the activities in our sites, to realize a rich global environment where people and nature can coexist in harmony. We will produce and market products and services based on a circulation model at every step of the value chain, from product development and procurement of raw materials to production, logistics, distribution, use and disposal. To realize this commitment, we will collaborate with our stakeholders such as employees, consumers, suppliers and other business partners, and society. In the event of mergers or acquisitions, we will conduct due diligence based on this policy.

- Reducing Our Environmental Footprint and Promoting Sustainable and Responsible Procurement

CO₂*

We will strive to mitigate and adapt to climate change and respond to short- and medium-to-long-term risks and opportunities through our business. Regarding climate change mitigation, we aim to achieve our science-based net-zero emissions targets, and to achieve our scope 1 and 2 targets, we will promote the efficient use of energy, including the reduction of energy usage, the installation of solar power generation equipment and the expansion of the use of renewable energy. To achieve our scope 3 targets, we will work with stakeholders to reduce indirect CO₂ emissions from the value chain. To adapt to climate change, we will work on natural disaster countermeasures in our operations and supply chain and develop products and services that respond to climate change.

*CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₆ and other gasses are commonly considered greenhouse gases, but in this policy they are collectively referred to as CO₂.

Water

In view of the importance of water resource management, we will cooperate with stakeholders (Water Stewardship) to promote the sustainable use of water resources by working to understand the water cycle and the environment of watersheds, reduce water consumption, increase the effectiveness of its use, and ensure thorough control of water quality.

Resources and Waste

Aim to optimize resources by incorporating a circular economy approach and promoting "Shiseido's 5Rs" (Respect, Reduce, Reuse, Recycle, Replace).

Biodiversity and Forests

We will strive to conserve biodiversity (terrestrial, freshwater, and marine biodiversity) by assessing the environmental impact of our value chain and implementing mitigation measures such as measure to avoid or reduce activities that impact biodiversity. Regarding our direct impact on biodiversity, we will conduct biodiversity risk assessments at our sites such as factories and engage in conservation activities and other activities as appropriate in the region. Regarding our indirect impact, we will support zero deforestation and work with stakeholders to achieve sustainable and responsible procurement including traceability, since the procurement of key raw materials has the greatest impact on biodiversity.

- Developing Sustainable Products and Services

Based on the principles of Lifecycle Thinking and Green Chemistry, we will strive to create 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 promote the development and implementation of circular formulas, ingredients, packaging, and business models using innovative technologies, process innovation and through collaboration with stakeholders.

- Compliance with Laws and Regulations

We comply with the relevant environmental laws and regulations of each country and region in which we operate, in line with international standards and our own standards.

- Governance and Environmental Management

We set environmental policies, targets, and objectives, establish management systems and work to continuously improve our environmental performance. These are promoted and supervised on a regular basis by the Sustainability Committee consisting of executive officers from sustainability-related fields of the Global Headquarters. Particularly important matters are proposed or reported to the Board of Directors. Under this framework, we strive to appropriately manage chemical substances and prevent air, water, and soil pollution.

- Communication and Engagement

We endeavor to increase the trust we have earned from society by sharing the contents of this policy with various internal and external stakeholders including consumers and investors, disclosing transparent and reliable information, and promoting proactive communication. We will also promote employee awareness and training to increase internal awareness.

Our Thoughts Regarding "Biodiversity"

Our company name 'Shiseido' comes from a phrase in the classical Chinese text, I Ching: "Praise the virtues of the Earth, which nurtures new life and brings forth significant values." While Shiseido's business activities rely on nature's rich biodiversity, we also recognize that natural resources are limited. In recent years, many scientists and non-government organizations have warned of rapid biodiversity loss. As a result, from both a species conservation and sustainable business perspective, companies are being called upon to engage in biodiversity conservation activities. They are also encouraged to ensure transparent information disclosure regarding the impact of their activities on the natural environment.

At Shiseido, we use the Taskforce on Nature-related Financial Disclosures' (TNFD) framework to assess and analyze risks/opportunities around our dependency and impact on nature. The results of these analyses have shown that palm oil-derived raw materials and paper have a significant impact on biodiversity on land. Therefore, we support zero deforestation for palm oil and paper and strive to minimize the negative impact on biodiversity by complying with the laws and regulations of each country and international treaties and agreements*1 and switching to certified and recycled raw materials. We have organized challenges in biodiversity according to the hierarchy approach*2 and have set goals to switch to 100% sustainable paper by 2023 and 100% sustainable palm oil by 2026. To achieve these goals, we believe it is important not only to conduct our own operations but to also collaborate with our suppliers and other partners, etc. and promote sustainable procurement together with stakeholders.

We understand that recovering and regenerating biodiversity toward no net loss/net positive is essential, and we will continue to contribute to a future in which business and a diverse natural environment exist in harmony.

*1 : Washington Convention, Convention on Biological Diversity, OECD Guidelines for Multinational Enterprises, ILO Fundamental Conventions, The Ten Principles of the UN Global Compact, United Nations Declaration on the Rights of Indigenous Peoples, etc.

*2 : An approach to prioritize avoidance and reduction as steps to reduce environmental impact and to use offsets to offset the environmental impact that remains after these steps are taken.

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 twelve 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, 2023
	Fukuoka Kurume Factory	In progress
Taiwan Shiseido Co., Ltd. Hsinchu Factory	Certificate of Registration [PDF : 2.63MB]	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

*Fukuoka Kurume factory started its operation in June 2022. With the exception of the newly operational Fukuoka Kurume factory, the acquisition rate of ISO 14001 certification for our domestic and overseas factories is 100%.

Cooperating Companies

Production sites		Date of certification
Shiseido Honeycake Industries Co., Ltd.*	Certificate of Registration [PDF : 197KB]	September 29, 1999

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

Collaboration with Stakeholders

Agreements with external organizations

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



Environmental study with local residents

Environmental study with children

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



Environmental study in the roof garden at the Ginza Office

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



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, 2022

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			764	593
Breakdown	(1)-1 Pollution prevention costs	Water contamination, atmospheric pollution, etc.	60	228
	(1)-2 Global environmental conservation costs	Promotion of energy conservation, measures to protect the ozone layer, etc.	653	18
	(1)-3 Resources recycling costs	Waste processing, recycling, Wastewater re-use, reducing materials, etc.	51	332
	(1)-4 Chemical substance reduction cost		0	15
(2) Upstream/downstream costs		Costs associated with Recycling of Containers and Packaging Recycling Law, green procurement, product recycling, etc.	0	129
(3) Administrative costs		Personnel expenses (excluding R&D), environmental management costs	0	408
(4) Research and Development costs		R&D for environmentally friendly products, etc. (including personnel expenses)	0	0
(5) Social contribution costs		Support of environmental groups, disclosure of environmental information, environmental advertising, etc.	0	33
(6) Environmental remediation costs		Environmental remediation costs, etc.	0	0
(7) Other costs			0	0
Total			764	1,163

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.	52
Cost savings	From energy conservation	76
	Waste-related	3
	From resource conservation	24
	Other	0
Total		155

Society

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



Based on the recognition that humans are inherently diverse, we at Shiseido aim to achieve a society where everyone feels empowered, confident, and free to be themselves. To eliminate fixed ideas, prejudices, and peer pressure, we have set diversity and inclusion (D&I) as our key Business strategy. We have set our strategic actions as "Gender Equality" and "Empowering People Through the Power of Beauty" and will support 1 million people each by 2030, leveraging the experience and findings accumulated from our efforts in our mission as a beauty company, "BEAUTY INNOVATIONS FOR A BETTER WORLD".

As the foundation for achieving a highly inclusive society, Shiseido continues to do its best to respect the human rights of all stakeholders.

1. Advancing Gender Equality

In the Global Gender Gap Report 2022, the World Economic Forum*1 reported that it would take another 132 years to close the gender gap. Girls around the world who cannot receive primary and secondary education because of barriers such as child marriage, poverty, discrimination, and gender prejudice, are in an increasingly dire situation. Japan's ranking for gender equality has shown little improvement in 15 years since 2006 and is in 116th place*2, the lowest among major developed countries. Women's participation is especially low in the areas of politics and the economy. Building on insights and experiences accumulated by Shiseido, we partner with international institutions, private enterprises, municipalities, and other related organizations to work towards gender equality, including women's financial independence and participation in decision-making. We strive to nurture a society where everyone can feel empowered to live their life freely by having fair opportunities regardless of gender.

*1 : The World Economic Forum (WEF) is a non-governmental and nonprofit organization based in Switzerland aimed to resolve global economic issues by engaging political, political, academic, and other leaders of society.

*2 : Based on the index for measuring gender gaps between areas and countries used in The Global Gender Gap Report 2022.

2. Empowering People Through the Power of Beauty

There are people everywhere in the world who avoid interactions because of their age, health condition, disability, a change in their physical appearance, and other concerns and hardships. There are also people who feel they have difficulty maintaining social connections because unconscious biases and fixed ideas that they experience everyday hinder their individual expression of beauty. Expanding on the amassed findings and expertise of Shiseido, we advocate the power of beauty as instrumental in mental and physical well-being, as well as social well-being*. We engage in various activities with the aim of achieving a society where everyone feels empowered, confident, and free to be themselves. We are a beauty company that enables diverse beauty, and we strive to eliminate assumptions and prejudices associated with beauty for a world where everyone can celebrate each other's beauty.

* Social well-being is defined as the sustaining of meaningful relationships with society and people.

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

As a leader in achieving gender equality throughout Japanese society, Shiseido promotes a variety of activities to empower women by constantly upgrading our internal initiatives.

Shiseido DE&I Lab

In 2023, we established the Shiseido DE&I Lab within the company to explore ways to leverage the power of diversity. We are actively researching the process by which the empowerment of diverse human resources facilitates innovation by introducing different values and ideas and verifying the cause-and-effect relationship between diversity and corporate growth. We also aim to obtain know-how to maximize the power of diversity by analyzing the effects of our initiatives. Additionally, we broadly disseminate our findings from the Shiseido DE&I Lab throughout society, thereby contributing to the growth of the Japanese economy through DE&I.


 The logo for Shiseido DE&I Lab features the word "SHISEIDO" in a red, stylized font with a white outline, followed by "DE&I Lab" in a smaller, red, sans-serif font.

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 on the boards of companies in Japan.*1 As part of a global initiative that originated in the United Kingdom, the Japan chapter was inaugurated in May 2019, and Phase 2 started in May 2022 with the goal of achieving a 30% proportion of female directors*2 at TOPIX 100 companies by 2030. Masahiko Uotani, Shiseido's Representative Corporate Executive Officer, Chairman and CEO, continues to serve as the chairperson for Phase 2, as he did for Phase 1, leading the activities of the TOPIX President's Committee, which consists of chairpersons and presidents of 34 companies*3 listed on the TOPIX 100 and TOPIX Mid 400.

The TOPIX President's Committee has held 9 sessions*4 to date with the total participation of 172 chairpersons and presidents of the TOPIX 100 and TOPIX Mid 400.

Through the examination of case studies at the different member companies, the sessions involve lively discussions on extensive themes, such as appointing women to executive and head positions and conducting organizational culture reforms that make the most of diversity. These discussions are based on the belief that to lead innovation, nurturing an organizational culture with high adaptability is necessary, and to do that, achieving gender balance among those in top management (e.g., executive officers, line managers, etc.) who have many subordinates and a substantial influence on daily operations is crucial. On the project management team organized by operation-level leaders of member companies (about 80 members from 34 companies), cross-company projects have been organized to tackle three gateways that inhibit the career development of women, which were clarified through the TOPIX President's Committee, by promoting the implementation of concrete measures to resolve common issues, including the development of career awareness among young women, the sharing of best practices for balancing work with childcare, and exchange meetings between female candidates for executive positions and committee leaders.

In Phase 2, a fully integrated approach is underway to influence society through various stakeholders collaborating with companies, which is characteristic of the 30% Club Japan. Specific actions have been taken through the collaboration of the Investor Group of 33 institutional investors, the University Group of 9 universities, and the TOPIX President's Committee.

With its activities over the past five years, the ratio of women on the boards of companies comprising the TOPIX President's Committee has risen by 12.5 percentage points to 23% compared to the average of listed companies in Japan. Progress has also been made in women's participation in corporate decision-making, such as advancement to previously untraditional posts, including directors of business and manufacturing operations. Shiseido will continue to lead the way in transforming Japanese corporate culture to break away from the current homogeneity by promoting the active participation of women, thereby driving innovation.

*1 : Women on boards are defined as directors and auditors.

*2 : Proportion of female members on the boards of directors at TOPIX 100 companies (including auditors at companies with a board of auditors)

*3 : As of the end of December 2023

*4 : As of the end of December 2023

[Click here for more information on the 30% Club Japan.](#)

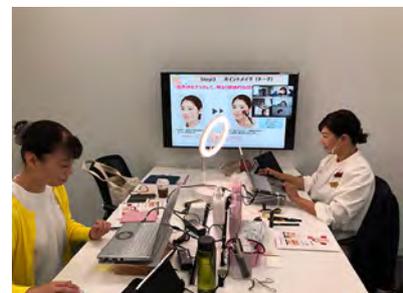


TOPIX President's Committee



Empowering Women through Collaboration with Local Governments

As part of Shiseido's ongoing efforts to empower women, in 2021, Shiseido Japan Co., Ltd., and Hiroshima Prefecture entered into an agreement on promoting the empowerment of women. Since then, we have been supporting the women of Hiroshima in social engagements and job placements chiefly through beauty seminars. In 2022, we held an online makeup seminar for mothers seeking employment and lectured them on basic makeup and gave them advice on hair styling and makeup to help them prepare for job interviews. In February of the same year, a Social Area Leader based in the Shiseido Japan was invited to speak at a discussion in an online seminar for the empowerment of women hosted by the Hiroshima Prefecture Department of Commerce, Industry and Labor to share her personal experience and motivate women aspiring to hold managerial positions. In August, we started a new initiative in job placement support and distributed vouchers at the prefecture's job placement office for women, the "Waku-waku Mama Support Corner." The vouchers can be redeemed at Shiseido counters for a short personal makeup lesson with Shiseido Personal Beauty Partners. Furthermore, reaching beyond the framework of the agreement, we joined a networking event for women in management hosted by the Hiroshima City Center for Promotion of Gender Equality. We met 12 women managers mainly from local companies and exchanged views on the challenges that women in leadership positions face. We are contributing to the growth of Hiroshima Prefecture through these efforts in raising awareness and communicating the empowerment of women and assisting in the creation of networks among working women.



"Online makeup seminar for job interviews" in collaboration with Hiroshima Prefecture

In 2022, Shiseido Japan Co., Ltd., joined a citizens' collaboration project, the "Machi, Watashi, Kirameku Women's Campus Yamagata," a project in which Yamagata City and Ridilover, a general incorporated association that organizes educational and training programs on social issues concluded a comprehensive partnership agreement. As part of this project, Emiko Ashida, Shiseido's People Division Vice Chief People Officer spoke at a seminar to promote women's empowerment in May, and Yukari Suzuki, Shiseido's Director, Senior Executive Officer joined a talk event in June, encouraging women working in Yamagata City.

In addition, 20 women from Yamagata City participated in a total of 5 workshops (June-December) to resolve issues, and Shiseido Japan's Yamagata Office employees joined in discussions. They also held beauty lecture sessions on skincare and makeup in June and September. In November, a lecture was given on the theme of "Balancing Family and Career", and 20 employees from Shiseido's Sendai Office also participated in this project.



Workshop at "Machi, Watashi, Kirameku Women's Campus Yamagata"



Beauty session at "Machi, Watashi, Kirameku Women's Campus Yamagata"

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

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

In 2022, Shiseido was invited to speak about gender equality and women's empowerment at various events hosted by about 30 municipalities, government agencies, corporations, universities, and other organizations to a combined total of 1,856 attendees. The lectures covered a wide range of topics, from the importance of the commitment by top management to fostering female leaders to Shiseido's history of empowering women and personnel development programs to raise awareness. One highlight of our collaborations was giving the keynote speech at the regional symposium involving local government, corporations, and universities organized by Yamaguchi Josei Katsuyaku Ouendan, a multilateral group for women's empowerment in Yamaguchi Prefecture comprised of leaders from the area's government, industry, and academia. We also received a request from the Yamaguchi Prefectural Police Headquarters to speak to its police officers. The prefectural police welcomed the impact of the lecture, as it was a good opportunity to reevaluate both male and female officers' work styles. We are eager to share the knowledge gained from our own experience in advocating gender equality for the betterment of society.



Lecture on Empowering Women Given by Yamaguchi Josei Katsuyaku Ouendan



Lecture on Empowering Women Given at the Yamaguchi Prefectural Police Headquarters

Childcare Support

In the drive to make the childcare environment better through company cooperation, Shiseido started a childcare business in 2017 with the establishment of KODOMOLOGY Co., Ltd., which focuses on the entrusted operation of in-house childcare facilities within businesses. In addition to the operation of in-house nurseries, such as KANGAROOM Shiodome (2003)* and KANGAROOM Kakegawa (2017), we began supporting the establishment and management of 3 childcare facilities at other companies in Kanagawa Prefecture and Shizuoka Prefecture (2 facilities in Shizuoka and 1 facility in Kanagawa as of the end of December 2022). In April 2022, the parenting training program for men "KODOMOLOGY Ikutore—Preparing for Paternity Leave", started full-scale operations at KANGAROOM Shiodome in response to the phased implementation of the new legal requirements for paternity leave in Japan. This program provides support for participants in gaining an awareness of childcare and greater family involvement in childcare while pursuing careers. A cumulative total of 52 participants (as of the end of December 2022), including Shiseido employees and their families, completed the program, and many commented that they felt more positive with the parenting training, and that the program provided an opportunity to consider the balance of childcare and career as a family.

* KODOMOLOGY Co., Ltd. closed KANGAROOM Shiodome at the end of March 2023 and started the childcare support program, "KANGAROOM +" for employees of Shiseido and alliance partners in April 2023.

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

[Click here for information on KANGAROOM + \(in Japanese only\)](#)



In-house daycare nursery, KANGAROOM Kakegawa



KODOMOLOGY Ikutore

Supporting Female Researchers in Natural Sciences

The ratio of female researchers in Japan is low compared to Western nations, remaining at roughly 17.8%. To help improve this situation, Shiseido supports female researchers in Japan who are engaged in world-leading, innovative research in the natural sciences through the Shiseido Female Researcher Science Grant. Launched in 2007, the grant is now in its 16th year, and in 2023, it has awarded research grants to 10 female researchers. This grant is distinguished by its versatility, providing recipients with support in everyday matters, such as childbirth and childcare, so long as the funding is used to enable them to conduct their research. To date, it has contributed to the research results and career development of 159 researchers.

In 2023, an awards ceremony to encourage networking among female researchers for the realization of a sustainable society was held at the Shiseido Global Innovation Center in Yokohama. In a survey* of previous award winners regarding the status of female researchers, over 80% of them responded that they have struggled because of their gender, with many saying that they have difficulty balancing family and work responsibilities, that there aren't many female researchers, that their positions aren't well understood, and that they don't have anybody around them to consult or exchange information with. These responses highlight the reality of female researchers. They often easily feel isolated or anxious about their career development and face difficulties in balancing family and work responsibilities within the traditional gender roles common in Japanese society. On the other hand, when asked about the benefits of

receiving the grant besides the grant itself, respondents said that the interaction with other talented recipients gave them new ideas, that just winning the award provided emotional support, that they were able to interact with other Shiseido researchers, and that they felt they had been recognized by those around them.

Networking is essential for researchers to develop their ideas, produce research results, and give back to society. We hope that the network we have built through this grant will support the next generation of female researchers in the natural sciences.

*Survey Period: November 16-30, 2022; No. of Respondents among Shiseido Female Researcher Science Grant Recipients: 74 (No. of Eligible Respondents: 119)

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



The Shiseido Female Researcher Science Grant award ceremony

SCIENCE
GRANT
SHISEIDO FEMALE RESEARCHER



The 16th Shiseido Female Researcher Science Grant award ceremony (in Japanese only)

Activities through Sports

Strong, Fast, Beautiful—the motto of the Shiseido Running Club

The Shiseido Running Club was established in 1979, the year when the first Tokyo International Women's Marathon was held as the first international women's marathon race in Japan. "Strong, Fast, Beautiful" is the motto of the club that introduced a number of athletes who left their mark on women's athletics in Japan, including Chie Matsuda, Mari Tanigawa, and Harumi Hiroshima. Nine* athletes are currently in the club. These include, Yuka Takashima (participated in the Rio Olympics), Mao Ichiyama (won a prize at the Tokyo Olympics) and Rino Goshima (participated in the World Athletics Championships, Oregon 2022 and the World Athletics Championships, Budapest 2023), and they are contributing to the enhancement of athletic skills of Japanese women through global competition. In the 42nd All-Japan Women's Corporate Ekiden Championship (Queen's Ekiden) in November 2022, a memorable year being that it was the 150th anniversary of Shiseido's establishment, the club won the second championship for the first time in 16 years, setting a new championship record, with roadside cheers from about 200 employees of Shiseido group in Japan.

Our female runners continue to overcome challenges to achieve higher goals. Their running not only encourages many people but also fosters the unity of the employees of Shiseido group and the culture of learning from each other.

* As of the end of December 2023

[Click here for the Shiseido Running Club \(in Japanese only\)](#)



Athletes of the Shiseido Running Club

Shiseido Ladies Open aspiring to achieve Active Beauty

Shiseido sponsors the "Shiseido Ladies Open,"* a tournament certified by the Japan Ladies Professional Golfers' Association (JLPGA), under the tournament philosophy of promoting "active beauty" both in terms of mind and body through the dynamic performances of female athletes and with the aim of creating a brighter world filled with smiles. In 2023, the tournament attracted approximately 22,000 visitors over its four days. Shiseido also held a charity auction with the cooperation of the players, and the proceeds were donated to the Female Athletes Health Support Committee to support their women's health projects.

*The tournament was named the Shiseido Anessa Ladies Open in 2019.

[Click here for information on the Shiseido Ladies Open \(in Japanese only\).](#)

[Click here for the official Instagram account of Shiseido Sports Japan \(in Japanese only\).](#)



We promote "active beauty" through the dynamic performances of female athletes.



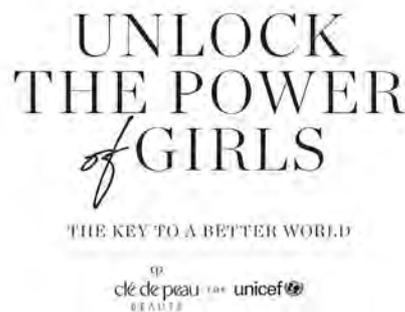
The final day of the tournament

Supporting Girls' and Women's Education and Financial Independence Worldwide

Shiseido brands and regional headquarters overseas are cooperating to support the education and the independence of socially vulnerable women and girls with the aim of resolving global gender issues and empowering women.

Clé de Peau Beauté: Supporting Education for Girls

In April 2023, Clé de Peau Beauté and UNICEF*1 have announced a three-year extension of their partnership dedicated to addressing gender inequality with a focus on STEM education*2, employment, and empowerment programs for girls. The two partners have worked together since 2019, with the partnership supporting UNICEF's work to tackle the root causes of gender inequality. To date, the Clé de Peau Beauté and UNICEF partnership has benefited more than 3.5 million girls.



The brand continued to hold a worldwide CRM Campaign*3 featuring the brand's best-selling product, The Serum, in 2022, inviting consumers' participation and aiming to raise awareness for UNICEF's programs. A portion of The Serum's global sales was donated to support UNICEF's effort to create more equitable access to education and skill development for girls in countries and regions such as Bangladesh, Kyrgyzstan, and Niger.

To showcase the real impact and support of these UNICEF partnership programs, in 2022, more than 150 Clé de Peau Beauté colleagues joined the Virtual Field Visit (VfV) to Bangladesh where they learned more about all the impactful initiatives made possible by the partnership with UNICEF. For example, with the support of Clé de Peau Beauté, the Government of Bangladesh and other partners, UNICEF has introduced a gender-transformative skill-based education to improve the current education system framework, and launched the Alternative Learning Programme (ALP) *4— offering young women educational and skills training that ultimately links them to employment opportunities in their communities. The ALP students and their parents, mentors and coordinators joined to share how Clé de Peau Beauté's contributions to UNICEF have made a positive life-changing impact on the girls.



The Virtual Field Visit to Bangladesh

In September 2022, Shiseido has been awarded the Dark Blue Ribbon by the government of Japan, in recognition of the support extended by its global luxury skincare and makeup brand – Clé de Peau Beauté to the Japan Committee for UNICEF. The brand has supported UNICEF's global initiatives to educate and empower girls around the world.



The award ceremony for the Medal with Dark Blue Ribbon
 (Left) Chief Brand Officer of Clé de Peau Beauté
 (Right) Executive Director, Japan Committee for UNICEF

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

Additionally, Clé de Peau Beauté's long-term philanthropic commitment includes the annual '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 since 2019.

For the 2023 award, the milestone fifth year, Clé de Peau Beauté named Ms.Dao Thi Hong Quyen from Hanoi, Vietnam as the recipient. Ms.Dao Thi Hong Quyen is a passionate biology teacher who is working to close the opportunity gaps in STEM education and tackle gender bias in her community. As the Head of Science at Genesis School, she oversees the design of science programs. She has empowered girls through her significant contributions in providing them equal access to STEM education and learning opportunities by dispelling gender biases.



Ms.Dao Thi Hong Quyen, recipient of the 2023 Power of Radiance Awards

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

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

*4 : Alternative Learning Program (ALP) is one of the new pathways to empower the most marginalized and vulnerable out-of-school adolescent girls with skills and assets to act on personal and social transformation.

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

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

[Click here for information on Clé de Peau Beauté.](#)

Shiseido Travel Retail: Supporting Marginalized Women and Girls in Cambodia

In 2020, Shiseido Travel Retail partnered with Friends-International in the "Empower Her" initiative, an initiative that aims to help young women from disadvantaged backgrounds in Cambodia to break the cycle of poverty by providing them education, vocational beauty training, access to job placement opportunities, and support in employment. In support of the initiative, we have contributed cash donations and beauty products, and we are also involved in the development of the training curriculum. In 2022, 134 students received vocational beauty training—45 of whom were given the opportunity for employment.



Beauty training in progress

Support for the independence and Higher Education of Children who Live at Childcare Facilities or with Foster Parents

At the Shiseido Child Foundation,*1 we are aiming for a society in which all children are brimming with smiles and shining in their own way by receiving support based on activities: *Supporting Children's Challenge for the Future, Creating Opportunities to Learn for People who Nurture Children, and Creating a Society in which Children are Supported by Everyone*. As part of supporting the Children's Challenge for the Future, the Foundation sponsors Self-Reliance Seminars in cooperation with Shiseido Japan Co., Ltd., Aoki Inc., Recruit Co., Ltd., and other companies and organizations, to enable junior high school and high school students who receive social care*2 to acquire social knowledge from specialists so that they can live independent lives. In FY 2022, more than 300 children participated in the Self-Reliance Seminar. In addition, the scholarship program, launched in 2007 to support students entering universities, junior colleges, and vocational schools, has supported 81 scholarship recipients through 2022. Other activities include seminars for staff at child welfare facilities (Creating Opportunities to Learn for People who Nurture Children), as well as events geared towards preventing child abuse in many parts of Japan and subsidies for seminars aimed at childrearing families (Creating a Society in which Children are Supported by Everyone).



The logomark was renewed in concurrence with the name change in 2022.



Self-reliance Seminar

[Click here for the activities of the Shiseido Child Foundation.](#)

*1 : In October 2022, the name was changed from the Shiseido Social Welfare Foundation to the Shiseido Child Foundation in commemoration of its 50th anniversary.

*2 : "Social care" refers to the public responsibility of protecting children who are unable to live with their parents by caring for them and providing support to households with difficulty finding childcare. About 42,000 children in Japan are receiving social care.

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

More than 80% of Shiseido Group employees are women, and 58.1% of women across our global organization are in leadership positions. Moreover, 40.0% (as of April 2023) of our directors and auditors are women, and the percentage of women in leadership positions in Japan is 37.6% (as of January 2023). We believe that empowering women can help generate innovation and in turn promote further growth at Shiseido and allow employees to fulfil their potential. As such, we aim to increase this to 50% by 2030 to fairly represent gender equality.

For many years, in Japan we have offered and promoted a range of systems and support measures for women's life events. Since the early 1990s, even before the introduction of childcare and family care laws, we implemented childcare leave and shortened working hour systems. Specifically, we have opened two in-office childcare facilities—Kangaroom Shiodome in 2003*1 and Kangaroom Kakegawa in 2017—for Shiseido employees, as well as local businesses and residents. Further, to provide flexible childcare in line with diverse workstyles, in April 2023 we opened Kangaroom+, a comprehensive childcare service offering mainly babysitting services. In addition to ensuring more freedom of time and place by offering one-on-one childcare instead of group childcare, the scope of services will be extended to include elementary school students. The aim is to cater to the problems that parents face when their children enter grade one of elementary school.*2

Moreover, in 2008 we introduced the Kangaroo Staff program to secure personnel as cover for Shiseido Personal Beauty Partners who are having to work shorter hours due to childcare. In 2022, 721 Kangaroo Staff helped to support the work-life balance of 1,510 Shiseido Beauty Consultants raising young children. As a result of initiatives like these, 94.9% of employees across the Shiseido Group in Japan return to work following childcare leave, and we continue to maintain this high percentage.

We also hold a female leader development program called NEXT LEADERSHIP SESSIONS for WOMEN. In 2022, 63 female employees participated in the program, where they learned the necessary management and business skills while discovering their own unique leadership styles. In the six years since its launch, 49% (90) of the 185 program participants (excluding retirees) have successfully been promoted. Further, to increase the ratio of women in management positions to 50%, we expanded to three new programs for candidates for next Group Managers, Department/Division Heads and Executive Officers, reinforcing our leadership pipeline to steadily develop the next generation of leaders. Moreover, between 2020 and 2022, a total of 117 employees from various fields including sales, production, and R&D have taken part in Speak Jam, a mentoring program linking executive officers*3 with female employees.



NEXT LEADERSHIP SESSION for WOMEN

*1 : Kangaroom Shiodome (our in-house nursery) was closed in line with the transition to Kangaroom+

*2 : While nursery schools can look after children from morning until night, elementary schools finish in the afternoon, meaning that some parents have to work shorter hours when their children begin grade one of elementary school

*3 : Previously corporate officers (name changed in 2021)

We are also working to improve our workplace environments to create comfortable workplaces not only for women, but for employees with many different attributes. To ensure health, safety, job satisfaction and security, we are implementing various workstyle revisions. These include flextime with no core hours, remote work (Shiseido Group in

Japan), and the introduction of "Shiseido Hybrid Work Style," an innovative new arrangement that allows employees to combine in-office work with remote work to maximize productivity.

See here for Shiseido's diversity and inclusion (D&I) initiatives

External Recognition

Our diversity and inclusion efforts have gained us the following external recognition 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, to boost progress in diversity and inclusion.

Click here for the information about external evaluations and awards.



Prime Ministerial Award for Women Empowering Companies 2020*1



Nadeshiko Brand FY2023*2



2020 WCD Visionary Awards



MSCI Japan Empowering Women Index (WIN)* 3

Shiseido was the only Japanese company selected in the 2022 "DEI Lighthouse" of the Global Parity Alliance. The Global Parity Alliance was launched by the World Economic Forum and McKinsey & Company to accelerate diversity, equity, and inclusion.

*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.

*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 six years in a row since its inception in 2017.

Cultivating Self-Efficacy Through the Power of Beauty

At Shiseido, we take a scientific approach to uncovering the power of beauty to enrich minds, spark joy, and bring happiness to life. This pursuit started in 1956 with the launch of Japan's first makeup product designed to lessen the suffering of wartime burn victims, and we continue to explore ways to harness the power of beauty, such as the development of specialized cosmetics and application techniques to address the changes in a person's appearance from discolorations and scars.

"Shiseido Life Quality Beauty" comprises all the activities that leverage the power of beauty for the well-being of people facing broad skin concerns and challenges, and concerted efforts with a variety of different support groups, medical institutions, and local governments are being made.

Support for People Living with Cancer

With the vision of a society where people with cancer can continue to live their lives in ways that they desire, we will redouble our efforts globally to help them cope with the changes in their appearance associated with medical treatment. Since 2008, Shiseido has provided support in appearance care that addresses the visible side effects of cancer treatment. In 2015, we published a booklet for people living with cancer, and several editions have appeared since. In February 2022, we introduced an easy guide for all genders illustrating the information and techniques to deal with changes in the skin and looks caused by cancer treatment, "*Appearance Care for Your Confidence and Comfort*", and we currently provide copies to 133 medical facilities in Japan.



"*Appearance Care for Your Confidence and Comfort*"

[Click here](#) for the Shiseido Life Quality Makeup website.

Global Expansion of "the LAVENDER RING MAKEUP & PHOTOS WITH SMILES" for People Living with Cancer

Since 2017, Shiseido has participated in the LAVENDER RING project to support people with cancer, pursuing a society where people can live with a smile even if they have cancer. We lead the MAKEUP & PHOTOS WITH SMILES, and we encourage people in living their own lives after cancer and helps them to return to society through hair and makeup, as well as portrait photography. In recognition of such efforts, Shiseido received the Mécénat Award for Excellence in November 2021 from the Association for Corporate Support of the Arts, a public interest incorporated association in Japan.



Mécénat Award for Excellence

On World Cancer Day, February 4, 2021, LAVENDER RING published its first book entitled *LAVENDER RING Photo Book: Smiles and Messages from 206 People Living with Cancer**. The featured poster portraits and interviews with 206 people living with cancer resonate with, inspire, and encourage readers, and not just people living with cancer, their families, and supporters. The photo book is available in bookstores, hospitals, and from other retailers.

* 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～」.



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

The year 2022 was one of global expansion for LAVENDER RING MAKEUP & PHOTOS WITH SMILES. Shiseido held events in China and Taiwan in August, Singapore in October, and Thailand in December, and a total of 107 people living with cancer and 120 volunteers from our company and affiliates in four countries and regions joined in. The reception by the partnering of patient groups and medical institutions was very positive, and they hoped the event would be held regularly because it inspired courage and confidence in many participants.



Makeup session at the event in Singapore



Photo session at the event in China

In Japan, we held the first LAVENDER RING MAKEUP & PHOTOS WITH SMILES in Nagoya, the third most populous urban area in Japan, in July 2022. In August, we held an online event for the third consecutive year. In Addition, we showcased the smiles and messages from people living with cancer at the MAKEUP & PHOTOS WITH SMILES photo exhibit at four locations in Japan. (Kasumigaseki Common Gate, Tokyo, and Shiseido Global Innovation Center at S/PARK, Yokohama, Aichi Cancer Center, and the Nerima City Office, Tokyo).

Since the launch in 2017, 329 people living with cancer around the world participated in the LAVENDER RING MAKEUP & PHOTOS WITH SMILES.



Nerima City Office



Shiseido Global Innovation Center (S/PARK)

In April 2023, we had the special exhibition of LAVENDER RING MAKEUP & PHOTOS WITH SMILES at the 31st General Assembly of the Japan Medical Congress. Held every four years since 1902, this esteemed assembly with its long history is Japan's largest academic conference and exhibition on medical science. The academic conference was attended by more than 40,000 people over the assembly's four days. We displayed extra-large posters of smiles on people living with cancer on both sides of the accessway at the Tokyo International Forum, where many attendees passed. We also set up a booth to provide information on the LAVENDER RING and Shiseido Life Quality Makeup activities, and colleagues from Shiseido Japan Beauty Strategy Department and Social Area Partners* from Shutoken Sales Department assisted 326 guests over the assembly's four days.

*8 social area leaders and 36 social area partners from Shiseido Japan play crucial roles in these efforts in Japan by identifying the characteristics and social issues unique to their areas, planning activities rooted in communities, and leading the implementation of solutions.



52 extra-large posters on both sides of the accessway



Many medical professionals visited the Shiseido booth.

The Expansion of Ways to Support People Living with Cancer

In an effort to reach out to the AYA*1 generations, Shiseido cooperated in an open seminar at the Fourth Annual Convention of the AYA Oncology Alliance in March 2022. We presented and demonstrated beauty techniques for job interviews to people coping with changes in their appearance from cancer treatment. In the same month, a Shiseido hair and makeup artist*2 shared beauty techniques tailored to AYAs living with cancer at an event by ZINE Inc., the provider of an online cancer consultation service. The session was met with great enthusiasm and questions from the audience, which lasted well past the scheduled time, showing the increasing demand for appearance care among AYAs.

*1 : AYA stands for Adolescents and Young Adults. In Japan, it often refers to the ages between 15 to 39 years.

*2 : Shiseido Top Hair & Makeup Artist Tadashi Harada, one of the leading artists at Shiseido and a winner of multiple awards.

In July 2022, Shiseido Japan teamed up with UDCK Town Management, Mitsui Fudosan, and the National Cancer Center Hospital East (NCC Hospital East) to offer regular makeup workshops at Mitsui Garden Hotel Kashiwanoha Parkside*3 for people living with cancer. The goal of the workshop is to help alleviate stress and concerns over changes in appearance so that cancer patients can continue to live relatively normal lives during treatment.

*3 : Mitsui Garden Hotel Kashiwanoha Parkside is located in Kashiwanoha Smart City, a joint development by organizations from the public, private, and academic sectors. The hotel was built inside the NCC Hospital East compound with special attention given to the convenience of cancer patients and accompanying family members.



Workshop held at Mitsui Garden Hotel Kashiwanoha Parkside

In October 2022, following the collaborative initiatives with Hiroshima Prefecture, Shiseido Japan and Osaka Prefecture entered into the Collaboration Agreement for the Health Promotion of the Citizens of Osaka. Through this agreement, Shiseido is joining forces in initiatives to promote the well-being of residents, such as appearance care seminars and the distribution of the booklet "*Appearance Care For Your Confidence and Comfort*" at more medical institutions beyond designated cancer care hospitals.

