


INTEGRATED  
REPORT  
2021


OUR MISSION is  
BEAUTY INNOVATIONS FOR A BETTER WORLD




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Publication of Integrated Report 2021

Main Content & Features

BEAUTY INNOVATIONS FOR A BETTER WORLD. Our corporate mission guides everything we do at Shiseido. We are committed to finding solutions to social issues and aim to bring happiness to people around the globe through beauty.

Our medium-to-long-term strategy WIN 2023 and Beyond was launched in 2021 as a roadmap outlining our vision to realize value creation through business transformation, with numerous Group-wide reforms currently underway. For Integrated Report 2021, we wanted to present a comprehensive guide to our value creation and progress in WIN 2023 and Beyond and convey our commitment while recognizing current risks and challenges and outlining future initiatives. This year's report continues to feature messages with the frank opinions of our CEO, Masahiko Uotani, alongside other executive officers and external directors.

Our designs and digital forms of expression as a beauty company are constantly evolving. At the same time, we realize the need to enhance usability and readability and have added various features to Integrated Report 2021, including a search function and the publication of a text version (PDF) to accommodate various users.

We hope that this report will be a valuable tool for dialogue with our stakeholders.

MESSAGE

Message from the CEO

In this section, Shiseido CEO Uotani shares his thoughts with our shareholders and investors. Uotani discusses his insights on the occasion of Shiseido's 150th anniversary, his commitment toward Shiseido's vision for 2030, the progress and challenges of WIN 2023 and Beyond, and his strong aspirations in creating the foundation for Shiseido as a skin beauty company through global transformation.



[VIEW DETAILS](#) 



## VALUE CREATION

### Shiseido's Value Creation

This is a medium-to-long-term narrative revealed in our value creation process. In addition to showcasing our 150-year history of value creation, this section highlights its most important drivers, Diverse Professionals and Beauty Innovation. These are described by their respective executive officers, who spell out strategies for the future and outcomes they will provide.

[VIEW DETAILS](#) →

## STRATEGY

### Medium-to-Long-Term Strategy

Shiseido is promoting WIN 2023, the first phase of our medium-to-long-term strategy WIN 2023 and Beyond, with sights set on our vision for 2030. This section includes an overview of WIN 2023 and Beyond, a progress update on business restructuring, supply network, and DX strategies, results in 2021, commentary by our CFO on financial strategy, and our sustainability strategy.

[VIEW DETAILS](#) →







# GOVERNANCE

## Corporate Governance

Corporate governance is the foundation for achieving sustainable growth through the fulfillment of our corporate philosophy. Based on the belief that transforming and strengthening corporate governance is essential to enhancing corporate value, this section summarizes ongoing governance reforms at Shiseido. In addition, a message from external director Shinsaku Iwahara is included as a report from the Chair of the Nomination & Remuneration Advisory Committee to convey the current state of Shiseido's management and governance.

[VIEW DETAILS](#)



## Key Visual Concept

### BEAUTY INNOVATIONS FOR A BETTER WORLD


Since its founding in 1872 as Japan's first private Western-style pharmacy in Ginza, Tokyo, Shiseido has believed in the power of beauty to bring happiness to our consumers. We are committed to continuing our tradition of creating the future of beauty with consumers around the world to fill their days with smiles and hope.






Editorial Policy

Scope of Report and Reference Guidelines


Reporting Period	<p>From January 2021 to December 2021</p> <p>Some information may refer to organizational structures and initiatives for 2022 if those have been recently updated.</p>
Organization	<p>Shiseido Company, Limited (the Company) and its consolidated subsidiaries (collectively, the Shiseido Group)</p>
Reference Guidelines	<p>In the compilation of this report concerning Shiseido's value creation, we have referred to the International Integrated Reporting Framework of the International Integrated Reporting Council and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry of Japan.</p> <p>For sustainability information, we have referred to the Environmental Reporting Guidelines (2018 edition) of the Ministry of the Environment of Japan, the Sustainability Reporting Standards of the Global Reporting Initiative, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).</p> <div><div>Environment Social Governance</div><div></div><div>Guidance for Collaborative Value Creation</div></div>
Date of Issue	<p>April 2022</p>

Information Disclosure

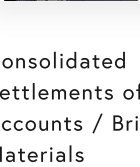


**Integrated Report 2021**  
Integrated report on management policies and strategies for medium-to-long-term value creation

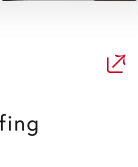
**Investors**



**Consolidated Settlements of Accounts / Briefing Materials**

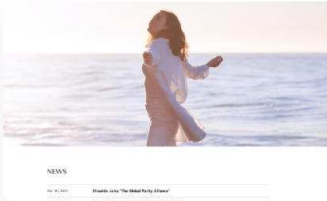


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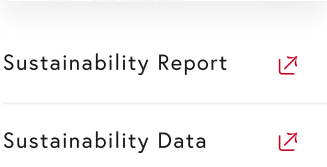


IR News

**Sustainability**




**Sustainability Report**

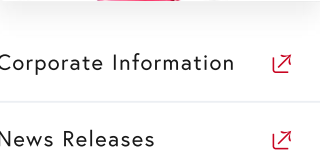


Sustainability Data

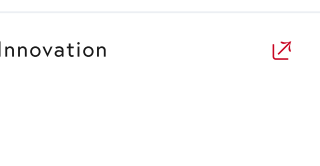
**Corporate Website**



**Corporate Information**



News Releases



Innovation

The purpose of this Integrated Report is to provide a comprehensive overview of Shiseido's management policies and strategies for medium-to-long-term value creation. More information, including in-depth content on our brands and innovation, is available on the Shiseido Group corporate website. Detailed financial information on the Company is provided in the Investors section of the website, while information concerning our sustainability strategies and activities related to the environment and society can be found in the Sustainability section.

Disclaimer

Notes to Consolidated Financial Statements

This report does not include the consolidated financial statements and notes to the consolidated financial statements.  
For the relevant financial information, please refer to **Consolidated Financial Statements** .

Notes on Forecasts

In this report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and achievements to differ from those anticipated in these statements.

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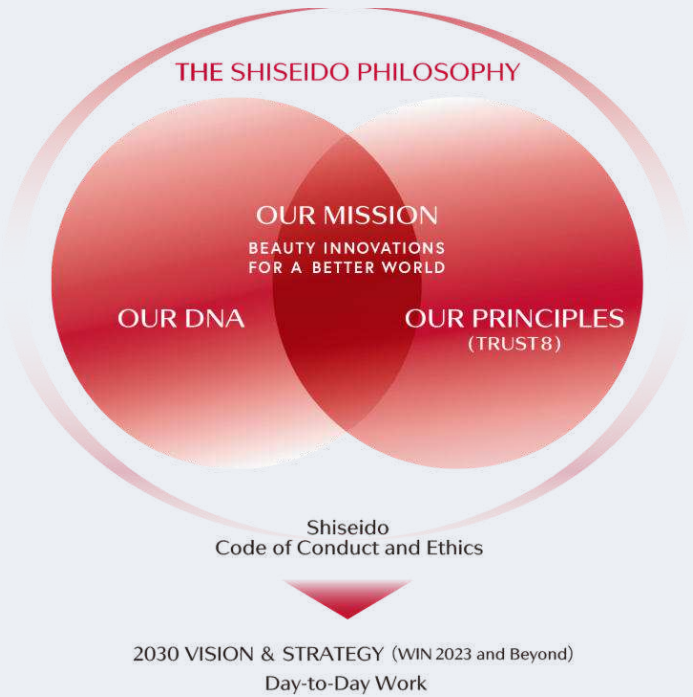
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# THE SHISEIDO PHILOSOPHY

THE SHISEIDO PHILOSOPHY is at the very heart of Shiseido's value creation.

Adopted in 2019, it is the guiding light in our quest to be the world's most trusted beauty company and remain vital for the next 100 years and beyond. This philosophy consists of OUR MISSION, which is the reason we exist since our founding; OUR DNA, which represents our unique heritage; and OUR PRINCIPLES, which serve to guide the convictions of every employee at Shiseido.

THE SHISEIDO PHILOSOPHY is the basis of everything we do. To promote connection and cultural alignment with this philosophy, we engage in a wide range of initiatives that include messages from management to employees, real-world applications in leadership and professional development, and use in case studies and employee training.



## OUR MISSION



### OUR MISSION is BEAUTY INNOVATIONS FOR A BETTER WORLD

We believe beauty inspires hope and empowers happiness, contributing to a world of wellness and a lifetime of fulfillment for all things living.