Shiseido Japan will also be working on providing more beauty information and consultation services for the Perfect Cover series designed for deep skin concerns at select cosmetic stores in the greater Osaka region and the Web service platform, Omise+.



Delegates from Osaka and Shiseido Japan at the signing ceremony

In November 2022, Shiseido collaborated with the NPO Japan Hair Donation & Charity (JHD&C) and Aderans Co., Ltd., to jointly develop a medical wig. The wig is available at the JHD&C SATELLITE SALON website and plans are in place to increase production. In order to develop a wig with quality and design at an accessible price for as many people as possible, Shiseido and Aderans provided the technical expertise at no charge.



Medical called the wig "wig +"

In 2022, working with the "Asociación Española Contra el Cáncer of Spain", a cancer patient support organization, we offered five online appearance care lessons to 62 people with cancer. In Italy, we provided makeup lessons in collaboration with "La Forza e il Sorriso", also a cancer patient support organization, expanding social activities overseas.



Makeup lesson in collaboration with "La Forza e il Sorriso"

Shiseido Life Quality Makeup: Support for People with Serious Skin Concerns

The Shiseido Life Quality Makeup initiative started over 60 years ago. The initiative focused on Japan's first makeup products for people suffering from burn scars from war. Shiseido has been engaged in the research of physical appearance care for birthmarks, burn scars, and the side effects of cancer treatment, as well as the development of beauty information and specialized products.

Today, as part of this initiative, Shiseido operates dedicated Life Quality Beauty Centers in four countries and regions around the world.*1 In order to continue activities during the COVID-19 pandemic, the company shifted its focus to digital solutions. In July 2021, Shiseido began offering online appearance care consultations at the Shiseido Life Quality Beauty Center (Japan). In September 2022, the center moved from Ginza, Tokyo, to the global headquarters, Shiodome office (Higashi-shimbashi, Minato-ku, Tokyo). In addition to dealing with deep skin concerns, Shiseido is reinforcing its function of providing beauty information to older people and people with disabilities. Both in-person and online services at the center are due for expansion to include enhanced personalized consultation in a privacy-protected space and more virtual seminars and events.

In October 2021, the Shiseido Life Quality Makeup 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 the first chapter, a Life Quality Makeup Consultant discussed makeup techniques to diminish the look of swelling and internal hemorrhaging following surgery.

In January 2022, Shiseido provided an online makeup workshop at "To Smile #endnf", an event held by a support network for people with Von Recklinghausen's disease,*3 and 57 people who were mostly patients and their families attended. We discussed how to prepare mentally before applying cover makeup to children in the first half of the workshop. In the second half, we invited two people with the condition to be models and demonstrated makeup techniques for Perfect Cover, the designated product series for the Shiseido Life Quality Makeup.

In October 2021, we presented our beliefs and described our efforts to medical professionals in China at the fifth conference of the Chinese Non-government Medical Institutions Association.*4 We also sponsored 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.*5 The award recognizes organizations for exemplary corporate gifts and activities that engage partners and stakeholders in their initiatives.

*1 : China, Japan, Singapore, and Taiwan (as of December 2022).

*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 : Von Recklinghausen's disease (VRD) is a genetic condition that manifests with changes in appearance, including café-au-lait macules and neurofibromas, and a specified chronic pediatric disease covered by the Japanese government's medical expense assistance program.

*4 : 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.

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



Online appearance care consultation



The newly relocated Shiseido Life Quality Beauty Center at the Shiseido Global Headquarters, Shiodome office

The IAUD International Design Award

In 2022*, Shiseido received the Gold Award for Shiseido Life Quality Makeup given in the category of Social Inclusion of the IAUD International Design Award program. The IAUD International Design Award program, hosted by the International Association for Universal Design, recognizes organizations and individuals actively engaged in realizing a universal design in society and helping people live more comfortably without undue inconvenience.

The award was given in recognition of our ongoing efforts based on inclusive thinking and design, including developing products together with people who have profound skin concerns, such as birthmarks, burn marks, scars, and changes in their appearance due to illness and treatments, and providing beauty information and free counseling services.

*In 2019, Shiseido was awarded the Gold Award in the category of Social Design for LAVENDER RING MAKEUP & PHOTOS WITH SMILES.

Designated Products for Shiseido Life Quality Makeup: Perfect Cover

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

The series went through another renewal in March 2022 and now provides enhanced coverage for changes in appearance from the side effects of cancer treatment (such as dull complexion and pigmentation)*1 in even easier-to-use, safer formulations.*2 The flagship product, Perfect Cover Foundation MC offers a comprehensive coverage solution to concerns about uneven skin tones and surfaces. The results of the prelaunch product test*3 were overwhelmingly positive. 100%*4 of users found that the product gave excellent coverage of discoloration and adhered to the skin well; 96%*4 said it gave good coverage and a natural-looking finish simultaneously and that 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 subjects with skin concerns (uneven skin tones and/or surfaces) over two weeks (February-to 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)

Collaborating with Retail Partners in Support Programs for Older People

Japan is home to the oldest population in the world with its aging rate*1 now*2 at 29.1%. Japan's Ministry of Health, Labour and Welfare issued guidelines to promote the healthy lifestyles of residents in local communities, and this inspired the creation of support structures for people with cancer and older people nationwide. Shiseido Japan supports this initiative by reinforcing partnerships with retail partners in different regions of Japan to enrich the social lives of older people. Together, we offer beauty workshops for older people designed to promote a healthy life expectancy. For instance, in Saitama, Shiseido Japan, local Community Comprehensive Support Centers, and Welcia Yakkyoku Co., Ltd., jointly sponsored 24 workshops for elderly people at 12 Wel-Café locations, the community spaces inside Welcia pharmacies.



Workshop at the Well Café Kawaguchi Ryoke branch

*1 : The aging rate is the proportion of a society's population that is comprised of persons aged 65 or older.

*2 : Based on data published in 2022 by Japan's Ministry of Internal Affairs and Communications.

Shiseido also developed the Beauty for Health program, which incorporates research findings from Shiseido's cosmetic therapy*1 to help older people, and 481*2 CRC*3 member retailers have adopted the program. We are committed to providing access for local communities to improve well-being through skin care and makeup.



Beauty workshop to improve ADL

In the field of medicine, oral frailty*4 among older people has become more apparent as COVID-19 continues to affect our lives. Shiseido's cosmetic therapy has shown that applying cosmetics also stimulates the salivary glands, improving oral function. In June 2022, the Kanagawa Dental Association invited a Shiseido cosmetic therapy researcher*5 to hold an online seminar on a new approach to oral frailty prevention using cosmetic therapy, and 103 association member dentists and clinic staff attended. In July and September of the same year, a beauty workshop to improve ADL*6 took place and a total of 38 dentists, dental assistants, and dental hygienists participated.

*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 : As of December 2022.
 *3 : CRC: National Federation of Cosmetic Retail Cooperatives.
 *4 : A decline in oral function, including chewing, swallowing food, and speaking. It is considered a key early sign of aging.
 *5 : Kazuyuki Ikeyama, PhD, Certified Care Worker, Shiseido. He is the author of *Cosmetic Therapy, Increasing Healthy Life Expectancy with Makeup Application: Evidence-based Interprofessional Approach to Super-aged Society* (Quintessence Publishing).
 *6 : ADL: Activities of Daily Living, the skills required to manage one's basic physical needs.

Support for People with Disabilities

In the 1980s, Shiseido 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. The Shiseido Listener's Café, an audio-based beauty information website launched in 2002, enjoyed a major renewal in July 2022 to reach a larger audience. The website now features updated videos, and employees with visual challenges join to share beauty tips. As it did before, the website works with text-to-speech (TTS) software and offers beauty advice from Social Area Partners, event information, and other practical information so that people can enjoy the beauty and grooming content. In 2019, we developed the Shiseido Guide Makeup for people with visual impairments and have since held workshops all over Japan. Shiseido Japan offers Shiseido Life Quality Beauty Seminars for diverse groups of people and added a lifting skin-care course in 2021 and a scalp-care course in 2022 to its online seminars for people with vision impairments. Online or in person, Shiseido is eager to show people with visual challenges how they can use cosmetics to lift their spirits and stay positive.

Also in 2018, Shiseido started adding closed captions to its television advertising to reach viewers who are deaf or hard of hearing, and now all our commercials have closed captioning.



Poster for Shiseido Guide Makeup



Guide Makeup workshop at Fukuoka Koumeikai Matsuzukien, the assisted living home in Fukuoka, Japan for elderly people with vision impairments



Logo of Shiseido Listener's Café

Support for Patients with Xeroderma Pigmentosum

Since 2000, Shiseido has supported people living with Xeroderma Pigmentosum (XP)—a condition characterized by extreme sun sensitivity—through sunscreen donations and seminars led by Shiseido researchers and Personal Beauty Partners. At these seminars, they explain how to effectively protect the skin to enjoy the outdoors even for patients with XP. Since 2005, Shiseido has also provided financial aid for patient exchange meetings through voluntary donations from participating employees' salaries (Shiseido Camellia Fund). In 2022, to raise awareness and promote the understanding of XP, we invited the Japanese National Network of Xeroderma Pigmentosum to speak about its activities and how it uses donations at Brown Bag, the online lunch seminar for Shiseido employees.



Challenging the Unconscious Biases and Prejudices That Limit Individual Beauty

As a cosmetics company that celebrates diversity in beauty, Shiseido launched a global project to dispel prejudices and stereotypes that impede people's achievement of their desired beauty, that is, unconscious beauty biases (UBBs). This demonstrates our commitment to the achievement of a world where everyone can live their lives and celebrate each other's beauty, regardless of gender, age, and nationality.

Launch Of an Interactive Website and the SEE, SAY, DO Program For Corporations/Organizations

Brand Shiseido, which markets to 88 countries and regions, pursues the Sustainable Development Goals (SDGs) through the Sustainable Beauty Actions project. As part of this initiative, the brand developed the SEE, SAY, DO project* in September 2022, aiming of building a society where everyone can be who they want to be. A special website was unveiled allowing users to experience UBB. Shiseido also developed the SEE, SAY, DO program for Japanese corporations and organizations to help them discuss UBBs. The program has been well-received because it is eye-opening and informative to know even seemingly harmless, casual remarks can perpetuate UBBs.



Partnering with ARROWS Inc., a developer-operator of SENSEI Note, Japan's largest online information exchange platform for teachers, Brand SHISEIDO developed free educational material as a program on unconscious beauty biases for middle school students and started to announce it to school teachers on March 2023. The program made for junior high school students who are learning about diversity perspectives can be used during a moral education class to teach about unconscious beauty biases and stereotypes that can interfere with people's ability to stay true to themselves. It facilitates proactive thinking and discussions on how to be 'yourself' and feel alive and beautiful. The program was introduced in classrooms in April 2023, and about 10,000 students across Japan are expected to have completed it by March 2024.



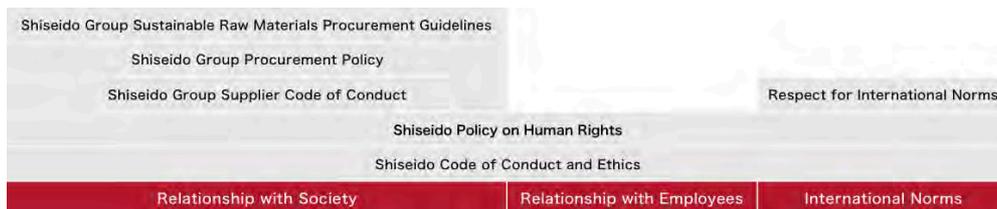
Pre-enrollment class utilizing the program at Itabashi Kuritsu Itabashi Daisan Junior High School in Japan

*To shed light on UBBs around the world, before the project, an online, qualitative survey was conducted in ten countries (Australia, Brazil, China, France, Germany, Italy, Japan, Thailand, the United Arab Emirates, and the United States) and 5,000 personal experiences were collected.

[Click here for the SEE, SAY, DO project website.](#)

Our Human Rights Approach

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 fulfill 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. In the policy, we declare our commitment to protecting people's rights. We respect workers' rights, such as freedom of association, the right to collective bargaining, and fair remuneration, while strongly opposing human rights violations, such as human trafficking, forced labor, child labor, and discrimination. The policy was formulated in 2017, published with the approval of the Board of Directors, and revised in 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 the four areas (Human rights, Labor, Environment, and Anti-corruption) together with all our group companies.

Human Rights Promotion System

Shiseido is committed to ensuring that neither our business nor supply chain 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 approved by the Company's Board of Directors.

The Company's Chief D&I Officer is responsible for promoting the human rights policy, including human rights due diligence and risk assessment. With regard to identified human rights issues, the Company has clearly designated the departments and executive officers in charge of each issue and implemented improvement activities to prevent and reduce negative impacts on human rights. 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 results of these activities are reported to the Sustainability Committee, which deliberates on sustainability issues. The Sustainability Committee makes decisions on specific action plans, including strategies and policies for the entire group and responses to human rights, while also monitoring the progress of medium- and long-term targets. Significant achievements and concerns related to human rights are reported and proposed to the Board of Directors each year.

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 (grievance mechanisms), we have established the Business Partner Hotline where suppliers can report and consult on human rights issues with our company.

Human Rights Initiatives

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.

In addition to the visible human rights risks, potential negative impacts on human rights are regularly identified and risk mitigation measures are taken to prevent serious damage. Progress and findings are reported to the Sustainability Committee, a management meeting focused on the deliberation of sustainability and human rights-related issues. Significant achievements and concerns related to human rights are reported and proposed to the Board of Directors each year.

The scope of the risk identification process in Shiseido's human rights due diligence not only includes our operations but is also extensively expanded into those of our suppliers. In any new business relationship, such as mergers and acquisitions, respect for human rights (compliance with personnel and labor issues, employee and customer safety, etc.) is part of the due diligence process for all investment decisions. Our human rights risk assessment focuses on issues such as forced labor and child labor, clearly regarding employees of suppliers as those in a vulnerable group. The risk mapping of both potential and visible impact on human rights is reviewed on a regular basis.



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.
- 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.
- The state of the cosmetics and personal products industry.
- 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 Indices (DJSI), and the FTSE4Good Index Series (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.

Important Areas of Human Rights

Our human rights risk assessment identified the areas that are assumed to be relatively at high risk in Shiseido's value chain as follows: "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

Measures for Mitigating and Correcting Human Rights Risks

The eight areas identified through the human rights risk assessment have been consolidated into six categories and assigned as an area of responsibility to an executive officer. In no particular order, the six categories are:

- Violation of compliance/fair competition
- Harassment and discrimination
- Breach of working hours, breaks, and rest periods (overtime work)
- Privacy invasion and personal/confidential information leaks
- Occupational safety and health issues (work-related accidents)
- Incomplete supplier management

By assigning each category to an executive officer, we help ensure the active implementation of activities to stop, prevent and mitigate negative impacts on human rights.

In Shiseido, human rights issues concerning employees are managed by the Human Resources and Risk Management departments, while human rights issues concerning suppliers and contracted manufacturers are handled by the Supply Network Division.

In order to deepen our employees' understanding of human rights and strengthen our work to reduce human rights risks, we provide training on harassment and ethics for employees in managerial positions. This includes regular training and education on the Shiseido Code of Conduct and Ethics, as well as related policies and rules, according to the employee's position and job type. Training sessions are delivered to top-level employees, including executive officers at our global headquarters and department directors in Japan; division/department heads of domestic and overseas offices; employees in various divisions/departments; and new employees.

If improper acts or the like are revealed, we stop such acts immediately and implement corrective measures and reoccurrence prevention measures rapidly in cooperation with the relevant companies, offices, and divisions/departments. We also take disciplinary action against employees who have been involved in such acts in accordance with employment regulations and internal rules. If any cases of disadvantageous treatment, harassment, etc. toward whistleblowers or consulters are identified, we take appropriate relief/restoration measures immediately in cooperation with the relevant companies, offices, and divisions/departments, and take strict measures including any disciplinary punishment against the persons who have engaged in such disadvantageous treatment or harassment.

If the case may pose a risk to our business management, it is promptly reported to management from the divisions/departments. Any serious compliance-related concern is reported to management of the Global Risk Management & Compliance Committee and/or HQ/SJ Compliance Committee, and we work to eliminate the concern immediately and implement corrective measures and reoccurrence prevention measures rapidly in cooperation with the relevant companies, offices, and divisions/departments.

At the time when a supplier becomes aware of any violation of Shiseido Group Supplier Code of Conduct, it shall immediately inform the Shiseido Group thereof. If any violation is acknowledged, the supplier must formulate a plan to correct such violation and conduct suitable corrective measures, as well as reporting the status of such correction to the Shiseido Group on each occasion. An agreement entered into with the Shiseido Group may be cancelled depending on the contents of the violation.

Suppliers shall accept whistle-blowing and complaints from their employees, shall make sure to protect their employees from possible retaliation from the suppliers and persons against whom the relevant whistle-blowing was made, and shall take appropriate measures to rectify the status and conditions against which such complaints are made, while always taking the privacy of whistle-blowers into consideration.

Risk Mitigation Measures for Each Human Rights Issue

Human Rights Issues*	Risk Mitigation Measures (2021-2022)
Violation of compliance/fair competition	<ul style="list-style-type: none"> • An engagement survey (including items concerning compliance) was conducted. • The Shiseido Code of Conduct and Ethics was revised, and training about the requirements was provided. • Hotlines operated for consultation/whistleblowing about improper acts including compliance and fair competition
Harassment and discrimination	<ul style="list-style-type: none"> • An engagement survey (including items concerning harassment) was conducted. • Training on the Shiseido Code of Conduct and Ethics (including measures against harassment) was provided. <p>Shiseido Group in Japan</p> <ul style="list-style-type: none"> • A workplace harassment survey was conducted. Feedback of the survey result was individually provided to the heads of the divisions/departments that were judged to be at high risk, and they were required to work on resolving the issues of harassment. • Training about harassment provided for all employee • Training about harassment provided for new managerial personnel • Hotlines operated for consultation/whistleblowing about improper acts including harassment
Breach of working hours, breaks, and rest period (overtime-work)	<p>Shiseido Group in Japan</p> <ul style="list-style-type: none"> • An automatic overtime forecast system using the new employment management system TeamSpirit was introduced. • Diverse work styles were supported, including leave on an hourly basis (temporary suspension of work). • Data on employees working long overtime were shared with the Management.
Privacy invasion and personal/confidential information leakages	<ul style="list-style-type: none"> • The Shiseido Global Privacy Principles were announced. • The privacy policy of each country and internal rules were updated. • The understanding of the said revision was ensured through training sessions about information security. <p>Shiseido Group in Japan</p>
Occupational safety and health issues (work-related accidents)	<ul style="list-style-type: none"> • "Occupational Health and Safety Management System" for realizing a safe and secure work environment was developed. • "Shiseido Vision Zero Declaration (Safety Declaration)" aiming at no lost time accident, as well as medium- to long-term goals, were developed. <p>All offices of Shiseido Group in Japan</p> <ul style="list-style-type: none"> • The occupational accidents of the previous fiscal year were categorized into 21 accident types, and their factors were analyzed. • At the Safety & Health Committee that was joined by the Management, the company-wide progress of measures against occupational accidents was reported and deliberated.
Incomplete supplier management	Promoting Sustainable and Responsible Procurement

*In no particular order

Please refer to "Social Data" for the results.

Grievance mechanisms

We offer whistleblowing and consultation hotlines for the purpose of detecting and correcting violations against the laws and regulations, the Articles of Incorporation, and rules within the Shiseido Group. The whistleblowing and consultation hotlines are operated according to internal rules that specify confidentiality, prohibition of disadvantageous treatment or reprisals against whistleblowers/consulters, elimination of conflicts of interest, and the process for handling whistleblowing and consultations, etc. These internal rules are disclosed via the internal intranet so that employees can view them at any time.

Globally, we have established whistleblowing and consultation hotlines at each regional affiliate 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. At Company headquarters, the Shiseido Global Hotline has been established to receive reports directly from any employee in the Shiseido Group. The hotline system in Japan consists of the Sodan Room (an in-house Shiseido Hotline) and an external Shiseido Hotline that deals with general workplace issues and whistleblowing, as well as the Compliance Committee Hotline dedicated

to certain cases of whistleblowing, and the Shiseido Group Whistleblowing Desk to Audit and Supervisory Board Members for reports from Japan and overseas relating to directors, executive officers, and hotline staff members*. All these hotlines accept anonymous whistleblowing and consultations.

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.

* The hotlines in Japan accept whistleblowing and consultations from all persons working for Shiseido Group companies in Japan (directors, auditors, executive officers, employees, contract employees, temporary employees, former employees within one (1) year of their retirement, and other protected parties as stipulated in the Whistleblower Protection Act).

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.

Furthermore, the Shiseido Group Supplier Code of Conduct stipulates that suppliers need to take into consideration their wage levels to ensure that wages paid are at a level necessary for their employees and their family members to live with human dignity.

In 2022, through the EcoVadis* questionnaire, we checked if some of our suppliers made the commitment to paying a living wage or have conducted an assessment as to whether their employees were being paid a living wage. As a result, we confirmed that five of them made the commitment or conducted an assessment.

* Measure the quality of a company's ESG 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.

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 2022, dialogues with ten human rights bodies and experts were set up under the following themes.

- Forced labor or human trafficking in supply chains
- Privacy protection
- Water risks and human rights
- Gender gap

Important matters of concerns and improvements gained through the dialogues with stakeholders are reported in the Sustainability Committee held annually.

Report/Disclosure Concerning Human Rights

Shiseido reports progresses concerning human rights issues in our sustainability reports and "Sustainability" on our corporate website. The report includes updated due diligence, risk assessment activities, and if applicable, incidents relating to human rights and remedial actions/plans. Shiseido also discloses a declaration concerning the UK Modern Slavery Act on our corporate website. Through these communications, we review and improve the assessment processes.

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 other sustainability issues, such as human rights.

Biodiversity Initiatives and Procurement of Raw Materials

Shiseido's business activities rely on nature's rich biodiversity.

In recent years, many scientists and non-governmental organizations have warned of rapid biodiversity loss. As a result, from both a species conservation and sustainable business perspective, companies are being called upon to ensure transparent information disclosure regarding the relationship between business and the natural environment and to engage in biodiversity conservation activities.

Generally, in raw material production areas, there are concerns over not only the loss of biodiversity caused by overexploitation but also violations of the human rights of the people working there.

Corporate Initiatives on Biodiversity

At Shiseido, we have analyzed the relationship of our business with terrestrial, freshwater and marine biodiversity and found that our business has a significant dependence and impact on terrestrial ecosystems, especially in the procurement of raw materials. In particular, palm oil and paper have a material impact, so companies are required to be proactive in taking measures. In 2020, we published our medium- to long-term targets for the sustainable procurement of palm oil and paper, and we are currently in the process of switching to more sustainable raw materials.

For the procurement of palm oil and paper, we support the principles of the No Deforestation, No Peat, No Exploitation (NDPE). We request suppliers to ensure compliance with NDPE as stated in the Shiseido Group Sustainable Raw Materials Procurement Guidelines.

We are also strengthening our efforts to solve issues related to the mining of mica. By clarifying our own procurement policy and building a support system in collaboration with other companies, we aim to create positive change in the mica mining industry.

At Shiseido, we use the Taskforce on Nature-related Financial Disclosures' (TNFD) framework and the LEAP Approach to analyze risks and opportunities around our business activities' dependence and impact on nature. To fulfill the responsibilities of business site managers, we requested MS&AD InterRisk Research & Consulting, Inc., which has TNFD members, to conduct detailed surveys focused on rare species' habitats and reserves and the status of water resources in areas around our sites, including factory premises. We analyzed them from the perspectives of preciousness and importance (identified sensitive locations and material locations). We also analyzed them by means of a Life Cycle Assessment for the purpose of assessing indirect impacts given via the value chain. For raw materials originating from agricultural products, which were identified as a factor with a significant impact, we converted the value of ecosystem services by pollinators, such as honey bees, into monetary values and thus visualized the level of our dependence on biodiversity in procurement. We summarized and disclosed results of these analyses in a Shiseido Climate/Nature-related Financial Disclosure Report in 2023.

Based on the results of the analyses we conducted, going forward we will drive sustainable business activities which are in harmony with nature and biodiversity by working together with suppliers, external experts, and other stakeholders, with a strong awareness that recovering and regenerating biodiversity is essential.

[Click here \[PDF : 1.21MB\]](#) for Shiseido Climate/Nature-related Financial Disclosure Report

[Click here](#) for Environmental Policy (Biodiversity/Forests)

Biodiversity Initiatives by Brands and Other Activities

Shiseido engages in a wide range of biodiversity protection activities through many of its brands and business operations in regions.

Since 2019, brand SHISEIDO has been implementing the "SHISEIDO BLUE PROJECT," a global initiative to protect the oceans under the theme "Respect for the Ocean." As a Global Sustainability Partner for the global home of surfing World Surf League, the brand has worked together with local communities and NGOs to implement activities including beach clean-ups and dune planting to create even more beautiful oceans. In 2023, the fifth year of this partnership, WSL's official sun care partner SHISEIDO co-sponsored the Tahiti Pro held in Tahiti, French Polynesia as its title sponsor, while also continuing environmental conservation activities.

[Click here](#) for the details on the activities of the SHISEIDO BLUE PROJECT

BAUM was established to celebrate and honor our coexistence with trees. In October 2023, the brand planted seedlings at BAUM Oak Forest in Morioka City, Iwate Prefecture for the third time, in collaboration with Iwate-ken Shinrin Seibi Kyodo Kumiai (Iwate Prefecture Forest Development Cooperative) and Sumitomo Forestry Co., Ltd. Since launching in 2020, the brand has carried out these plantings as a way to give back to nature rather than only receiving the blessings of trees. As part of its sustainability efforts, BAUM will continue to use wood from its forests in product packaging.

In Japan in 2022, we began nature conservation activities on Mt. Ibuki*1, an area where medicinal herbs have been cultivated for centuries. In addition to opening our own medicinal herb garden and cultivating herbs, we are working alongside the Reiho Ibukiyama Association—which works to protect the nature around the mountain—to restore vegetation and preserve the abundant nature in the mountain's foothills.

In 2023, to make full use of unused herbs from Mt. Ibuki, we developed SOYU, herb bath powder, jointly with Matsuda Chemical Industries. We used this product as a reciprocal gift in crowdfunding for nature conservation activities on Mt. Ibuki.

*A semi-independent peak among the Ibuki Mountains, which connect Maibara City in Shiga Prefecture and the Ibi/Fuwa districts in Gifu Prefecture. 1,377 meters high and one of the 100 famous Japanese Mountains.

[Click here](#) for the news release regarding the nature conservation activities on Mt. Ibuki. (In Japanese only)

Bees play an important role in the pollination of crops. There are concerns around the declining population of honeybees. So our Val de Loire and Gien factories in France have incorporated the protection of honeybees and the conservation of ecosystems into their sustainability plans. As well as setting up beehives onsite, both factories prohibit the use of agrochemicals on factory grounds. In 2023, the factories' beehives produced around 179 kg of honey.

Palm Oil

Palm oil is a highly versatile raw material used in a variety of products from food to cosmetics. However, its production has caused significant challenges, including deforestation and human rights issues. Therefore, it is essential for companies to ensure sustainable and responsible procurement of this raw material.

In 2010, as part of our efforts in this area, we joined the Roundtable on Sustainable Palm Oil (RSPO), an international non-profit organization. In 2023, we purchased RSPO credits equivalent to 100% of the palm oil-derived raw materials we procure. In 2020, we disclosed our medium- to long-term target of reaching 100% sustainable palm oil in our products by 2026. The relevant teams in our global and regional headquarters have been working to achieve this target ever since. To achieve this target, we request all suppliers dealing in palm oil to join RSPO and switch to certified palm oil*1 based on the RSPO's physical supply chain model. We thus work with suppliers to procure sustainable palm oil-derived raw materials and ensure traceability.

In addition, in 2023 we held a session for explaining our procurement policy to suppliers in Japan and requested them

to collaborate with us in promoting traceability of palm oil. In 2023, we replaced 51% of palm oil-derived raw materials (palm oil equivalent, weight basis) with certified palm oil based on the RSPO's physical supply chain model. In addition, we continued working towards RSPO Supply Chain Certification at our factories. All of our factories are now RSPO certified.*2

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)*3, both of which work to solve issues related to palm oil by strengthening collaboration with other companies. Further, through the Shiseido Camellia Fund *4, we support WWF Japan's activities in Indonesia. By training local farmers on environmentally friendly production methods and workplace safety, and by supporting the establishment of producer associations, WWF*5 Japan is helping smallholder farmers acquire RSPO certification and improve their livelihoods. We purchased RSPO credits sold by RSPO-certified small-scale farmers. In doing so, we promoted sustainable procurement in response to environmental and social challenges.

*1 : Raw materials certified by RSPO's physical supply chain method

*2 : The Fukuoka Kurume factory (Japan), which began operations in 2022, will be RSPO certified in 2024.

*3 : An international industry group consisting of manufacturers and retailers from the food and consumer goods industries.

*4 : A fund that uses donations from Shiseido employees and alumni to support the activities of NPOs and NGOs working to tackle social issues.

*5 : World Wildlife Fund for Nature



RSPO, Jonathan Perugia



Check our progress at www.rspo.org

Paper

As part of our strategic action to use resources responsibly and reduce our use of 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 rights issues. Therefore, sustainable and responsible procurement is essential.

We were able to achieve the goal of using 100 % sustainable paper* for product packaging by 2023.

Cosmetics packaging must meet various expectations and standards. It should be sophisticated and beautiful, but also sustainable in its design and strong enough to protect the cosmetics inside. In collaboration with paper manufacturers, we are developing innovative paper packaging solutions that meet and exceed these expectations. We are also switching to sustainable paper for promotional materials and consumables such as copy paper in offices. For promotional materials, we began to implement initiatives in accordance with the Shiseido POSM Global Eco Design Guidelines within the company from 2023. For example, we are switching to certified paper and recycled paper for promotional materials, such as product displays, bags, and leaflets. In addition, we are reducing paper usage by standardizing and unifying some of the cardboard paper for cosmetic sample.

*Use of certified paper and recycled paper from the perspective of forest conservation.

Mica

Due to its light-reflecting properties and excellent heat resistance, mica is used in a wide range of industries, including cosmetics. In 2017, Shiseido joined the Responsible Mica Initiative (RMI), which aims to eliminate child labor and forced labor at mining sites in the mica-producing countries to establish mica as a sustainably and responsibly produced raw material. We endeavor to ensure responsible procurement of mica produced in India, which has risk of human right issues such as child labor, by sourcing from RMI member companies and confirming that there are no human right issues.

In collaboration with non-governmental organizations, the Indian Government, and its member companies, among others, RMI implemented community empowerment programs in 180 mica-dependent villages during the six years from 2018 to 2023. This program supported activities, such as helping to improve incomes and livelihoods of approx. 95,000 people from approx. 19,500 households in the villages.

We will continue to strive to procure mica sourced from producers with no social responsibility issues.



Responsible Mica Initiative



Traceability

In 2023, Shiseido joined in a consortium of 15 cosmetics industry companies*, TRaceability Alliance for Sustainable CosmEtics (TRASCE) to enhance traceability in key ingredient and packaging supply chains across the industry. Together with the member companies, we are committed to working to map our supply chains across the entire value chain on a common digital platform, Transparency-One, an ISN Company.

*The 15 founding members of TRASCE: Albéa, Chanel, Clarins, Cosfibel group powered by GPA, Dior, The Estée Lauder Companies, Groupe Pochet, L'Occitane en Provence, L'Oréal, Merck, Neyret, Nuxe, Sensient, Shiseido and Sisley (alphabetical order)

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 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 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 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

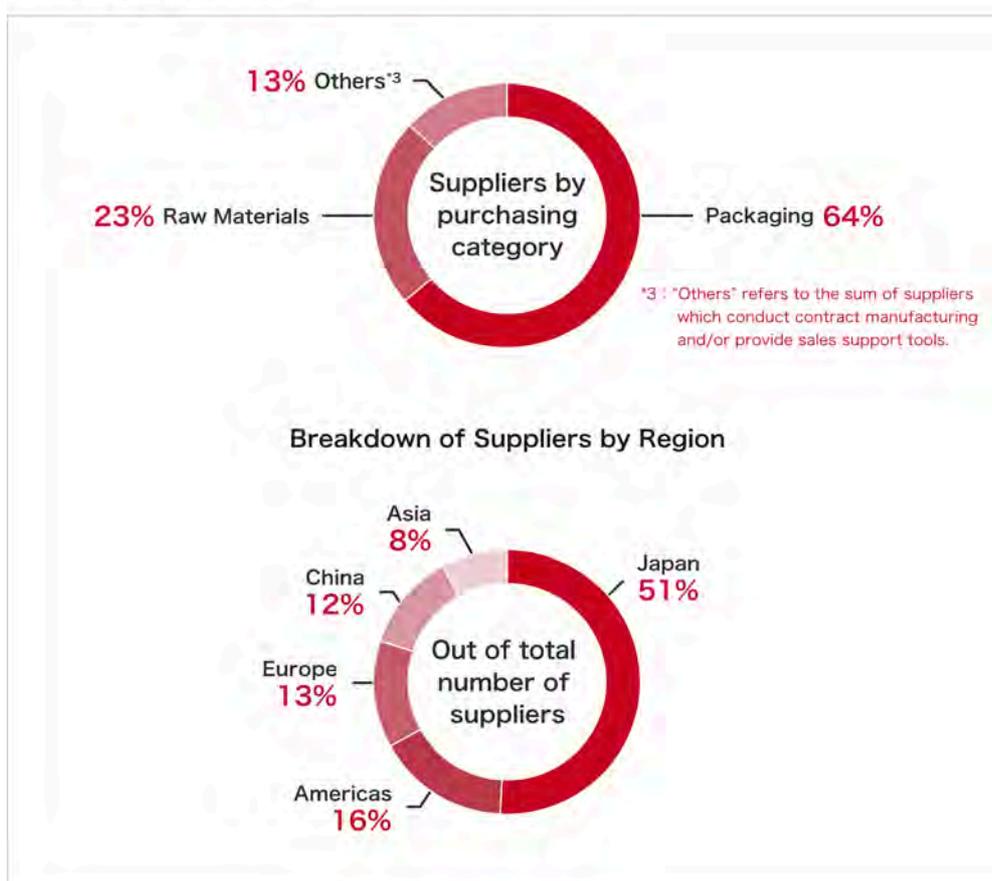
Our relationship with our suppliers is based on the following philosophies stated in the Shiseido Group Procurement Policy: "Building a Good Partnership," "Fair Purchasing Transactions," "Performance of contract", "Promoting sustainable procurement", and "Respecting diverse values".

We purchase materials for our products from over 889 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

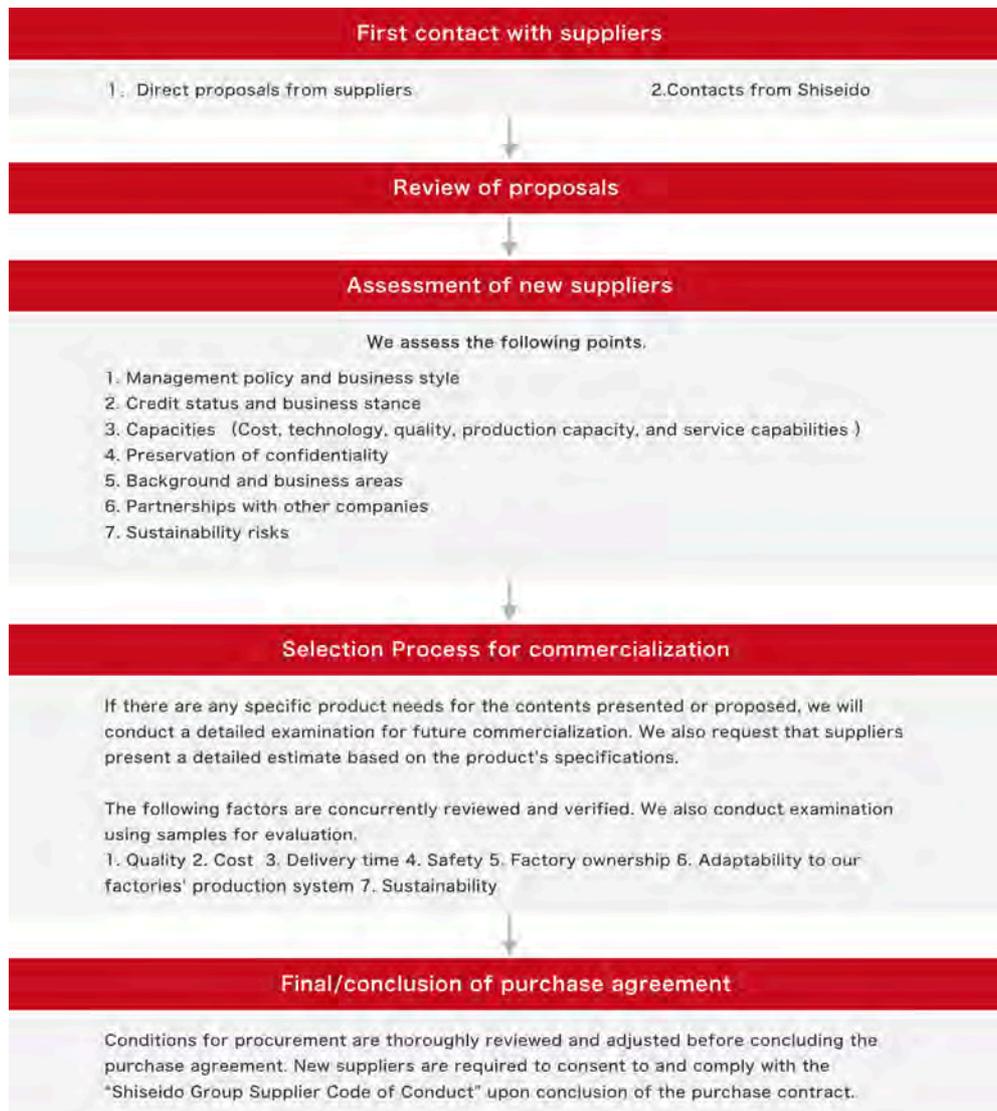
We identify strategic suppliers once a year by the following process



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*1 from the perspective of sustainability (human rights, occupational health and safety, environment, and business ethics) using either EcoVadis, Sedex (Supplier Ethical Data Exchange), 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.