Since our founding, we have expanded the possibilities of beauty through innovations to discover and create new value.

With the power of beauty, we strive to create a better, more sustainable world for all.



# OUR DNA

OUR DNA has been the very essence of Shiseido since our founding in 1872, providing value to consumers and society through unique beauty innovations. The tradition, culture, and aesthetics woven throughout our history are the cornerstones of Shiseido's value creation and our competitive edge.

While Shiseido was born in Japan, OUR DNA is inherited and further enriched by employees all over the world.



## PEOPLE FIRST

For Shiseido, people are everything. Without employees, business partners and stakeholders, innovation would not be possible. We work closely with all of our people to develop and deliver new value to society and consumers around the world.

## DIVERSITY

We believe that simply embracing diversity is no longer enough. We will go one step further and love the differences in everyone, combining unique values, personalities and ideas to continuously inspire innovation.



## ART & SCIENCE

Ever since our founding, we have always blended art and science. Going forward, we will continue to adopt, adapt and fuse technology with creativity to inspire new and unique value.



# JAPANESE AESTHETICS

We have been cultivating our sensitivity to beauty based on Japanese culture and tradition. It is a loving sensitivity to beauty that exists not only in the individual, but also in society and nature. We will continue to sharpen our unique Japanese aesthetics to ensure ever-evolving beauty innovations.



# UNCOMPROMISING QUALITY

From R&D and production to marketing and sales, we promise to never compromise quality and always comply with our stringent internal standards and external regulations to earn the trust of consumers around the world.

# OMOTENASHI

Omotenashi is the key to touching the hearts of consumers around the world. For every Shiseido employee—not only those in direct interaction with consumers—the spirit of omotenashi is ever-present.



OUR

# PRINCIPLES (TRUST 8)

OUR PRINCIPLES serve as the convictions that guide every Shiseido employee on a daily basis. Eight working principles—known as TRUST 8—are based on the idea that mutual trust is the key to succeeding in OUR MISSION. Now more than ever, it is crucial to connect each employee's actions with value creation and business strategies. To do so, we are rolling out role-oriented personnel strategies and professional development initiatives. At the core of these efforts are OUR PRINCIPLES, which form the basis for employee engagement and are incorporated into how we evaluate and reward performance at Shiseido.

## THINK BIG

Adapt a big-picture perspective.  
Deliver new values through  
creativity.

## TAKE RISKS

Embrace risk.  
Practice "Trial & Error & Trial."

## HANDS ON

Consider front-line realities  
when making decisions.  
Take the lead from end-to-end.

## COLLABORATE

Break free from the silo mentality.  
Leverage the diverse  
capabilities of colleagues.

## BE OPEN

Be transparent. Create an  
environment  
that encourages everyone  
to speak up—even if  
it is bad news.

## ACT WITH INTEGRITY

Be sincere and humble at all times.

## BE ACCOUNTABLE

Commit to the goal.  
Take accountability for the  
execution.

## APPLAUD SUCCESS

Create a culture  
that celebrates success.



## Message from the CEO



**We take a step forward  
with a spirit of hope for a new future  
in 2022, the year of our 150th anniversary.  
Shiseido is committed to realizing a world  
where everyone can be empowered  
and enjoy happiness through the power of beauty.**

Representative Director,  
President and CEO

**Masahiko Uotani**

2022 marks the 150th anniversary of Shiseido's founding. We renew our appreciation for our customers, shareholders, investors, and all other stakeholders who have supported us and realized our business continuity over the last century and a half. While staying true to the spirit of BEAUTY INNOVATIONS FOR A BETTER WORLD, a credo that has shaped Shiseido since its birth, this year we will take our first step toward a new future. I ask for your continued patronage as we work to build the foundation to ensure Shiseido will shine for the next century and beyond.

**Our 2030 Target: A Truly Global Company**

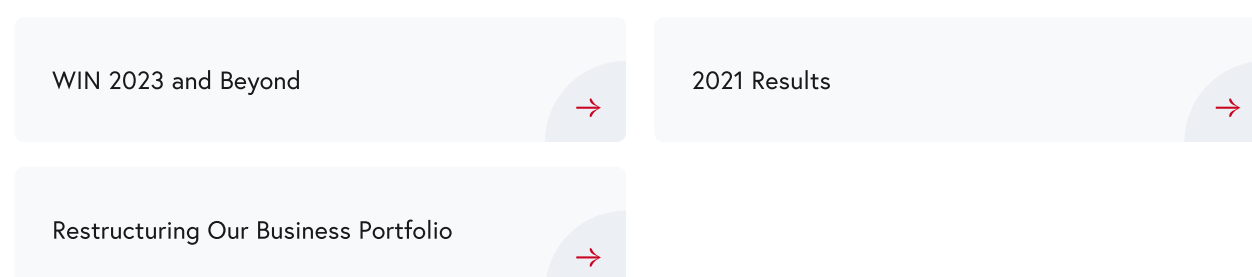
Our vision for 2030 is the creation of a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty. By 2030, we aim to become the world's No. 1 skin beauty company and the most trusted beauty company by the society worldwide with our net sales target of ¥2 trillion and operating profit margin of 18%, a level comparable to our global competitors.

In 2021, we launched our medium-to-long-term strategy WIN 2023 and Beyond, in which we articulated our response to rapid changes in the external environment caused by the COVID-19 pandemic: focusing on skin beauty, our area of strength; rebuilding our business portfolio; and improving profitability, particularly in our Americas and EMEA businesses. Through these strategic actions, we are pursuing fundamental reforms with a strengthened focus on profitability and cash flow. We also continue aggressive investments into our brands, innovation, supply network, DX, and people to further enhance our foundation for growth as a skin beauty company.

In 2021, the first year of our medium-term strategy, we achieved robust business recovery from the previous year and accelerated DX. However, our most significant achievement was the restructuring of our brand portfolio. We made tough decisions for global transformation with agility and a sense of urgency, accomplishing structural reforms of businesses and brands at the scale of over ¥200 billion in net sales in a single year.



#### RELATED LINKS



### Regional Ownership—Key to Global Transformation

"Turning crisis into opportunity," "structural reform," "transformation." These are all easier said than done, as they require us to touch upon sensitive topics involving employment and compensation of people as a result of business transfers or withdrawals. Inevitably, these reforms demand a host of considerations, tough decision-making, and execution with strong conviction. That is why ownership and authority by each region are paramount.

With the rapid spread of COVID-19 in early 2020, we experienced an unprecedented 30% drop in sales from the previous year, and the company's very survival was in jeopardy.

In such a situation, management has two options: ride out the storm or transform the company to make it more resilient than ever. The former option may have been an easier choice, but with no way of knowing the time horizon for the pandemic, I chose the latter. Under the slogan "Build Back Better," we are undertaking reforms that tackle management issues head-on in order to become a more resilient company in terms of our brands, profitability, and corporate culture.

In May 2020, I communicated this resolve to our regional CEOs and asked each of them to come up with a plan for reforming their respective businesses. In June, they put forward their proposals, where each region envisioned reforms more drastic than I had imagined. They had fundamentally reevaluated their business models and structures, including the sale of brands, integration of offices, and cost reductions. They were prepared to make tough choices in order to protect profits and ensure further growth of the Shiseido Group.

Building upon these regional proposals, we established a Global Transformation Committee to implement the reforms, where I served as chair. Various discussions and deliberations by this committee shaped into concrete decisions, which were then approved by the Board of Directors for immediate and effective implementation.

In carrying out these reforms, we were able to maintain high morale and autonomy under the leadership of each region. Since then, the Global Transformation Committee has met more than one hundred times. The committee regularly reported to and received final approval from the Board of Directors, conducting various simulations related to finances and people and taking measures to deal with challenges faced by the company.

## An Uncompromising Approach to Employee Treatment

When transferring or withdrawing from a brand or business, I was most concerned about our employees. Adhering to one of Shiseido's core management principles of PEOPLE FIRST, we wanted to secure employment and provide fair compensation in a rewarding workplace for every employee who had helped us build our brands and businesses.

In the transfer and joint venture establishment of our Personal Care business, implemented in July 2021, we placed particular emphasis on employee career opportunities and satisfaction. It was an exceptionally difficult decision, but the main reason for transferring the business was a difference in business models. Under Shiseido's new strategy and business structure focused on prestige skin beauty, we would not be able to fully support employees involved in our Personal Care business. We therefore negotiated with the new owner, CVC Capital Partners, to provide them with future opportunities to grow and thrive after the transfer, and stipulated the contracts accordingly.