We screen significant suppliers based on their degree of risk and importance to our business to prioritize assessments. The screening process considers the risks of suppliers (ESG risks, risks specific to country, industry, commodity), spend, QCDST*2 performance, etc.



Based on self-assessment results, 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.*3

Additionally, we give all suppliers feedback on the results either face-to-face or on-line, and, if necessary, our employees visit the suppliers' sites to discuss improvements in their ESG performances.

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.

*1 : Please refer to the below table for the details of self-assessment tools.

Tool	Explanation (main criteria etc.)
EcoVadis	<p>Measure the quality of a company's ESG management system through its policies, actions and results.</p> <p>The assessment focuses on sustainability criteria that are grouped into four themes: Environment, Labor & Human Rights, Ethics and Sustainable Procurement.</p> <p>The questionnaire is customized according to industry type, location, company size, and the scale of the respondent. Supporting documents are required when submitting answers.</p>
Sedex	<p>Evaluate suppliers by the questionnaires based on labor standards, health and safety and business ethics. The number of questions vary depending on industries</p> <p>The level of risk is calculated based on the answers to the questionnaire. Country and sector specific risks are also considered.</p>
Shiseido SAQ (Self-Assessment Questionnaire)	<p>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.</p>

*2 : Quality, Cost, Delivery, Service, Technology

*3 : WCA audit (a third-party audit company, Intertek's sustainability audit program), SMETA audit (audit program designed and managed by Sedex), and others

Shiseido is gradually expanding the scope of its supplier assessment program from the perspectives of procurement category, country, and tier (a measure of the distance of a supplier from companies)

From a category perspective, we assess globally suppliers which provide direct materials, sales support tools, OEM suppliers, contract manufacturing suppliers. From a tier viewpoint, we assess not only Tier1 suppliers, but also upstream suppliers; Tier2, and beyond.

The policy and the results of the supplier assessment program are reviewed by the Sustainability Committee, and then, proposals and reports are made to the Board of Directors.

Results:

Activities in 2022

In 2022, we defined our scope of the assessment program based on suppliers' risk level and the importance of suppliers. In total, we conducted our supplier assessment program for 72 suppliers globally (28 strategic suppliers and 44 high-risk suppliers as of the end of 2021).

Ten of these suppliers were identified as high-risk suppliers in the self-assessment.

- We gave feedback on the result and advice on corrective action plans to all 10 suppliers.
- For some of them, we corrected their issues through third-party audits; for the rest, we reallocated business with them. As a result, we reduced the number of high-risk suppliers to zero.

Breakdown of Suppliers Assessed in 2022

Tier 1 Suppliers	67*1
Tier 2 Strategic Suppliers	5

*1: Equivalent to 37% of the spend raised in 2022.

Status of Remediation of High-Risk Suppliers

Year of Assessment	No. of High-Risk Suppliers (at end of fiscal year)
2020	132
2021	44
2022	0

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

Year	2020	2021	2022		2023
	Results	Results	Results	Target	Target
% of suppliers assessed (number of suppliers assessed) *1	94% (791)	97% (279)	100% (67)	100%	100%
Geographical scope	All Regions	Global headquarter and EMEA Regional headquarter	All Regions		All Regions

*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	2020 Results	2021 Results	2022 Results	2023 (Target)
% of strategic suppliers assessed (number of suppliers assessed)	96% (239)	100% (17) *2	100% (23)	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

Area	Examples of issues	Examples of corrective actions
Human rights	No training or education related to Harassment was provided to employees.	Harassment training for all employees was conducted.
Occupational health and safety	Chemical substances were stored in inappropriate places.	Chemical substances were put in fire-resistant boxes.
	A hand sanitizer in a first aid box was past its expiry date.	An unexpired hand sanitizer was put in the first aid box.
	There were objects in front of an emergency exit.	The objects were removed.
	Machines were not inspected regularly.	A check list was made for inspection and regular inspections were started.
Environment	There were not enough pollution control managers.	Additional pollution control managers were appointed.
Business ethics	No relevance issues found	

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 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 procurement 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 procurement leaders from each of our global facilities. We also promote the global implementation of sustainability activities through this meeting. Onsite SIPMs were not held from FY2020 to FY2022 due to COVID-19. However, in 2023, a meeting was held in Tokyo in February.

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 provided for members of procurement department

Date	Theme	Participants
May, October 2020	Opportunities and challenges in sustainability (internal seminar)	EMEA Regional Headquarters: Procurement department
November 2020	RSPO and RSPO certified products (internal seminar)	Global Headquarters: Buyers in charge of procurement of palm oil
December 2020	Trends in responsible procurement and supplier assessment (external lecturer)	Global Headquarters and China Regional Headquarters: Buyers in charge of supplier assessment
September 2021	Online seminar about management of sustainable supply chain	Global Headquarters: Staff in charge of Sustainability
November 2021	Online Seminar held by Sedex	Global Headquarters: Staff in charge of Sustainability
November 2021	Internal seminar about sustainability ratings	Global Headquarters: Procurement department
February 2022	Internal explanatory meeting about Shiseido Group Procurement Policy	All regions: Procurement department
September 2022	EcoVadis buyer training	Global headquarters, China Regional headquarters Affiliate in APAC Regional headquarters, Americas Regional headquarters: Procurement department
October 2022	EcoVadis program kickoff*	All regions: Procurement department

*We held a global meeting to confirm the purpose of supplier assessment, KPIs, and the roles and responsibilities of employees in charge of the assessment.

Programs to improve ESG performance of suppliers

Shiseido carries out the following programs periodically to increase the ESG performance of its suppliers.

Item	Target	Details
Explanation of Shiseido Group Procurement Policy	All suppliers	<ul style="list-style-type: none"> We distribute videos about the Shiseido Group Procurement Policy and the assessment program. Additionally, buyers provide explanations to suppliers via online or face-to-face meetings, when necessary. We provide new suppliers with explanations before conducting self-assessments. We provided explanations to all our existing suppliers when we revised the policy in February 2022.
Feedback on self-assessment results	All suppliers	<ul style="list-style-type: none"> We give feedback on the self-assessment results to suppliers. The feedback includes benchmark data. We support high-risk suppliers by recommending concrete corrective actions, etc.
E-learning (EcoVadis Academy)	Strategic suppliers	<ul style="list-style-type: none"> We recommend that suppliers take part in EcoVadis Academy, an e-learning program for suppliers that have already become EcoVadis members.

In addition, we have recently held the following explanatory meetings and seminars. We are working out a plan to enable us to provide more suppliers with training programs.

Item	Target	Details
EcoVadis explanatory meeting (2021—2022)	All suppliers	<ul style="list-style-type: none"> We held an explanatory meeting jointly with EcoVadis to explain our reasons for using EcoVadis, the EcoVadis rating methodology, benefits of being a member, the response process, and other matters.
CDP explanatory meeting (May 2023)	Suppliers in Japan	<ul style="list-style-type: none"> We held a meeting together with CDP to explain how to respond to the CDP questionnaire and improve the suppliers' environmental performance.

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, 2022)

The statement below is the report for FY2022 as of December 31, 2022. Based on the statement of the previous fiscal year, this statement describes the actions taken in FY2022 and the initiatives planned for FY2023 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. Shiseido currently operate cosmetics businesses in more than 120 countries and areas with approximately 39,000 employees and a global turnover of 1,067.4 billion yen in FY2022. In the UK, the Company currently sells cosmetics through its subsidiaries Shiseido UK Limited, Gallinée Ltd., and Drunk Elephant UK Ltd.

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 Company’s Chief Strategy Officer is responsible for promoting the human rights policy, including human rights due diligence and risk assessment, and reports to the Sustainability Committee at its meetings to discuss 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. It declares the absolute prohibition of practices such as child labour, forced labour, human trafficking, and other activities that may lead to human rights abuses.
<https://corp.shiseido.com/en/company/standards/>
- **Shiseido Group Procurement Policy**
 Our procurement policy, which was updated in 2022, 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 has consecutively participated in a stakeholder engagement program operated by Caux Round Table Japan in Tokyo, Japan. In this program for 2022, we 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. Through this activity, we recognised that the human rights risks of slavery (including child and forced labour) and other forms of labour under conditions of servitude exist upstream in our supply chain, including in the countries of origin of raw materials such as palm oil and mica. Shiseido continues to actively engage with human rights experts to prevent and take corrective measures to reduce such risks.

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:
 - Harassment and discrimination
 - Violation of compliance/fair competition
 - Privacy invasion and personal/confidential information leakages
 - Occupational safety and health issues (work-related accidents)
 - Breach of working hours, breaks, and rest period (overtime-work)
 - 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 EcoVadis/Sedex/ our original Self-Assessment Questionnaire (SAQ) once a year. We classify suppliers into three categories according to the degree of risk: low risk, medium risk, and high risk. And for high-risk suppliers, we conduct third-party audits and request corrective action for non-conformances identified during the audits. In the event of critical non-conformance, we confirm correction status through third-party audits again, and if the non-conformance is not corrected within a set period, we also consider suspension of business 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 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

For 44 high-risk suppliers identified up until the previous year, we conducted self-assessment (EcoVadis/Sedex/Shiseido SAQ) and third-party audits in 2022 and reduced high risk suppliers to zero. We also conducted self-assessment for 28 strategic suppliers and there were no high-risk supplies identified. Furthermore, in 2022, we conducted self-assessment for upstream suppliers, Tier2 and beyond. This resulted in no high-risk suppliers being identified.

<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 2022, we replaced 36% of palm oil-derived raw materials (palm oil equivalent, weight basis) with RSPO's physical supply chain model.

- With respect to mica, the RMI to which we belong, in collaboration with non-governmental organisations and the Indian Government, implemented community empowerment programs for 16,500 households or mica-dependent 92,000 beneficiaries in 180 villages by 2022. The programs helped to improve living income and livelihood.

■ 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 2022, 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.

- Executive officers, vice president, and chief representatives

With the revision of the Shiseido Code of Conduct and Ethics in 2022, the Executive Officers, vice president, and office managers of both Shiseido Co., Ltd. and Shiseido Japan Co., Ltd. were briefed on the significance and key points of the revision.

- Employees

In the Shiseido Group in Japan, we conducted training on harassment prevention, and 158 newly appointed management positions participated in the training. In addition, we provided training to all employees, with a total of 15,482 participants (87% participation rate). We also conducted e-learning on "Unconscious Bias," "Diverse Sexualities," "Gender Equality," and "Disability Bias" as human rights awareness programs, with a total of 62,535 participants (78% participation rate). With the revision of the Shiseido Code of Conduct and Ethics in 2022, a total of 17,684 employees including the vice president and chief representatives of the Shiseido Group in Japan participated in training on the Code, and similar training was also conducted in all regions of Shiseido Group. We also made employees aware of the prohibition of discrimination, abuse, and harassment during this training.

- 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 FY2022, we conducted training for buyers provided by EcoVadis, and a total of 90 people participated. In the training, the participants specifically learned about assessment methods, how to use a platform, and supplier engagement techniques.

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 FY2023, we will

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

To minimize sustainability risks in the entire supply chain, we plan to continue upstream supplier assessment and also expand assessment scope to include Indirect Material suppliers.

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 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
Chairman and CEO
Shiseido Company, Limited
June 28, 2023

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



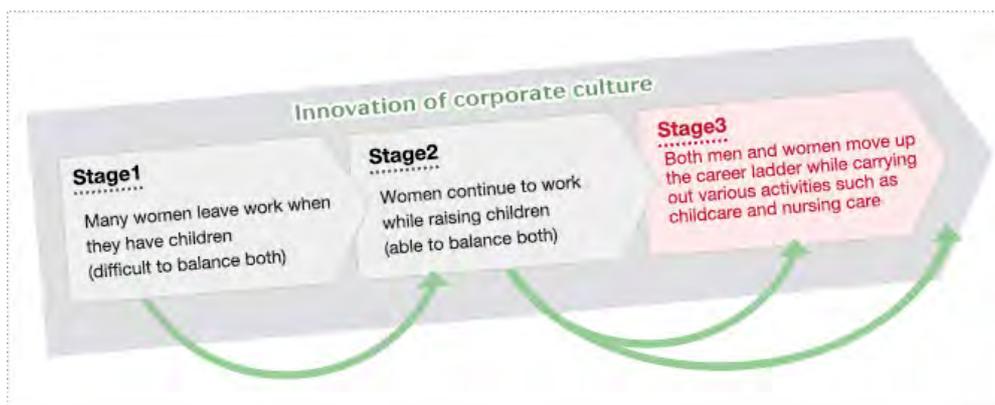
"NEXT LEADERSHIP SESSION for WOMEN"

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, we aim to achieve to sustain both employees' health and their personal growth.

Diverse Work Styles

To promote equal opportunity, Shiseido has introduced a flextime system, a telework system, part-time work options, our own childcare services, childcare and education subsidies, and special paid childcare leave (childcare leave) for both men and female employees. Through a variety of diversity and inclusion (D&I) initiatives, we are supporting the balance between family and career.

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 2022, 618 Shiseido Group employees in Japan (including 139 men) took childcare leave. We hold "Welcome Back Seminars" for employees returning to work after childbirth to reduce concerns about balancing work and childcare. As a result, 94.9% of employees in the Shiseido Group in Japan have returned to work from childcare leave, a high level that continues to be maintained.

We delivered articles of interviews with male employees who took paternity leave and information on child-rearing internally to promote paternity leave so that we can attain a Paternity Leave Ratio of 100%.

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. In all cases, not only biological children and adopted children who have a legal parent-child relationship, but also children who are in the probationary period for special adoption and children who are entrusted to foster parents for adoption are eligible. The details of the support systems are summarized in the "Guidebook for Support to Balance Work and Childcare/Nursing Care," which supervisors shall inform eligible employees about.

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.

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 up to two times for any reason if their child is less than one year old, and they can apply beyond the second time 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.

Childcare leave at the time of delivery (Paternity leave after delivery):

In addition to childcare leave, employees may take up to four weeks childcare leave within eight weeks after the birth of their child. If employees apply for this leave collectively at the beginning, they can separate the leave to take it twice for the same child. No wages will be paid by the Company to the employees during childcare leave; however, employees receive childcare leave benefits through employment insurance. During the childcare leave at the time of delivery, the Company allows employees to work based on prior adjustment within limits agreed by both employees and the Company (supervisors) according to an agreement concluded between labor and management.

Special leave for childbirth and childcare:

When an employee's partner (spouse, etc.) gives birth, special paid leave of up to five days is available in addition to paternity leave. In addition, employees are eligible to take special paid leave for childcare (a leave of consecutive seven days or less (including Saturday and Sunday) twice during a period), until their child turns three years of age. Employees who have been working for the Company for less than a year and as such not eligible for the childcare leave can also take this special leave. They are allowed to take it as a leave of two weeks in a row.

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:

Shiseido's Kakegawa Factory has a childcare facility called 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. This facility is open not only to Shiseido employees but also to those from nearby companies and neighboring residents.

Anew childcare service: The Company started offering a child-rearing support service called KANGAROOM+ for employees of Shiseido and its affiliates in April 2023. Based on the concept of "flexible childcare tailored to diverse work styles," it mainly provides a one-to-one babysitting service to meet the current childcare needs that cannot be met at local childcare facilities.

The Company also established KODOMOLOGY Co., Ltd. in 2017 within the Shiseido Group to entrust the operation and consulting of in-house childcare facilities.

*The workplace childcare facility Kangaroom Shiodome, which was opened in 2003, terminated its service at the end of March 2023.

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.

Diversity of beliefs

In consideration of a diversity of beliefs, we provide a space for worship in our Shiodome office.

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.

All our employees set a personal performance goal through interviews with their supervisors at the beginning of each term. The goal setting is designed by cascading the group team into the employees' goals so that the goals can link to the achievement of the team's goals. Moreover, a Career Development Plan (CDP) is formulated to specify each employee's career goal and competence development needed for achieving that goal.

In addition to more than one evaluation interview per year, during each term, employees review their progress on a regular basis through daily agile dialogues with and feedback from their supervisors and review goals as needed. At the end of each term, employees confirm their final achievement level through interviews with their supervisors. Moreover, supervisors can ask other employees to give their subordinates some feedback, which enables a multifaceted evaluation of employees, not limited to an evaluation by immediate supervisors.

To eliminate gaps in evaluation, an evaluation calibration meeting is held, and a formal evaluation is set. Also, at the beginning of each term, whether goals are set in line with the expected performance level is checked (calibration of goals) so that each employee can take on challenging work assignments to stretch their goals to strengthen their expertise.

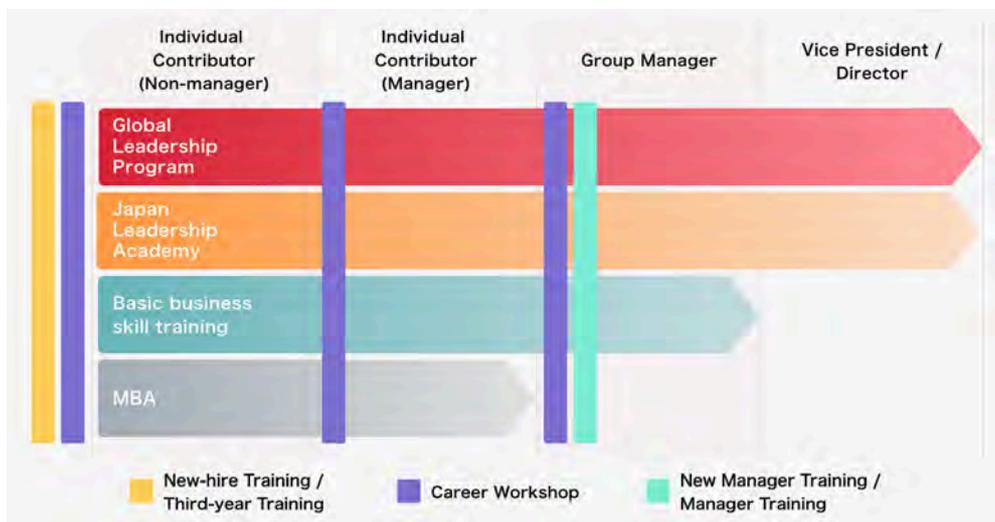
Autonomous Career Development Support

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.



To strengthen employees' expertise, we have introduced LinkedIn Learning as a learning platform for encouraging autonomous learning, and we are expanding it so that global employees can learn on the same platform.

The training for development of female leaders titled "NEXT LEADERSHIP SESSION for WOMEN" is a program in which female managerial candidates learn management and business skills while exploring their individual leadership styles. For eight to ten months in 2022, 48* female managerial candidates attended the program and received opportunities to specify their career plans and develop a mindset and management skills to display their leadership, in addition to workshops for eliminating unconscious bias and prejudice. This program empowered female employees and resulted in 49% of the participants being successfully promoted. As such, it is contributing to an increase in the ratio of female leaders. The ratio of female leaders increased from 29% in 2017 to 37.6% in 2023.

*Number of participants in "NEXT LEADERSHIP SESSION for WOMEN basic." The total number of participants was 66 in 2022.

We place importance on leadership training to make the most of our various human assets. To strengthen trust relationships between managers and employees and enhance management skills that can promote members' growth, a manager workshop is held for our managers on a quarterly basis in Japan. In 2022, 1,475 managers participated in the workshop, and it resulted in participants' confidence in management increasing from 26 points to 50 points following the workshop.

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. The survey asks the questions of "Engagement," "Inclusion," "Well-being," "Psychological safety," "Dissemination of strategies," "Trust in management and supervisors," "Opportunities for growth," "Authority/Discretion," "Corporate ethics," etc., for employee feedback.

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 Corporate Executive Officer,
Chairman and CEO
Masahiko Uotani

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.

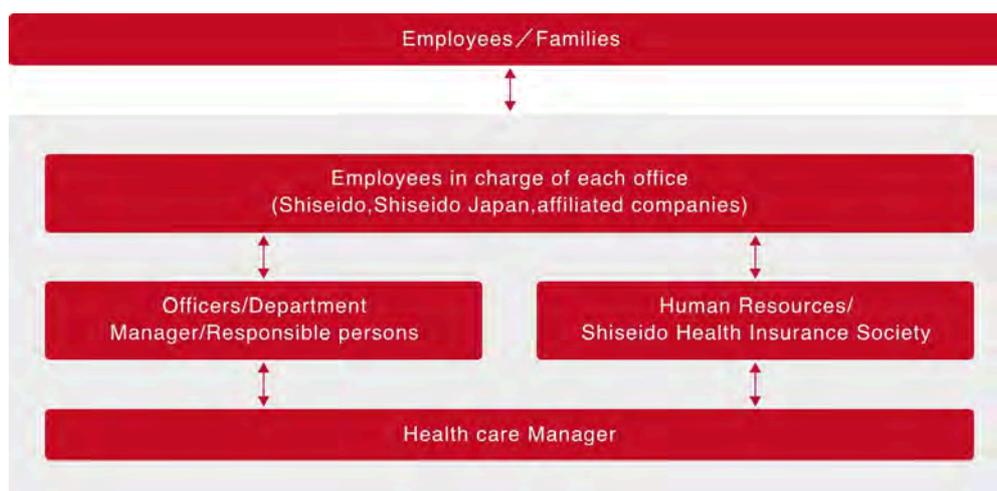


<Our principles>

- 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.

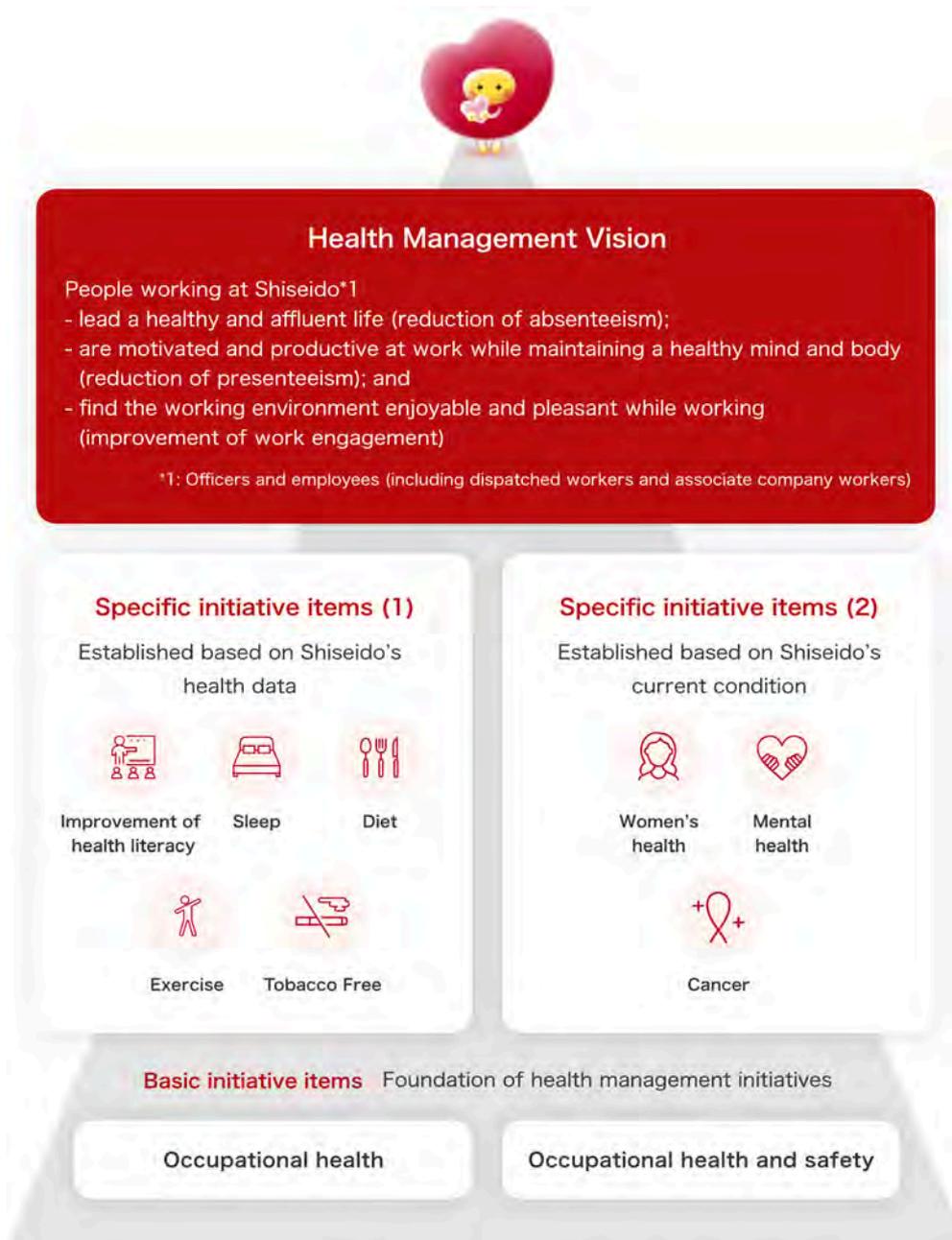
Promotion system

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

Objectives of Health Management in Shiseido



<Shiseido Group's health and safety mascots>

The twin mascots were born in 2023 wishing for the health, safety, and peace of mind of all employees. They were designed with a motif of camellia petal and heart.



Health mascot: WELL-chan



Safety mascot: SAFY-chan

Health Management Strategy Map

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.

Priority Initiatives to Realize Health Management

<Five Priority Initiatives>

① Lifestyle Initiative

Aim		Embodiment of Beauty Wellness to enable everyone to lead a beautiful and healthy life	
Measures by the Shiseido Group in Japan		Measures by the Shiseido Health Insurance Society	
Total lifestyle	<ul style="list-style-type: none"> ■ Organization of seminars based on proposals from each office <ul style="list-style-type: none"> * Online seminars on diet / exercise / sleep by RIZAP instructors according to themes proposed by each office ■ Thorough implementation of health guidance ■ Organization of health fairs ■ Dissemination of information in lunchtime sessions (live streaming) ■ Implementation of e-learning courses to improve health literacy 		<ul style="list-style-type: none"> ■ Provision of special medical checkups ■ Implementation of health support programs (specific health guidance) <ul style="list-style-type: none"> *1 While the national age eligibility for the above special medical checkup and guidance begins at age 40, Shiseido begins at age 35 to enable early detection/treatment). *2 Recommendation of specific medical checkups during specific health guidance interviews for those who need a complete examination or medical treatment as a result of the specific medical checkup (blood pressure, blood glucose, lipid).
Sleep	<ul style="list-style-type: none"> ■ Organization of sleep seminars <ul style="list-style-type: none"> * Mainly for employees with sleeping problem according to health checkup interviews ■ Implementation of trial examinations for sleep apnea syndrome 		<ul style="list-style-type: none"> ■ "Dental Examination Campaign": partial subsidy on fees for dental exams <ul style="list-style-type: none"> *Promotion of regular preventive dental care by family dentist ■ Implementation of lifestyle improvement seminars provided jointly by KENPO and RIZAP <ul style="list-style-type: none"> * Implemented as an online seminar as part of COVID-19 prevention measures
Diet	<ul style="list-style-type: none"> ■ Provision of collaboration menu with Shiodome Cafeteria ■ Organization of seminars on drinking 		<ul style="list-style-type: none"> ■ Placement of a QR Code for "RIZAP Column" (a 1-minute workout video) in the Health Insurance Society public relations magazine ■ Implementation of a program to prevent the worsening of diabetic nephropathy
Exercise	<ul style="list-style-type: none"> ■ Implementation of walking events (app) as a collaboration program with Kenpo ■ Dissemination of exercise videos and columns via the company intranet 		<ul style="list-style-type: none"> ■ Provision of information on the Health Insurance Society website <ul style="list-style-type: none"> "Quick, Simple, and Delicious One-Plate Meals" * Content with video to introduce healthy menus ■ Recommendation of follow-up checkups during health checkups for dependents (whose results showed a need for medical care / complete examination for blood pressure / blood glucose / lipid)

②Tobacco Free Initiative(Promotion of non-smoking)



③Women's Health Initiative



④Mental Health Initiative



⑤ Cancer Initiative



Key initiatives

Accomplishments of the Lifestyle Initiative

Completion rate of health support programs	The completion rate of health support programs (specific health guidance) stood at 56.7% in FY2021, higher than the national average (31.2%). * See the attached table.
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 FY2022, we did not hold an in-person fair owing to COVID-19 prevention measures, but in FY2023, we are planning to hold an in-person fair at about ten offices in Japan while implementing preventive measures.
Lifestyle seminars	Since FY2019, we have provided seminars on exercise, diet, and sleep that are designed to address health issues in each organization, and these seminars have been well-received by participants. In FY2022, we have provided online seminar content according to the health issues in each office and have continuously implemented measures to improve exercise habits, sleep, and dietary habits of participants.
Walking events	In FY2022, as a collaboration program with Kenpo, an app-driven walking event was held to create an opportunity to reduce lack of exercise and prompt a start to regular exercising. Both individuals and departments were ranked at the event and more than 1,500 people from approx. 170 departments thus far have participated. The event was well-received as an opportunity to promote not only exercise habits but also communication among employees. We are planning to also hold an event in FY2023.

Implementation rate of health support program

	FY2019	FY2020	FY2021
Number of target people	1,382	1,574	1,416
Number of target people who completed the program	700	837	803
Completion rate	51.4%	53.2%	56.7%
National average of completion rate	27.4%	26.9%	31.2%

■ Actual settings of health fair

【Participating employee feedback】

"I appreciate that I got a lot of advices in a short time."

"I noticed bad things more than I thought, which gave me a lot to think about."



<Health care special menu in collaboration with Shiodome cafeteria>



<Health fair at Saitama Office>

■ Actual settings of health seminar



【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."

Accomplishments of the Non-smoking Promotion Initiative

Smoking rate	<p>Since the calculating of the smoking rate began, it has been decreasing every year and declined to 17.3% in FY2022 (-16.3 percent from FY2010). We aim to further lower the rate with a target index of "less than 5% by 2030."</p>
Support to quit smoking	<p>In addition to individualized health instructions to quit smoking, 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), external consultation counters, etc. 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 FY2019 and a "remote smoking cessation outpatient consultation" (full cost subsidized by the Health Insurance Society) in FY2021, which resulted in a high smoking cessation success rate of 71.4% in FY2022. Our goal is to continue to maintain a success rate of at least 70% in the future. Rather than paying too much attention on the success of smoking cessation, we aim to create a supportive environment for people trying to quit.</p>
Company non-smoking rules and measures against secondhand smoke	<p>In FY2012, we made the building smoke-free and prohibited employees from smoking when in uniform and in company vehicles. In May 2019, we also introduced no smoking during working hours. As we have more diversified working styles such as hybrid work, we need to review the purpose and interpretation of our current rules and aim to further ensure that the creation of environments to prohibit smoking and prevent secondhand smoke is thoroughly implemented.</p>
Dissemination of information	<p>We continuously disseminate information through posters, leaflets, health committee meetings, in-house intranet, and in-house live streaming. Furthermore, on the Non-Smoking Day every month since FY2022, we have been creating original materials containing quizzes and comments from employees to draw the attention of employees, including non smokers. These are placed on signage, intranet, etc.</p>

Accomplishments of the Women's Health, Cancer, and Mental Health Initiative

<p>Seminars on women's health</p>	<p>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). * In FY2023, seminars focusing on menopause are being implemented.</p>
<p>Implementation of support for balancing cancer treatment / work, and e-learning courses</p>	<p>Since FY2020, we have provided cancer education through e-learning. We are working to improve the cancer literacy of employees. 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 courses are effective, achieving a 98% comprehension rate and a 97% satisfaction rate in FY2022.</p>
<p>Mental health and self-care</p>	<p>We provide education on mental health and self-care through e-learning courses. The e-learning courses are effective, achieving a 99% comprehension rate (same as the previous year), and a 72% recognition rate (increased by 10.0 percent from the previous year) of the company's mental health system such as return-to-work support programs. Furthermore, we distribute helpful information for self-care by creating 5 to 10-minute short videos about assertion, cognitive behavioral therapy, etc.</p>
<p>Mental health and line care</p>	<p>We create and distribute short videos for managers about their obligation to consider safety, how to notice changes in their subordinates, return-to-work support, etc., and to enhance line care training.</p>



<The 1st menopause event at Shiodome Office>



<The 2nd menopause event at Hamamatsucho Office>

Shiseido certified in the "2024 Health & Productivity Management Outstanding Organizations Recognition Program" (Large Enterprise Category, White 500)

Shiseido, together with 21 domestic affiliated companies in the group, was certified in the "2024 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 3,523, 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 (This is the fourth time in total). 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 Co., Ltd.
	KODOMOLOGY Co.,Ltd.
	Pierre Fabre Japon Co., Ltd.
	Shiseido Astech Co., Ltd.
	IPSA Co., Ltd.
	Ettusais Co., Ltd.
	ETWAS Co., Ltd.
	EFFECTIM Co., Ltd.
	The Ginza Co., Ltd.
	Shiseido Parlour Co., Ltd.
	Hanatsubaki Factory Co., Ltd.
	Shiseido Interactive Beauty Co., Ltd.
	Shiseido Japan Co., Ltd.
	Shiseido Beauty Academy
	Shiseido Corporate Pension Fund
	Shiseido Health Insurance Society
	Shiseido Child Foundation
	Shiseido Beauty Salon Co., Ltd.
	Shiseido Pharmaceutical Co., Ltd.
Shiseido Labor Union	
Shiseido Creative Co., Ltd.	

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.

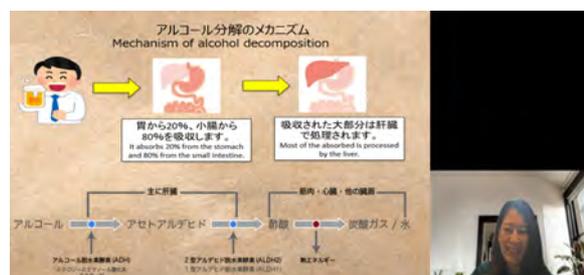
Since the adoption of the Shiseido Hybrid Work Style, which allows employees to work either at the office or home depending on their roles, employee workstyles have become more diverse. The Shiseido Group in Japan has taken measures to address health issues associated with remote work that are different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

We will specify the issues at individual workplaces through thorough risk assessment*2 and based on the data analysis of lost work accidents, and we will take measures against hazards at the workplaces to create a secure working environment for all people.

<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 will share and discuss the cases of internal lost work accidents in the Shiseido Group with top management and the officers in the individual sectors at the health and safety management system committee meeting and take proactive countermeasures.

*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

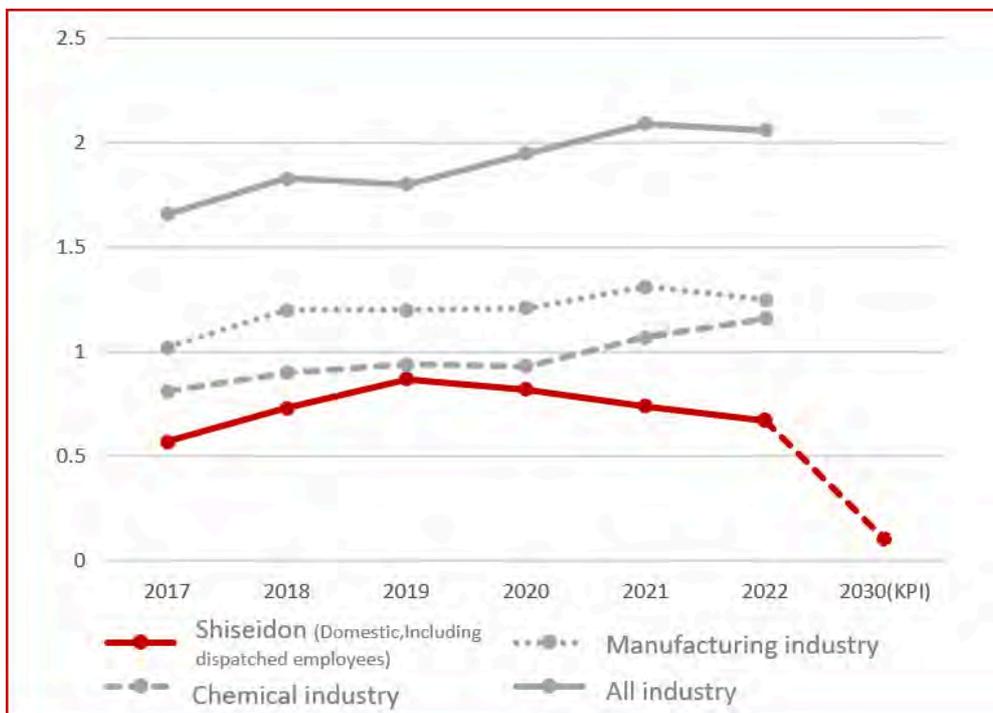
The Shiseido Group aims to become a global, top-level, safe company. As a KPI, we have set a target value of achieving the leave frequency rate*3 "0.1 or less" by 2030. We incorporate action plans with quantitative goals and order of priority to address health and safety risks. Creating an environment 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

<COMMITMENT 2023>

- 【SHOP】 Reduce the number of work-related accidents resulting in absence from work by 50% compared to the number of such cases in 2022
- 【R&D】 Standardization of risk assessment of chemical substances
- 【Supply Network】 Certification of ISO 45001 for our factories in Japan

▼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

We, the Shiseido Group, shall specify the issues we are facing from the data analysis of lost time accidents and develop our action plans with quantitative goals and order of priority. In 2022, a total of 111 accidents involving work stoppages occurred in the Shiseido Group in Japan. These included both regular and dispatched workers. 26 cases were reported as lost time accidents with at least a day off and 2 of the 26 cases involved dispatched workers. 42 of the 111 occurred due to stumble/falling and 18 of the 42 occurred on stairs. Therefore, it has become a standard rule in the Shiseido Group to "hold the handrail when on stairs." In addition, 76% of the stumble/falling occurred at the cosmetic shops and beauty salons. Since it is now clear where the hazardous workplaces are, day-by-day collaboration with tenant owners is deemed crucial to improving our work environments. It will first be necessary for our headquarters to ascertain effective approaches and later implement them at our affiliates.

We believe that better safety awareness among all people in the Shiseido Group will be one of the essential factors in implementing successful safety measures. In order to clarify appropriate measures and actions in the future, we plan to incorporate what we call a "Safety Culture Diagnosis" into our safety and health education as an indicator of safety awareness among people working in the Shiseido Group.

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 four times a year. For the committee's seventh meeting in April 2023, a kick-off meeting was held with top management of the Kakegawa Factory and safety personnel from each department. All members met where a lost work accident occurred, and they were informed on the cases at the Kakegawa Factory. Being able to focus on the "lost time accidents on stairs" was a good experience. We also welcomed members from the Labor Union to exchange opinions on Shiseido Group's health and safety in the periodical committee meeting and in the Safety Management System Committee meeting on the same day. In the future, we plan to have more periodic meetings and will be interested in hearing the opinions of-site members to create better workplaces in the Shiseido Group.



Participation of persons in charge of factories, laboratories, storefronts, and offices, as well as executives from each area



Place of lost time accident, and the sharing of countermeasures

We are also upgrading the "Safety Culture" in the Shiseido Group, taking preventive measures against lost time accidents by analyzing lost time accidents and behavioral characteristics from past practices and continuing safety

education to take preventive measures and detect hazard points. Meanwhile, we will promote the reduction of the accident ratio during commuting as well as during working time to protect all the people in the Shiseido Group.

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

- Factory / Logistics Center:

The factories / logistics centers are promoting the certification of GSMS (Global Safety Management System), which sets common occupational health and safety standards in Japan and overseas. At the factories / distribution centers, various education and training are conducted including a review of past occupational accidents, but at the Kakegawa Factory, as training to experience safety, a "sensing danger as danger" training was conducted for all workers in the production area (including indirect employment and employees with disabilities). We plan to start operating GSMS in 2023 and obtain ISO 45001 certification at our factory bases around the world by the end of 2024. (Acquisition of factories complete as of December 2021: Shanghai Factory, Beijing Factory, Hsinchu Factory, Kakegawa Factory, Gien Factory and Val de Loire Factory.) ISO 45001 certified factories have established and implemented the necessary processes to prepare for and respond to possible emergencies. We also conduct systematic education and training, as well as regular internal audits and evaluations for the maintenance and management of the process and ongoing improvement.



Members and Chief Supply Network Officer of the Kakegawa Factory, which received ISO 45001 certification in 2023.

- 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:

We are promoting preventive measures against occupational accidents in shops, sales and offices based on our monthly health and safety meeting. We are analyzing the cause and circumstances of occupational accidents and are sharing what we find with other areas. Accumulating near-miss information is also useful when analyzing cases from various angles. We strive to give feedback to on-site members in an easy-to-understand format. We have been promoting preventive measures against occupational accidents attributable to a fall at workplaces, mainly at shops, to create safe and secure working environments for the past few years.

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.

Culture

Using our heritage to create new value and enrich culture.



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

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

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

2. Inspiring the World With Our Sense of Beauty

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

Performance in 2020

Using Digital Technology to Share Our Heritage with Employees

Discover Shiseido -Inside our DNA

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



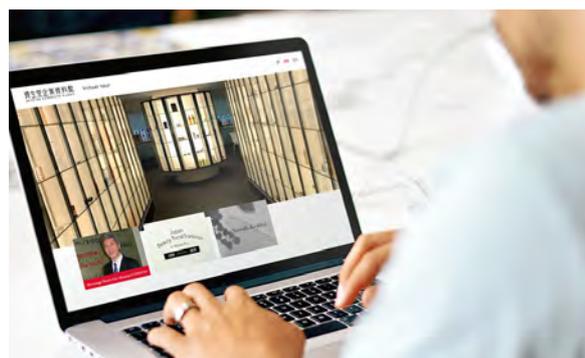
Discover Shiseido — Inside our DNA

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.



Award acceptance lecture by Keiko Toyoda, Shiseido Gallery Director

Compliance and Risk Management

Risk Management

Shiseido's basic policy of risk management.

Corporate Ethics

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

Shiseido Code of Conduct and Ethics

Shiseido Group Policy on Anti-Corruption

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.

Company-wide Material Risk Assessment Result

In 2022, material risks were identified through a holistic approach combining multiple and comprehensive methods. Specifically, the HQ Risk Management Department interviewed HQ Executive Officers, Regional CEOs, and External Directors for their view on Group risks. Regional risk assessments and input from relevant functions were also taken into consideration as the HQ Risk Management Department identified material risks affecting the key areas of our medium-term strategy, SHIFT 2025 and Beyond, with input from external advisors.

As shown in Table 1 below, the identified material risks were evaluated with the three measurements of "Impact on business," "Likelihood," and "Vulnerability," followed by confirmation of prioritization and countermeasures through the above committee meetings and other individual meetings.

Table 1 <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 against risk • Controllability of the manifestation of the risk due to external factors

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.

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," as shown in Table 2 below.

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.

Table 2 <Summary of Shiseido Group material risks>

Consumer and Social-related 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
Operation & Fundamental Risks	<ul style="list-style-type: none"> • Corporate Culture and Acquisition/Securing Outstanding Talent • Business Structure Transformation • Operating Infrastructure • Supply Network • Compliance • Regulatory • Quality Assurance • Governance Structure • Information Security and Privacy
Other Risks	<ul style="list-style-type: none"> • Exchange Rate Fluctuations • Business Investment • Material Litigation

As a noteworthy point of the risk assessment results mentioned above, the individual risks identified are more interlinked than in the past and interdependency of the countermeasures is increasing. In addition to that, we have identified five key risks that have significantly increased in level compared to the previous fiscal year: "Changes in Consumer Values," "Geopolitical Tensions," "Corporate Culture and Acquisition/Securing Outstanding Talent," "Quality Assurance," and "Information Security and Privacy." We have also added "Regulatory" as a new material risk, which is becoming increasingly important as we cultivate brands with unique value and develop new businesses such as beauty devices and the inner beauty category.

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

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 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 to encourage employees to 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 win the confidence of all our stakeholders. In addition to this, we offer 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 the Workplace

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

We conduct training activities with common global content to promote understanding and practice of the Shiseido Code of Conduct and Ethics by all employees. Furthermore, by encouraging temporary employees to participate in training, we promote the dissemination of the Shiseido Code of Conduct and Ethics to everyone working for the Shiseido Group.

(2) Training for All Employees

Training programs are carried out more than once a year for all employees of the Shiseido Group in Japan. We conduct human rights awareness training to address discrimination in the workplace, while the corporate ethics training curriculum includes harassment prevention and response.

We also conduct training sessions to improve communication in various settings to build an open and encouraging workplace culture.

(3) Position-specific Training

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

Whistleblowing and Consultation Hotlines for Employees

We offer whistleblowing and consultation hotlines for the purpose of detecting and correcting violations against the laws and regulations, the Articles of Incorporation, and rules within the Shiseido Group. The whistleblowing and consultation hotlines are operated according to internal rules that specify confidentiality, prohibition of disadvantageous treatment or reprisals against whistleblowers/consulters, elimination of conflicts of interest, and the process for handling whistleblowing and consultations, etc. These internal rules are disclosed via the internal intranet so that employees can view them at any time.

Globally, we have established whistleblowing and consultation hotlines at each regional affiliate 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. At Company headquarters, the Shiseido Global Hotline has been established to receive reports directly from any employee in the Shiseido Group.

The hotline system in Japan consists of the Sodan Room (an in-house Shiseido Hotline) and an external Shiseido Hotline that deals with general workplace issues and whistleblowing, as well as the Compliance Committee Hotline dedicated to certain cases of whistleblowing, and the Shiseido Group Whistleblowing to Audit and Supervisory Board Members for reports from Japan and overseas relating to directors, executive officers, and hotline staff members*. All these hotlines accept anonymous whistleblowing and consultations.

*The hotlines in Japan accept whistleblowing and consultations from all persons working for Shiseido Group companies in Japan (directors, auditors, executive officers, employees, contract employees, temporary employees, former employees within one (1) year of their retirement, and other protected parties as stipulated in the Whistleblower Protection Act).

<Process for Handling Whistleblowing and Consultations>

The division in charge of the whistleblowing and consultation hotlines handles whistleblowing and consultations with due care to protect the privacy of those concerned. It accepts whistleblowing and consultations related to all kinds of improper acts, including discrimination, harassment, and bribery, as well as acts that may be regarded as such. And as necessary, a fact-finding investigation of those involved is launched. If improper acts or the like are revealed, we stop such acts immediately and implement corrective measures and reoccurrence prevention measures rapidly in cooperation with the relevant companies, offices, and divisions/departments. We also take disciplinary action against employees who have been involved in such acts in accordance with employment regulations and internal rules. If any cases of disadvantageous treatment, harassment, etc. toward whistleblowers or consulters are identified, we take appropriate relief/restoration measures immediately in cooperation with the relevant companies, offices, and divisions/departments, and take strict measures including any disciplinary punishment against the persons who have engaged in such disadvantageous treatment or harassment.

If the case may pose a risk to our business management, it is promptly reported to management from the divisions/departments. Any serious compliance-related concern is reported to management of the Global Risk Management & Compliance Committee and/or HQ/SJ Compliance Committee, and we work to eliminate the concern immediately and implement corrective measures and reoccurrence prevention measures rapidly in cooperation with the relevant companies, offices, and divisions/departments.

The number of whistleblowing and consultation cases received through the hotlines and the actual responses to them are reported to the HQ/SJ Compliance Committee and Audit & Supervisory Board on a regular basis annually for the review, management, and supervision of the appropriate operation of the hotlines.

For business partners in Japan, we have established the Business Partner Hotline to receive whistleblowing and consultations regarding violations of human rights and compliance by Shiseido Group companies and employees. For more details, please refer to "Social Data."

Mitigating the Risk of Discrimination/Harassment

In order to identify and reduce risks related to discrimination, harassment, and compliance in the workplace, in addition to accepting whistleblowing and consultations, we assess workplace conditions using employee engagement surveys, etc., which are periodically conducted throughout the Shiseido Group. For companies, offices, and departments where problems have been identified by the surveys, we propose and implement improvement measures based on the survey results.

In addition to this, we provide employee training on issues identified from the analysis of the survey results to prevent discrimination, harassment, and compliance risks.

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. Under this Group-wide basic policy, we strive to manage and operate various information assets.

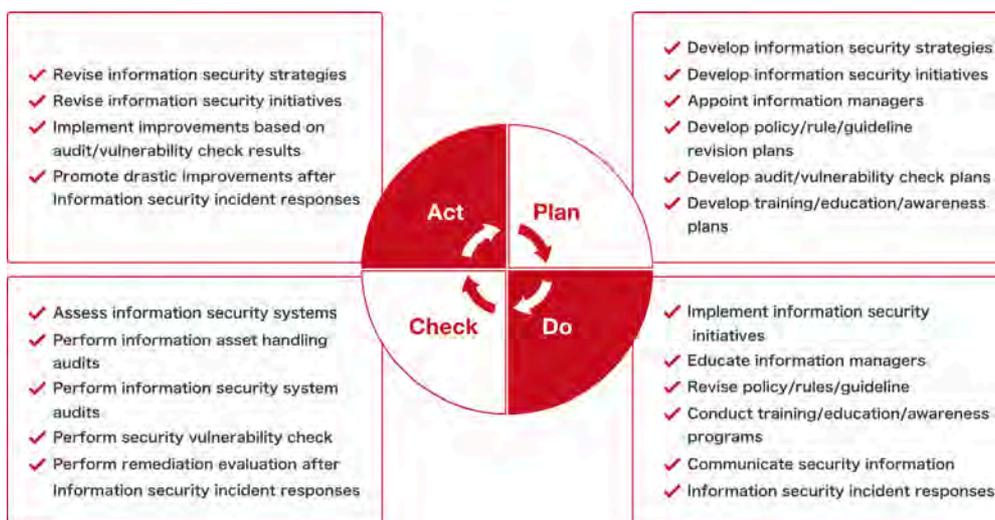
2. Information Security Management Systems

(1) Management structure

The Shiseido Group has established information security management systems and has appointed the Chief Information Security Officer (CISO) as its representative. The CISO is responsible for the design and operation of rules and regulations regarding confidential information management, data protection, and security measures on information systems. The CISO also oversees the implementation of security measures, education, and training. In the Shiseido Group, the Chief Financial Officer (CFO) has ultimate responsibility for information security.

The representative of each regional headquarter, as the chief administrator for the handling of information assets and systems in the region, is responsible for overall information security, including confidential information management, data protection, security measures on information systems, and education and training. Information security contacts have been appointed in each region, and they are working to maintain and improve the Group's overall information security activities in cooperation with HQ.

The heads of departments of each Group company confirm the protection and management of information assets handled in their departments on a regular basis, provide education and training to employees, and respond to security incidents.



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 confidential information management, data protection and security measures on information systems. 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 personal information. When outsourcing important operations, we check the information security management systems of the business partners before we execute a service agreement requesting them to take appropriate safety management measures.

*Center for Internet Security (CIS): An organization established in 2000 by the National Security Agency (NSA), the Defense Information Systems Agency (DISA), the National Institute of Standards and Technology (NIST), and other government agencies, businesses, and academic institutions to work together on Internet security standards.



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) Supply chain security

At the Shiseido Group, when outsourcing work that involves the handling of personal information as defined by the laws and regulations of each country or region, the handling of confidential information as defined by the Policy and Rules of the Shiseido Group, or operations that are considered to be significantly related to the business continuity and quality of goods and services of the Shiseido Group, we appropriately manage and supervise the third parties to ensure the information security of the outsourced work.

(4) 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. Assessment on information systems and related operations are performed on the risk basis, where supervision is conducted over improvements to any issue detected. We also conduct security assessments of the factory system environment as needed to ensure information security in production activities.

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.

(5) 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.

Shiseido has a CSIRT (Computer Security Incident Response Team), which is an organization that deals with computer security incidents, and conducts activities such as collecting, analyzing, and responding to incident-related information, vulnerability information, and information on predictive signs of attacks. Shiseido has registered with the Nippon CSIRT Association*(Shiseido CSIRT) to share information with relevant agencies and with similar departments at other companies.

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. We also conduct incident response trainings for factories as needed to ensure information security related to production activities.

* Nippon Computer Security Incident Response Team Association is an organization that promotes close collaboration and problem solving among CSIRTs at business enterprises.



Establishment of information security-related rules

(6) 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 Legal Officer (CLO). The CLO has ultimate responsibility for privacy protection and engages in the planning and implementation of related strategies and initiatives while communicating with the management team.

The Chief Information Security Officer (CISO) is responsible for the implementation and oversight of security measures to protect personal information.

Representatives of the overseas regional headquarters are responsible for managing the handling of personal information within their jurisdictions.

The heads of departments of each Group company confirm the protection and management of personal information handled in their departments on a regular basis, provide education and training to employees, and respond to security incidents.



(2) Development of policies and rules

To promote information security management systems, we refer to several major related guideline 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 confidential information management, data protection, and security measures on information systems. 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 personal information. When outsourcing important operations, we check the information security management systems of the business partners before we execute a service agreement requesting them to take appropriate safety management measures.

*Center for Internet Security (CIS): An organization established in 2000 by the National Security Agency (NSA), the Defense Information Systems Agency (DISA), the National Institute of Standards and Technology (NIST), and other government agencies, businesses, and academic institutions to work together on Internet security standards.

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 Legal & Governance and Information Security 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) Supply chain security

At the Shiseido Group, when entrusting all or part of the handling of Personal Information to a third party, we appropriately manage and supervise the entrusted third party to ensure the security management of the Personal Information.

(4) 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.

(5) Privacy incident response

The Shiseido Group has established a system to respond to incidents related to personal information. In the event of a possible data breach or violation of laws and regulations, the Legal & Governance, Risk Management, Information Security, Information Systems, and other departments work together to respond to the incident.

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.

(6) 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. 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 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 Shiseido Code of Conduct and Ethics and shared with all employees to ensure 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 2024 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

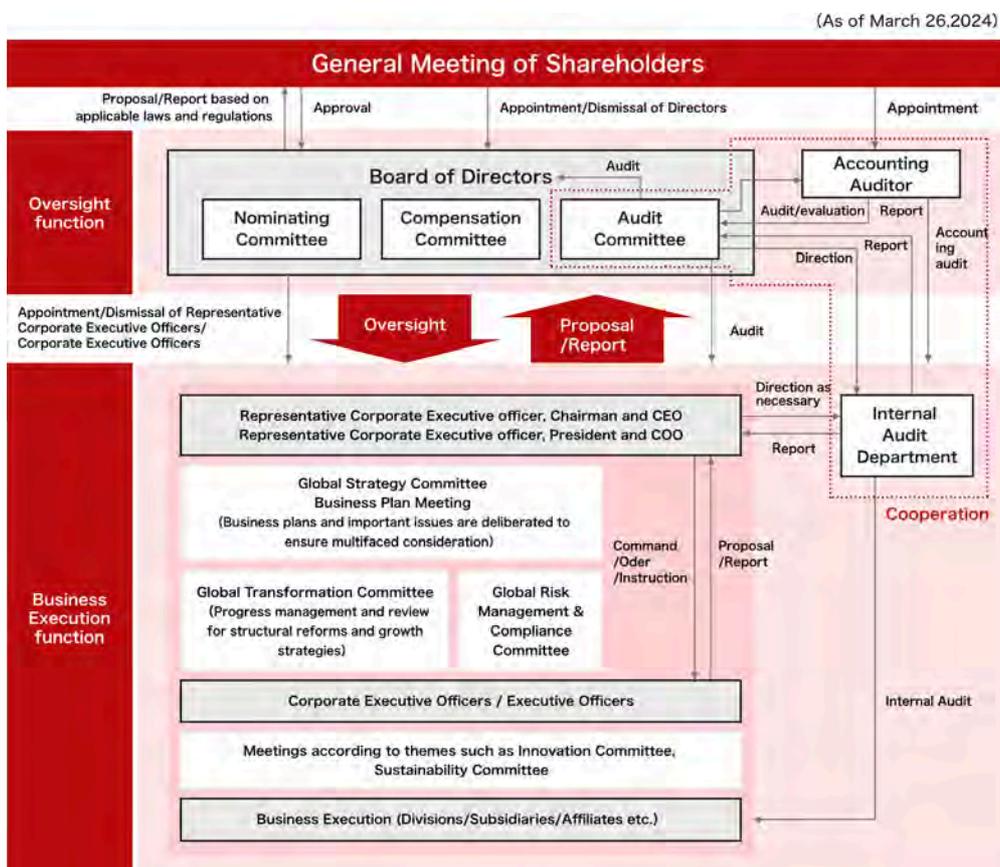
Transition to a “Company with Three Statutory Committees”

The Company has long been committed to improving the corporate governance through a range of initiatives including the adoption of governance system aligned with the "monitoring board-type system" where the board is putting more focus on oversight responsibilities to ensure transparency and fairness in governance practice, while ensuring effective strategic planning and timely execution thereof. Now, we take this effort a step further, the Company has transitioned to a Company with Three Statutory Committees in order to maximize corporate value based on resolution of the Ordinary General Meeting of Shareholders held on March 26, 2024.

Under this structure, by clearly separating the functions between management oversight and execution of the Company's business while strengthening each of these function, the Company ensures effective implementation of its strategies even in the increasingly volatile business environment.

The oversight function of the Board of Directors will be reinforced by focusing on determining the basic management policy and management strategy while overseeing the implementation thereof in order to accelerate the overall business execution of the Company in a rapidly changing environment. Nominating Committee and Compensation Committee, each composed solely of Independent Directors are responsible for appointment of Directors and remuneration of Directors and Corporate Executive Officers with fairness, transparency, and objectivity for successful implementation of our business strategy. Furthermore, with the strengthened function of the Internal Audit Department, the Audit Committee conducts highly effective audit, whereas Corporate Executive Officers and Executive Officers are responsible for the execution of the Company's business through an accelerated decision-making process under the direct supervision of Representative Corporate Executive Officers.

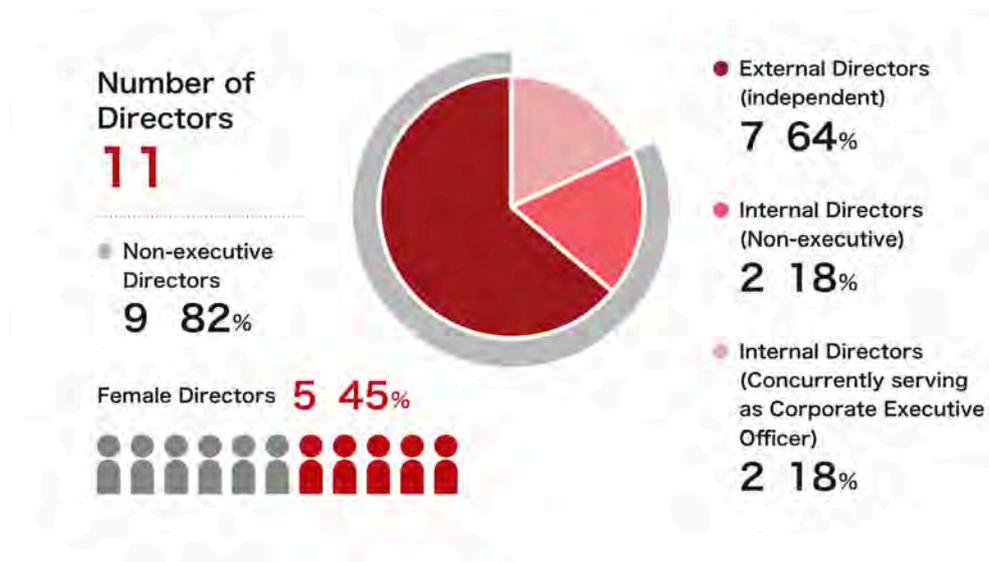
The following is the Company's corporate governance framework:



In addition to the above structure, with the recognition that promoting of the Three Lines Model contributes to strengthening corporate governance, the business department on the first line, the function department of the global headquarter and the regional headquarters on the second line and the Internal Audit Department on the third line work together while aiming to promote healthy growth strategies and enhance sustainable corporate value, and establishment and improvement of risk scenarios and risk mitigation activities are continuously carried out.

■ Directors and Corporate Executive Officers

■ Composition of the Board of Directors



Of eleven Directors, seven members (64%) are highly independent External Directors who meet the "Criteria for Independence of External Directors" of the Company. Furthermore, of the four internal Directors, two are Directors responsible for business execution and concurrently serve as Corporate Executive Officers, and two are non-executive Directors.

The total number of non-executive Directors, both internal and external, is nine (82%).

■ Composition of the Board of Directors and each committee

Title	Name	Board of Directors	Nominating Committee	Compensation Committee	Audit Committee	Remarks
Director	Masahiko Uotani	◎				
Director	Kentaro Fujiwara	○				
Director	Hiromi Anno	○			○	Full-time member of the Audit Committee
Director	Takeshi Yoshida	○			○	Full-time member of the Audit Committee
External Director	Kanoko Oishi	○	○	○		
External Director	Shinsaku Iwahara	○	◎	○		
External Director	Mariko Tokuno	○	○	○		
External Director	Yoshihiko Hatanaka	○	○	◎		

External Director	Hiroshi Ozu	○			◎	
External Director	Yasuko Gotoh	○			○	
External Director	Ritsuko Nonomiya	○			○	

Notes:

Committee members are marked with ○, and the chairperson of the Board of Directors and that of the committees are marked with ◎.

▪ Criteria for Independence of External Directors

The Company establishes its own "Criteria for Independence of External Directors" (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.

In connection with selecting candidates for External Directors, 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.

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

▪ Skills and Expertise Required of Directors

■ Oversight function

(i) Board of Directors

The Company's Board of Directors is composed of eleven Directors including seven External Directors. The Board of Directors meetings shall be held approximately once a month. It focuses on determining the basic management policy and management strategy, and overseeing the implementation thereof to reinforce the oversight function and accelerate overall business execution of the Company in a rapidly changing environment. In addition, the Board of Directors discusses and decides matters stipulated in laws and regulations, and the Company's Articles of Incorporation as well as matters provided for in the Regulations of the Board of Directors and delegate the authority to decide on other matters to Representative Corporate Executive Officers or Corporate Executive Officers.

We held the Board of Directors meetings 14 times in fiscal year 2023.

In addition to the abovementioned 14 meetings of the Board of Directors, pursuant to the provisions of Article 370 of the Companies Act and Article 26 of the Company's Articles of Incorporation, there was one deemed resolution where a resolution at a Board of Directors meeting is deemed to have been passed.

Title	Name	Attendance status (Attendance rate)
Representative Director	Masahiko Uotani	Fourteen attendances of all fourteen meetings (100%)
Representative Director	Kentaro Fujiwara	Eleven attendances of all eleven meetings (100%)
Director	Yukari Suzuki	Fourteen attendances of all fourteen meetings (100%)
Director	Norio Tadakawa	Fourteen attendances of all fourteen meetings (100%)
Director	Takayuki Yokota	Fourteen attendances of all fourteen meetings (100%)
External Director	Kanoko Oishi	Fourteen attendances of all fourteen meetings (100%)
External Director	Shinsaku Iwahara	Fourteen attendances of all fourteen meetings (100%)

External Director	Charles D. Lake II	Fourteen attendances of all fourteen meetings (100%)
External Director	Mariko Tokuno	Thirteen attendances of all fourteen meetings (93%)
External Director	Yoshihiko Hatanaka	Ten attendances of all eleven meetings (91%)

Note:

The titles in the table above are as of fiscal year 2023.

The number of board meetings attended and the attendance rate for Mr. Kentaro Fujiwara and Mr. Yoshihiko Hatanaka represent those for Board of Directors meetings held after they became Directors in March 2023.

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

- Overall direction and specific measures for business transformation
- Strategies for Future Business in Japan and China
- Corporate Governance
- Transition to a Company with Three Statutory Committees
- Material Risks Faced by the Shiseido Group
- Digital transformation
- 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 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 year 2022 Evaluation

We conducted the Fiscal year 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 year 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 cycle for evaluating the effectiveness of our Board of Directors is from after the ordinary general meeting of shareholders to before the next ordinary general meeting of shareholders. The evaluation for fiscal year 2023 is currently being conducted, and the results will be posted as soon as they are finalized.

(ii) Nominating Committee

The Nominating Committee resolves matters such as proposals regarding appointment and dismissal of directors to be submitted to general meetings of shareholders and matters regarding the succession of directors. In addition, the Nominating Committee deliberate appointment and dismissal of the representative Corporate Executive Officers and Corporate Executive Officers, areas for which Corporate Executive Officers take responsibility, appointment and dismissal of the CEO, as well as matters regarding the succession of the CEO etc. and reports results of the deliberations to the Board of Directors.

The Committee is composed of solely External Directors and its chairperson is selected from the committee members with the resolution of the Nominating Committee.

(iii) Compensation Committee

The Compensation Committee resolves policies on decisions regarding remuneration of directors and Corporate Executive Officers, designs of the remuneration policy for Corporate Executive Officers and directors, and details of remuneration to individual Corporate Executive Officers and Directors, etc.

The Committee is composed of solely External Directors and its chairperson is selected from the committee members with the resolution of the Compensation Committee.

(iv) Audit Committee

The Audit Committee conducts audit and prepares audit reports on performance of duties of Directors and Corporate Executive Officers, and makes decisions on proposals for appointment, dismissal, or non-reappointment of accounting auditors submitted to general meetings of shareholders.

The Committee is composed of the majority of External Directors and its chairperson is selected from the committee members with the resolution of the Audit Committee.

■ Business Execution function

Corporate Executive Officers are responsible for business execution based upon the delegation from the Board of Directors. The Company will expedite decision-making regarding business execution and implementation of business strategies by delegating significant authority to Corporate Executive Officers.

Title	Name
Representative Corporate Executive Officer	Masahiko Uotani
Representative Corporate Executive Officer	Kentaro Fujiwara
Corporate Executive Officer	Yoshiaki Okabe
Corporate Executive Officer	Norio Tadakawa
Corporate Executive Officer	Toshinobu Umetsu
Corporate Executive Officer	Takayuki Yokota

In addition, the Company has established committees to discuss and decide important matters related to business execution of the Company.

The major committees are as follows:

(i) Global Strategy Committee

Prior to decision-making by the CEO/COO, this committee deliberates on group policies, organizational transformations, new businesses/brand launches and other particularly important matters for the Shiseido Group.

(ii) Business Plan Meeting

This meeting discusses business strategies and plans for core brands, regions, and key corporate functions.

(iii) Global Transformation Committee

This committee chaired by CEO was established in 2024 to "reinforce oversight and monitoring functions" to deliver expected results from the business transformation. Each task force will implement actions plans to realize our dual ambitions: "driving gross profit" and "implementing extensive cost reduction measures and improving personnel productivity."

(iv) Global Risk Management & Compliance Committee

The committee aims to accurately grasp global and regional social changes and the current situation of the Group. Based on this, it identifies management risk factors, deliberates prioritized material risks and countermeasures against the risks as well as the important matters regarding ethics and compliance.

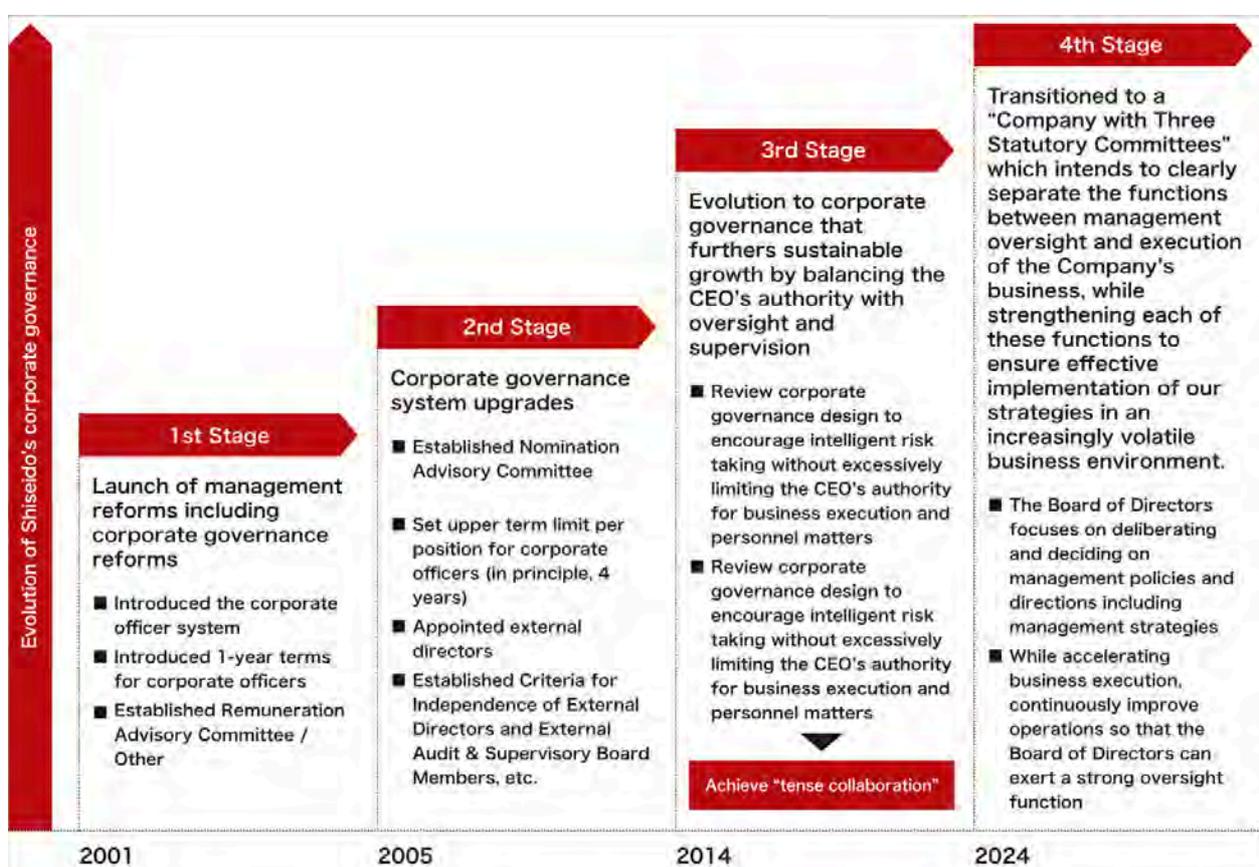
Basic Concept for Corporate Governance

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.

Continuous Focus on Strengthening Governance



The first stage initiated a corporate governance reform. Initiatives to separate the functions of management oversight 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 for corporate governance. We enhanced the quality of corporate governance by rigorously employing this framework and actively disclosing the outcomes. At the third stage, we targeted corporate governance that furthers sustainable growth, where we aimed to achieve "tense collaboration" by balancing management oversight and supervision with the broad authority vested in the CEO, which he needs in order to exercise ultimate leadership. This tense collaboration did not excessively limit or decrease the CEO's authority, but rather, given the broad authority vested in the CEO, established 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 involved regular CEO evaluations by the Nomination & Remuneration Advisory Committee.

Now, we have entered the fourth stage of our corporate governance. The Company has transitioned to a Company with Three Statutory Committees in order to ensure effective implementation of its strategies even in the increasingly volatile business environment by clearly separating the functions between management oversight and execution of the Company's business while strengthening each of these function. The oversight function of the Board of Directors will be reinforced by focusing on determining the basic management policy and management strategy while overseeing the implementation thereof in order to accelerate the overall business execution of the Company in a rapidly changing environment. Nominating Committee and Compensation Committee, each composed solely of Independent Directors are responsible for appointment of Directors and remuneration of Directors and Corporate Executive Officers with fairness, transparency, and objectivity for successful implementation of our business strategy. Furthermore, with the strengthened function of the Internal Audit Department, the Audit Committee conducts highly effective audit, whereas Corporate Executive Officers and Executive Officers are responsible for the execution of the Company's business through an accelerated decision-making process under the direct supervision of Representative Corporate Executive Officers.

Diversity of Directors

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 oversight of the execution of business. When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, race, 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 in order to reflect their independent views to the management of the Company, and allows a handover period from long-serving External Directors to newly appointed ones to ensure appropriate transition.

Ratio of External Directors

The Company's Articles of Incorporation set the maximum number of directors at 14. The optimum number of directors for appropriate management oversight is determined based on this upper limit and such factors as the Company's business portfolio and scale.

In addition, the Company has established a target, from the perspective of ensuring of effectiveness of the oversight function, that the majority of its Directors should be External Directors, in principle.

In selecting External Directors, 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" as well as possess highly independent thinking.

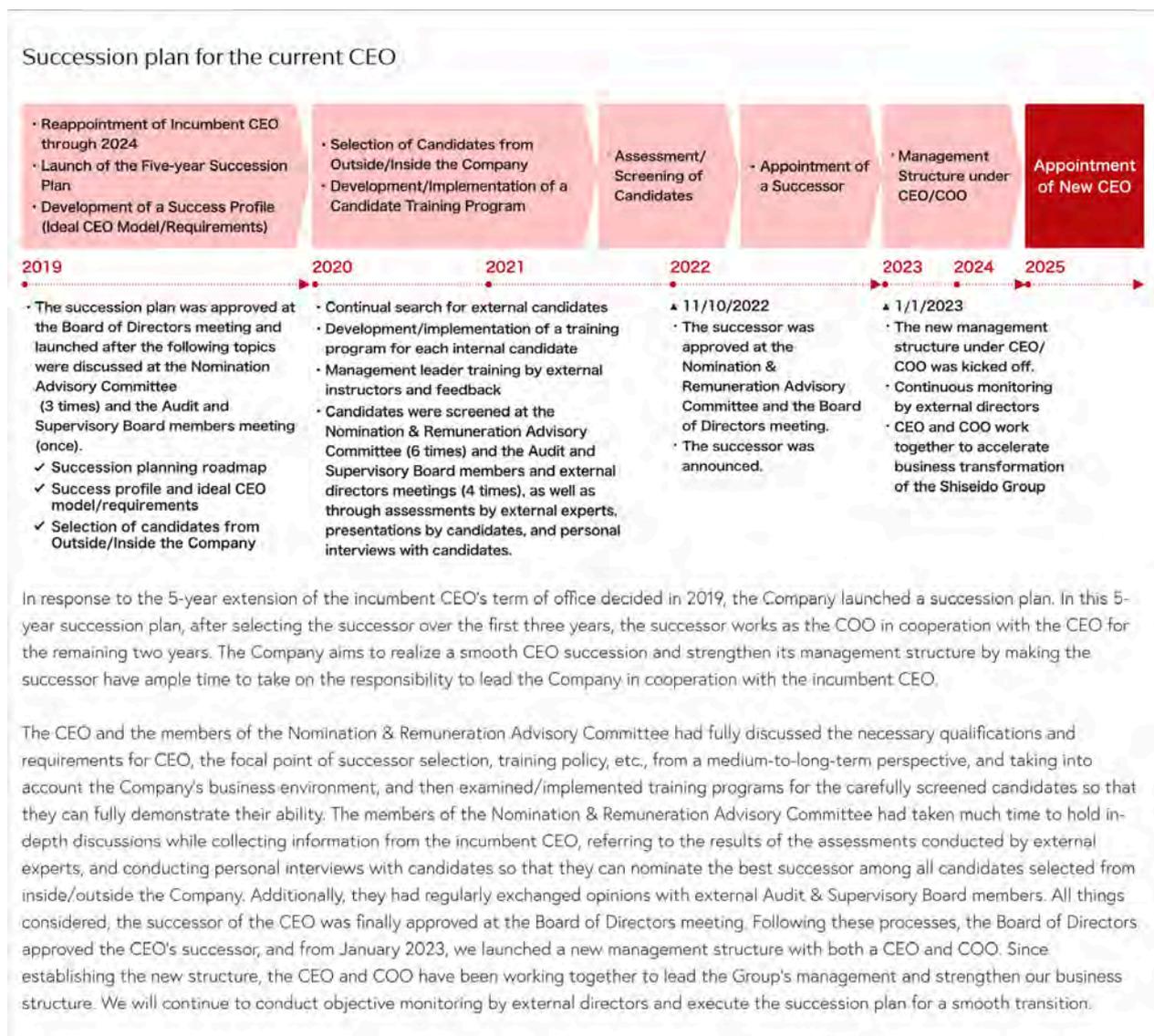
Succession Plan for CEO

The selection of succession candidates for the CEO and the development of the succession plan are carried out by the Nominating Committee with the cooperation of the incumbent CEO.