Similarly, in the case of three U.S.-based prestige makeup brands (*bareMinerals*, *BUXOM*, and *Laura Mercier*), transferred in December 2021, our top priority was to secure employment for all affiliated employees. Negotiations took time given the rare nature of our conditions in the U.S., however, we were able to keep the positions for most of our employees under the new owner.

Also, in the termination of the global license agreement with Dolce&Gabbana at the end of 2021, our focus was to give the utmost consideration to our employees, such as assistance in finding new employment. We made the decision to handle Shiseido's responsibilities in good faith.

The transfer of our Professional Business, announced in February 2022, was also a decision brought about by the non-core positioning of the business. In our negotiations with the new owner, we focused on their ability to expand positions and careers for employees through aggressive investment and business development.

## Business Restructuring for Profitability Improvement and Enhancing the Financial Base

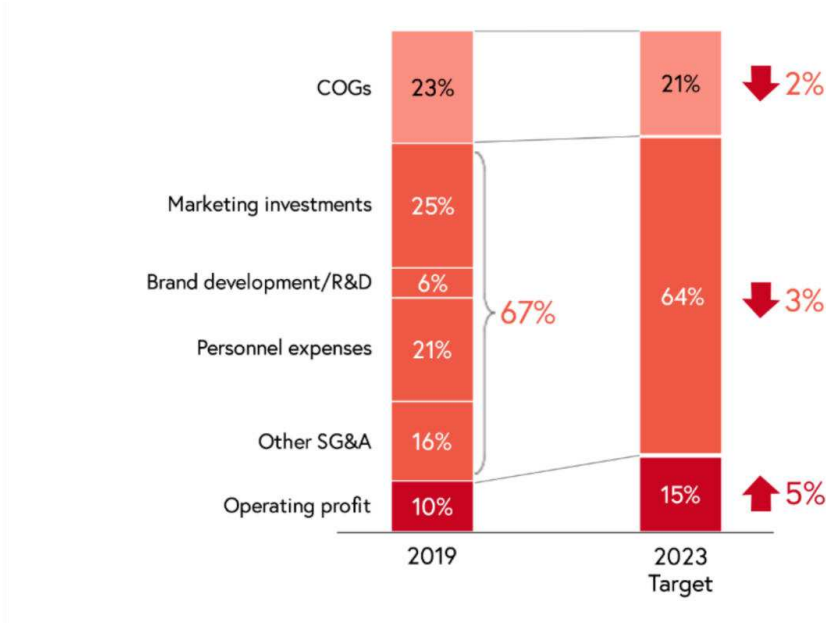
Successful structural reforms have allowed us to make significant progress in building a strong business foundation. We are indeed delivering on our commitment to "Build Back Better."

Going forward, we will further improve our financial structure through the elimination of low-profit businesses, item (SKU) reduction, and greater productivity, in addition to increasing the composition of our highly profitable skin beauty business. Furthermore, our cash flow improved significantly with the equity ratio reaching 46%, mainly due to the reduction of interest-bearing debt. This enhanced financial base will enable us to make aggressive investments for further growth, including new business development and M&A.

Under WIN 2023, we are targeting a COGs ratio of 21%, SG&A of 64%, and an operating margin of 15% by 2023. Compared to our 2019 performance, these targets are ambitious—2, 3, and 5 percentage point improvements, respectively—but this level of profitability and the ability to sustainably reinvest into growth are essential to keep pace with global competitors.

As such, we are committed to continue with this structural reform. In 2022, our priority is to ensure that our global transformation would have visible impact in bringing us back to a growth trajectory. We will accelerate DX and continue to transform our business foundation so that we can flexibly respond to changes in the environment and better position ourselves to grow our skin beauty business with high profitability.





RELATED LINKS

Message from the CFO

Shiseido Aims to Empower Everyone to Live Their Lives to the Fullest Through Beauty

As part of our roadmap for WIN 2023 and Beyond, we are currently developing specific strategies for 2030. Here I would like to explain two of the directions toward 2030.

We believe that Shiseido's value creation is rooted in leveraging the power of beauty to generate social value. Under our mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, we will further enhance the personalized, high value-added products and services that we offer to consumers.

Over the years, Shiseido has developed a business that caters to the specific needs of each consumer. Building on this foundation, we want to realize a digital platform for beauty. We will collect and analyze data on the daily condition of consumers' skin and body, expand our points of contact with them both off- and online, and provide comprehensive proposals not only on skincare regimens, but also on diet and sleep, which are indispensable for beautiful skin. This platform will be truly unique since our beauty consultants will always stay connected with consumers and become their trusted beauty and wellness partners through omni-channel communication. This idea of becoming a "Personal Beauty Wellness Company" is our corporate vision for 2030.

Shiseido aspires to become a true "Global Winner with Our Heritage," a goal adopted when I first took office and one that has remained constant ever since.

Since then, in the first phase of our work to make Shiseido a truly global company, we have implemented a matrix organization that crossmatches six regions with brand categories, realizing localized management structures. The second phase will be about localizing our value creation.

Transforming our business will require innovative business creation and product development around the world while maintaining our Japanese heritage of technology, meticulousness, and focus on safety and quality. Because each region has its own culture and climate, it is essential that value creation originate not just in Japan but also in each of the regions. I am proud to say that we now have a team of diverse and skilled professionals thanks to stronger management in each of our regions, and we are becoming a company attracting and retaining talent. Local teams are expected to carry out ideas and initiatives unique to each region.

For example, the prestige skincare brand *Ulé*, scheduled for launch in EMEA in May this year, was developed by a team of women from France and Spain at our regional headquarters in Europe. They oversaw the entire brand concept, name, product design, and packaging. We see Europe as a leader in sustainability, and *Ulé* is a progressive brand that embodies their beliefs and ideas, a reflection of what the future should look like.



European prestige skincare brand *Ulé*

At the end of 2021, we launched Project Phoenix, a Group-wide bottom-up initiative in which each and every employee will be involved in providing ideas to create medium-to-long-term value for consumers. Our employees worldwide will take the lead in exploring ways of achieving our vision for 2030. We have already received many feasible proposals, which we plan to incorporate into different strategies by the end of 2022.



## Refining Our Sustainability Strategy and Governance

At Shiseido, we must also refine our sustainability strategy to achieve our desired value creation.

Our vision for 2030—a world where everyone can enjoy a lifetime of happiness through the power of beauty—implies that every individual is truly empowered and can play an active role. It needs to be a world where people can enjoy beauty in a truly sustainable manner, leveraging the positive impact of the power of beauty while mitigating the potential negative environmental impacts from our business activities.

Based on this concept, we place sustainability at the core of our strategy, and all our employees promote activities that integrate our business with sustainability strategies. In terms of the environment, we have set medium-term targets for CO<sub>2</sub> emissions, water, waste, sustainable packaging, palm oil, and paper and are implementing three strategic actions throughout the entire value chain: reducing our environmental footprint, developing sustainable products, and promoting sustainable and responsible procurement that considers the environment and human rights.

In terms of social impact, we are particularly focused on diversity and inclusion (D&I). Along with creating an inclusive society through our beauty business, I will contribute to the transformation of Japanese society and the business community through my work with KEIDANREN (Japan Business Federation) and the 30% Club Japan, of which I am the chair. It will be essential for Shiseido to continue to lead by example, and we plan to accelerate our initiatives without cutting any corners.

Going forward, corporate governance will become increasingly important.

I have learned a lot about corporate governance, particularly the importance of transparency. Agile and flexible information sharing with external directors is crucial for them to make appropriate decisions based upon their trust and support.

That is why we have always kept our external directors up to date on the progress of our business transfers and structural reforms mentioned earlier. I also prepare and share with our external directors the results of meetings with shareholders and investors, detailing the discussions and their feedback. In addition to these regular communications, an annual CEO Review serves as a platform to explain specific areas of focus, achievements, unresolved issues, and potential risks.

As part of our governance development, we have appointed Charles D. Lake II and Mariko Tokuno to serve as external directors in 2022. In addition, we have implemented a process that clearly states, in advance, and allows for mutual discussions of the amount of time, level of quality, and responsibilities expected of all external directors. Shiseido is also working hard to further improve the effectiveness of the Board of Directors, which will include defining how meetings are structured, what is discussed, and allocating more time for strategic agendas.

We also recognize the importance of the CEO succession plan. I understand that this is a topic of great interest, having received many inquiries during our discussions with shareholders and investors. I am currently allocating much of my time to finding and training a successor and engage in ongoing discussions with external directors on this topic.

RELATED LINKS

Sustainability Strategy

→

D&I Strategy

→

Corporate Governance

→

Building the Foundation for an Even Brighter 150 Years

It is a true honor and a privilege to be serving as President and CEO of Shiseido during its 150th anniversary of founding, as not many companies around the world can claim such a long history.

Cosmetics, unlike water, food, energy, or infrastructure, are not necessities of life. Yet we have continued to deliver value to the society for a century and a half. The beauty business is indispensable in its ability to contribute to the happiness of people everywhere, and the value it creates will become more important in the future.

At a press conference in December 2013, I said that as CEO, I would create a company that would shine even brighter in 100 years' time. Now that we are celebrating our 150th anniversary, I have renewed my resolve to build a foundation for the next 150 years. I trust that in the future, the reforms of today will be seen as the turning point that allowed the company to thrive.

I hope to continue our dialogue with our shareholders and investors so that future generations can celebrate our 300th anniversary.

I ask for your continued support on this challenging but rewarding journey.

April 2022

Value Creation Process

Financial Capital



- Investment resources based on cash flow management (e.g., marketing, research & development, facilities, digital, etc.)
- Sufficient fundraising (credit rating of "A" or higher)

Manufacturing Capital



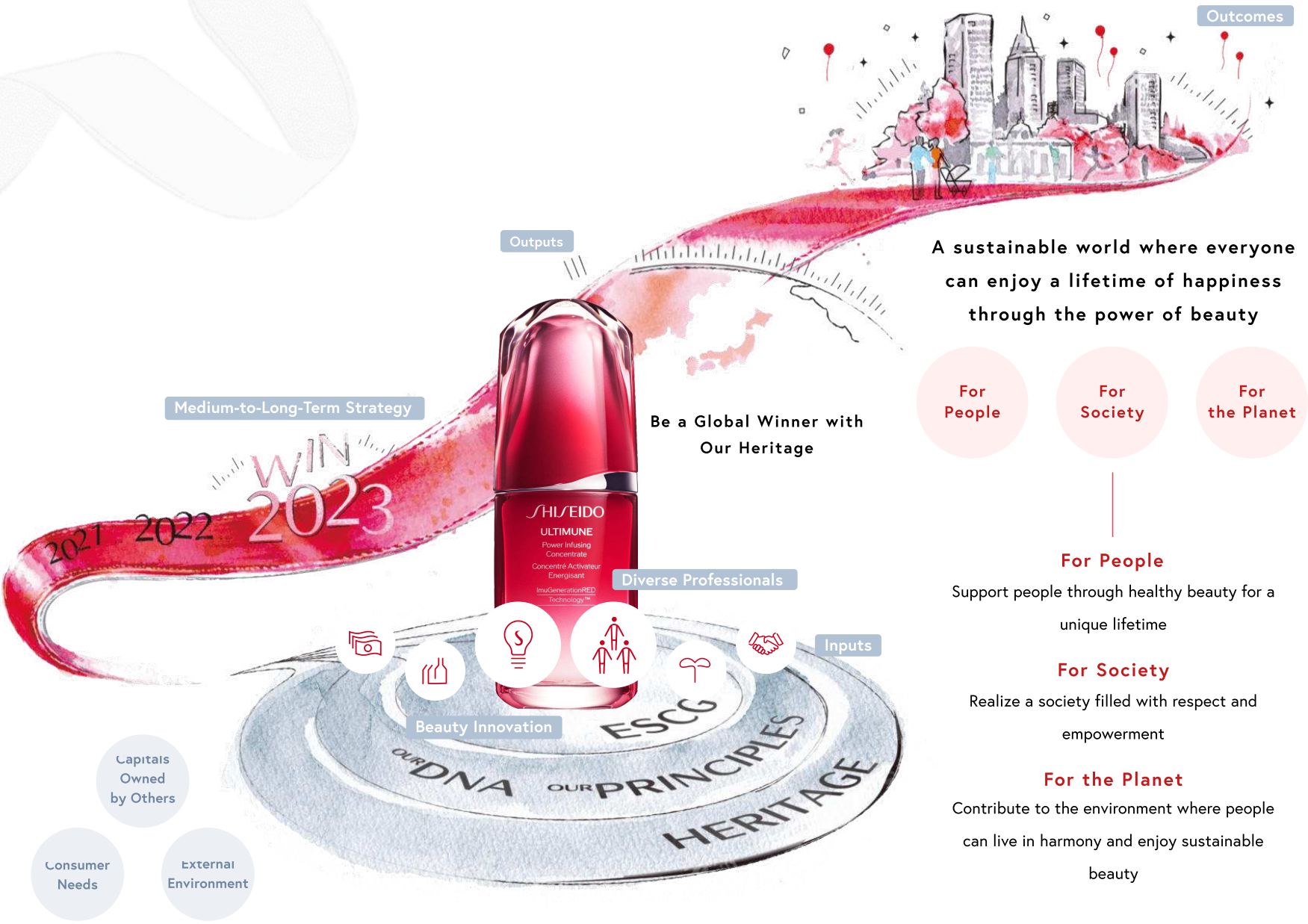
- Global research and development network of eight centers with Shiseido Global Innovation Center (GIC) at its core
- 13 production sites around the world guaranteeing a stable and agile manufacturing environment

Intellectual Capital



- Core research areas and infrastructure encompassing over 100 years of knowledge and excellence as epitomized by our research in dermatology and *kansei*
- Expertise and achievements related to beauty innovation focused on consumer insights and science
- Brand value built on consumer trust

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BEAUTY INNOVATIONS FOR A BETTER WORLD



Human Capital



- A diverse workforce of around 42,000 people from approximately 100 different nationalities
- Cultural alignment under THE SHISEIDO PHILOSOPHY
- A corporate culture that encourages beauty innovations

Natural Capital



- Raw materials (palm oil, water, paper, plastics, etc.)
- Energy (electricity including renewables, gas, fuel, steam, etc.)

Social Relationship Capital



- Sustainable value chain
- Diverse engagement opportunities for consumers and other stakeholders
- A trusted corporate brand



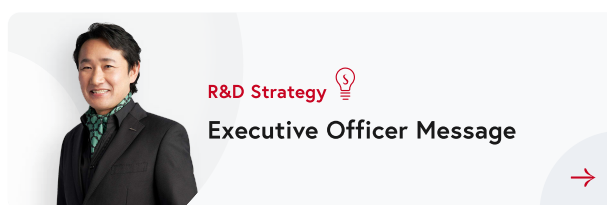
## We believe in the power of beauty to create value for society now and in the future.

OUR MISSION defines everything we do at Shiseido. Despite the many challenges along the way, we firmly believe in the power of beauty and remain committed to business transformation and reform to create value for society.

Shiseido's corporate mission is BEAUTY INNOVATIONS FOR A BETTER WORLD. We aim to create a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty. Shiseido works with its stakeholders, continuously innovating to provide solutions to social issues through the beauty business.

We aim to "Be a Global Winner with Our Heritage." To achieve our corporate mission, we have devised WIN 2023 and Beyond, our new medium-to-long-term strategy in response to the drastically changing landscape. Under this strategy, Shiseido is committed to fundamental reforms, including business portfolio enhancement, improved profitability, and digital transformation, to become a company that creates value now and in the future. To that end, speedy and integrated management is essential.

Our value creation strategy is underpinned by our value drivers that are Shiseido's unique assets unmatched by other companies. These drivers have matured in the century and a half since our founding and are entwined in OUR DNA, one of Shiseido's core strengths. This in turn shapes OUR PRINCIPLES, which serve to guide the convictions of every employee at Shiseido. However, successful value creation requires continuous evolution, and we believe that our diverse professionals and ongoing beauty innovations will fuel long-term growth under WIN 2023 and Beyond.



Message from an Executive Officer



D&I Strategy

We contribute to the creation of an inclusive society through our accumulated learning and knowledge of D&I and the power of beauty.

Representative Director  
Senior Executive Officer  
Chief Marketing Officer  
Chief D&I Officer

Yukari Suzuki

Our Approach to Diversity & Inclusion (D&I)

Diversity is the source of our value creation. We believe that an environment of respect for diverse values, one that empowers individuals to fulfill their potential, is indispensable for corporate growth. Since our founding, we have embraced a spirit of diversity to enhance our organizational capabilities and create value.