The CEO and the Nominating Committee formulate the succession plan based on the Company's business environment from a medium-to-long-term perspective upon sufficient discussions on various viewpoints such as the qualifications for a CEO, policies for the selection of a successor, and his or her training policies. The progress of the formulated succession plan is regularly reported to the Nominating Committee, which monitors its status of implementation.

Regarding selection of specific candidates for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Furthermore, when actually selecting the CEO's successor, the Nominating Committee

deliberates fully on matters such as the final candidate and their selection process and reporting the result of the deliberations to the Board of Directors, prior to the resolution of the Board of Directors.



Succession and Training for Directors, Corporate Executive Officers, and Executive Officers

The Company believes that it is important to have succession plans not only for the CEO but also for External Directors, who play key roles in overseeing business execution. 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 Nominating Committee.

The Company also believes that in addition to appointing personnel having credentials required to serve as Directors, Corporate Executive Officers, or Executive Officers, it is important to provide them with necessary training and information. Therefore, the Company provides new Directors with training regarding legal and statutory authorities and obligations, etc. In addition, when a new External Director 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, Corporate Executive Officer candidates and 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 : April 11, 2024

Section 1

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

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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• The Company has set up a committee to oversee compliance and risk management and coordinate with organizations established to perform 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 improving corporate quality by increasing the Group's legitimate and fair corporate activities and managing risk. Major management risks and incidents shall be reported to the Board of Directors through the Representative Corporate Executive Officers, along with the proposal for response to them and its progress.

• The Company deploys a person in charge of promoting legitimate and fair corporate activities of the whole Group and risk management at every Group company and business site, plans and promotes regular training and educational activities on corporate ethics, 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 every Group company and business site.

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

Supplementary Principle 2.3.1	The board should recognize that dealing with sustainability issues, such as taking care of climate change and other global environmental issues, respect of human rights, fair and appropriate treatment of the workforce including caring for their health and working environment, fair and reasonable transactions with suppliers, and crisis management for natural disasters, are important management issues that can lead to earning opportunities as well as risk mitigation, and should further consider addressing these matters positively and proactively in terms of increasing corporate value over the mid-to long-term.
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- We 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.

- At Shiseido, we work to promote sustainability across the entire company, including our brands and regional businesses. Sustainability Committee meetings are held regularly to ensure timely management decisions related to sustainability efforts and their proper implementation across the Group. The committee decides on Group-wide sustainability strategies, policies, and discusses specific topics such as disclosure contents of TCFD/TNFD and actions for human rights, as well as monitors the progress of medium-to-long-term goals. The committee consists of the corporate executive officers and executive officers in charge of 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 case of requiring decisions on important matters in the execution of business, it is proposed or reported to the Global Strategy Committee or the Board of Directors. In order to ensure executing and promoting sustainability actions, a Sustainability TASKFORCE has been set up under the Sustainability Committee, consisting of the heads of key relevant departments. At the TASKFOECE, practical approaches to achieve our long-term targets are discussed with relevant departments, regional headquarters, and local subsidiaries as necessary.

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, Equity and Inclusion (DE&I) 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 2024, approximately 2% of managers at Shiseido Group in Japan were foreign nationals, and approximately 33%—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>). In addition, rules should be established to secure the confidentiality of the information provider and prohibit any disadvantageous treatment.
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- To detect and remedy any type of conduct within the Group that violates laws, the Articles of Incorporation, and internal regulations, the Company shall set up a hotline for whistle-blowers in every Group company. Additionally, employees will have access to a hotline where employees can directly report to the officer in charge of risk management. In the Japan region, the Company shall establish hotlines staffed by both internal and external personnel and counselors.

- The Company has established a method through which corporate executive officers and employees, including those of all Group companies, can directly inform Audit Committee members (including the external Audit Committee 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 corporate executive officers and employees are not dismissed, discharged from service or receive any other disadvantageous treatment due to reporting to hotlines or Audit Committee 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

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	<p>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:</p> <ul style="list-style-type: none"> 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	<p>Bearing in mind the number of foreign shareholders, companies should, to the extent reasonable, take steps for providing English language disclosures.</p> <p>In particular, companies listed on the Prime Market should disclose and provide necessary information in their disclosure documents in English.</p>
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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.

- Starting from this fiscal year, the Company is also disclosing and providing the annual securities report in English.

Supplementary Principle 3.1.3	<p>Companies should appropriately disclose their initiatives on sustainability when disclosing their management strategies. They should also provide information on investments in human capital and intellectual properties in an understandable and specific manner, while being conscious of the consistency with their own management strategies and issues.</p> <p>In particular, companies listed on the Prime Market should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework.</p>
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- The Company summarizes and discloses its initiatives on sustainability in the sustainability report, published annually on its corporate website.
- Based on our commitment to "PEOPLE FIRST," Shiseido actively invests in human resource development, believing that human resources are the most important asset and that "strong individuals create a strong Company." To create strong individuals, we focus on strategic talent management, performance management, and autonomous career development support, founded on a job grade system. In 2020, Shiseido formulated the TRUST 8 Competencies, which describe a Company-wide image of human resources, with the aim of effectively implementing global human resource management. The TRUST 8 Competencies serve as the basis of our globally standardized selection/evaluation and human resource development programs, allowing each employee with ranging expertise to grow in work areas where they can maximize their respective strengths. Shiseido encourages employees' self-driven efforts to grow and provides support for individualized autonomous career development.
- Regarding investments in human capital, in November 2023, the Company has established "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. 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.
- 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 2023, our R&D expenditure included in selling, general and administrative expenses came to 27.6 billion yen (or 2.8% of net sales). In addition to basic research that generates medium-to-long-term "seeds," the Company is increasing investment in R&D in new domains such as beauty devices and inner beauty.

- We recognize that intellectual property is an important corporate asset and strive for its strict protection and appropriate management. We aim to maximize its value by linking it to our strategies at various levels—corporate, business, and technology—and effectively utilizing it. In addition to proprietary use, the Company also promotes the use of its intellectual properties in a variety of ways, such as licensing or utilization aimed at resolving social issues.

- The Company has commenced disclosure based on the TCFD recommendations from 2020. Our initiatives are disclosed in the following report.

Principle 3.2	External auditors and companies should recognize the responsibility that external auditors owe toward shareholders and investors, and take appropriate steps to secure the proper execution of audits.
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- 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, Corporate Executive Officer, Chief Financial Officer and heads of departments relevant to financial accounting and audits conduct an evaluation, and then Audit Committee members need to unanimously approve through deliberations based on the evaluation results at the Audit Committee meeting.

- The Company's Policy on determination of dismissal or non-reappointment of the accounting auditor is as follows. The Audit Committee shall dismiss the accounting auditor pursuant to the provisions of Article 340 of the Companies Act, in the event the Company determines that the accounting auditor is seriously hindered as an accounting auditor, for example, if the accounting auditor breaches its official duty, neglects their official duty, or commits misconduct. Also, in the event that the accounting auditor deems it difficult to perform their duties properly, or in the event that the Audit Committee deems it appropriate to change accounting auditors in order to improve the audit, the Audit Committee shall decide the content of the proposal on the dismissal or non-reappointment of the accounting auditor, taking into account the opinion of the executive body, and submit the proposal at the General Meeting of Shareholders based on the decision.

- In order to adopt the resolution for the reappointment of the accounting auditor, the Audit Committee 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 Committee members and other personnel. In addition, prior to adopting the resolution for reappointment, the Audit Committee 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 Corporate Executive Officer and Chief Financial Officer at the Audit Committee.

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 Corporate Executive Officers and Audit Committee members hold opinion exchange meetings as needed, and the external directors and Audit Committee members also hold information sharing meetings as needed. In addition, the accounting auditor and Audit Committee members hold opinion exchange meetings as needed. The accounting auditor and the full-time Audit Committee 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 Committee 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 Committee 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.

- Audit Committee members receive quarterly reports from the accounting auditor on the status of accounting audits, and they share information and exchange views with the accounting auditor on major key audit matters (KAM) that have a significant impact on areas of the financial statements due to important decisions made by Company management. In addition, a three-way audit liaison meeting, including the Internal Audit Department, is held every quarter to exchange opinions on the status of each audit.

Section 4

Section 4: Responsibilities of the Board	
General Principle 4	<p>Given its fiduciary responsibility and accountability to shareholders, in order to promote sustainable corporate growth and the increase of corporate value over the mid-to long-term and enhance earnings power and capital efficiency, the board should appropriately fulfill its roles and responsibilities, including:</p> <p>(1) Setting the broad direction of corporate strategy;</p> <p>(2) Establishing an environment where appropriate risk-taking by the senior management is supported; and</p> <p>(3) Carrying out effective oversight of directors and the management (including <i>shikkoyaku</i> and so-called <i>shikkoyakuin</i>) from an independent and objective standpoint.</p> <p>Such roles and responsibilities should be equally and appropriately fulfilled regardless of the form of corporate organization—i.e., Company with <i>Kansayaku</i> Board (where a part of these roles and responsibilities are performed by <i>kansayaku</i> and the <i>kansayaku</i> board), Company with Three Committees (Nomination, Audit and Remuneration) or Company with Supervisory Committee.</p>

• See below

Principle 4.1	The board should view the establishment of corporate goals (business principles, etc.) and the setting of strategic direction as one major aspect of its roles and responsibilities. It should engage in constructive discussion with respect to specific business strategies and business plans, and ensure that major operational decisions are based on the company's strategic direction.
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• In our quest to become the most trusted beauty company in the world and remain vital for the next 100 years and beyond, THE SHISEIDO PHILOSOPHY is our guiding light. For each and every member of the global Shiseido family, THE SHISEIDO PHILOSOPHY is at the heart of everything we do as we strive to be a global winner with our heritage.

• Based on THE SHISEIDO PHILOSOPHY and in response to unprecedented changes in external market conditions, Shiseido's Board of Directors have established "SHIFT 2025 and Beyond," a medium-term strategy centered on the three years from 2023 to 2025.

• Under this strategy, we are stepping up investments in three key areas — brands, innovations, and people — to foster medium-to-long-term growth. However, in response to a rapidly changing environment, we are required to further strengthen our medium-to-long-term management strategy and we have updated the medium-term strategy. Regarding the core operating profit margin, in response to changes in the market environment, while maintaining our strategy, we will implement structural reforms and have reset our targets to 6% in 2024 and 9% in 2025. Looking ahead to 2030, we will focus on securing profitability appropriate to a global company to achieve a core operating profit margin of 15% by 2028 or 2029.

In addition, implementing management with an awareness of capital costs, we aim to achieve the following financial targets.

<ROIC> 9% in FY2025 <ROE> 11% in FY2025

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 of the Board of Directors.

• 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 2024, in order to ensure effective implementation of its strategies even in an increasingly volatile business environment the Company transitioned to a company with three statutory committees. This transition allows the Board of Board of Directors to focus on determining basic management policies and management strategies while overseeing the execution thereof, whereas authority to determine particulars of business executions is significantly delegated to the corporate executive officers to increase their operational flexibility. Specifically, the Board of Directors only makes decisions on limited matters such as M&A, structural reforms and financing that exceed a certain threshold in addition to the matters that require a board resolution by laws and regulations, and the Company's Articles of Incorporation. Other decision-making authority is, in principle, delegated to the corporate executive officers.

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 selection of succession candidates for the CEO and the development of the succession plan are carried out by the Nominating Committee with the cooperation of the incumbent CEO.

- The CEO and the Nominating Committee formulate the succession plan based on the Company's business environment from a medium-to-long-term perspective upon sufficient discussions on various viewpoints such as the qualifications for a CEO, policies for the selection of a successor, and his or her training policies. The progress of the formulated succession plan is regularly reported to the Nominating Committee, which monitors its status of implementation. Regarding selection of specific candidates for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates and evaluate them from an independent perspective as well as the Company's management issues. Furthermore, when actually selecting the CEO's successor, the Nominating Committee deliberates fully on matters such as the final candidate and their selection process and report the result of the deliberations to the Board of Directors. The final decision of selection is made by resolution of Board of Directors.

- In response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company launched a succession plan. 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. Following these processes, the Board of Directors approved the CEO's successor, and from January 2023, we launched a new management structure with both a CEO and COO. Since establishing the new structure, the CEO and COO have been working together to lead the Group's management and strengthen our business structure. We will continue to conduct objective monitoring by external directors and execute the succession plan for a smooth transition.

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 and corporate executive officers as an important matter for corporate governance. For this reason, in accordance with the basic philosophy, the remuneration policy is deliberated and decided by the Compensation Committee composed solely of independent external directors implementing objective point of view.

- The remuneration of the directors and corporate executive officers of the Company comprises basic remuneration as fixed remuneration as well as an annual incentive 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 remuneration of individual directors and corporate executive officers are determined after deliberations by the Compensation Committee. Remuneration for directors is not paid to directors who concurrently assume the position of corporate executive officers.

- 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).

- Independent external directors and non-executive directors receive only basic remuneration, as fluctuating remuneration such as performance-linked remuneration is inconsistent with their oversight functions from a stance independent from business execution. Furthermore, the Company does not have an officers' retirement benefit plan.

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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- Proposals regarding appointment and dismissal of directors to be submitted to general meetings of shareholders are decided by the resolution of the Nominating Committee which is composed solely of independent external directors.

- The matters such as appointment and dismissal of the representative corporate executive officers and corporate executive officers, areas for which corporate executive officers take responsibility, appointment and dismissal of the CEO, as well as matters regarding the succession of the CEO etc. are determined by the Board of Directors after deliberation by the Nominating Committee.

- 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 Nominating Committee. 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 Nominating Committee. Whether the CEO is fulfilling his or her duties and responsibilities is reviewed and confirmed by the Nominating Committee.

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 selection of succession candidates for the CEO and the development of the succession plan are carried out by the Nominating Committee with the cooperation of the incumbent CEO.

- The CEO and the Nominating Committee formulate the succession plan based on the Company's business environment from a medium-to-long-term perspective upon sufficient discussions on various viewpoints such as the qualifications for a CEO, policies for the selection of a successor, and his or her training policies. The progress of the formulated succession plan is regularly reported to the Nominating Committee, which monitors its status of implementation. Regarding selection of specific candidates for the CEO, the Nominating Committee receives full reports from the CEO on the specific nomination for successor from various perspectives. The Nominating Committee members themselves meet and exchange opinions with candidates, evaluate them from an independent perspective as well as the Company's management issues. Furthermore, when actually selecting the CEO's successor, the Nominating Committee deliberates fully on matters such as the final candidate and their selection process and report the result of the deliberations to the Board of Directors. The final decision of selection is made by resolution of the Board of Directors.

- In response to the 5-year extension of the incumbent CEO's term of office decided in 2019, the Company launched a succession plan. 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. Following these processes, the Board of Directors approved the CEO's successor, and from January 2023, we launched a new management structure with both a CEO and COO. Since establishing the new structure, the CEO and COO have been working together to lead the Group's management and strengthen our business structure. We will continue to conduct objective monitoring by external directors and execute the succession plan for a smooth transition.

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 Nominating Committee.

- Whether the CEO is fulfilling his or her duties and responsibilities is reviewed and confirmed by the Nominating Committee.

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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- The Company has set up a committee to oversee compliance and risk management and coordinate with organizations established to perform 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 improving corporate quality by increasing the Group's legitimate and fair corporate activities and managing risk. Major management risks and incidents shall be reported to the Board of Directors through the Representative Corporate Executive Officers, along with the proposal for response to them and its progress.

- 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 include audits of the Company's risk management system and its operational status. The results of the audits are reported periodically to the Audit Committee, as well as monthly to the Representative Corporate Executive Officer, Chairman and CEO, Corporate Executive Officer and CFO, and periodically to the Board of Directors.

Principle 4.4	<p><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.</p> <p>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.</p>
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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 Committee plays a role in the oversight function that the Board of Directors should fulfill, and conducts audits to contribute to Shiseido Group's "sound and sustainable growth" and "enhancement of long-term corporate value" by fulfilling its responsibility to establishing a "high-quality corporate governance system that can earn the trust of various stakeholders." The status of audit activities is as follows.

1. Attendance at Board of Directors meetings and other important meetings and committees

- Audit Committee members provide necessary advice, recommendations, and opinions from an independent perspective based on their extensive experience and knowledge in their respective fields, and they review the execution of duties by the corporate executive officers.
- Global Strategy Committee, Global Risk Management & Compliance Committee and Business Plan Meeting, etc.

2. Meetings with Representative Corporate Executive Officers

Exchange opinions on important management issues and share issues based on annual audit activities twice a year.

3. Interviews and on-site inspections with Executive Officers, department heads, and office managers, among others

Exchange opinions on the management and business environment

4. Confirm status of internal audit

Audit Committee meetings, etc.

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, consumers, 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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• We held repeated discussions with regard to an ideal corporate governance structure, including the composition and operation of the Board of Directors. As a result, to ensure sufficient and effective oversight functions of Board of Directors over the Shiseido Group overall, the Company transitioned a company statutory committee by resolution of general meeting of shareholders,

• Under this corporate governance structure, the majority of the Board of Directors is composed of independent external directors. The Board focuses on determining basic management policies and management strategies while overseeing their execution. This reinforces the oversight function the Board and accelerate the overall business execution of the Company in a rapidly changing environment. Also, the Nominating Committee and the Compensation Committee are composed solely of independent external directors. They make fair, transparent, and objective decisions on appointment of directors and remuneration of directors and corporate executive officers that contribute to the successful implementation of our business strategies. Furthermore, the function of the internal audit department is strengthened. The Audit Committee, composed of independent external directors and full-time members who are non-executive directors conducts effective audits through the internal audit department.

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, independent 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 ratio of its independent external directors from the perspective of ensuring the effectiveness of oversight function that, in principle, the majority of the Board of Directors shall be composed of independent external directors.

• In selecting independent external directors, 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" 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 Company provides independent external directors with opportunities where only independent external directors discuss and share understanding on topics that require objectivity and transparency. In addition, we strive to share company information among independent external directors by allowing them to optionally attend audit result reporting meetings from accounting auditors, in addition to the audit committee members.

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 Nominating Committee and the Compensation Committees, which play important roles in corporate governance, are chaired by independent external directors. The Committees discuss various matters such as selections of candidates for directors and remuneration for directors and corporate executive officers. These discussions are led by the chair, who is an independent external director. Moreover, chairs of each of committees, as the leading external directors, play roles in liaising and coordinating with the management team, connecting with the Audit Committee and members of Audit Committee, and facilitating cooperation between committees, including setting up informal discussion opportunities to ensure smooth collaboration.

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," taking into account laws and regulations and listing rules, etc. including those of foreign countries for the purpose of making objective assessment on the independence of the external directors.

- In connection with selecting candidates for the independent external directors, 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 majority of the Board of Directors is composed of independent external directors.

- The Company transitioned to a company with three statutory committees in 2024. The Nominating Committee and the Compensation Committee are composed solely of independent external directors. They make fair, transparent, and objective decisions on appointment of directors and remuneration of directors and corporate executive officers that contribute to the successful implementation of our business strategies. Furthermore, the function of the internal audit department is strengthened. The Audit Committee, composed of independent external directors and full-time members who are non-executive directors conducts effective audits through the internal audit department.

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

Supplementary Principle 4.11.1	The board should identify the skills, etc. that it should have in light of its managing strategies, and have a view on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size. Consistent with its view, the board should establish policies and procedures for nominating directors and disclose them along with the combination of skills, etc. that each director possesses in an appropriate form according to the business environment and business characteristics, etc., such as what is known as a "skills matrix." When doing so, independent director(s) with management experience in other companies should be included.
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• The Company believes that its Board of Directors should be composed of directors with various viewpoints and backgrounds as well as diverse and sophisticated skills, required for effective oversight of the execution of business and important decision making. When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, race, personality, and insights and experiences in various fields related to management.

- The Company discloses the skills and expertise required of its directors in the form of a matrix:

• The Company has set a certain maximum term of office for independent external directors in order to reflect their independent views to our management, and allows a handover period from long-serving external directors to newly appointed ones to ensure appropriate transition. Moreover, we ensure fruitful discussions at the meetings of the Board of Directors as corporate executive officers and 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 independent external directors 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 of directors are selected upon confirmation that their multiple concurrent positions, if any, will not impede their performance of duties assumed in 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 are conducted every year to evaluate and analyze the activities of the Board of Directors, the Nominating Committee, the Compensation Committee and the Audit Committee, 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 corporate executive officers contact the directors of the Company by email or other means whenever necessary to provide follow-up information after Board meetings or important and emergency information.
- The next year's schedule for Board meetings is decided in advance upon coordination with directors and related internal divisions. The plan for the next year's deliberations is reported in advance.
- Following the transition to a company with three statutory committees in 2024 and considering the results of the effectiveness evaluation of the Board of Directors, we are reviewing the annual number of Board meetings as well as the matters to be deliberated and decided by the Board. This ensures that sufficient time is allocated for deliberation on important matters such as medium-to-long-term strategy and sustainability 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 independent external directors in advance, and a system has been established to enable timely exchange of questions and items to be confirmed via email, etc.
- In addition to the attendance of the Board of Directors, the full-time members of Audit Committee are secured with opportunities to attend important meetings related to business execution, such as Global Strategy Committee and Business Plan Meeting as well as Global Risk Management & Compliance Committee as observers, and reports and information are provided to the Audit Committee members through these meetings. Moreover, when requested by the Audit Committee members, materials and information on these meetings are provided.
- A separate and direct email route to the Audit Committee, which allows the Audit Committee 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 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 Compensation Committee, which is composed only of independent external directors, invites experts from outside the Company to provide advice on the design of executive remuneration and other matters. In addition, we have been inviting external experts to exchange opinions and information with independent external directors 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 Rules"), the Company evaluated the status of design and operation of internal controls in the Shiseido Group, from the perspectives of operational effectiveness and efficiency, reliability of reporting, and compliance with applicable laws, regulations, and internal regulations, as well as safeguarding company 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 periodically to the Audit Committee, as well as monthly to the Representative Corporate Executive Officer, Chairman and CEO, Corporate Executive Officer and CFO, and periodically to the Board of Directors.

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 with training regarding legal and statutory authorities and obligations, etc. In addition, when a new independent external director come on board, the Company provides training regarding the industry it operates in, its history, business overview, strategy and material risks, etc.

- Furthermore, to promote understanding of the Company among independent external directors, 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, corporate executive officers or executive officers, it is important to provide them with necessary training and information.

- The Company provides new directors with training regarding legal and statutory authorities and obligations, etc. In addition, the Company provides new independent 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

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.

Supplementary Principle 5.1.2	<p>At minimum, policies for promoting constructive dialogue with shareholders should include the following:</p> <ul style="list-style-type: none"> i) Appointing a member of the management or a director who is responsible for overseeing and ensuring that constructive dialogue takes place, including the matters stated in items ii) to v) below; ii) Measures to ensure positive cooperation between internal departments such as investor relations, corporate planning, general affairs, corporate finance, accounting and legal affairs with the aim of supporting dialogue; iii) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities); iv) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the board; and v) Measures to control insider information when engaging in dialogue.
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- The Company has established and disclosed the "Basic Policy on Information Disclosure and Dialogue with Shareholders and Investors", which establishes our basic policy on information disclosure, standards, method, and system for information disclosure, as well as outlines our initiatives for a constructive dialogue with shareholders and investors and management of insider information.

In addition, according to the Tokyo Stock Exchange's request for disclosure of "Status of Dialogue with Shareholders, etc.," the Company has also included specific information on the status of dialogue between management and shareholders in the most recent fiscal year as "Dialogues with shareholders and investors" including an outline of the recipients of dialogue and themes, number of meetings, and the main persons and departments in the Company that responded.

- The Company has also provided related links from the company information website at the URL above, as well as related pages on the company information website for the various briefings we hold for investors and shareholders. And the company has provided information on the content of these briefings as needed, including videos.

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

- According to the Tokyo Stock Exchange's request for disclosure of "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," the Company discloses on the company information website the results of ROIC and ROE for the most recent fiscal year 2022 and the target values for 2025 to improve capital efficiency in its medium-term management plan.

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 and Corporate Executive Officers

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

The Company regards the remuneration policy for Directors and Corporate Executive Officers as an important matter for corporate governance. For this reason, in accordance with the following basic philosophy, the Directors and Corporate Executive Officers remuneration policy of the Company is deliberated and decided in the Compensation Committee chaired by an External Director to incorporate objective points of view.

Basic philosophy and policy of the remuneration to Directors and Corporate Executive Officers

The remuneration policy to Directors and Corporate 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 Corporate Executive Officers Remuneration Policy

Based on the above basic philosophy, the Compensation Committee has resolved its policy on decisions regarding remuneration of individual Directors and Corporate Executive Officers.

The Company's Directors and Corporate Executive Officers remuneration policy, including an outline of the contents of the policy on decisions regarding remuneration of individual Directors and Corporate Executive Officers, is described below in detail.

■ Overall picture

The remuneration of Corporate Executive Officers (including those who concurrently assume the position of Directors) 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. The remuneration of individual Directors and Corporate Executive Officers are determined after deliberations by the Compensation Committee.

In addition, External Directors who are independent from business execution and Directors who are the members of the Audit Committee receive only basic remuneration, as variable remuneration such as performance-linked remuneration is not appropriate.

〔The proportion of each remuneration element for Corporate Executive Officers〕

The proportion of remuneration of Corporate Executive Officers is set by Grade set according to the responsibilities of each Corporate Executive Officers, and the higher the Grade becomes, the higher the proportion of performance-linked remuneration becomes.

Title of Corporate Executive Officers	Composition of Remuneration for Directors and Executive Officers			Total
	Basic Remuneration	Performance-linked Remuneration		
		Annual Incentive	Long-Term Incentive-Type Remuneration	
Chairman and CEO	33.3%	33.3%	33.3%	100%
Corporate Executive Officers excluding Chairman and CEO	36%~48%	26%~32%	26%~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 Corporate Executive Officers pegged to having a representation right.
3. Because different remuneration tables will be applied depending on the Grade of Corporate Executive Officers, proportions of each individual remuneration element will vary even within a same title.

■ Basic remuneration

The Company designs basic remuneration in accordance with Grades based on the size and level of responsibility of Corporate 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 Corporate Executive Officer's performance for the previous fiscal year (numerical business performance and personal performance evaluation). This ensures the Company to reward Corporate Executive Officers for their individual outstanding achievement.

Basic remuneration for each Corporate Executive Officer is determined by the Compensation Committee, and is paid in equal installments every month.

■ 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 Corporate 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 performance indicators for the annual incentive in accordance with the scope that Corporate 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 Corporate 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 Compensation 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 Compensation 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 Compensation Committee. In cases where such adjustments are made, it shall be stated in the disclosure materials of the actual remuneration of Corporate Executive Officers. In addition, we set the personal performance evaluation of Corporate 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 and transformations to realize sustainable growth, to evaluation criteria.

Annual incentive is paid once a year.

[Performance indicators and evaluation weights for annual incentive for Corporate Executive Officers]

Evaluation Item	Performance Indicators	Evaluation Weight								
		CEO, COO and Executive Vice President	Corporate Executive Officers In Charge of Businesses				Corporate 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%	10%	20%	40%			
	Profit attributable to owners of parent	If this amount ends up below the threshold, the Compensation 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 Corporate Executive Officers based on whether a Corporate Executive Officers has a representation right or otherwise.

[Model of annual incentive payment rate]



■ Long-term incentive-type remuneration

From fiscal year 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, 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). 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.

Regarding evaluation indicators for the long-term incentive-type remuneration in fiscal year 2024, as an indicator for economic value of corporate value, the Company has set the compound average growth rate (CAGR) of consolidated net sales from fiscal year 2023 to fiscal year 2026 and the consolidated core operating profit margin for fiscal year 2026. Furthermore, the Company has adopted the multiple internal and external indicators pertaining to the environment, society and corporate governance (ESG) as benchmarks on creation of social value to ensure the structure to support the increase of the corporate value in terms of both economic value and social value. The Company also has added consolidated ROE which is an important indicator in measuring corporate value to the evaluation indicators in order to share a sense of profit with shareholders.

The requirement for the payment of the long-term incentive-type remuneration is that the eligible parties have been in the position of either Director or Corporate Executive Officer during the predetermined period.

The Company has introduced the malus and clawback provisions for performance share units. Specifically, in certain conditions, such as in case of serious misconduct of the eligible parties, the Compensation Committee is entitled to make the decision to reduce the number of the share units or receive a refund.

The long-term incentive-type remuneration is also paid to principal executive persons in and outside Japan to realize a "Global One Team" by fostering a sense of solidarity among global management teams and instilling the consciousness of participating in the running of the Company.

[LTI schedule]

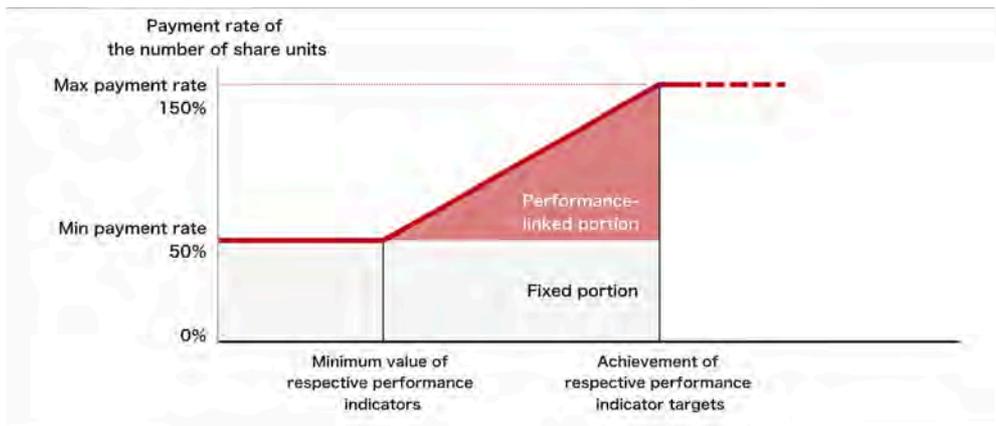


[Performance indicators and evaluation weights for performance-linked portion of the LTI]

Evaluation Item	Performance Indicators	Evaluation Weight
Economic Value	Consolidated core operating profit margin in the final fiscal year of the evaluation period	50%
	Compound average growth rate (CAGR) of consolidated net sales	30%
Social Value	Environment: Status of the achievement of the CO ₂ emissions reduction target	100%
	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: Evaluation scores by ESG rating agencies designated by the Company	
Economic Value	Consolidated ROE	If this ends up below the threshold, the Compensation Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.

*The evaluation in 2024 is based on the MSCI ESG Rating.

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



■ Amount of Remuneration, etc. to Directors and Audit & Supervisory Board Members for the Fiscal Year Ended December 31, 2023

Position and number of Directors and Audit & Supervisory Board members	Basic Remuneration				Total [(a)+(b)]
	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Share Compensation) (b)	
Directors (10 persons)	428	133	562	142	705
Of which, External Directors (5 persons)	70	—	70	—	70
Audit & Supervisory Board Members (6 persons, including 1 person who retired in March 2023)	104	—	104	—	104
Of which, External Audit & Supervisory Board Members (3 persons)	39	—	39	—	39
Total	533	133	667	142	809

*Total remuneration in cash that has been confirmed by March 2024.

Notes:

- 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 123rd ordinary general meeting of shareholders (March 24, 2023) that, separate from the monetary remuneration, up to 136,000 shares would be provided as performance-linked stock compensation (performance share units) (of which, with a maximum of 68,000 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 ten (five 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.
- The annual incentive of Directors for fiscal year 2023 indicated above represent the amounts that were determined by 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 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, 2023, 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 ¥22 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).
- In addition, an adjustment of ¥1 million was recorded to the expenses recognized for the fiscal year ended December 31, 2022, on the performance-linked stock compensation (performance share units) delivered to one Director of the Company, at the time the Director served as an executive officer or an employee not holding the office of a Director.
- 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, 2023

	(Millions of yen)				
	Basic Remuneration	Annual Incentive	Total of the left* (a)	Long-Term Incentive (Stock Compensation) (b)	Total [(a)+(b)]
Masahiko Uotani, Chairman and CEO	169	72	241	60	301
Kentaro Fujiwara, President and COO	51	27	79	47	127

*Total remuneration in cash that has been confirmed by March 2024.

Notes:

- The annual incentive of Directors for fiscal year 2023 indicated above represent the amounts that were determined by 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, 2023.
- 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, 2023, 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 ¥21 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%	1,000.0	973.0	97.3%	58%
Core Operating Profit		60.0	39.8	66.4%	0%
Profit Attributable to Owners of Parent	—	(Note 4.)	21.7	—	Not subject to lowering of the payment amount percentage by thresholds
Performance of Business in Charge	0%-200%	(Note 1.)			
Personal Performance Evaluation		(Note 2.)	—	—	(Note 2.) 43.3% (Average)
Total payment rate					(Note 3.) 43.6%

Notes :

- 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.
- The total payment rate is the ratio of the actual amount paid to the target amount of annual incentive for Directors.
- 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 year 2020 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%	1.2%	0.0%	0.0%	
	Compound average growth rate (CAGR) of consolidated operating profit		45.0%	Compound average growth rate (CAGR) from 2017: 15.8%	13.6%	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	38%	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	98%iles	100.0%	5.0%
	Fixed portion		—	—	—	—	50.0%	
Consolidated ROE		thresholds	—	Threshold target: Average of 5.0% or more in the past 10 years	7.5%	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 year 2020 is from January 1, 2020 to December 31, 2022.
2. As for performance evaluation 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.
5. Of the performance evaluation indicators, the actual performance ratio of the ESG indicator is calculated by rounding off to the nearest whole number.

Audit Structure

Status of Internal Audit

1. Internal Audit Objectives and Policies

The control environment is premised on our corporate philosophy (THE SHISEIDO PHILOSOPHY). On this basis, the Group's internal audits aim to contribute to sustainable growth and the enhancement of corporate value through the promotion of appropriate control and improvement activities. Conducted in accordance with "The Internal Audit Rules" established by the Internal Audit Department, these audits comprehensively examine the state of our Group's internal controls from the perspectives of operational effectiveness and efficiency, reliability of financial reporting, compliance with relevant laws and internal regulations, and asset preservation. Additionally, the department assesses the validity and effectiveness of risk management and provides advice and recommendations for improvements.

In order to achieve the above objectives, Representative Corporate Executive Officer, Chairman and CEO will provide the necessary resources to enable the department to conduct high-quality internal audits, and through the use of the internal audit function, we will further evolve into an organization with high ethics and integrity, aiming to become a company trusted by all stakeholders.

2. Organization and Personnel Structure

During fiscal year 2023, the Internal Audit Department reported directly to Representative Director, Chairman and CEO and ensured multiple reporting lines, including monthly reports to Representative Director, Chairman and CEO, CFO, and Audit & Supervisory Board members, and periodically to the Board of Directors and the Audit & Supervisory Board. With regard to internal control over financial reporting, in accordance with the internal control reporting system based on the Financial Instruments and Exchange Law, the Internal Audit Department, as an independent division, compiled and reviewed the group-wide assessment of internal control and then conducts a final assessment. The status of audit implementation and evaluation results were reported in the same manner as above.

After the General Meeting of Shareholders in March 2024, the organization will be under the direct control of the Audit Committee to ensure greater independence and objectivity and will report periodically to the Audit Committee on the status of the audit and its results, as well as monthly to the Representative Corporate Executive Officer, Chairman and CEO, CFO, and periodically to the Board of Directors, etc., to ensure multiple reporting lines. In the event of conflicting instructions or decisions between the Representative Corporate Executive Officer and the Audit Committee, the opinion of the Audit Committee shall prevail.

As of December 31, 2023, we have 19 members of the Internal Audit Department at the Head Office and six members of the Internal Audit Department at offices belonging to the Head Office in Europe, the Americas, Asia, and China (mainly locally hired). Approximately half of our employees hold professional certifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), or Certified Public Accountant in Japan and the U.S., and we encourage those who do not hold these certifications to obtain them as we aim to build trust as a highly professional organization. In addition to having seasoned staff with an average of five to six years of experience in internal auditing, we utilize a skills matrix within the Internal Audit Department, and where the department lacks expertise, we bring in staff from other departments with that expertise to maintain a well-balanced composition of personnel. When resources are insufficient in terms of in-house expertise and number of staff, outside experts are utilized as needed.