In particular, we have focused on promoting the empowerment of women, emphasizing that all employees should be able to build their careers exactly as they wish in accordance with their lifestyles and life stages. To support this initiative, we introduced a leadership development program for female employees called NEXT LEADERSHIP SESSION for WOMEN <sup>※1</sup> in 2017 and Speak Jam <sup>※2</sup> in 2020. As of January 2022, the ratio of women in leadership positions in Japan has improved by 12.2 points since 2017 to 37.3%, and for the Shiseido Group globally, to 58.3%.

Shiseido has received the Prime Ministerial Award for Women Empowering Companies 2020 to commend Leading Companies where Women Shine. On a global basis, WomenCorporateDirectors Foundation (WCD)—a network of female executives from companies around the world—selected Shiseido for the WCD Visionary Award for Leadership and Governance of a Public Company in recognition of our diversity in senior management and governance. These awards show that we are receiving external recognition for our efforts. However, there is still work to do.

Therefore, we position D&I as a key management strategy driving our efforts to create an inclusive society, which is the basis of our beauty business.

※1 8-month training program of lectures, workshops, and coaching sessions for the development of female leaders  
※2 Mentoring program connecting female executives with female employees to help them with their career development





## Toward an Inclusive Society

Together with the launch of our medium-to-long-term strategy, WIN 2023 and Beyond, we at Shiseido have been thinking about how best to contribute to society in order to realize our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD. A BETTER WORLD refers to a society where everyone can enjoy a lifetime of happiness. In other words, an inclusive society.

However, when we look at today's society, we see challenges everywhere. Equal rights and exclusivity in terms of race, gender, nationality, sexual orientation, disability, age, and other attributes have become important themes worldwide. Moreover, these issues are of increasing concern to consumers, as shown by the recent Black Lives Matter movement and advocacy for the ending of child labor.

We have to admit that Japan still lags far behind in terms of diversity. In terms of the gender gap, which is a key measure of diversity, Japan ranks 120th in the Global Gender Gap Report 2021. <sup>【※3】</sup>

Therefore, we believe that Shiseido can contribute to the creation of an inclusive society through the learning and knowledge that we have cultivated and the power of beauty. Going forward, we will strengthen our activities not only within the company but also throughout society at large.

※3 The Global Gender Gap Report 2021, published in March 2021 by the World Economic Forum, contains an index designed to measure gender equality by country/region.

## Strategic Direction

We have defined two pillars of our strategy in terms of contribution to society.

The first pillar is women's empowerment. As I mentioned earlier, resolving the gender gap in Japanese companies is a matter of urgency. We believe that a solution to this issue will also contribute to Japanese society at large. Shiseido is committed to being at the forefront of creating opportunities for corporate and social reform and encouraging the acceleration of women's empowerment. Our President and CEO, Masahiko Uotani, acts as chair of the 30% Club Japan, an initiative to increase the ratio of women among Japanese corporate board members.

Our global skincare and makeup luxury brand *Clé de Peau Beauté* entered into a global partnership with UNICEF since 2019. Through the three-year partnership, we are supporting UNICEF's effort to empower girls globally through education and employment programs by contributing the world's largest contribution of USD 8.7 million to support UNICEF's Gender Equality Program.

A CRM (Cause Related Marketing) Campaign featuring the brand's best-selling product, The Serum, is held every year globally, to invite consumer participation and raise awareness for UNICEF's program. Additionally, *Clé de Peau Beauté* also launched a long-term philanthropic program, the Power of Radiance Awards, to honor inspirational women from around the world whose advocacy for women and girls' education has led to positive long-term impact on lives.

The other pillar of our strategy is to use the power of beauty to improve inclusiveness. At Shiseido, we strive to empower everyone through the power of beauty. We believe that beauty comes in many forms and draws on different values. Shiseido's vision for 2030 and beyond is to be a PERSONAL BEAUTY WELLNESS COMPANY. This concept is based on our desire to contribute to a lifetime of unique and healthy beauty for each and every one of our consumers.

We believe that the cosmetics and beauty business can play a significant role in the elimination of unconscious bias and we are committed to promoting an inclusive society through leveraging the influence and resonance of our brands.





Shiseido also works to expand Shiseido Life Quality Makeup to support anyone with deep skin concerns, such as scars, discolorations and changes in appearance due to cancer treatment. We collaborate with other companies, medical institutions, organizations, and business partners in Japan to help people with these serious skin concerns so they can continue to feel their best and live their lives to the fullest. We have already launched these activities in China, Singapore, and Taiwan, and we intend to expand them to other countries and regions in the future.



Shiseido Life Quality Makeup



Participants in an online event for LAVENDER RING, a project to support people with cancer

## Promotion of D&I at Shiseido

We cannot afford to cut corners with our internal D&I efforts, the bedrock of our contribution to society.

Through the promotion of D&I, we aim to foster an inclusive organizational culture that respects diverse professionals and different personalities, encourages open discussion and collaboration, and stimulates innovation. In addition to the development of various HR systems and training programs, we have developed an infrastructure that accommodates diverse work styles, shifted to a job-grade-based HR system, and implemented management reforms to ensure that the whole system works as it should. Several years have passed since the adoption of English as our official in-house language at our global headquarters in 2018 and the launch of Reverse Mentoring <sup>[※4]</sup> in 2017. We believe these initiatives have helped to cultivate an environment of respect among employees from different age groups and backgrounds.

At the same time, continuous support of women's empowerment is a critical issue for Shiseido. It is important not only to have a working environment in which female employees can demonstrate their skills, but also to ensure gender balance in terms of decision-making. We continue various initiatives in recruitment, training, organizational development and are raising awareness towards our 50% target for the ratio of female leaders at all levels of the organization in Japan by 2030. We have made steady progress toward closing the gender gap in all areas and hierarchies through our support of autonomy in the career development of female employees. This is clear from the first-ever appointments of women to posts such as Regional CEO or Factory Director in Japan.

※4 An initiative in which young talents act as mentors to executive officers and department directors

## My Role as Chief D&I Officer

Uniformity and homogeneity hamper innovation in people and organizational culture. Naturally, unconscious bias is deep-rooted and difficult to eliminate, but people are inherently diverse, and at this point we should recognize that respect for diversity is a given. We believe that an inclusive society where everyone can demonstrate their capabilities will lead to a life of happiness.

Although I do not have an academic background in D&I or previous HR experience, my remit as Chief D&I Officer, which is concurrent with my role as Chief Marketing Officer, is to promote Diversity and Inclusion and the creation of social value through our core beauty business.

I believe I can contribute to a more inclusive society by addressing consumer needs through brand experiences with our products, in-store consultations, or other services. As Shiseido's Chief D&I Officer, I am committed to harnessing the power of beauty to this end.

April 2022



Value Creation Strategy



KEY FIGURES



Our Approach to Human Capital

At Shiseido, we always put PEOPLE FIRST. Ever since our founding, people have been at the heart of value creation at Shiseido. People are the key to fulfilling our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, and diverse professionals remain an essential value driver for our business.

Shiseido also believes that value is created through the fusion of diverse knowledge and competencies. Throughout our 150-year history, we have always valued the spirit of diversity and inclusion (D&I), in which we respect and empathize with different values. We are committed to establishing the systems and people management reforms needed to create value and improve our organizational capabilities, emphasizing innovation through the promotion of D&I.

In the uncertain and rapidly changing times ahead, we expect values and lifestyles to become increasingly diverse. We will need to further evolve organizational capabilities to ensure that we continue to provide values which are tailored to the needs of each individual consumer and respond flexibly to changes in the external environment. To do so, all employees must become diverse professionals who can strengthen our organization by developing themselves as individuals and are capable of initiating change on their own.





## Initiatives to Promote Diversity

Shiseido holds a large female consumer base, and with over 80% of our employees worldwide being women, it is essential to provide a working environment that encourages women to grow and flourish. Shiseido's efforts to promote women's activities have always led the way among Japanese companies.

In the 1980s to 1990s, we worked to improve the corporate infrastructure in response to major life events of employees, for instance, introducing a childcare leave system well before legislation was passed. In the 2000s, we went beyond uniformly enhancing existing systems and launched new systems and organizational reforms to accommodate diverse work styles and enable employees to balance life events with their career development. In addition to enhancing opportunities for women in the workplace, we have reviewed our personnel system and promoted management reforms to create an organizational culture of mutual respect and dynamic discussion among employees from different cultural backgrounds and beliefs.

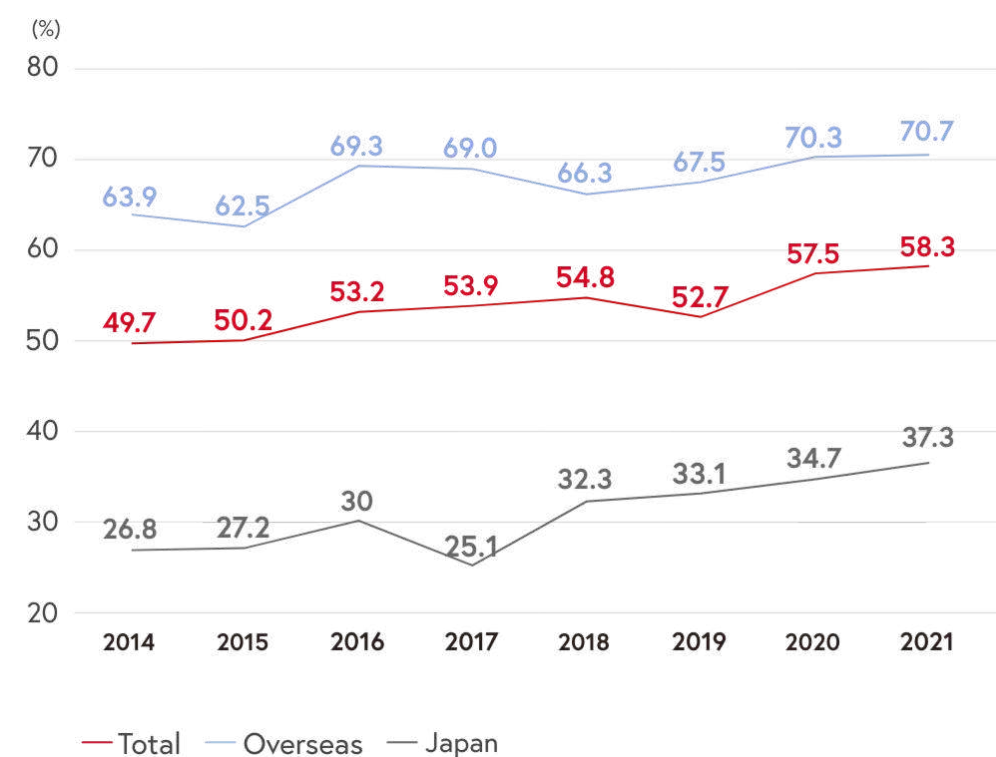
Accordingly, under the VISION 2020 strategy launched in 2015, Shiseido accelerated the introduction of talent management and acquisition, in addition to restyling our working environment. We adopted English as our official in-house language at global headquarters in October 2018 to promote diversity and strengthen our foundation for value creation. We also launched Reverse Mentoring, an initiative where early-career employees act as mentors to executive officers and department heads, spreading the exchange of ideas in an egalitarian corporate culture that respects different opinions and values across generations.

As a result of our efforts, the percentage of female managers at Shiseido rose above 50% globally in 2015 and 30% across Japan in 2016. While the average ratio of women in senior management at global companies still hovers around 25%, and the percentage of female executives at listed companies in Japan is only about 7%, in 2022, the proportion of female leaders at Shiseido globally is 58.3% <sup>※1</sup>, in Japan, 37.3% <sup>※1</sup>, and the ratio of women on the Board of Directors, 46% <sup>※2</sup>. The percentage of female leaders exceeds 70% at Shiseido sites outside of Japan. Going forward, we aim to reach our 50% target for the ratio of female leaders at all levels of the organization, with Japan as a priority region.

※1 As of January 1, 2022

※2 As of April 2022

### Percentage of female leaders <sup>※3</sup>



※3 In 2014 and 2015, as of April 1 for Japan, as of January 1 of the following year for overseas. In 2016, as of December 31 for both Japan and overseas. In 2017 onward, as of December 31 for overseas, as of January 1 of the following year for Japan. In 2021, as of January 1, 2022 for both Japan and overseas. Japan shows the percentage of female managers with subordinates and annual salary employees with subordinates.



## Diversity & Inclusion and our PEOPLE FIRST Strategy

In addition to gender equality, Shiseido is establishing the mechanisms to acquire and promote employees who possess advanced skills and expertise, supporting the career paths of individuals from a variety of backgrounds, nationalities, ethnicities, ages, lifestyles, experiences, and work styles.

To ensure that the right person is in the right position at the right time, regardless of gender, nationality, and conventional organizational frameworks, we have introduced an Executive Officer System where each officer is responsible for the execution of Group-wide business operations, as well as a job-grade-based HR system. First introduced in 2015, this mission-based grade system has led to the development of over 20 job families, each with their own job descriptions. It was applied to several managerial positions in Japan in 2020 and extended to general employees throughout the country in 2021. As of January 2022, the Global Grade System is being gradually rolled out to serve as a common framework for the Shiseido Group worldwide, in order to efficiently and effectively carry out cross-border transfers and career development.

In 2020, in a bid to effectively manage our global human capital, Shiseido formulated the TRUST 8 <sup>※4</sup> Competencies, which describe our Group-wide image of professionals. The TRUST 8 Competencies serve as the basis of our globally standardized selection/evaluation and people development programs, allowing each employee with ranging expertise to grow in work areas where they can maximize their respective strengths.

PEOPLE FIRST is our guiding principle for promoting these efforts. It defines our approach to talent acquisition and retention and the kind of people we seek to invest in. It also clarifies the professionals that we seek, who are willing to learn and grow to contribute to our transformation and growth. At the same time, we are committed to building an environment for these individuals to thrive.

In addition, to promote management that emphasizes the safety and health of people working in the Shiseido Group and their families, the officer in charge of Human Resources is responsible for the maintenance and promotion of their safety and health.

※4 OUR PRINCIPLES serve as the convictions that guide every Shiseido employee on a daily basis. Eight working principles—known as TRUST 8—are based on the idea that mutual trust is the key to succeeding in OUR MISSION.

### I RELATED LINKS

- [Employee Safety and Health](#) 



## Our Progress to Date ※5 As of February 2022

Progress on our major initiatives is as follows:

- Leader management policies (various workshops, management training, career planning training) for a new personnel system that leverages our diverse talent
- Conducting career workshops at our key companies in the Japan region to strengthen proactive career development and expertise in line with the job-grade-based HR system (held from 2020; 4,470 participants in total)
- Talent acquisition and development of professionals with advanced skills and experience through a talent management process (active recruitment of digital talent and foreign employees)
- Reverse Mentoring, where young talents act as mentors to executive officers and department heads (684 participants in total from 2017 to 2021)
- NEXT LEADERSHIP SESSION for WOMEN training sessions to foster female leaders (133 participants in total from 2017 to 2021)
- Speak Jam, a mentoring program for direct discussion of career development options between female executives and female employees (117 participants in total from 2020 to 2021)
- SHEseido, a program to empower female employees in the European region (56 participants in total)
- Shiseido Hybrid Work Style designed to optimize office work and remote work for each department
- Office renovations to encourage diverse work styles (The Global Vision Center at our Global Headquarters, Shiodome Office, in Japan received the 34th Nikkei New Office Award)
- Implementing a common HR database for all regions to align the right people in the right positions globally (currently under construction)



Reverse mentoring



NEXT LEADERSHIP SESSION for WOMEN



Speak Jam

## PEOPLE FIRST

### What is Shiseido PEOPLE FIRST?

Our People are our most important asset.

Our People are the drivers of transformation and growth.

Our People are recognized for individual performance and contribution.

### To reinforce PEOPLE FIRST, we will support people and organizations who:

- are ADAPTABLE and AGILE enough to navigate the rapidly changing consumer market
  - possess the SENSE and SKILLS to lead the global beauty industry
- have a passion for LEARNING and SELF-GROWTH—those who strive to overachieve
- are COMMITTED to and ACCOUNTABLE for the creation and evolution of corporate value

Related Data (2021)

Directors and Audit & Supervisory Board Members <sup>【※6】</sup>	Ratio of women	46%
	Ratio of external directors and A&SB members	54%
Executive Officers <sup>【※6】</sup>	Ratio of women	35%
	Ratio of non-Japanese nationals	18%
Female Managers <sup>【※7】</sup>	Group total	58.3%
	Japan	37.3%
	Overseas	70.7%
Nationality of Employees <sup>【※8】</sup>		Approx. 100 countries/regions
Percentage of Non-Japanese Managers <sup>【※9】</sup>		Approx. 2%
Percentage of Mid-Career Hires in Managerial Positions <sup>【※9】</sup>		Approx. 30%
Number of Foreign Employees in Japan (Share of Total) <sup>【※10】</sup>		443 (1.89%)
Number of Mid-Career Hires in Japan <sup>【※10】</sup>		136
Ratio of Employees with Disabilities <sup>【※11】</sup>		3.3%
Average Education/Training Hours per Employee <sup>【※12】</sup>		26.0 hours
Average Education/Training Costs per Employee <sup>【※12】</sup>		200,868 yen

※6 As of April 2022

※7 As of January 1, 2022

※8 As of December 31, 2021

※9 As of January 2022; data for Shiseido Company, Limited

※10 As of December 31, 2021; data for Shiseido Group in Japan

※11 As of June 1, 2021; data for Shiseido Company, Limited. Ratio of employees with disabilities: Persons with physical and intellectual disabilities are included, and the employment rate for disabled persons is indicated by three significant figures.