In addition to the above, we have 18 full-time auditing staff with reporting lines to local management at major subsidiaries in Japan and overseas, depending on the risk base, to form a system capable of responding quickly to local situations.

To improve the quality of our internal audits, several CIAs experienced in conducting external quality evaluations will conduct internal audit quality evaluations based on the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors (IIA), and we are continuously improving our departmental management and operations to prepare for periodic external evaluations in the future. As we unify core systems at the

global level, we are taking this chance to enhance data analysis capabilities in the Internal Audit Department to improve quality.

Audit Committee's Audits and Initiatives toward Strengthening Its Functions

During fiscal year 2023, the Company went from having an Audit & Supervisory Board and transitioned to a company with three statutory committees as of March 26, 2024. The Audit Committee consists of five members—three Independent External Directors and two non-executive Internal Directors—who lead organizational audits by setting audit policies and providing information to the Internal Audit Department, thus promoting effective auditing practices. The committee is chaired by an Independent External Director who is a lawyer with extensive knowledge of laws, regulations, and corporate governance.

The Audit Committee shall provide instructions to the department in charge of internal audit. In addition, regular meetings shall be held to exchange opinions between the Representative Corporate Executive Officers and Audit Committee members. The Company shall establish a system to ensure that audits are effectively conducted by the Audit Committee through measures such as holding liaison meetings between the Audit Committee, the department in charge of internal audit, and accounting auditors and ensuring that Audit Committee members or members of the department in charge of internal audit attend the relevant meetings, on request from the Audit Committee.

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 December 31, 2023)

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 18 years of this fiscal year.

3. Names of certified public accountants engaged in audit work

Masakazu Hattori (consecutive auditing period: four years)

Kentaro Hayashi (consecutive auditing period: four years)

Unshil Kang (consecutive auditing period: three 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 21 certified public accountants, 8 qualified professionals, and 34 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 Audit Committee after discussions based on the results of evaluations by the Audit Committee, as well as evaluations by the Corporate Executive Officer 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 Committee 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 Committee 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 2023 and confirmed the appropriateness of the auditor, quality control, independence and professional competence of the audit team, appropriateness of the audit plan, communication with the Audit & Supervisory Board and other relevant parties, status of the accounting auditor's remuneration, and processes, and resolved to reappoint the accounting auditor for the fiscal year 2024.

Mutual Cooperation among Internal Audits, Audit Committee's 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 committee's 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, 2023	242
Total cash and other remuneration to be paid by the Company and its subsidiaries to the accounting auditor	288

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, 2023" 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

Not applicable.

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 Committee 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 Committee 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 (CLO) of the Group. Additionally, a Risk Management Officer (RMO) is assigned in each regional headquarters, ensuring compliant and fair business activities and implementation of risk countermeasures across the Group.

To oversee compliance and risk management of the Shiseido Group, a Global Risk Management & Compliance Committee chaired by the Global CEO and composed of Regional CEOs and HQ Executive Officers has been established at the global headquarters.

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

Compliance

We have established the Shiseido Code of Conduct and Ethics, which define the actions that must be taken and shared by all Shiseido Group employees.

It stipulates adherence not only to the laws of each country and region and internal rules and regulations of the Shiseido Group, but also to the highest ethical standards in business conduct.

Additionally, we have established a basic policy and rules in line with the Shiseido Code of Conduct and Ethics, by which the whole Shiseido Group is required to comply. Alongside THE SHISEIDO PHILOSOPHY, we strive to promote awareness at each Group company and business site. This enables the formulation of detailed internal regulations at every Group company and business site.

In addition, to increase employees' knowledge and awareness regarding compliance and risk management, the Risk Management Department and RMO have regularly conduct trainings and awareness-raising activities related to the "Compliance Rules Regarding Prevention of Bribery" and the "Compliance Rules Regarding Prevention of Cartels," which are detailed rules within the Shiseido Code of Conduct and Ethics.

Furthermore, by having the CLO coordinate with the legal managers in each region, we are strengthening our compliance system with laws and regulations.

Whistleblowing System

To detect and remedy any type of conduct within the Shiseido Group that violates laws, the Articles of Incorporation, or internal regulations, we have established a hotline for whistle-blowers in every Group company so that we may receive reports of all types of misconduct, including harassment and bribery, as well as any potential misconduct. Additionally, employees will have access to a hotline where employees can directly report to the officer in charge of risk management. In the Japan region, we have established hotlines staffed by both internal and external personnel and counselors. The hotlines enable anonymous reporting.

Additionally, we have established a method through which corporate executive officers and employees, including those of all Group companies, can directly inform the Audit Committee of issues, and has made this method known throughout the Group companies.

All Shiseido Group companies have developed internal regulations to ensure that the said corporate executive officers and employees are not dismissed, discharged from service, or subject to any other disadvantageous treatment as a result of reporting to hotlines or the Audit Committee or informing them of issues, and have made these regulations known.

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 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 the status of the investigation into the cause, the advancement of countermeasures, and details of reoccurrence prevention measures. Outside of Japan, regional CEOs and RMOs take the lead in establishing an incident response system. 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

Enterprise Risk Management

As part of our Enterprise Risk Management activities, we annually identify and assess group material risks. These material risks are incorporated into the Group's business plan. In addition, in order to mitigate the impact of each material risk, we have also established a system in which countermeasures are implemented with risk owners assigned to each risk, and the status of their progress is monitored and discussed with members of the Global Risk Management & Compliance Committee and Directors on a regular basis.

In fiscal year 2023, the Risk Management Department interviewed and discussed with HQ Executive Officers, Regional CEOs and Directors for their perception of 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 using three metrics: "Impact on business," "Likelihood," and "Vulnerability." Subsequently, prioritization and countermeasures were confirmed through the above aforementioned committee meetings and additional individual meetings.

<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

Total 20 material risks identified through our risk assessment have been organized into three risk categories: "Consumer & Social-related Risks," "Operation & Fundamental Risks," and "Other Risks."

As a noteworthy point of the risk assessment results, the individual risks identified are more interlinked than in the past and the interdependency of the countermeasures is increasing. In addition to that, we have identified risks that have increased in their risk levels compared to the previous fiscal year: "Changes in Consumer Values," "New Technology and Speed of Digital Acceleration," "Pace of Cutting-Edge Innovation," "Corporate and Brand Reputation," "Geopolitical Tensions," "Corporate Culture and Acquisition/Securing Outstanding People," "Business Structure Transformation,"

"Operating Infrastructure," and "Information Security." We are strengthening our implementation of countermeasures for these risks.

<Summary of Shiseido Group Material Risks> ★: Risks that should be prioritized

Consumer & Social related Risks	Operation & Fundamental Risks	Other Risks
<ul style="list-style-type: none"> • Changes in Consumer Values★ • New Technology and Speed of Digital Acceleration★ • Pace of Cutting-Edge Innovation★ • Corporate and Brand Reputation★ • Environment (Climate Change, Biodiversity, etc.) • Diversity, Equity & Inclusion (DE&I) • Natural Disaster, Infectious Disease and Terrorism • Geopolitical Tensions★ 	<ul style="list-style-type: none"> • Corporate Culture and Acquisition / Securing Outstanding People★ • Business Structure Transformation★ • Operating Infrastructure★ • Supply Network • Compliance • Regulatory • Quality Assurance • Governance Structure • Information Security★ 	<ul style="list-style-type: none"> • Exchange Rate Fluctuations • Business Investment • Material Litigation, etc.

For details, please refer to our Annual Securities Report.

Basic Policy on Internal Control System

1. System under Which Performance of Duties by Directors, Corporate Executive Officers, and Employees of the Company and All Group Companies Is Ensured in Compliance with the Laws and Regulations, and the Articles of Incorporation of the Company; System under Which the Appropriateness of the Whole Group's Business Is Ensured.

The Board of Directors shall define the corporate philosophy and strategy of the Company and the whole Group and oversee their appropriate execution.

The Representative Corporate Executive Officers shall present proposals and provide updates on the business execution and strategic key areas to the Board of Directors on a regular basis. The Audit Committee shall audit the performance of duties by the Corporate Executive Officers and Directors, create audit reports, and present and explain the audit results at General Meetings of Shareholders.

The Company has defined THE SHISEIDO PHILOSOPHY, which is shared across the Group based on three elements: OUR MISSION, which determines the reason we exist; OUR DNA, which embodies our unique heritage of over 150 years; OUR PRINCIPLES (TRUST 8), which is a mindset to be shared by each and every Group employee in their work. THE SHISEIDO PHILOSOPHY, together with the Shiseido Code of Conduct and Ethics, which defines the action standards for business conduct with the highest ethical principles, promotes legitimate and fair corporate activities. (*) The Company shall establish a set of basic policies and rules based on the Shiseido Code of Conduct and Ethics, which every Group company must follow. Every Group company and business site shall be fully aware of these policies and rules, along with THE SHISEIDO PHILOSOPHY. This will help create an environment where detailed internal regulations of the Company can be developed at every Group company and business site.

The Company has set up a Committee to oversee compliance and risk management and coordinate with organizations established to perform 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 improving corporate quality by increasing the Group's legitimate and fair corporate activities and managing risk. Major management risks and incidents shall be reported to the Board of Directors through the Representative Corporate Executive Officers, along with the proposal for response to them and its progress.

The Company deploys a person in charge of promoting legitimate and fair corporate activities of the whole Group and risk management at every Group company and business site, plans and promotes regular training and educational activities on corporate ethics, 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 every Group company and business site.

To detect and remedy any type of conduct within the Group that violates laws, the Articles of Incorporation, and internal regulations, the Company shall set up a hotline for whistle-blowers in every Group company. Additionally, employees will have access to 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 hotlines staffed by both internal and external personnel and counselors.

The department in charge of internal audit, which operates independently, shall conduct group-wide internal audit to ensure the appropriateness of business based on the instructions of the Audit Committee and the Representative Corporate Executive Officers, following the regulations related to internal audit. If there is any inconsistency between the instructions of the Audit Committee and those of the Representative Corporate Executive Officers, the instructions of the Audit Committee shall take precedence. The results of internal audit shall be regularly reported to the Audit Committee as well as the Representative Corporate Executive Officers.

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

The Shiseido Code of Conduct and Ethics states the following: "We do not work 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 support from such individuals or organizations." A coordination office is established in the department in charge of risk management to effectively gather information. The Company also maintains manuals on the intranet on how to cope with such forces. The Company is taking measures to strengthen its collection of outside information and

cooperation with external organizations by coordinating with local police offices and being a member of an organization that promotes the exclusion of anti-social forces.

2. System under Which Directors and Corporate Executive Officers of the Company and All Group Companies Shall Be Ensured to Efficiently Perform Duties

The Board of Directors shall focus on determining the basic management policy and management strategy and overseeing the implementation thereof. It shall significantly delegate the authority to determine particulars of business execution to the Corporate Executive Officers to increase the flexibility in performing their duties. Additionally, to achieve swift and efficient corporate management, the Representative Corporate Executive Officers shall manage and oversee the performance of duties of the entire Group to achieve targets.

The Corporate Executive Officers and Executive Officers shall set specific targets in the assigned fields, including all Group Companies, and establish a business system that ensures efficient achievement of the targets.

The Group's business plans and important matters shall be deliberated from a multifaceted perspective at the relevant decision-making meetings composed of the Representative Corporate Executive Officers, Corporate Executive Officers, and Executive Officers.

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

3. System under Which Information Regarding Performance of Duties by the Company's Corporate Executive Officers Shall Be Maintained and Managed; System under Which Items Regarding Performance of Duties by Directors and Employees of All Group Companies Shall Be Reported to the Company

Important documents such as minutes of General Meetings of Shareholders, the Board of Directors meetings, meetings of respective committees, and relevant meetings for decision-making on business execution shall be appropriately created, filed, and managed in compliance with laws and regulations, and internal regulations of the Company. These important documents shall be filed and managed in a highly searchable manner and should be readily available for inspection by the Directors and Corporate Executive Officers, and Audit Committee and the department in charge of internal audit.

Regulations on information asset protection and information disclosure shall be established to appropriately prepare, file, and manage a variety of documents, books, and records related to the performance of duties of Directors, Corporate Executive Officers, and employees, and other information.

Important information regarding the performance 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 reporting to the Company or through the reporting line to Corporate Executive Officers and Executive Officers.

4. Regulations Regarding Control of Risk for Loss at the Company and All Group Companies and Other Regulation Systems

Organizations are set up in the respective regional headquarters located in the major regions across the globe for the purpose of performing the compliance and risk management functions. These organizations 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, the regional headquarters of the affected area, the Company, or both, pursuant to the situation, the seriousness of the impact on the Group and other factors shall establish Emergency Task Forces to take necessary actions.

5. Matters Related to Employees to Assist Duties of Audit Committee, the Independence of Such Employees from Corporate Executive Officers, and Ensuring the Effectiveness of Instructions from Audit Committees to Such Employees

The Audit Committee shall establish a secretariat in the department in charge of internal audit to support the duties of the Audit Committee, and employees shall be assigned to the secretariat.

To ensure the independence of the said employees and the effectiveness of instructions from the Audit Committee, prior approval of the Audit Committee shall be required for staffing (appointment and dismissal, and evaluation) of the department head in charge of internal audit, who has the authority and responsibility to manage the secretariat, and determination of the particulars of the audit resources (including budget) of said department. In addition, matters to determine members who work for the secretariat of the Audit Committee, including their appointment, transfer, and evaluation, shall require approval of the Audit Committee.

6. System under Which Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and Employees of the Company and All Group Companies Report to Audit Committee and Other Systems under Which Any Report Is Made to Audit Committee; System to Ensure That Persons Are Not Treated Disadvantageously for Making Such Reports to Audit Committee

Directors, Corporate Executive Officers, and employees shall regularly or promptly report to the Audit Committee on the progress of performance of their duties. In addition, they shall promptly report to the Audit Committee on the progress of the performance of their duties and asset situation on request from the Audit Committee.

The Company shall establish means by which Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and employees, including those of all Group companies, can directly inform the Audit Committee of issues and build awareness of these means across the Group.

The Company and all Group companies shall develop internal regulations of the Company to ensure that the said Directors, Audit and Supervisory Board Members, Corporate Executive Officers, and employees are not dismissed, discharged from service, or otherwise disadvantaged because of their reporting to the Audit Committee or informing the committee of issues and shall announce these regulations.

7. Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Audit Committee Members' Performance of Duties or Other Expenses or Debts Arising from the Said Performance of Duties

Expenses deemed necessary for the performance of duties by the Audit Committee and its members shall be budgeted for and recorded in advance. However, expenses paid urgently or temporarily shall be compensated by subsequent refund.

8. Other Systems to Ensure the Effective Performance of Audit by Audit Committee

The Audit Committee shall provide instructions to the department in charge of internal audit. In addition, regular meetings shall be held to exchange opinions between the Representative Corporate Executive Officers and Audit Committee members. The Company shall establish a system to ensure that audits are effectively conducted by the Audit Committee through measures such as holding liaison meetings between the Audit Committee, the department in charge of internal audit, and Independent Auditor and ensuring that Audit Committee members or members of the department in charge of internal audit attend the relevant meetings, on request from the Audit Committee.

(Revised March 26, 2024)

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

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 and Ethical Advertising/Marketing

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.

Safety Assurance Without Animal Testing

Shiseido's safety assurance system in the development of cosmetic products without animal testing.

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.



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 on the consumer support desk. In 2013, our telephone department received a three-star certification in the quality monitoring rating stipulated by HDI-Japan*, followed by a five-star certification in 2016 for the first time in the cosmetics industry. In 2020, the chat department was awarded three stars in inquiry contact rating. We will also periodically implement various external evaluations to further improve customer satisfaction.

In Japan, in addition to communicators who respond directly to consumers, we also have Consumer Support Leaders who oversee customer service at business sites nationwide. In order for communicators to deepen their knowledge necessary for customer service, they have opportunities to participate in seminars conducted by internal and external lecturers and workshops held by Shiseido researchers on safety and product development.

These also aim to improve their skills as customer service representatives by giving them the opportunities to visit factories and research institutes and encouraging them to acquire qualifications to enhance their expertise.



Shiseido Japan Co., Ltd. Telephone Response

In addition, in order to stably operate consumer support desks even in the midst of COVID-19 pandemic and to evolve our working styles, we introduced chat at home in 2020 and a remote call center system in 2021, and began responding to consumers at home.

Regarding global consumer response, each region works together to enhance customer support by holding information exchange meetings between customer service managers in Japan and those at each regional headquarters (China, Asia Pacific, Americas, EMEA, and Travel Retail).

*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.

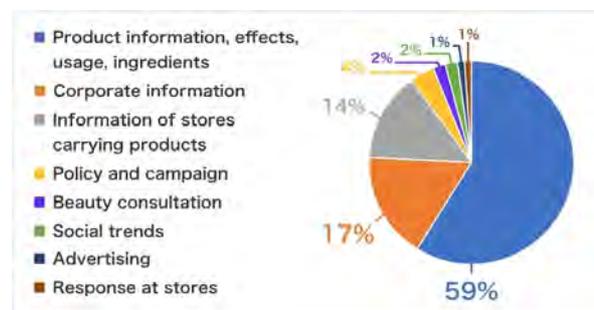
Please check support details at "History of Shiseido's Consumer Support."

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 120,000 in-store customer comments posted by Beauty Consultants working at retail outlets on dedicated tablets, as well as 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 FY2022)

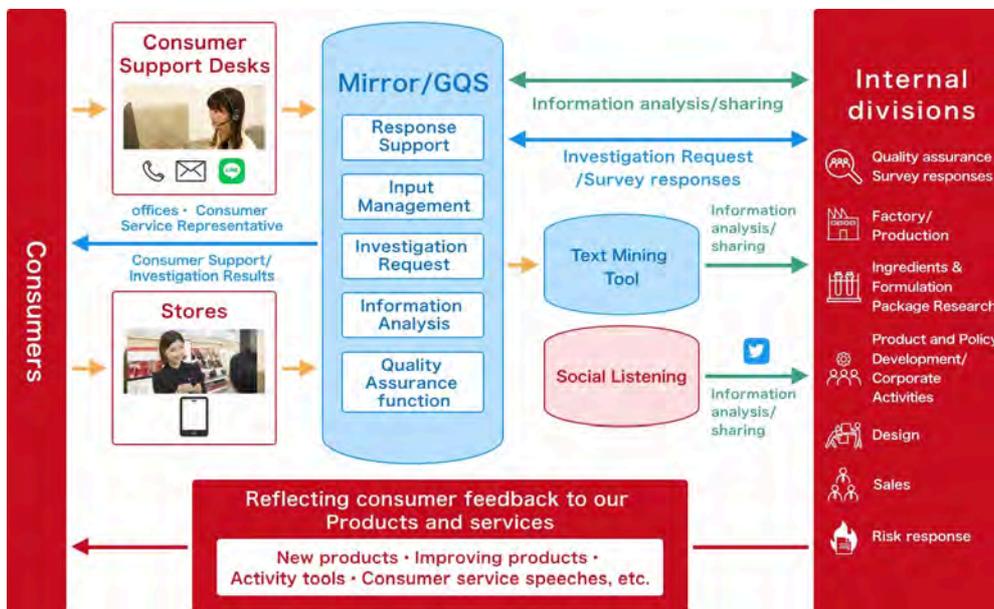
Consumer Feedback Information Management Systems

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 order to meet the needs of increasingly diverse consumers, we have opened official accounts on Twitter and Yahoo! Chiebukuro and introduced chat (LINE and a browser) to strengthen communication with a wide range of consumers. On the Consumer Support page of our website, we use chatbots to answer questions regarding matters such as restrictions on alcohol concentration and flash points when transporting cosmetics. Furthermore, to respond quickly to consumer inquiries, a communicators (persons) who respond to personal inquiries, and AI Mimi-chan, a chatbot that answers simple questions 24 hours a day, are linked using chat (LINE and a browser). Twitter responds to inquiries, thanks people for compliments, and provides support to consumers who are experiencing problems. We are committed to further improving consumer satisfaction through these channels.



A convenient service that uses chat (LINE and a browser) to allow users to ask questions and seek advice casually



The Shiseido Consumer Support Desk Official LINE account QR code and chatbot character (AI Mimi-chan)

Collaborative Education Activities to Learn on Consumers' Perspective

We strive to improve our products and services by knowing deeply the feelings and backgrounds of consumers, and to become a trusted company, we are also focusing on "co-development" activities for our employees. On a daily basis, we distribute consumer feedback through our intranet, internal digital signage, internal SNS, and e-mail to create opportunities for all employees to touch the opinions of consumers, thereby raising awareness. Furthermore, for divisions involved in consumer response and manufacturing, we hold seminars to share consumer feedback tailored to each division and to review individual awareness and behaviors. In these ways, we encourage each employee to become aware of being "Consumer-Oriented" in their daily operations, and we are conducting activities to instill this idea in all corporate activities.



Consumer feedback seminar at factories in Japan and overseas



National-level CSL training meeting (Japan)

Product Manufacturing that Reflects Consumer Feedback

BENEFIQUE luxe rebloom night cream

A jar that stores the spatula in an upright position was developed, achieving a high level of functionality and design (2022)

We have adopted a new jar that has a space for storing a used spatula and a lid that can be closed covering it in response to consumer feedback in which consumers said they wanted to keep spatulas (used to scoop cream out of jars) clean, had trouble finding a place to put them, or often lose them.



Click the link below to read the press release about the development of the jar.

ELIXIR Esthetic Essence AD

An original tube-type container that allows for facial massaging while applying the serum was adopted (2022)

We have developed a product for replacement in response to customer requests in which customers said they wanted to reuse the massage roller component repeatedly. This lowers the barrier for customers to continue purchasing the product and reduces environmental impact.



MAQUILLAGE Dramatic Cushion Jelly

The shape was improved to make the product easier to use by removing the mesh on the surface, like a normal cushion foundation (2022)

The product before the renewal was designed for applying the foundation onto the puff through a mesh on the surface. Some customers gave us feedback saying that they couldn't use up the foundation. To respond to this feedback, we developed a new technology that solidifies the liquid foundation and removed the mesh from the surface, allowing customers to use up all the foundation.



ELIXIR BOUNCING MOISTURE LOTION SP / BOUNCING MOISTURE EMULSION SP

The container shape was improved to make the product easier to grip and remain stable as the container emptied(2022)

Some customers gave us feedback saying that, before renewal, the product tended to fall over as the content decreased. For the renewal, we changed the shape of the container to a rounded square to make it easier to grip and made the cap lighter to prevent it from falling over as the container emptied, while at the same time pursuing simplicity and beauty in the bottle design to fit in with an everyday use scene.



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.



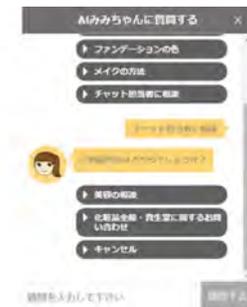
History of Shiseido's Consumer Support

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

2022

Evolved chat features to respond to increasing diversity in consumers

In order to respond to changes in consumer purchasing behavior and new needs that arose during the COVID-19 pandemic, Shiseido Japan has shifted its business model to one that fully utilizes digital technology. In line with this shift, the Shiseido Consumer Support Desk linked up with Online Beauty, a comprehensive online beauty consultation service, so that customers can select, depending on their needs, either "Beauty Consultation" or "Inquiry about Cosmetics in General or Company Shiseido" on the web screen. More so, to further enhance customer convenience, we introduced a browser-based chat service in addition to the existing official LINE account. Customers can select either a chat operator or an AI chatbot (AI Mimi-chan) from the menu. If customers choose to talk with a chat operator, they will be connected to a Personal Beauty Partner for a beauty consultation or to a Shiseido Customer Support Desk communicator, both of whom are professionals in their respective fields, for an inquiry about cosmetics in general or Shiseido Company.



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.



2021

Introduction of the Telephone Relay Service

The Telephone Relay Service is a service that allows users to communicate using sign language or text chat. We introduced it to help customers with hearing impairments or other disabilities contact us.

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. "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.

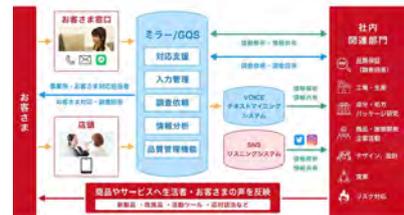
The highest rating is based on the auditor's rating of the customer support staff's call records on a four-point scale according to the fields of "service system, communication, response skills, processes/response procedures, and difficult responses" and is only given to a small percentage of the companies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

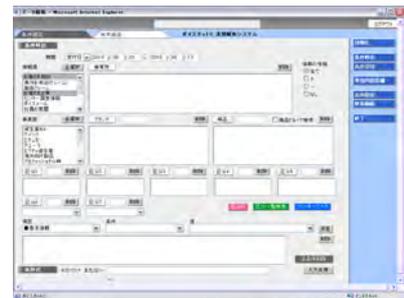
In 1996, we evolved our system "Voice Net C" for collecting and utilizing customer opinion information, which we have used together with the introduction of the toll-free telephone number, into a global specification, and newly introduced under the name "Mirror". Until then, we had used customer response 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



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 and Ethical Advertising/Marketing

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

Ethical Advertising and Marketing

Shiseido focuses on diversity and inclusion (D&I) in advertising and marketing as well.

The Shiseido Code of Conduct and Ethics specifies the following:

We provide information that consumers need in a timely and appropriate manner. We clearly and accurately present and explain information that consumers need when selecting and using our products and services, preventing misunderstandings.
We produce creative and appealing advertising and marketing programs that reflect our values of diversity and respect for human rights. We create advertising that is factual, fair, ethical, and does not disparage others.
We always take consumer accessibility into full consideration when developing products and services.

In accordance with the above, we will conduct inclusive advertising and marketing activities with consideration for those in socially vulnerable positions, paying more careful attention to the advertising and marketing of products for children and ensuring customers can more easily understand the contents of advertising and marketing.

As for claims about the effects and efficacy of cosmetics in product labeling, advertising and marketing, we place importance on fair and accurate indications. It is provided in our internal regulations that false and/or misleading advertising (i.e., expressing differently from reality or exaggeratingly) is prohibited as stipulated in laws and regulations around the world, and our claims should be based on proven scientific data and within the range stipulated in laws and regulations. We also reject exaggeration in communicating our environmental and social initiatives to avoid misleading customers.

In order to secure accessibility for people in various situations, we began broadcasting TV commercials with subtitles in 2018. We have expanded the service incrementally, and today subtitles are available in all our TV commercials.

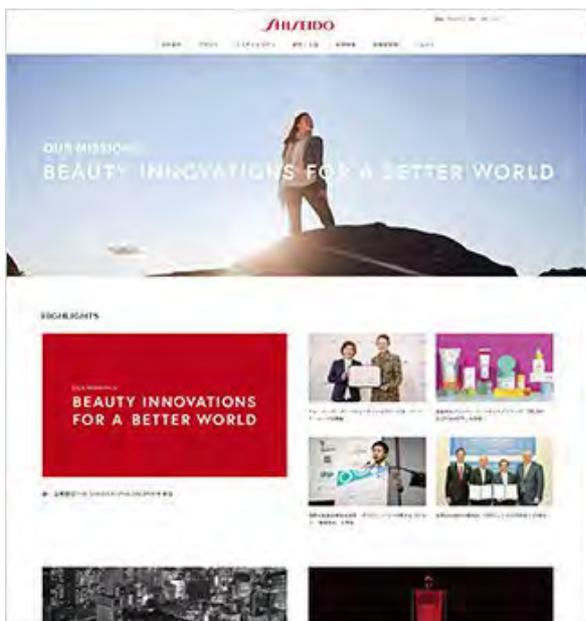
If customers want to contact the Shiseido Group within Japan, not only are phones, e-mails and chat messages available, but sign language is also available. (A "telephone relay service" in which interpreters connect those who can hear with those who cannot is available.)

In 2023, we have started D&I training targeting marketers in Japan to educate them on appropriate expressions and responses in advertising and marketing.

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.

"Guide Make" seminar for persons with visual impairments

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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>	

Safety Assurance Without Animal Testing

Shiseido has researched alternative test methods that can be performed without animal testing for over 40 years since establishing a research department engaged in safety assurance in 1963. We completely abolished animal testing* and introduced a safety assurance system without animal testing in 2013.

Under the safety assurance system with rigorous internal standards, and in collaboration with external stakeholders, Shiseido has been striving for establishing alternative methods, which it developed independently or jointly with its partners, as official methods by regulatory authorities and thereby aiming to further evolve safety evaluation methods based on alternatives to animal testing and disseminate them in society.

*Except when required by governmental and regulatory authorities.

Safety Assurance System

According to the rigorous internal standards, Shiseido assures the safety of cosmetic ingredients without animal testing through three steps: safety assurance by examining existing toxicological data, safety assurance by alternative testing methods, and final safety assurance by human testing (e.g., patch tests and use tests in humans under a physician's supervision).

Sharing of Research Findings

Shiseido widely shares findings obtained from years of research on this website as well as through scientific publications and presentations at academic conferences. We hope that through these activities, alternative testing methods developed by Shiseido will commonly be used by ever more research institutes and evolve further.

Continuous Research on Alternatives to Animal Testing

Since establishing a research department engaged in safety assurance in 1963, Shiseido has been continuing research to further improve the accuracy of safety test methods and to expand their applications based on the knowledge that has been accumulated in safety studies. Shiseido continues to venture into new technologies without animal testing such as next-generation risk assessment (NGRA) to drive and support the development of cosmetic ingredients that lead to new sustainability innovation.

Efforts to Establish Officially Recognized Methods and Industrial Standards

Shiseido has continued activities to have alternative methods that the company developed on its own or jointly developed with its partners officially recognized as official methods under applicable national or regional regulations. Specifically, Shiseido was involved in the validation activities led by the Japanese Center for the Validation of Alternative Methods (JaCVAM) and those led by the European Union Reference Laboratory for Alternatives to Animal Testing (EURL ECVAM) and contributed to developing draft guidelines as a member of the expert team of the Organization for Economic Co-operation and Development (OECD). As a result, two testing methods below have been listed in the OECD testing guidelines:

- Method (h-CLAT) alternative to skin sensitization testing that was developed jointly with Kao Corporation in 2016
- Method (ROS assay) alternative to photosafety testing that was developed jointly with the University of Shizuoka in 2019

Moreover, in 2021, photosensitization test data compiled by Shiseido were incorporated into the QSAR Toolbox, which is an *in silico* system to support safety evaluation of compounds and is provided by the OECD under the cooperation of the National Institute of Technology and Evaluation (NITE).

As part of the activities of the Japan Cosmetic Industry Association, Shiseido will continue to contribute to establishing guidance on alternatives to animal testing by participating in the Study Group on Guidance on Safety Evaluation of Quasi-drugs and Cosmetics. In addition, as a founding member of the International Collaboration on Cosmetics Safety established in 2023, Shiseido will continue activities for realizing beauty with cosmetic products without animal testing.

Initiatives Before 2013 for Abolishing Animal Testing

Shiseido has actively been involved in assessments and studies led by the Scientific Research Team of the Ministry of Health and Welfare (currently, Ministry of Health, Labour and Welfare) since 1990 and those by the Japanese Society for Alternatives to Animal Experiments (JSAAE) since their commencement. Through these activities, Shiseido has contributed to disseminating and spreading alternatives to animal testing for many years. Before Shiseido established the safety assurance system without animal testing in 2013, it established the Discussion Panel on Cosmetics Safety Assurance Independent of Animal Testing aiming to discuss the scientific validity and social acceptability of such a system, and had thorough discussions involving external experts and researchers.

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

Shiseido engages in a broad dialogue with society and strives 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 is promoting initiatives that address "gender equality" and "Empowering People Through the Power of Beauty" with the participation of employees, utilizing our mission as a beauty company and our experience and knowledge accumulated through internal initiatives. 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 of Social Contribution Activities

The Chief D&I Officer is responsible for social contribution activities. Key operations related to social contribution activities are promoted and the results are 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 the relevant departments, brands, and Regional Headquarters. In addition, sustainability promotion officers at the Overseas Regional Headquarters lead a team and work with the Global Headquarters to promote and manage social contribution activities in each country and region.

For details on our system for promoting sustainability, including social contributions, please refer to "A System for Promoting Sustainability."

Social Data for Social Contribution Activities

Please refer to Social Data.

Please refer to the respective links about Community, Disaster and Various Support.

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.

Employees around the world make social contributions on “Shiseido Camellia Day”

Every year since 2017, Shiseido has hosted "Shiseido Camellia Day" in EMEA — a day dedicated to employees making social contributions. We expanded this initiative to all regions in 2021, and held "Shiseido Camellia Day" in EMEA, Americas, Asia Pacific and Travel Retail again in 2022. This day is aimed at bringing employees who volunteer during working hours together to share their civic engagement, passions, and skills for the benefit of the associations in their regions. In 2022, we resumed in-person activities, mainly outdoors, with strict regulations to protect our employees and help stop the spread of COVID-19. Employees around the world participated in various activities tailored to the needs of their local communities.



Shiseido employees in EMEA volunteer

In Shiseido EMEA, more than 560 employees from countries such as Belgium, Germany, Italy, Spain, the Netherlands, the United Kingdom, France, and Switzerland participated in programs to promote environmental conservation, Diversity, Equity, and Inclusion, and cultural and heritage education. They used their skills and their knowledge to contribute to their local communities.

Shiseido EMEA employees participated in community projects that included cleaning up the port area, where the office is located, planting a garden on the office's rooftop, and wrapping gifts for refugees and nursing home residents. Other activities held in EMEA included plastic recycling, tree planting, weeding, and mental and physical health support for women suffering from cancer and female victims of violence.

In Shiseido Americas, more than 1,300 employees from across the region volunteered to participate in social contribution activities under the theme of "Protecting Our Oceans" to celebrate Shiseido's 150th anniversary. Through "THE BEAUTY OF HELPING OTHERS" program, in which employees take part in social contribution activities throughout the year, Shiseido Americas partnered with 20 different non-profit organizations to host more than 30 events across the United States and Canada.

From cleaning beaches in California, Florida and Toronto, Canada, to supporting oyster reef restoration and coastline protection projects in New York and New Jersey and cleaning creeks and other waterways in Houston, Texas and Groveport, Ohio, employees came together to give back to their communities. In Brazil, Shiseido employees worked to clear man-made debris from the mangrove thickets of Sangava Beach.



Shiseido Americas employees take part in cleaning a creek and park

In Asia Pacific and Travel Retail, more than 450 employees from countries and regions such as Singapore, Indonesia, the Philippines, Vietnam, Malaysia, and Taiwan participated in "Shiseido Camellia Day."

In Singapore, more than 230 employees across the Asia Pacific and Travel Retail regions came together for Shiseido Camellia Day to walk for a good cause – to raise awareness and funds for initiatives that empower disadvantaged women and children. In Indonesia, employees participated in a charity walk event in collaboration with a Jakarta-based non-profit organization that works to support disadvantaged youth in acquiring and developing important skills. On top of contributing to society, employees deepened their relationships with their families, friends, and fellow employees through these activities.

In the Philippines, employees worked together to curate special product gift boxes for front-line healthcare workers, which included thank-you messages and product instructions, to show our appreciation for their hard work.

Additionally, in Vietnam, employees donated school supplies to disadvantaged children, while in Malaysia, employees held a cake-baking event for children to improve their education and nutrition, and in Taiwan, employees packed gift boxes filled with Shiseido products, accompanied by hand-written cards, to give to disadvantaged girls and young women.

Our employees volunteered to take part in various social contribution activities to make a positive impact on the environment and give back to their communities.



Shiseido employees in Asia Pacific and Travel Retail participate in a charity walk event

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 FY2023

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

Support for Ukraine

By supporting Ukrainian students, Shiseido expresses our commitment to building a peaceful and healthy society, and we pledge to support the future leaders of Ukraine. These actions align with our corporate mission of "BEAUTY INNOVATIONS FOR A BETTER WORLD." Since March 2022, we have provided humanitarian assistance through the UNHCR (the United Nations High Commissioner for Refugees) by making donations and sending skin care products as relief supplies to evacuees. Our Osaka Ibaraki Plant in Japan hired two Ukrainian evacuees to provide them with a safe working environment. In June of the same year, we hosted the Shiseido Charity Concert "MUSIC for PEACE" at Suntory Hall*1, the proceeds from which were donated to Pathways Japan*2. Additionally, we offered funding to help cover the living expenses of five Ukrainian international students studying at ICU (International Christian University), so that they can concentrate on their studies. In the future, the Shiseido Group and its employees will continue to work with humanitarian organizations around the world to provide long-term support for Ukrainian evacuees.

In addition, we donated 1 million euros (approximately 130 million yen) through the UNHCR (the United Nations High Commissioner for Refugees) to be used for their immediate aid. We also implemented a donation-matching scheme and organized a system to accept voluntary employee donations wherever Shiseido operates, raising a total donation of 440,000 euros (approximately 60 million yen).

*1 : Co-sponsored by Suntory Holdings Limited, Seiko Holdings Corporation, Daiwa Securities Group Inc., and Tokio Marine & Nichido Fire Insurance Co., Ltd., with the collaboration of Dentsu Inc.

*2 : An organization that aims to pave the way for refugees through education, and accepts refugees into Japan.

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.



The tree planting ceremony with Ofunato City Mayor, Kimiaki Toda (right) and Shiseido Executive Vice President and Representative Director, Tsunehiko Iwai (left)



Planting nursery trees on a steep slope



Shiseido staff who participated in the tree planting event

● Hosting a Camellia Tree-planting with Hopes of Industrialization Event on June 12, 2015

On Friday, June 12, 2015, Shiseido and Taiyo-kai, a social welfare corporation, co-hosted a camellia tree planting event at Iwate Prefectural 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.