※12 Across the entire Shiseido Group (2020). Data per FTE (full-time equivalent). The full time equivalent is the conversion of part-time employees or employees who work shorter hours into a number equivalent to a full time workforce.



Message from an Executive Officer



R&D Strategy

Weaving DYNAMIC HARMONY,  
our re-defined DNA,  
into Shiseido's future research

Senior Executive Officer  
Chief Brand Innovation Officer  
Chief Technology Officer

Yoshiaki Okabe


New Directions for Our Brand Innovation

Research and development (R&D) is at the foundation of Shiseido's innovation and an essential value creation driver. For more than 100 years of our R&D history, we have pursued beauty care that keeps skin healthy and youthful and enhances its beauty while prioritizing safety and quality. Since 2014, we have further expanded our investment in R&D, and we believe that this has contributed to the early success of our previous medium-to-long-term strategy, VISION 2020. Even so, Shiseido has struggled to sufficiently connect R&D results to brand growth. Under these circumstances, in my role as Chief Brand Innovation Officer (CBIO), which I assumed in January 2021, I am tasked with providing consumers with excitement and surprise, continuing to share our innovations with the world, and creating R&D that contributes to our brands from the consumer's perspective. This means integrating Shiseido's excellent research findings into our products and delivering them to consumers, and also creating an organization that would allow our research centers to continuously generate innovation. Those are my two key priorities.

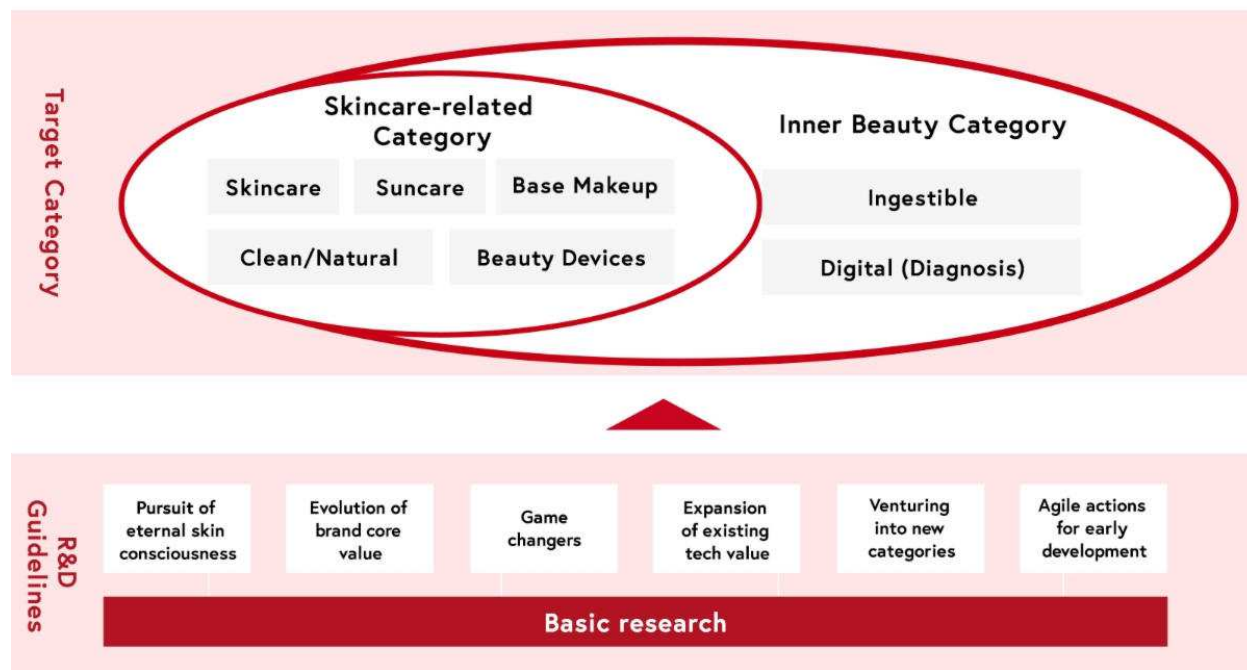
To promote brand innovation, I began by visualizing the strength and uniqueness of Shiseido's R&D, and then created a common language for all of our researchers to point our R&D efforts into one direction. We then thoroughly studied the history and interviewed not only researchers but also sales teams, beauty consultants, and external stakeholders. From this analysis and validation, we derived the concept of DYNAMIC HARMONY. Shiseido's unique approach to R&D cannot be defined by a single value alone. East and West. Holistic therapy and symptomatic treatment. Chinese medicine and surgical operation. Body and mind. Only Shiseido and its unique approach to beauty could skillfully integrate these seemingly conflicting or incompatible values to create such a concept of dynamic harmony.

Based on this concept, our future R&D will focus on five approaches to accelerate innovation by concentrating management resources while visualizing our strengths and sharing them externally. There is endless potential to the philosophy of DYNAMIC HARMONY, built upon Shiseido's years of experience in these five approaches, which we consider our assets. We will weave this philosophy into our research DNA to create a brighter future for Shiseido.



				
Inside x Outside	Functionality x Japan Quality	Science x Creativity	Premium x Sustainability	Individual x Universal
Body and skin	Commitment to efficacy, safety, stability, and supreme texture	Human subjectivity and scientific objectivity	Commitment to added value through sustainability and coexistence with the environment	Personalization based on holistic data

## Focus Areas of R&D



Under WIN 2023 and Beyond, we will accelerate our research activities to become a skin beauty company. While maintaining a strong skincare-related category with a focus on cosmetics, we aim for multifaceted value creation in the inner beauty category, including ingestible products such as supplements.

To create such value, R&D has established six research concepts, including "pursuit of eternal skin consciousness," "game changers," and "venturing into new categories," as well as basic research, which serves as the foundation for all of these concepts. We believe that further bolstering basic research, which underpins all of our research activities, will be a lifeline for Shiseido.

Furthermore, we believe that by defining DYNAMIC HARMONY, we can accelerate external integration and collaboration. In November 2021, we signed advisory agreements with Professor Masaru Tomita of Keio University and neuroscientist, Professor Nobuko Nakano. We will also strengthen joint research with research institutions in Japan and overseas, including current projects such as the open innovation program "fibona" and our research alliance with US dermatological laboratory CBRC <sup>[※1]</sup>, which spans over 30 years.

※1 Cutaneous Biology Research Center, a dermatology research center established in 1989 by Harvard Medical School and Massachusetts General Hospital in Boston, Massachusetts, USA

### RELATED LINKS

- Nov. 17, 2021 News Release: Shiseido Formulates its Unique R&D Philosophy "DYNAMIC HARMONY" [🔗](#)
- Dec. 9, 2021 News Release: Shiseido Global Innovation Center's Open Innovation Program "fibona" [🔗](#)



Masaru Tomita  
Professor, Keio University



Nobuko Nakano  
Professor, neuroscientist

## Major Progress in Innovation: Three Case Studies

Shiseido is moving forward with a stream of research projects based on our R&D philosophy of DYNAMIC HARMONY. Below I would like to present case studies where we are creating beauty for the future. They approach innovation from three perspectives: coexistence with the environment, new categories, and new technologies.

Sun Dual Care Technology: Reverse Thinking for Vibrant Coexistence

This first case study highlights a technology that allows us to better coexist with our environment, an example of our Premium/Sustainability research approach. As the natural environment changes, dramatic changes are also happening in the environment to which our skin is exposed. Shiseido is committed to developing technologies that allow for coexistence with the environment. These technologies not only protect the skin from various environmental factors such as ultraviolet (UV) rays, temperature, and humidity but also harness these elements in positive, harmonious, and symbiotic ways and transform them into beauty.