Installing poles for protecting nursery trees from deer



Planting mature camellia trees



Shiseido staff who participated in the tree planting event

2. Initiatives for Raising Awareness of Camellia in Kesen Area

● Releasing “Before bedtime” Fragrance with the Motif of “Sanmen Tsubaki” of Ofunato City Released on October 1, 2014

Fragrance soothes our feelings and gives us a sense of relaxation. With the hopes of delivering pleasant sleep with good fragrance to affected people, we worked on developing a product by utilizing Shiseido's aromachology research. As a result, we have developed a new fragrance for users of all ages regardless of gender to experience a sense of relaxation before bedtime, by combining with the fragrance ingredient of flowers of "Sanmen Tsubaki", which is 1,400 years old and is the oldest camellia tree in Japan located at "Nakamori Kumano Shrine" in Massaki-cho, Ofunato City. We collaborated with local people to create a new fragrance "Shiseido Relaxing Night Mist".

It was released on October 1 (Wed), 2014, with limited volume via the Shiseido website, and was available at 4 department stores, Isetan Mitsukoshi Ltd. from March 9 (Wed), 2016.

Part of the sales utilized in the development of "Ofunato, home of camellia".



Shiseido Relaxing Night Mist

● Using Camellia in Reconstruction Efforts Initiatives Shiseido Parlour Launching “Kesen Tsubaki Dressing” November 10, 2014

On November 10, Shiseido Parlour, participating in Shiseido's reconstruction efforts initiatives centered around the use of camellia, launched a series of dressings in the market with a limited number of products. These dressings contain "Kesen Tsubaki" camellia oil made from camellia seeds from Kesen area, a town that was affected by the Great East Japan Earthquake and Tsunami.

Kesen Tsubaki camellia oil is made by roasting camellia seeds and carefully wringing the oil out with manual oil wringers. Roasting the seeds brings out



a distinctive, rich aroma and gives the oil a beautiful golden color.

Kesen Tsubaki Dressing

This series comes in two varieties: Onion and French mustard. Head chef at Ginza Shiseido Parlour has made the best of this aroma, using a signature recipe in the making of the dressings.

●“TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)” October 4, 2014

Shiseido held "TSUBAKI NO YUME FESTIVAL (Dream of Camellia Festival)" at Rias Hall in Ofunato City, Iwate on October 4, 2014, as part of Shiseido's "Using Camellia in reconstruction efforts" initiatives.

The purpose of this event was to let the local young people experience and know the potential of camellia as an industrial and tourism resource.

The theme of the performances for the event was "Experience camellia with all five senses," including a "Fragrance Seminar" to feel the effects of fragrance and "Shiseido Relaxing Night Mist," a "Mini Gallery" exhibiting Shiseido products and posters designed with camellia motifs, and a "Tasting camellia oil" activity where people could try foods and sweets that contain camellia oil.

In "Tasting camellia oil," Ofunato Higashi High School students presented their hand-made sweets that contained camellia oil.



Fragrance Seminar



Serving Spiedini with "Kesen Tsubaki Dressing"



Ofunato Higashi High School with their food and sweets that contain camellia oil



Ofunato Higashi High School with their food and sweets that contain camellia oil

Shiseido also held "Hair & Skincare Seminars" for both male and female high school students to show the students how to style their hair and provide some tips on how to maintain healthy skin. It was a way of drawing the local youth to this festival, since it is them who will have to shoulder the responsibility for the reconstruction of the region.

The event closed with the "Hair & Makeup Show" by Shiseido's hair & makeup artists, and featured models selected from among the local youth.

Thanks to the popular fashion brands, CECIL McBEE and SLY from Shibuya 109, all participants were able to express their "Ideal ME."



"Hair & Skincare Seminars" for high school students



"Hair & Skincare Seminars" for high school students



"Hair & Makeup Show"

● Hosting "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)" Hosted on November 23, 2013

We focused on the "food culture" of camellia to support its industrialization by promoting the recognition of edible camellia oil, which was commercialized after the quake. We planned the "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)" with the hopes of creating an opportunity to explore the potential of camellia with local residents through food experience.

In this event, local restaurants and Japanese/Western sweets stores prepared new dishes and sweets using camellia oil, and we held a menu contest. The head chef of Ginza Shiseido Parlour participated from Shiseido and served the signature menu, "Meat Croquette", which was fried in camellia oil.

Local women made "Kenchin-jiru (miso soup with root vegetables)", which has always been made with camellia oil in the area, and served it at the venue. They simultaneously handed down the culture to children, who did not know camellia oil.



Menu contest



Camellia oil pressing experience



Food experience venue



Food experience venue reception



Local performing art (deer dance) by Ofunato Nursery School students

In addition, we also held an event to experience harvesting camellia fruits, which will be important in industrialization, in another venue (Goishi District, a tourist spot for camellia in Ofunato), and picked 54 kg fruits with the local residents. The harvested fruits were donated to Seishokan of Taiyo-kai, a social welfare corporation, and an oil factory in Rikuzentakata, that faces an issue of fruit harvesting in preparation for the industrialization.



Fruit harvesting experience



Harvested camellia fruits

In addition, we also held a makeup seminar at the request of local residents. We were able to experience "camellia", which is much more than just flowers, together with them on this day.



Beauty seminar



Staff who participated in the "TSUBAKI NO MEGUMI FESTIVAL (Blessings of Camellia Festival)"

3. Activities to Grow Camellia with the Next Generation

● Ofunato City Hikoroichi Junior High School's Activities

Ofunato City Hikoroichi Junior High School in Iwate Prefecture is implementing a school-wide program named the "Camellia Learning Program" for further understanding of camellias, the city flower. At the junior high school's request, Shiseido is supporting the students, who will play a central role in the future city development, in experiencing the "potential of camellias".

● Cooking Class with the Shiseido Parlour Held on August 28, 2017

On Monday, August 28, the students made special omelet with rice under the guidance of the chefs of Shiseido Parlour and compared the taste of croquettes fried with camellia oil produced in Ofunato City.

First, the grand chef of Shiseido Parlour demonstrated how to make omelet with rice. He told the students the secret to wrapping chicken fried rice gently in a thin sheet of egg omelet. The students were fascinated by the process of cooking the delicious-looking dish.

The students were nervous and looked awkward at the start of cooking, but they gradually began to smile. Everyone managed with the difficult task - wrapping chicken fried rice in a thin sheet of egg omelet - to make tasty omelet with rice.

Eating the home-made omelet with rice made them smile because making it themselves gave them confidence, and they were happy with its mild taste. In addition, they compared the taste of croquettes fried with camellia oil or cooking oil. They enjoyed the flavor and aroma of the croquettes fried with camellia oil produced in their hometown.



Students watching the skillful techniques of the grand chef



Students cooking



Students enjoying the omelet with rice they made

● Activities in Ofunato Municipal Akasaki Junior High School

Our encounter with Ofunato Municipal Akasaki Junior High School in Iwate Prefecture was on September 11, 2012. Shiseido employees and all of Akasaki Junior High School students planted the same number of camellia seedlings as the number of 9th grade students in front of the temporary building of the school, which was affected by the tsunami.

Plates of haiku, written on the themes of "home of camellia: Ofunato" and "reconstruction of our home", were attached to the camellia seedlings. Since then, we have been continuing to promote the activities to grow the camellias, which we planted with the students of Akasaki Junior High School.

Students are passing down the responsibility to grow the camellias with care while communicating the possibility that these trees may become a seed for a new industry for Ofunato someday.

● Haiku Works

The students in the 9th grade have been composing haiku (Japanese poems in 5-7-5 syllabic form) with the themes of "home of camellia: Ofunato" and "reconstruction of our home" annually since 2012.

We have organized their haiku works into a "haiku booklet" as records of steps to reconstruction, and presented to them.

● Activities to Grow Camellia (Video conferences/Tsubaki Journal)

Holding Video conferences

We began holding Video conferences with maintenance and safety representative students in June, 2013. In these "Tsubaki Meetings", students discuss what they have noticed and wondered about in the course of providing care for the camellia trees, and we share information.

We considered what was necessary to nurture camellia trees and prepared a nurturing program while seeking advice from specialists.

Akasaki Junior High School "Tsubaki Journal"

Akasaki Junior High School has decided that "maintenance and safety representative" students would be in charge of nurturing the camellia trees, starting in FY2013.

Mr. Takashi Takahashi, teacher in charge, started sending us reports on the camellia trees.

We have decided to keep them as records under the name of "Tsubaki Journal".

● Oil Pressing Event Held on November 17, 2015

"Grow camellia" ⇒ "harvest its fruits" ⇒ "extract oil"

We held an event to extract oil from camellia fruit to support Ofunato City's goal of industrializing camellia through an event to experience this important process with local students and by deepening their interest in camellia.

About 30 students participated on the day, watched how oil was extracted by a traditional oil press machine in Ofunato and experienced extraction by home oil press machines. Afterwards, they tasted "Kesen Tsubaki (camellia) Dressing" from Shiseido Parlour to experience an example of how the camellia oil is used.

The participating junior high school students told us with excitement, "It was my first time to actually touch camellia fruit and extract camellia oil. It was very interesting", "when you actually experience it, you realize that you need quite a lot of power to extract even the smallest amount of oil", and "I learned for the first time that camellia oil is used for many things".



Oil pressing experience with a home oil press machine



Tasting "Kesen Tsubaki (camellia) Dressing"



A photo taken with the participating students

Shiseido's initiatives in the fight against COVID-19



The spread of COVID-19 is an urgent issue that all humans should work together to tackle.

In addition to individual efforts to prevent infection in our daily lives and supporting medical professionals, we ask: what can we do to help the world in this difficult predicament?

Our Group companies are focusing on local communities, considering measures by making use of our knowledge, technologies, and facilities as we continuously conduct various initiatives.

Initiatives in each country and region

2021

Japan

- "Shiseido Hand in Hand Project" Launched



Shiseido strives to support medical professionals by providing information useful to the public about hand hygiene and hand care and by conducting initiatives for infection control in cooperation with our business partners and customers.

We affirm that all profits obtained from the hand soaps, sanitizers, and hand creams we sell throughout the course of the project will be donated to medical professionals working on the front lines.

This project was completed on June 30, 2021.

On July 26, 2021, a total of 503,771,457 yen was donated to the Japanese Nursing Association.

Asia Pacific

- SHISEIDO *Ultimune* Donated



Shiseido Asia Pacific, Shiseido Travel Retail, and Shiseido Singapore which have agreed to the basic concept of "SG Cares Giving Week," donated SHISEIDO *Ultimune* products to more than 4,500 medical professionals in 13 regional medical facilities.

- A Portion of Sales Donated



Shiseido donated a portion of its sales to CARE Philippines.

EMEA

- Developed Sensory Rehabilitation Initiative



Shiseido EMEA has developed a new olfactory rehabilitation initiative to recover from temporary anosmia (loss of smell). The module was created to support fellow employees affected by the pandemic and regain this essential sense.

2020

Japan

- Producing Hand Sanitizer (Designated Quasi Drug) at Four Factories in Japan



Shiseido has uniquely developed a new hand sanitizer (designated quasi drug) with special attention to sensitive and raw hands, and started production at four factories in Japan from April 2020. The company distributes a total monthly quantity of 200,000 bottles (approximately 100,000 liters) mainly to medical institutes and facilities in Japan.

*Shiseido have disclosed information on the formula for this hand sanitizer, approved by the Ministry of Health, Labour and Welfare in Japan, for other companies to use in their production as well.

■ Donating Hand Sanitizer to Japan Medical Association



Shiseido has donated 200,000 bottles of hand sanitizer (designated quasi drug) produced in Japan to the Japan Medical Association. These will be delivered to medical institutions through the association.

■ Providing Skincare Cosmetics to Medical Professionals



Shiseido has provided its skincare cosmetics free of charge to medical professionals through the Japan Medical Association to express its sincere respect and appreciation, in the hope that these products help alleviate stress.

■ Brand SHISEIDO Responds to United Nations' Global Call for Creative Solutions



Global prestige brand SHISEIDO creates and distributes digital content to connect people and share kindness without physical contact as a preventive measure against the spread of COVID-19.

■ Releasing "Now is the Time to Cherish Little Things in Everyday Life"



Shiseido provides information about beauty, health, and everyday life on its website with the aim to help people care for their own bodies and lead beautiful lives today and tomorrow.

Asia Pacific

■ The "Relay of Love" Project



Shiseido has supported those struggling during the COVID-19 pandemic, as well as medical professionals, and will conduct charity events in seven cities in China to uplift customers with the power of cosmetics.

■ Donating Masks and Shiseido Products in Indonesia



Shiseido has donated 90,000 masks to NPOs and 3,000 sets of "SENKA Perfect Aqua Rich Mask" to medical institutions in Indonesia.

■ 100 Million Won Donation in Korea

Shiseido has donated 100 million won to relief funds for infected patients in South Korea.



■ Donating Skincare Products to Medical Institutions in Singapore



Shiseido has donated 200 sets of skincare products to medical institutions in Singapore.

■ Donating Skincare Products to Medical Institutions in Taiwan



Shiseido has donated cleaning, skin-care and haircare products to help the front-line medical workers of Taiwan University Hospital.

■ Donating Face Shields in Thailand



Shiseido has donated 3,000 sets of face shields to medical institutions in Thailand.

Americas

■ Producing Sanitizers at US Factory



At its East Windsor, New Jersey factory, Shiseido Americas produced and donated 120,000+ units of hand sanitizer to more than 75 hospitals and non-profit organizations, helping address a shortage of sanitizer at these facilities.

■ Drunk Elephant Donates Care Packages to Hospitals



Drunk Elephant donated care packages with skincare products to 4,300+ essential healthcare workers treating COVID-19 patients at 50 hospitals throughout the United States.

■ NARS Donates Care Package to Hospitals



NARS partnered with Donate Beauty, a platform facilitating beauty donations, to thank those on the frontlines of COVID-19. 6,000 U.S. healthcare workers across 44 hospitals received a care package including NARSskin and Afterglow Lip Balm to help hydrate and comfort skin irritated by PPE.

EMEA

■ Producing More Than 350,000 Sanitizers at French Factories



In order to compensate for the shortage of sanitizers at hospitals and elderly care facilities, Shiseido has produced more than 375,000 units of sanitizers at its two French factories located in the Cosmetic Valley.

■ One Million Euro Donation to Red Cross



Shiseido has donated one million euro to the Red Cross which was split between the five arms of the organization in France, Italy, Spain, Germany, and the UK.

Activities for Children

Shiseido conducts activities for children to enable them to acquire correct knowledge through diverse experiences.

Along with more younger people using cosmetics, the number of children with skin problems such as rough skin is increasing due to self-taught use of the cosmetic products. To address this issue and protect their healthy skin, Shiseido disseminates easy-to-understand beauty information such as UV protection and face washing methods.



Shiseido Kodomo Seminar

For elementary school students

● Shiseido Kodomo Seminar

Shiseido Kodomo Seminar disseminates to pre-adolescent elementary school students information on "skin" and "hygiene" as well as proper skincare methods through hands-on practice.

The purpose here is to enable students to deal with their skin issues on their own with confidence and not worry about pimples and rough skin by giving them information on "skin protection" and "skin hygiene" along with how to care for their skin.

The initiative launched in 2009 has reached approximately 11,900 children in total.



For details, please refer to Social Data.



【Two seminars】

Website

Beauty information that enriches children's lives 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.



Teaching materials to support health classes

Shiseido provides video teaching materials (DVD) and distributable leaflets for free.

To apply for the "Shiseido_Kodomo Seminar" and the "Free Teaching Materials," please use the dedicated application form on our website, "Kirei Club for Kids." (Japanese language only)

Please contact us via email.

Stakeholder Engagement

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

Stakeholders Engagement	Major engagement opportunities	Responses
Consumers	<ul style="list-style-type: none"> ● Shiseido Consumer Communication Center ● SNS (Social Networking Services) 	Approximately 100,000 opinions and inquiries were directed to the Communication Center, while 130,000 consumers provided feedback to Beauty Consultants at storefronts. Increasing points of contact with various consumers. We make efforts to enhance consumer support, focusing on younger generation using SNS such as Twitter, Yahoo! Chiebukuro, and the chat feature of LINE.
Suppliers	<ul style="list-style-type: none"> ● Consulting/reporting desk for suppliers ● Briefing session on purchasing activity policy ● Awarding business partners who have contributed to the development of business 	The Business Partner Hotline was opened in Japan to prepare the system for receiving opinions from suppliers and giving advice to them. Holding annual briefing sessions on purchasing activity policy in Japan and China with the aim of the wide dissemination of the procurement policy. Business partners who have contributed to the development of business were selected on the three aspects of quality, cost reduction and technical development and given the award.
Business Partners	<ul style="list-style-type: none"> ● Dialogue with owners of chain stores 	We organized the Platinum Shop Convention in which top management directly expresses company policy and brand strategies to shop owners and employees who sell Shiseido cosmetics.
Employees	<ul style="list-style-type: none"> ● The Shiseido Group Engagement Survey ● Points of contact for employee inquiries/Whistleblower system ● Management councils/ Labor-management discussions ● Training for all employees/Position-specific training 	<ul style="list-style-type: none"> ● The Shiseido Group Engagement Survey is conducted every two years, targeting all Group employees as a structure for listening to employee opinions. ● We have established the in-house Shiseido Consultation Office and Shiseido External Hotline receiving inquiries and reports covering a wide range of topics regarding the workplace, and the Compliance Committee Hotline specializing in reported cases. ● Holding labor-management talks on the themes of "working conditions and benefits package for employees" and "work style reform." ● Human rights enlightenment and corporate ethics training are conducted at all business locations of the Shiseido Group in Japan once a year.
Local Communities	<ul style="list-style-type: none"> ● Environmental education ● Social contribution activities by each corporation and business office 	<ul style="list-style-type: none"> ● The Kakegawa Factory offers an environmental study session every year for elementary school students in cooperation with Kakegawa City.
NPOs/NGOs	<ul style="list-style-type: none"> ● Dialogue with stakeholders ● Camellia Fund 	<ul style="list-style-type: none"> ● Engaging in dialogue with human rights and environmental experts and received advice on how to advance due diligence regarding human rights. ● Supporting 10 NPOs/NGOs by the Shiseido Camellia Fund (donations made by Shiseido Group employees).
Shareholders Investors	<ul style="list-style-type: none"> ● General Meeting of Shareholders ● Financial results ● Briefing session for individual investors ● Integrated Report ● Shareholders' meeting 	<ul style="list-style-type: none"> ● Holding the general meeting of shareholders and disclosing information on the corporate information website. ● Conducting the briefing of financial results, disclosing information on the corporate information website. ● Conducting a briefing session for individual investors, distributing video. ● Publishing the Integrated Report. ● Organizing a facility tour for shareholders.

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

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.

Member of
**Dow Jones
 Sustainability Indices**
 Powered by the S&P Global CSA

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

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.



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.



An index that is designed by the US's MSCI and selects Japanese companies that receive positive evaluations of environmental, social and governance (ESG) practices.

2023 CONSTITUENT MSCI JAPAN
 ESG SELECT LEADERS INDEX

An index that is designed by the US's MSCI and selects Japanese companies that receive a high score for empowering women and promoting gender diversity.

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

2023 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.

This index designed by the US-based Morningstar selects companies that have strong gender diversity policies embedded in their corporate culture and that ensure equal opportunities to employees, irrespective of their gender.

Shiseido has been selected as Group 1, the highest rating category.



Morningstar, Inc., and/or one of its affiliated companies (individually and collectively, "Morningstar") has authorized Shiseido Company, Limited to use of the Morningstar Japan ex-REIT Gender Diversity Tilt Logo ("Logo") to reflect the fact that, for the designated ranking year, Shiseido Company, Limited ranks in the top group of companies comprising the Morningstar® Japan ex-REIT Gender Diversity Tilt IndexSM ("Index") on the issue of gender diversity in the workplace. Morningstar is making the Logo available for use by Shiseido Company, Limited for informational purposes. Shiseido Company, Limited use of the Logo should not be construed as an endorsement by Morningstar of Shiseido Company, Limited or as a recommendation, offer or solicitation to purchase, sell or underwrite any security associated with Shiseido Company, Limited. The Index is designed to reflect gender diversity in the workplace in Japan, but Morningstar does not guarantee the accuracy, completeness or timeliness of the Index or any data included in it. Morningstar makes no express or implied warranties regarding the Index or the Logo, and expressly disclaim all warranties of merchantability or fitness for a particular purpose or use with respect to the Index, any data included in it or the Logo. Without limiting any of the foregoing, in no event shall Morningstar or any of its third party content providers have any liability for any damages (whether direct or indirect), arising from any party's use or reliance on the Index or the Logo, even if Morningstar is notified of the possibility of such damages. The Morningstar name, Index name and the Logo are the trademarks or services marks of Morningstar, Inc. Past performance is no guarantee of future results.

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 is a proprietary active index created by Sompo Asset Management Co., Ltd., which combines environmental, social and governance (ESG) and equity fundamental evaluation.

Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2012.



Evaluations and Awards

Shiseido certified in the "2024 Health & Productivity Management Outstanding Organizations Recognition Program" (Large Enterprise Category, White 500)

Shiseido, together with 21 domestic affiliated companies in the group, was certified in the "2024 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 FY2024

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.



Shiseido Selected for CDP Climate Change A List

Shiseido has been selected for 2022 Climate Change A List, the highest rating by CDP - an international non-profit organization promoting environmental information disclosure.



Shiseido Japan Consumer Support Desk Receives Double 3-Star Rating in HDI Rating Benchmark for the third consecutive year

Shiseido Japan Co., Ltd.'s Consumer Service was awarded the highest rating of three stars in both the "Quality Rating (Telephone)" and "Inquiry Contact Rating (Chat)" categories for the third consecutive year since 2021 in the 2023 HDI Rating Benchmarks organized by the HDI-Japan, the world's largest membership organization in customer service.



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
 - Energy
 - Water
 - Waste
 - Environmental pollution (Air/Water)
 - Responding to Environmental Risks
 - CO₂ emissions from cosmetics and personal care products (environmental footprint)
-
- Human Resources
 - Customer Satisfaction
 - Compliance and Risk Management
 - Social Contribution Activity Highlights

Environmental Data

Data

The data marked with in the figure below has been third-party certified.

CO₂

Scope1,2*1

(t)

	2018	2019	2020	2021	2022
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	<input checked="" type="checkbox"/> 46,439*3
Coverage (%)*2	96.1	96.8	100.0	100.0	100.0
Scope 1	<input checked="" type="checkbox"/> 27,632	<input checked="" type="checkbox"/> 27,036	<input checked="" type="checkbox"/> 25,946	<input checked="" type="checkbox"/> 28,744	<input checked="" type="checkbox"/> 23,912
Coverage (%)*2	94.0	95.0	100.0	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	<input checked="" type="checkbox"/> 22,527
Coverage (%)*2	97.3	98.0	100.0	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.

*3 : Total emissions after the deduction of carbon credits (for 3,516 t) is 42,923t

Scope3*1

(t)

		2019	2020	2021	2022
Total		2,770,000	2,540,000	1,520,000	1,510,000
Category 1 Purchased goods and services*2	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	<input checked="" type="checkbox"/> 473,000
	Emissions from land-use change	-	-	<input checked="" type="checkbox"/> 347,000*3	<input checked="" type="checkbox"/> 458,000
Category 2 Capital goods		231,000	246,000	<input checked="" type="checkbox"/> 225,000	<input checked="" type="checkbox"/> 150,000
Category 3 Fuel and energy related activities		15,600	13,200	12,600	9,500
Category 4 Upstream transportation and distribution		110,000	85,400	<input checked="" type="checkbox"/> 51,600*5	<input checked="" type="checkbox"/> 67,500
Category 5 Waste generated in operations		20,700	33,000	<input checked="" type="checkbox"/> 15,100	<input checked="" type="checkbox"/> 15,500
Category 6 Business travel		14,700	1,600	900	2,400

Category 7 Employee commuting	5,200	6,200	8,500	7,500
Category 8 Upstream leased assets	0	0	0	0
Category 9 Downstream transportation & distribution	-	-	-	☑87,000*4
Category 10 Processing of sold products	0	0	0	0
Category 11 Use of sold products	☑1,580,000	☑1,540,000	☑134,000*5	☑143,000
Category 12 End of life treatment of sold products	☑148,000	☑82,900	☑118,000	☑94,600
Category 13 Downstream leased assets	0	0	0	0
Category 14 Franchises	0	0	0	0
Category 15 Investments	-	-	-	☑2,800*4

*1 : Used IDEA v2 and ecoinvent v3.8 as CO₂ calculation basis database.

*2 : Amount of materials used in Japan in 2022 (including estimates): glass 3,000t, metal 600t

*3 : Emissions from land-use change related to the procurement of raw materials and ingredients were taken into account from 2021.

*4 : Downstream transportation & distribution and Investments were taken into account from 2022.

*5 : Excluding the sold business and brands.

Scope1,2,3 Total

(t)

	2019	2020	2021	2022
Total	2,848,750	2,612,458	1,585,481	1,556,439

Avoided CO₂ emissions (2021)

Approximately 4,200 tons of CO₂, was reduced thanks to the sale of refill products.

(t)

Each stage of the value chain	Avoided CO ₂ emissions
Procurement	2,900
End of life	1,300
Total	4,200

Energy

(MWh)

	2018	2019	2020	2021	2022
Energy consumption	267,530	289,280	298,589	322,527*4	304,962
Coverage (%)*1	96.1	96.8	100.0	100.0	100.0
Electric power	108,452	115,228	127,188	137,881	141,841
Gas*2	126,255	122,636	128,568	139,424	109,953
LPG	2,941	2,771	2,552	2,370	2,559
Fuel*3	24,112	24,358	16,146	20,181	20,436
Steam	5,771	24,286	24,135	22,671	30,172

*1 : At all 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 2022 : 194,812MWh.

Water*

(Mil. m³)

	2018	2019	2020	2021	2022
Water withdrawals	1.2	1.2	1.2	1.2	1.1
Municipal water	1.1	1.0	0.9	0.9	0.7
Municipal water(Industrial grade)	0.1	0.1	0.1	0.0	0.0
Ground water	0.1	0.1	0.3	0.3	0.3
Water discharged	1.0	0.9	1.0	1.0	0.9
Sewage	1.0	0.9	0.8	0.8	0.8
Surface water	0	0	0.2	0.2	0.1

* 2018 – 2020: Production sites (coverage:100%).

2021: Production sites (coverage:100%) and domestic research centers.

2022: Production sites(coverage:100%) and research centers (coverage:100%).

- 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 2022 (water consumption excluding the amount of wastewater returned to the same water source): 1.1 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 2022: 10%.

Waste*1

(t)

	2018	2019	2020	2021	2022
Waste discharged	14,288	14,297	12,825	☑13,096	☑12,560
Recycled*2	13,980	13,910	12,779	☑13,038	☑12,473
Disposed	308	387	47	☑58	☑87

*1 : 2018-2021: Production sites(Coverage 100%) and domestic research centers.

2022: Production sites(Coverage 100%) and research centers(Coverage 100%).

*2 : Including thermal recovery.

Environmental pollution (Air/Water)

(t)

	2018	2019	2020	2021	2022
NOx emissions	26	27	☑23	☑24	☑31
Coverage (%)*	54.5	81.8	90.9	100.0	100.0
SOx emissions	0	0	☑0	☑0	☑0
Coverage (%)*	54.5	81.8	90.9	91.7	91.7
Chemical Oxygen Demand	☑116	☑103	☑70	☑68	☑52
Coverage (%)*	90.9	90.9	90.9	91.7	92.3

*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.

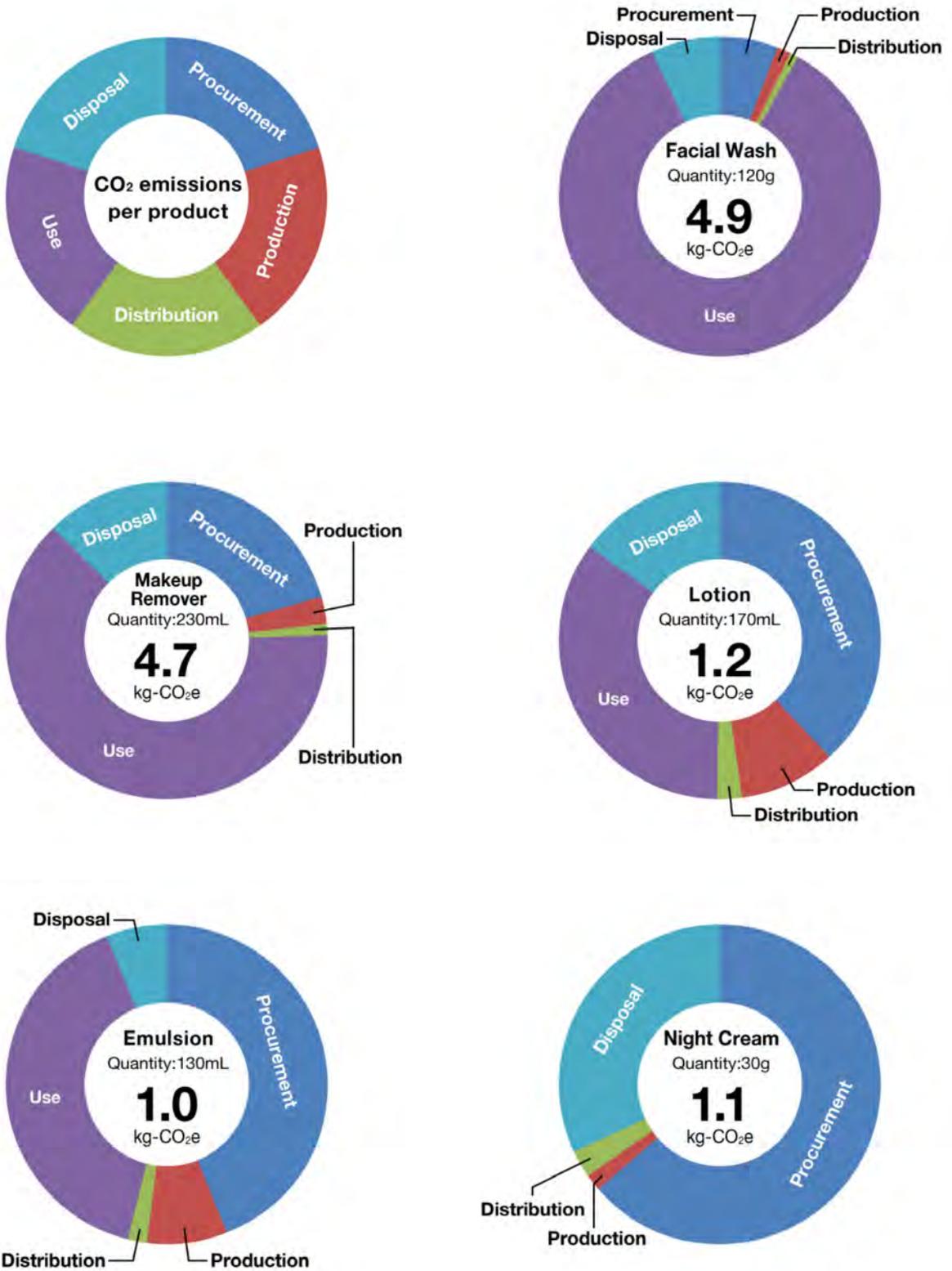
Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations in the last 5 years including 2022.

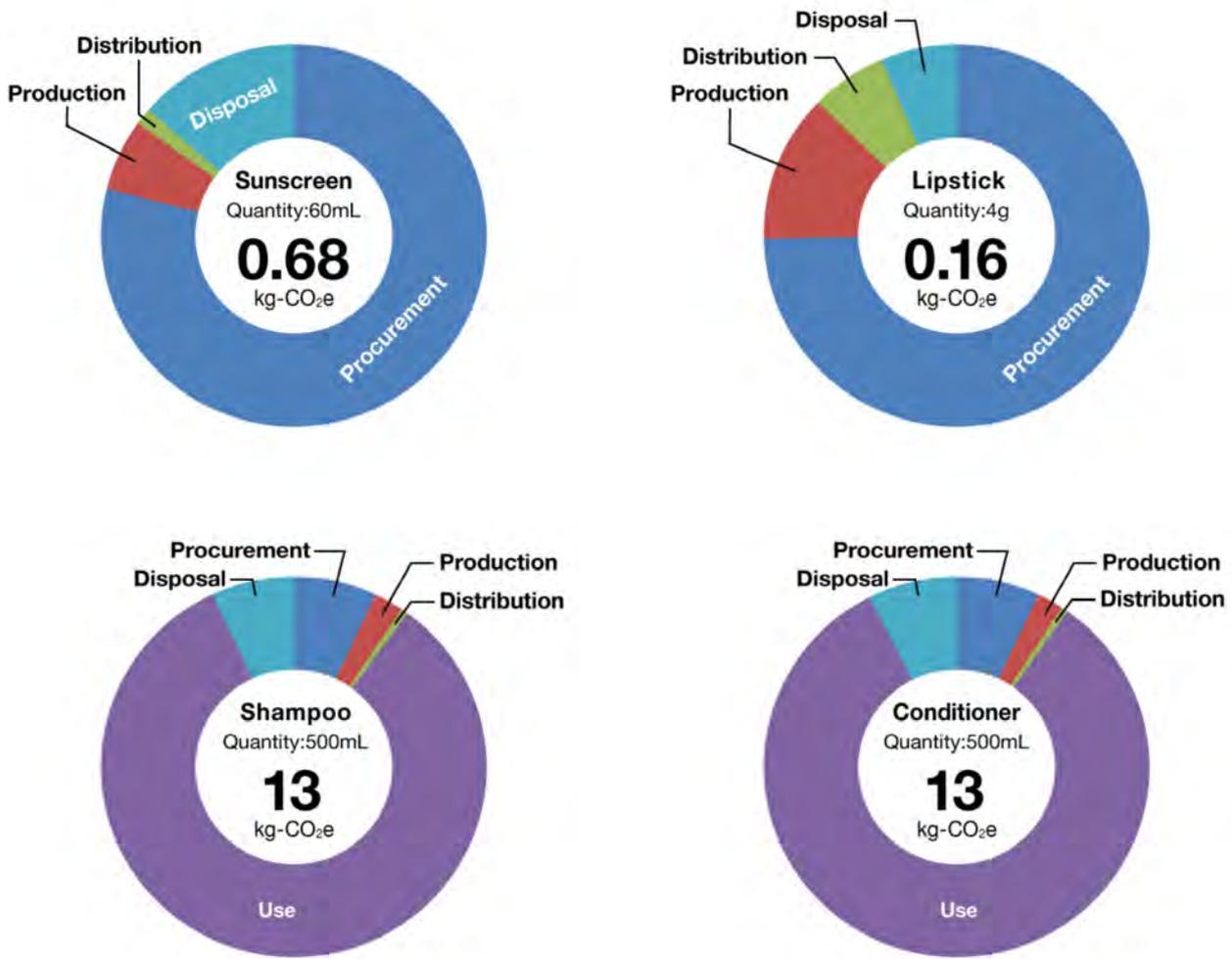
Shiseido is committed on appropriate operation that complies with the environmental laws and regulations continuously.

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 1,2,4,5,9,11 and 12 of Scope 3), energy consumption, amount of water intake and drainage, total net fresh water consumption, BOD/COD, SO_x and NO_x 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 President, the division of responsible for CSR and the person in charge of producing the report at Shiseido main office, onsite visits to Shiseido Kakegawa Factory and Shiseido Osaka 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.

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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 2022 to 31 December 2022.

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.

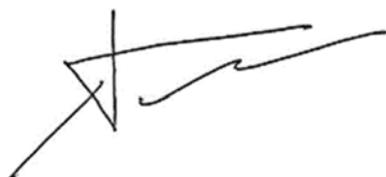
Consequently, SGS Japan Inc. confirmed through the verification that the Organization supports the principle of impact.

For and on behalf of SGS Japan Inc.

Knowledge
Management Committee Member
Head of Certification/Accreditation

26 June, 2023

Signed: Yuji Takeuchi




AA1000
Licensed Report
000-8/V3-XK7ZJ

The details of the scope of verification

The scope		The boundary	The statement
1	Scope 1 and 2 include energy related greenhouse gas emissions Energy consumption	All Shiseido sites	GHG: 46,439 t-CO ₂
2	Scope 3 Category 1,2,4,5,9,11,12 * Category 5: Excluding general waste	All Shiseido sites	Category 1: 930,957 t-CO ₂ Category 2: 150,191 t-CO ₂ Category 4: 67,526 t-CO ₂ Category 5: 15,484 t-CO ₂ Category 9: 86,994 t-CO ₂ Category 11: 143,413 t-CO ₂ Category 12: 94,627 t-CO ₂
3	GHG credits not included in Scope 1,2 and 3	All Shiseido sites	3,516 t-CO ₂
4	Amount of water withdrawals and drainage, total net fresh water consumption	Domestic and overseas production sites (13 sites : including 3 laboratories attached to overseas production sites) and 7 Laboratories	Withdrawal: 1.1 Mil. m ³ Drainage: 0.8 Mil. m ³ Total net fresh water consumption: 1.1 Mil. m ³
5	Waste (waste discharged and waste disposed) *Industrial waste and valuables	Domestic and overseas production sites (13 sites : including 3 laboratories attached to overseas production sites) and 7 Laboratories	Discharged: 12,560 t Disposed: 87 t
6	BOD/COD	Domestic and overseas production sites (13 sites : including 3 laboratories attached to overseas production sites)	BOD: 17 t, COD: 52 t
7	SOx and NOx emissions	Domestic and overseas production sites (12 sites : including 3 laboratories attached to overseas production sites)	SOx: 0 t, NOx: 31 t

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Social Data

Human Resources

Number of Shiseido Group Employees

Indicator		Period	2020	2021	2022	2023
Total (persons)		As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	46,763	45,527	40,484	38,878
Female Ratio (%)	All Shiseido Group	As of December 31 of the previous year	85.6	83.0	82.2	81.9
	Shiseido Group in Japan	As of January 1 each year	82.6	82.0	81.3	80.7

Number of Employees by Region (persons)

Indicator	Period	2020	2021	2022	2023
Japan	As of January 1 each year	☑24,884	☑24,903	☑23,458	☑22,129
China	As of December 31 of the previous year	8,975	9,019	8,174	8,158
Asia Pacific		4,635	4,392	3,858	3,674
Americas		3,685	2,997	1,939	1,819
Europe		4,386	4,031	2,900	2,930
Travel Retail		198	185	155	168

Data marked with ☑ has been third-party certified.

Scope : Shiseido Group in Japan (22 companies)

Number of Employees by Type of Employment (persons)

Indicator		Period	2020	2021	2022	2023	
Japan	Employees	Total	As of January 1 each year	17,322	17,698	17,160	16,393
		Male		3,714	3,835	3,783	3,622
		Female		13,608	13,863	13,377	12,747
	contract employees	Total	7,562	7,205	6,298	5,760	

	Male	605	655	610	657
	Female	6,957	6,550	5,688	5,103

Number of Leaders (persons)

Indicator		Period	2020	2021	2022	2023
Japan	Leaders*1	Male	☑813	☑862	☑841	☑843
		Female	☑403	☑459	☑500	☑509
	Junior managers*2	Male	606	535	490	331
		Female	244	246	248	209

Data marked with ☑ has been third-party certified.

Scope : Shiseido Group in Japan (22 companies)

*1 : Leaders: Manager position holders and annual salary system employees

*2 : Junior managers: Manager position holders without subordinates and career path employees with subordinates

Ratio of Female Leaders (%)

Indicator		Period	2020	2021	2022	2023
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	52.7	57.5	58.3	58.1*1
Japan	Ratio of female leaders*2 Target: To achieve 50.0%	As of January 1 each year	☑33.1	☑34.7	☑37.3	☑37.6
	Ratio of female junior managers*3		28.7	31.5	33.6	38.7
China	Ratio of female leaders	As of December 31 of the previous year	61.2	63.5	65.2	69.4
Asia Pacific			69.8	67.9	65.4	81.4
Americas			70.5	73.1	76.4	67.9
Europe			73.9	73.5	68.7	71.3
Travel Retail			48.5	79.1	82.6	83.0

Data marked with ☑ has been third-party certified.

Scope : Shiseido Group in Japan (22 companies)

*1 : Ratio of female junior managers in all Shiseido Group: 64.9%.

*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	2020	2021	2022	2023
Female director ratio (%)	As of April 1 each year	37.5	37.5	37.5	30.0

Ratio of female directors and Audit & Supervisory Board members (%)		46.2	46.2	46.2	40.0
Ratio of external directors and Audit & Supervisory Board members (%)		53.8	53.8	53.8	53.3
Female ratio of all top management* (%)		28.3	41.7	42.9	44.1

*Leaders within 2 levels from the CEO

Ratio of Employees with Disabilities*1 (%)

Indicator	Period	2020	2021	2022	2023
Shiseido Company, Limited	As of June 1 each year	3.04	3.89	4.18	4.52
Shiseido Group in Japan*2		☑2.22	☑2.44	☑2.65	☑2.82
Target		2.2	2.3	2.3	2.3

Data marked with ☑ has been third-party certified.

*1 : Ratio of Employees with Disabilities: Physically and intellectually disabled persons are included, and the employment rate for disabled persons is indicated by three significant figures.

*2 : Shiseido Group in Japan: 12 special subsidiary companies of Shiseido Group

Employee Diversity

Ratio of employees by age group

Indicator	Period	Age group	2020	2021	2022	2023
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	17.6
		30-49 years old	-	55.5	58.5	58.5
		50 years old and over	-	20.4	22.9	23.9
Japan	As of January 1 each year	Under 30 years old	19.8	20.4	18.6	17.2
		30-49 years old	50.3	49.3	49.4	49.3
		50 years old and over	29.9	30.3	32.0	33.5
China	As of December 31 of the previous year	Under 30 years old	30.1	24.5	18.0	17.1
		30-49 years old	68.6	73.9	79.3	79.8
		50 years old and over	1.3	1.6	2.7	3.2
Asia Pacific		Under 30 years old	42.0	36.3	25.0	23.2
		30-49 years old	52.1	57.1	67.5	68.4
		50 years old and over	5.9	6.6	7.5	8.4
Americas		Under 30 years old	33.5	26.5	13.3	13.4
		30-49 years old	47.1	51.0	55.7	53.8

		50 years old and over	19.3	22.5	31.0	32.8
Europe		Under 30 years old	36.0	30.9	15.4	17.5
		30-49 years old	50.9	53.3	62.1	58.2
		50 years old and over	13.1	15.8	22.5	24.3
Travel Retail		Under 30 years old	26.8	21.6	16.8	14.9
		30-49 years old	69.7	73.0	76.8	77.4
		50 years old and over	3.5	5.4	6.5	7.7
Indicator		Period	2020	2021	2022	2023
Ratio of female managers in revenue-generating functions (%)	All Shiseido Group	As of January 1 each year	62.8	69.0	70.0	72.7
Female ratio in STEM-related departments (%)	All Shiseido Group		-	-	59.0	56.8
	Shiseido Group in Japan		-	33.3	58.1	57.4

Indicator		Period	2020	2021	2022	2023
Number of non-Japanese hires in Japan	Shiseido Group in Japan	As of January 1 each year	467	486	443	397
Ratio of non-Japanese hires in Japan (%)			1.9	2.0	1.9	1.8

Nationality of Employees (%) (Top five countries)

Indicator	Period	Nationality	2023	
			Employees	Managers
All Shiseido Group	As of January 1 each year in Japan and as of December 31 of the previous year outside Japan	Japan	56.1	45.2
		China	20.4	7.3
		United States	4.1	14.8
		Viet Nam	3.6	0.5
		France	2.9	9.9

Average Service Years of Employees (years)

Indicator		Period	2020	2021	2022	2023
Shiseido Group in Japan Employees (excluding contract employees)	Average	As of January 1 each year	14.5	14.4	14.9	15.3
	Male		14.9	14.5	14.2	14.1

	Female		14.4	14.4	15.0	15.7
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Job Turnover Rate (%)

Total employee turnover rate*

Indicator		Period	2019	2020	2021	2022
Shiseido Group in Japan	All employees	As of December 31 each year	4.3	3.5	4.4	5.2
	Manager positions/ career path positions (excluding contract employees)		3.9	3.4	3.8	5.2
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding contract employees)		3.2	2.3	3.4	4.0

*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	2019	2020	2021	2022
Shiseido Group in Japan	All employees	As of December 31 each year	4.0	3.3	4.2	4.9
	Manager positions/career path positions (excluding contract employees)		3.5	3.1	3.7	4.7
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding fixed-term contract employees)		3.1	2.1	3.2	3.8

*Retirement, early retirement, and retirement for personal reasons

Working Hours

Indicator			Period	2019	2020	2021	2022
Working hours*1	Total annual hours worked per person (hours/years/persons)	Shiseido Company, Limited	As of December 31 each year	1,878	1,955	2,003	1,937
		Shiseido Group in Japan		1,807	1,863	1,901	1,857
Prescribed working hours	Shiseido Group in Japan	1,844.5		1,836.8	1,844.5	1,836.6	
Overtime hours*2	Shiseido Company, Limited	204		173.4	211.6	167.2	

	(hours/years/ persons)	Shiseido Group in Japan		101.7	69	88.2	91.6
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*1 : Employees (excluding contract employees)

*2 : Employees (excluding contract employees and Manager positions)

Rate of Paid Leave Taken

Indicator			Period	2019	2020	2021	2022
Annual rate of paid leave taken per person (%) Target: To achieve 80.0%	Shiseido Company, Limited	Employees and contractors	As of December 31 each year	78.8	70.4	76.3	69.6
	Shiseido Group in Japan			84.6	80.6	80.3	70.5

Number of Employees Hired*

Indicator			Period	2019	2020	2021	2022
Periodic employment of career path positions	Employees	Male (persons)	As of December 31 each year	62	65	26	21
		Female (persons)		82	85	35	29
		Female ratio (%)		56.9	56.7	57.4	58.0
Periodic employment of Beauty consultant (BCs) positions		Male (persons)		5	5	0	0
		Female (persons)		268	333	26	32
		Female ratio (%)		98.2	98.5	100.0	100.0
Periodic employment of production positions		Male (persons)		-	-	30	18
		Female (persons)		-	-	45	25
		Female ratio (%)		-	-	60.0	58.1
Periodic employment of the others	Male (persons)	-	-	-	3		
	Female (persons)	-	-	-	11		
	Female ratio (%)	-	-	-	78.6		
Mid-career employment	Employees and contract employees equivalent to employees (annual salary and special professional employees)	Male (persons)	106	79	122	189	
		Female (persons)	111	100	127	187	
		Female ratio (%)	51.2	55.9	51.0	49.7	

others	Contract employees except for the above	Male (persons)	-	-	-	149
		Female (persons)	-	-	-	475
		Female ratio (%)	-	-	-	76.1

*Shiseido Group in Japan

Breakdown of new hires

Indicator		2021	2022	2023		
Shiseido Group in Japan	All employees (including contract employees)	Total number of new hires (persons)	985	1136	1272	
		Female ratio (%)	66.7	66.5	71.7	
		Ratio of employees by age group (%)	Under 30 years old	49.0	49.2	-
			30-49 years old	42.0	42.3	-
			50 years old and over	8.9	8.5	-
		Management level (%)	Non-managerial positions	89.8	93.7	-
			Manager positions	10.2	6.3	-
Ratio of employees with disabilities (%)	3.8	3.4	-			

Percentage of open positions filled by internal candidates (internal hires) in Shiseido Company, Limited and Shiseido Japan Co., Ltd.: 25% (2022)

Starting Pay (yen/month)

Indicator		2019	2020	2021	2022
Monthly amount paid*	Doctoral graduate	265,000	265,000	293,450	293,450
	Master's graduate	235,000	235,000	261,310	261,310
	Undergraduate	215,000	215,000	237,890	237,890
	Technical/Junior college graduate	195,000	195,000	215,670	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	2019	2020	2021	2022
Shiseido Company, Limited	7,165,467	6,585,163	6,202,140	6,634,381

*Including bonuses and extra wages

Equal Remuneration

Indicator			2021	2022	
All Shiseido Group	Executive Officer		Base salary only	☑ Male 100 : Female 85	☑ Male 100 : Female 79
			Base salary + bonuses*1 *2	☑ Male 100 : Female 81	☑ Male 100 : Female 71
Shiseido Group in Japan	Manager positions		Base salary only	☑ Male 100 : Female 96	☑ Male 100 : Female 96
			Base salary + bonuses*1	☑ Male 100 : Female 96	☑ Male 100 : Female 96
	Non-managerial positions		Base salary only	☑ Male 100 : Female 85	☑ Male 100 : Female 88
		Career path positions		Male 100 : Female 99	Male 100 : Female 97
		Beauty consultant (BC) positions		Male 100 : Female 120	Male 100 : Female 118
production positions		-	Male 100 : Female 99		

Data marked with ☑ has been third-party certified.

*1:Base salary + other cash incentives

*2:2022 bonus amount to be paid in March 2023

Employees Rehired after Retirement

Indicator		Period	2022	2023
Number of employees rehired after retirement (persons)	Shiseido Company, Limited and Shiseido Japan Co., Ltd.	As of January 1 each year	633	749
Percentage of employees rehired after retirement (%)			2.7	3.4

Childcare Leave and Family Care Leave

Number of Employees who Used Childcare Leave System*1 (persons)

Indicator			2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	Male	30	67	61	139
		Female	1,360	1,303	1,260	479

Number of Employees who Used Childcare Time System*2 (persons)

Indicator			2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	Male	4	8	14	12
		Female	2,296	2,430	2,364	2,333
	In-store beauty consultants	Male	0	0	0	0
		Female	1,596	1,673	1,591	1,708

Ratio of employees taking childcare leave (%)

Indicator			2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	Male*3	-	-	-	95
		Female*4	-	-	-	100

Period of childcare leave (average days)

Indicator			2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	Male*3	-	-	-	22
		Female*4	-	-	-	512

Reinstatement Rate after Childcare Leave*5 (%)

Indicator		2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	-	-	-	94.9
	Manager positions/Career path positions	95	97.3	99.3	-
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding contract employees)	93.6	94.4	92.3	93.4

Retention Rate after Childcare Leave*6 (%)

Indicator		2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	-	-	-	83.8
	Manager positions/Career path positions	100	94.1	91.2	-
Shiseido Japan Co., Ltd.	Beauty consultant (BC) positions only (excluding contract employees)	98.8	90.3	88.8	82.9

Number of Employees who Used Family Care Leave System*7 (persons)

Indicator			2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	Male	1	2	1	2
		Female	28	40	37	40

Number of Employees who Used Family Care Time System*8 (persons)

Indicator			2019	2020	2021	2022
Shiseido Group in Japan	All employees (including contract employees)	Male	1	1	0	2
		Female	27	35	30	34

Kangaroo Staff*9 (persons)

Indicator	2019	2020	2021	2022
Shiseido Group in Japan	2,095	1,659	1,090	721

*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 circumstance)

Up to 2021, the total number of employees who took at least one day of childcare leave during the current fiscal year. In 2022, the actual number of employees who started childcare leave during the current fiscal year

*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 : Number of employees who started childcare leave during the current year ÷ Number of employees whose spouses gave birth × 100

*4 : Number of employees who started childcare leave during the year ÷ Number of employees who gave birth × 100

*5 : 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

*6 : 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

*7 : Up to 1 year per leave for 1 family member. Up to 3 years in total.

*8 : Up to 2 hours a day. Up to 1 year per leave for 1 family member. Up to 3 years in total.

*9 : 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			2019		2020		2021		2022	
			Number	Coverage (%)						
Shiseido Group in Japan*2	Directly hired employees	Total (factories)	30 (9)	100	32 (6)	100	28 (4)	100	24 (3)	100
		Fatalities	0	100	0	100	0	100	0	100
	Indirectly hired employees (temporary staff) *3	Total	0	39.6	3	79.5	1	85	2	93
		Fatalities	0	39.6	0	79.5	0	85	0	93
Shiseido Group outside Japan	Directly hired employees	Total	65	80	61	100	66	100	54	100

Accident Severity Rate*4

Indicator		2019	2020	2021	2022
Shiseido Group in Japan*2	Directly hired employees	0.013	0.007	0.013	0.021
Supplementary data: Member company of Japan Chemical Industry Association	Directly hired employees and indirectly hired employees	0.010	0.107	0.009	0.068
	Employees of partner companies	0.029	0.145	0.148	0.035

LTIFR*5

Indicator		2019	2020	2021	2022
Shiseido Group in Japan*2	Directly hired employees (Coverage (%))	☑0.87 (100)	☑0.77 (100)	☑0.74 (100)	☑0.68 (100)
	Indirectly hired employees (temporary staff)*3 (Coverage (%))	☑0.00 (39.6)	☑2.56 (79.5)	☑0.73 (85.0)	☑1.05 (93.0)
	Directly hired employees and indirectly hired employees	-	0.82	0.74	0.69
Shiseido Group outside Japan	Directly hired employees (Coverage (%))	-	1.6(100)	1.9(100)	1.8(100)
Supplementary data: Frequency rate at member company of Japan Chemical Industry Association*6	Directly hired employees and indirectly hired employees	0.42	0.28	0.41	0.43
	Employees of partner companies	0.57	0.59	0.64	0.60

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 (2022): 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	2020	2021	2022	2023
Shiseido Group in Japan (coverage 100%)	As of January 1 each year	29.4	29.4	22.2	23.5
Shiseido Group outside Japan *1 (coverage 100%)		68.4	68.4	68.4	68.4

Number of Labor Union Members (persons)

Indicator	Period	2020	2021	2022	2023
Shiseido Group in Japan	As of January 1 each year	13,334	13,672	13,438	12,930

Ratio of Labor Union Members (%)

Indicator	Period	2020	2021	2022	2023
Shiseido Group in Japan	Ratio including contract As of January 1 each year	53.3	55.0	56.6	58.3

	employees*2					
	Ratio excluding contract employees*3		76.5	77.3	77.1	78.3

*1 : Including work council

*2 : Ratio of employees subject to collective bargaining agreement among all employees including contract employees = Number of labor union members/Number of employees (including managerial position holders and contract employees, but excluding temporary staff and corporate officers) × 100

*3 : Ratio of employees subject to collective bargaining agreement among all employees excluding contract employees = Number of labor union members/Number of employees (including managerial position holders, but excluding contract employees, excluding temporary staff and corporate officers) × 100

Employee Engagement*

Indicator	2017	2019	2022
All Shiseido Group	76	76	65

*Survey conducted every two years

*We changed the survey questions from 2022 and plan to monitor trends regarding the scores based on the 2022 results.

*For an overview of the survey, please see "Employee Feedback Systems" under "Human Resource Development and Fair Evaluation."

Talent Development

Indicator		2019	2020	2021	2022
Average hours per FTE*1 of training and development	All Shiseido Group	22.4	26.0	66	46.2
Average Education /Training Cost per FTE (yen)*2		29,277	43,936	23,682	29,892

*1 : FTE: Full-Time Equivalent

*2 : Regarding average education / training costs per employee, we revised the scope of aggregation to exclude personnel expenses of lost opportunities for education and training of participants. The previous years are retroactively adjusted in the same way.

Customer Satisfaction

In our Shiseido Code of 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 and brands survey and use the results to guide future corporate activities to further improve our performance in this area.

Favorable perception of the Company and intention for repeat purchase of the Company's brand

Indicator		2019	2020	2021	2022
Corporate Brand Survey*1	"Impressions of Shiseido" among current Shiseido customers (top 2 box scores <Very favorable / Favorable> on a 5-point scale) (%)	94.0	95.4	94.7	95.4
Product Brand Survey*2	Intention for repeat purchase among customers who have purchased the Shiseido brand within the past year (%)	-	74.3	73.5	74.0

*1 : Survey conducted in Japan only.

*2 : Global surveys. Total response rates for the top three box scores on an 11-point scale. Combined figures for our 7 major brands (SHISEIDO, CPB, Drunk Elephant, IPSA, ELIXIR, NARS, ANESSA) for 13 countries.

Compliance and Risk Management

Anti-Corruption

	Target	2019	2020	2021	2022
Operations assessed for risks related to corruption	All business offices inside and outside Japan	Significant risk identified: None			
Confirmed incidents of corruption and actions taken	All business offices inside and outside Japan	Confirmed incidents of corruption: None			

Anti-Competitive Behavior

	Target	2019	2020	2021	2022
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	2019	2020	2021	2022
In-house Shiseido Hotline	Employees of the Shiseido Group in Japan	265	289	255	220
External Shiseido Hotline					
Compliance Committee Hotline					
Shiseido Global Hotline	Employees of the Shiseido Group	2	2	0	1

* In fiscal 2022, the breakdown of 221 whistleblowing/consultations: 40 discrimination/harassment cases, 10 legal/internal rule violation cases, 91 workplace environment/communication cases, 55 labor management cases, and 25 inquiries/other cases. Of these, 40 cases were investigated, and some corrective action was taken in 31 cases based on the results of the investigation. Of these whistleblowing and consultations, there were no cases of disciplinary action taken for violations of employment regulations (including misconduct such as discrimination/harassment, conflict of interest, and insider trading).

Reporting Desks	Target	2019	2020	2021	2022
Shiseido Group Whistleblowing to Audit and Supervisory Board Members	Employees of the Shiseido Group	3	4	3	7

Performance of Human Rights Education Training for Employees

Type of training	Target	Number of graduates (persons) in year 2022
Human rights awareness programs	Employees of the Shiseido Group in Japan	Employees of the Shiseido Group in Japan: total of 62,535 participants (78% participation rate)

Harassment awareness programs	Employees of the Shiseido Group in Japan	All employees: total of 15,482 participants (87% participation rate) Newly appointed management positions: total of 158
Shiseido Code of Conduct and Ethics training	Employees of the Shiseido Group	Employees of the Shiseido Group in Japan: total of 17,684 Conducted in all regions of the Shiseido Group.

Activities to Enhance Corporate Ethics: Survey on Employee Harassment

Subject	Type	Target	FY2022 results and subsequent improvement measures
Harassment	Questionnaires*	<p>Employees of Shiseido Group in Japan</p> <ul style="list-style-type: none"> Number of departments involved: 309 (e.g., divisions, branches, etc.) Job category/classification: Full-time employees (managers, main career track position employees, personal beauty partners, specified work position personnel), fixed-term contract employees (including rehires), temporary staff 	<p>FY2022 results:</p> <p>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*.</p> <p>FY2022 measures:</p> <ul style="list-style-type: none"> As a result of the harassment survey conducted in FY2022, the results of the survey were fed back individually to the heads of departments that were determined to be at high risk of harassment, and they were requested to take steps to resolve harassment issues. In response, each department took individual corrective measures. In October 2022, Shiseido conducted ethics training for employees of Shiseido Group in Japan with the aim of reducing the risk of harassment. <p>FY2023 measures:</p> <ul style="list-style-type: none"> In April 2023, with the aim of ascertaining the status of subsequent improvements and the factors behind the issues, a harassment survey was conducted in departments that were determined to be at high risk of harassment as shown in the result of the harassment survey conducted in FY2022. The results of the survey will be individually fed back to the heads of all surveyed departments, and those departments whose improvement status is not satisfactory will be requested to take corrective actions again based on the survey results. In October 2023, Shiseido will conduct ethics training for employees of Shiseido Group in Japan with the aim of reducing the risk of harassment.

*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	2019	2020	2021	2022
Shiseido Group	None	None	None	None

*Determination and management of serious compliance violations within internal business operations of Shiseido Group

Membership dues to various organizations, political contributions to political parties, etc.
(Millions of yen)

	2019	2020	2021	2022
Trade associations, etc.	40	41	40	20
Lobbying interest representation or similar	0	0	0	0
Donations to Political Parties	0	0	0	0

*Fraction have been rounded down

Non-Compliance with Laws and Regulations in the Social and Economic Area

		Target	2019	2020	2021	2022
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	5	2	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	2019	2020	2021	2022
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.

Violations or Complaints regarding Customer Privacy Protection received from Regulatory Authorities, Public Institutions, Consumer Rights Groups, etc.

Target	2019	2020	2021	2022
Shiseido Group in Japan	uncounted	uncounted	10	4

*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	2019	2020	2021	2022
Shiseido Group in Japan	No fine imposed for violation of law			

Social Contribution Activity Highlights

Spending on Social Contribution Activities (Unit: Millions of Yen)

Target		2019	2020	2021	2022	
Shiseido Group	Spending on Donations		687	1,243	1,518	1,031
	Breakdown	Cash donations	673	1,080	1,056	835
		Product donations	14	163	461	196
Japan a)	Spending on Donations		¥563	¥432	¥950	¥714
	Breakdown	Cash donations	¥562	¥394	¥911	¥581
		Product donations	¥0.37	¥38	¥38	¥133
Shiseido Company, Limited	Spending on Donations		¥553	¥410	¥899	¥561
	Breakdown	Cash donations	¥552	¥387	¥899	¥554
		Product donations	¥0.24	¥23	¥0	¥6
Overseas total	Spending on Donations		124	811	567	317
	Breakdown	Cash donations	111	686	145	254
		Product donations	13	125	422	62
Overseas affiliates b)	Spending on Donations		-	¥562	¥144	¥17
	Breakdown	Cash donations	-	¥482	¥18	¥5
		Product donations	-	¥80	¥126	¥11
Overseas affiliates c)	Spending on Donations		-	¥562	¥125	¥75
	Breakdown	Cash donations	-	¥482	¥107	¥75
		Product donations	-	¥80	¥17	¥0

a)	25 companies (Shiseido Co., Ltd., Shiseido Japan Co., Ltd., Shiseido Beauty Salon 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 Interactive Beauty Co., Shiseido Creative Co., Fine Today Industries Co., Ltd. Shiseido Astech Co., Ltd., Hanatsubaki Factory Co., Ltd., IPSA Co., Ltd., Shiseido Professional Co., Ltd.)
b)	6 companies (Shiseido China Co., Ltd., Shiseido Liyuan Cosmetics Co., Ltd., Shiseido Hong Kong Ltd., Shiseido Guangdong Cosmetics, Ltd., Shiseido Ziyue (Shanghai) Management Consulting Co., Ltd., Shiseido Beauty Innovations Fund)
c)	11 companies (Shiseido Americas Corporation, Shiseido (Canada) Inc., Shiseido do Brasil Ltd., Shiseido UK Limited, 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.)

Data marked with ☑ has been third-party certified.

Gender Equality (Resolving the Gender Gap and Empowering Women • Supporting Girl's and Women's Education and Financial Independence Worldwide)

Item	Description	2022
External lecture on the theme of "gender equality" by Shiseido	Total number of participants in lectures (persons)	1,848
30% Club Japan*1 Chair: Masahiko Uotani, Shiseido Target: 30% female board members in all TOPIX100 companies by 2030	Number of companies participating in TOPIX Presidents' meetings and working group study sessions (companies)	213
Shiseido Female Researcher Science Grant*2	Number of female scientists awarded the grant (persons)	10
Supporting female athletes	Number of athletes belonging to the Shiseido Running Club (persons)	11
	Number of female professional players who participated in the Shiseido Ladies Open, a tournament certified by the Japan Ladies Professional Golfers' Association (JLPGA) (persons)	120
Childcare facilities within the Company	Number of children cared for at Shiseido's in-house nurseries Kanga Room "Shiodome"*3 and "Kanga Room Kakegawa", and total number of temporary caregivers (persons)	479
	Number of participants in the parenting training program for men "Kodomology Ikutore" (persons)	52
Supporting education for girls by CLÉ DE PEAU BEAUTÉ Partnership with UNICEF to support girls' empowerment and skills building under UNICEF's Gender Equality Program*4	Number of girls reached (persons)	FY2019-2022 Over 3.5 million
Support for marginalized women and girls in Cambodia by Shiseido Travel Retail Partnership with Friends-International to support the Empower Her Project	Number of women supported (persons)	134 women were trained, and 45 received employment opportunities.
Independence support by Shiseido Child Foundation*5	Number of participants in seminars on social skills for high school students living in orphanages or with foster parents (persons)	401

	Number of high school students living in social care who received the Shiseido Child Welfare Scholarship (persons)	16
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*1 : Please refer to the 30% Club Japan for details.

*2 : Please refer to the Shiseido Female Researcher Science Grant for details.

*3 : Kodomology Co., Ltd. closed the Kangaroom Shiodome at the end of March 2023 and started the childcare support program, "Kangaroom +" for employees of Shiseido and alliance partners in April 2023.

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

*5 : Please refer to the Shiseido Child Foundation for details.

Empowering People Through the Power of Beauty

Item	Description	2022
Cultivating Self-Efficacy Through the Power of Beauty	Number of people who have experienced Shiseido Life Quality Makeup*1 and appearance care for people living with cancer*2 (persons)	40,516
	Number of people taking part in the LAVENDER RING Project (persons) 5 countries/regions, 6 events	116
	Number of people who have experienced makeup for the elderly and people with disabilities (persons)	9,147
Support for patients with xeroderma pigmentosum (XP) (UV-sensitive intractable disease) *3	Number of people who received Shiseido Group's various sunscreen products (Anessa, Doe, Avene, etc.) through the Japanese National Network of Xeroderma Pigmentosum (XP) (persons)	80
Challenging the Unconscious Biases and Prejudices	"SEE, SAY, DO" Project by SHISEIDO*4 Disclosure from 2023 results	

*1 : Please refer to Shiseido Life Quality Makeup for details.

*2 : Total number of people taking part in appearance care seminars, events and consultations, number of people using Perfect Cover, etc.

*3 : 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"

*4 : Please refer to SEE, SAY, DO. for details.

Other Social Contribution Activities

Item	Description	2022
Academic support	Number of winners of the JSID's Fellowship Shiseido Research Grant (persons)	2
	Number of winners of the Japanese Dermatological Association Basic Medical Research Grant (Shiseido donation) (persons)	6
Art and heritage	Number of visitors to the Shiseido Gallery (Ginza) (persons)	19,772
	Number of visitors to the Shiseido Corporate Museum (Kakegawa) (persons)	3,256
	Number of visitors to the Shiseido Art House (Kakegawa) *1 (persons)	7,879
	Number of visitors to the S/PARK Museum (Yokohama) (persons)	37,192
	Number of winners supported by "Shiseido art egg" <groups>	3
Activities for children	Number of participants in the Initiatives for Children Shiseido Kodomo Seminar for Juniors*2 (persons)	1,709
UV prevention education by Anessa	Number of participants in UV prevention classes at primary schools (persons)	5,414
	Number of sunscreen samples given out to kindergartens and nurseries (persons)	10,000

*1 : Open only from Wednesday to Saturday from April 27th 2022. Temporarily closed for facility maintenance from August 13th, 2022.

*2 : Please refer to "Activities for children" for details.

Community and Disaster Support

Donations from Shiseido Group employees are as follows.

Item	Description	2022
Community and disaster support	Amount of donations through "Shiseido Camellia Fund"* (unit: yen)	14,990,879
	Amount of donations through "Disaster Contribution" (unit: yen)	29,250,309

*Please click [here](#) for more details on the "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, 2022 through December 31, 2022 (the 'Selected Information'):

Shiseido Group

- Equal Remuneration (Executive officer)

Shiseido Group (Japan)

- Number of employees (Total) (as of January 1, 2023)
- Number of leaders (Male / Female) (as of January 1, 2023)
- Ratio of female leaders (as of January 1, 2023)
- Ratio of employees with disabilities (as of June 1, 2022)
- 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 Quality Management System which complies with the requirements of globally recognized quality management standard, 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, 2023

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 world. We explain how we create social value that we provide as a company to various stakeholders.

■ Scope

Shiseido Company, Limited and its consolidated subsidiaries (collectively, the Shiseido Group)

■ Target period

Mainly fiscal 2022 (from January 1, 2022 to December 31, 2022). 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)
- TNFD (Task Force on Nature--related Financial Disclosures)
- SASB (Sustainability Accounting Standards Board)
- Environmental Reporting Guidelines of the Ministry of the Environment (2018 edition)

■ Update period

June 2023 (next update scheduled June 2024, previous update July 2022)

■ Assurance Statement

Some environmental and social data are third-party certified.

Environmental Data

Social Data

GRI Content Index

This is a content index created in line with the GRI Standards, an international guideline for information disclosure on sustainability.

* Information related to the GRI Standards is described for reference. It does not indicate compliance with the GRI Standards.

* "Not applicable" indicates topics that are irrelevant or when there are no cases we are involved in at a significant level.

"-" indicates topics that we do not disclose.

102 : General Disclosures

1. Organizational profile		Reference
102-1	Name of the organization	
102-2	Activities, brands, products, and services	
102-3	Location of headquarters	
102-4	Location of operations	
102-5	Ownership and legal form	
102-6	Markets served	
102-7	Scale of the organization	
102-8	Information on employees and other workers	
102-9	Supply chain	
102-10	Significant changes to the organization and its supply chain	
102-11	Precautionary Principle or approach	
102-12	External initiatives	
102-13	Membership of associations	
2. Strategy		Reference
102-14	Statement from senior decision-maker	
102-15	Key impacts, risks, and opportunities	
3. Ethics and integrity		Reference
102-16	Values, principles, standards, and norms of behavior	
102-17	Mechanisms for advice and concerns about ethics	
4. Governance		Reference
102-18	Governance structure	
102-19	Delegating authority	
102-20	Executive-level responsibility for economic, environmental, and social topics	
102-21	Consulting stakeholders on economic, environmental, and social topics	

102-22	Composition of the highest governance body and its committees	
102-23	Chair of the highest governance body	
102-24	Nominating and selecting the highest governance body	
102-25	Conflicts of interest	
102-26	Role of highest governance body in setting purpose, values, and strategy	
102-27	Collective knowledge of highest governance body	
102-28	Evaluating the highest governance body's performance	
102-29	Identifying and managing economic, environmental, and social impacts	
102-30	Effectiveness of risk management processes	
102-31	Review of economic, environmental, and social topics	
102-32	Highest governance body's role in sustainability reporting	
102-33	Communicating critical concerns	
102-34	Nature and total number of critical concerns	
102-35	Remuneration policies	
102-36	Process for determining remuneration	
102-37	Stakeholders' involvement in remuneration	
102-38	Annual total compensation ratio	
102-39	Percentage increase in annual total compensation ratio	—
5. Stakeholder engagement		Reference
102-40	List of stakeholder groups	
102-41	Collective bargaining agreements	
102-42	Identifying and selecting stakeholders	
102-43	Approach to stakeholder engagement	
102-44	Key topics and concerns raised	
6. Reporting practice		Reference
102-45	Entities included in the consolidated financial statements	
102-46	Defining report content and topic Boundaries	
102-47	List of material topics	
102-48	Restatements of information	
102-49	Changes in reporting	Not Applicable
102-50	Reporting period	
102-51	Date of most recent report	
102-52	Reporting cycle	
102-53	Contact point for questions regarding the report	

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	

200 : Economic

201 : Economic Performance		Reference
201-1	Direct economic value generated and distributed	
201-2	Financial implications and other risks and opportunities due to climate change	
201-3	Defined benefit plan obligations and other retirement plans	
201-4	Financial assistance received from government	
202 : Market Presence		Reference
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	
202-2	Proportion of senior management hired from the local community	—
203 : Indirect Economic Impacts		Reference
203-1	Infrastructure investments and services supported	
203-2	Significant indirect economic impacts	
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	
205-2	Communication and training about anti-corruption policies and procedures	
205-3	Confirmed incidents of corruption and actions taken	
206 : Anti-competitive Behavior		Reference
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	

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	
302 : Energy		Reference
302-1	Energy consumption within the organization	
302-2	Energy consumption outside of the organization	—

302-3	Energy intensity	—
302-4	Reduction of energy consumption	
302-5	Reductions in energy requirements of products and services	—
303 : Water and Effluents		Reference
303-1	Interactions with water as a shared resource	
303-2	Management of water discharge-related impacts	
303-3	Water withdrawal	
303-4	Water discharge	
303-5	Water consumption	
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	
304-3	Habitats protected or restored	
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	
305-2	Energy indirect (Scope 2) GHG emissions	
305-3	Other indirect (Scope 3) GHG emissions	
305-4	GHG emissions intensity	—
305-5	Reduction of GHG emissions	
305-6	Emissions of ozone-depleting substances (ODS)	Not Applicable
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	
306 : WASTE		Reference
306-1	Waste generation and significant waste-related impacts	
306-2	Management of significant waste-related impacts	
306-3	Waste generated	
306-4	Waste diverted from disposal	Not Applicable
306-5	Waste directed to disposal	
307 : Environmental Compliance		Reference
307-1	Non-compliance with environmental laws and regulations	
308 : Supplier Environmental Assessment		Reference
308-1	New suppliers that were screened using environmental criteria	
308-2	Negative environmental impacts in the supply chain and actions taken	

401 : employment		Reference
401-1	New employee hires and employee turnover	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
401-3	Parental leave	
402 : Labor/Management Relations		Reference
402-1	Minimum notice periods regarding operational changes	
403 : Occupational Health and Safety		Reference
403-1	Occupational health and safety management system	
403-2	Hazard identification, risk assessment, and incident investigation	
403-3	Occupational health services	
403-4	Worker participation, consultation, and communication on occupational health and safety	
403-5	Worker training on occupational health and safety	—
403-6	Promotion of worker 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	
403-9	Work-related injuries	
403-10	Work-related ill health	
404 : Training and Education		Reference
404-1	Average hours of training per year per employee	
404-2	Programs for upgrading employee skills and transition assistance programs	
404-3	Percentage of employees receiving regular performance and career development reviews	Performance measurement setting and appraisal on regular basis : 100%
405 : Diversity and Equal Opportunity		Reference
405-1	Diversity of governance bodies and employee	
405-2	Ratio of basic salary and remuneration of women to men	
406 : Non-discrimination		Reference
406-1	Incidents of discrimination and corrective actions taken	
407 : Freedom of Association and Collective Bargaining		Reference
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	—
408 : Child Labor		Reference
408-1	Operations and suppliers at significant risk for incidents of child labor	
409 : Forced or Compulsory Labor		Reference

409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	
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	
412-2	Employee training on human rights policies or procedures	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	
413 : Local Communities		Reference
413-1	Operations with local community engagement, impact assessments, and development programs	
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	
414-2	Negative social impacts in the supply chain and actions taken	
415 : Public Policy		Reference
415-1	Political contributions	
416 : Customer Health and Safety		Reference
416-1	Assessment of the health and safety impacts of product and service categories	
416-2	Incidents of non-compliance concerning the health and safety impacts and services	
417 : Marketing and Labeling		Reference
417-1	Requirements for product and service information and labeling	
417-2	Incidents of non-compliance concerning product and service information and labeling	
417-3	Incidents of non-compliance concerning marketing communications	
418 : Customer Privacy		Reference
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
419 : Socioeconomic Compliance		Reference
419-1	Non-compliance with laws and regulations in the social and economic area	

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	
	Description of water management risks and discussion of strategies and practices to mitigate those risks	CG-HP-140a.2	
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	CG-HP-250a.1	
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	CG-HP-250a.2	
	Discussion of process to identify and manage emerging materials and chemicals of concern	CG-HP-250a.3	
	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	
	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	

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	

"—" : Not disclosed