Based on this concept, we have developed a new technology called Sun Dual Care which goes beyond blocking UV rays, which have the negative connotation of being a threat to beauty due to the damage they can cause to the skin. Sun Dual Care converts these rays into light that is beneficial to the skin. Inspired by photosynthesis, this particular research project revealed that, by using spirulina platensis extract derived from algae and fluorescent zinc oxide derived from natural minerals, we could efficiently convert ultraviolet light into visible light that is good for the skin. This helps to maintain healthy skin and increases its radiance. We aim to leverage this technology to create a future where consumers can stay active and enjoy more time out in the sun.

The Sun Dual Care technology is featured in new ANESSA products released in February 2022 and brand SHISEIDO products scheduled for launch in May 2022.

RELATED LINKS

- Nov. 17, 2021 News Release: Shiseido Develops Innovative Technology to Convert Ultraviolet Light into Light That Brings About Beneficial Effects on the Skin

Sun Dual Care



Latest Developments in Research into Skin Sagging and Wrinkles

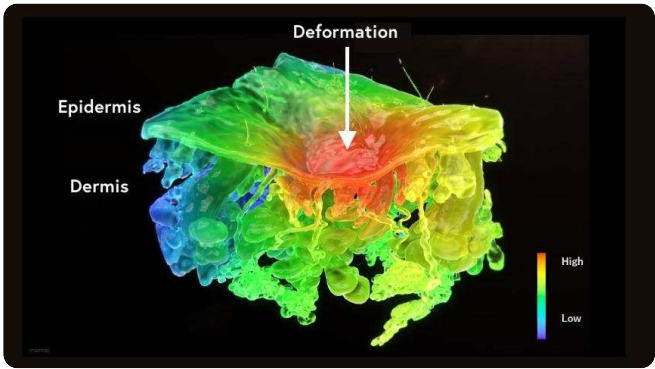
The second case study showcases the evolution of our research into skin sagging and wrinkles, an example of our Inside/Outside research approach, which looks at the skin both inside and out.

Shiseido has established a definition and evaluation method for sagging to reveal the mechanism of facial aging. In addition, we have made a series of discoveries, including the development of our Digital-3D Skin technology that analyzes skin in ultra-high definition, anchor, the structure responsible for holding skin in place, and insights into the skin aging mechanism of dermal cavitation as well as cell networks. These discoveries have garnered international acclaim, as seen in the numerous IFSCC [※2] awards that Shiseido has received. They have also led to the creation of a new sagging category in cosmetics and established Shiseido's position as a leader in this research field. In 2021, to further explore the true nature of sagging, we developed 4D-Digital Skin, a skin analysis technology that uses computers to reproduce the process of skin deformation, including its internal structure, in ultra-high definition. Shiseido will use this technology to elucidate the underlying causes of skin sagging and wrinkles and accelerate the development of solutions and new skincare cosmetics.

※2 The International Federation of Societies of Cosmetic Chemists, an international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies.

RELATED LINKS

- Nov. 17, 2021 News Release: Shiseido Develops "4D-Digital Skin" (Electronic Skin), Finally Reconstructing Skin Movement on Computer



4D-Digital Skin  
Digital Skin is a computer program that digitally reconstructs the structure and movement of the skin. Here, color-coding shows the degree of deformation to skin structures.



Latest Developments in Second Skin Technology

The third case study looks at Second Skin, an example of our Functionality/Japan Quality research approach. With this technology, we want to realize our dream of creating a world where everyone can live happily by expanding the potential of their skin and beauty. Since the acquisition of Olivo Laboratories' Second Skin technology in 2018, we have continued to improve the undeniable effectiveness of the product while focusing on ease and comfort of use.

While plotting out our future roadmap, which includes treatments for nasolabial lines and bags under the eyes, holistic solutions for the entire face, and applications for the whole body, we started by launching a product for treating bags under the eyes in October 2021. First launched in Japan, the product has been exceptionally well received, with many consumers reporting high perceived product efficacy. In addition to the effect of immediate remodeling of sagging cheeks (nasolabial lines/marionette lines), this new product has also created value that goes beyond makeup effects such as improving skin sagging and wrinkles with repeated application and enhancing ingredient penetration. Going forward, we aim not only to improve efficacy on the skin—which includes immediate coverage of skin concerns, UV protection, and expansion of application areas—but also everyday ease of use, making application as easy as putting in contact lenses.

- I RELATED LINKS
- Nov. 17, 2021 News Release: Shiseido to Achieve Beauty Care Beyond Cosmetics with Advanced "Second Skin" Technology [🔗](#)

Future Prospects

In order to accomplish WIN 2023, we have set out R&D actions in three areas: strategy, human capital, and business processes.

In terms of strategic actions, we will continue to drive innovation by accelerating the generation of new research findings, pioneering new areas, and developing innovative products under our DYNAMIC HARMONY philosophy. We will also actively promote our technologies to utilize Shiseido's excellent research findings in our products and deliver them to consumers. To this end, we will reinforce the basic research that underpins all of our research, bolster external alliances that deepen our understanding of the relationship between the body and skin, strengthen initiatives to understand market and consumer trends, and enhance activities to realize circular manufacturing, something that has become increasingly important in recent years.

Under our human capital action plan, we will further develop researcher training and awareness toward innovation. It is the power of people that drives innovation and brings about change. Based on Shiseido's concept of PEOPLE FIRST, we are committed to creating an environment where our people, each from different backgrounds, can demonstrate their individual strengths. Since the renewal of our R&D structure in January 2021, we have created opportunities for direct dialogue between researchers and other professionals and conducted regular surveys to promote the DYNAMIC HARMONY concept. As a result, we have begun to see an increased researcher awareness toward innovation. We will continue to regularly assess researcher awareness and foster an organizational culture that is fun, positive, and rewards hard work while valuing opportunities for direct dialogue.

As for our business process action plan, we are rebuilding our business processes based on collaborations with our brands, factories, logistics, and external partners. As we re-assess our operations and select and focus on priority areas, we have set a KPI of reducing operations by a total of approximately 7,000 hours per year through the use of AI in sustainable formula development. We are also reviewing our workflows and meeting systems and promoting initiatives to reduce redundancies and improve remote work efficiency. Currently, we are focused on improving efficiency and productivity, but in the future, it will be necessary to redirect that time to drive innovation and generate new value. We plan to increase the speed of all operations and improve the efficiency of R&D activities and their contribution to our brands.

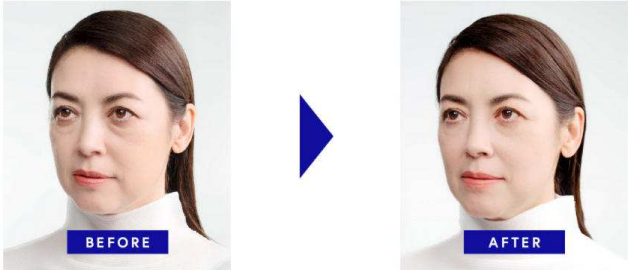
As society becomes more diverse and complex, we must continue to provide value-added products that will excite consumers and exceed their expectations. Shiseido's R&D can create innovations that will do just that. We will continue our brand innovation reform from a medium-to-long-term perspective and build a team that will continue to "wow the world" through the power of science and innovation.

April 2022

"Second Skin" Technology: Roadmap to Fulfilling the Dream



Image of Use  
Eye Bags Correction





Value Creation Strategy

KEY FIGURES

R&D Sites

8

Brand Development/  
R&D Investments  
to Net Sales in 2021

3.5 %

Awards Received at IFSCC  
Congresses and Conferences

Total 29

Our Approach to Beauty Innovation

Throughout its long history, Shiseido has built a robust research infrastructure through advanced functionality and stringent safety standards. In addition to our core strengths in dermatology, material science, and *kansei* <sup>※1</sup> research, we have constantly pioneered new categories and markets such as aging care <sup>※2</sup> and ultraviolet (UV) protection.

Technology will continue to evolve at an unprecedented pace as the needs of society and consumers will become increasingly varied. Given these conditions, Shiseido remains flexible in responding to change, establishing research and development (R&D) that is responsive to consumer insights as our value creation driver, which will help us continue to generate beauty innovations.

To achieve these goals, in 2021, we established the R&D philosophy DYNAMIC HARMONY, which aims to create new unparalleled value through the integration of seemingly conflicting or incompatible forces. We are accelerating our innovative processes based on this philosophy by visualizing the strengths and uniqueness of Shiseido R&D both internally and externally, focusing on five distinct research approaches.

※1 *Kansei* in cosmetics goes beyond mere response to stimuli. It aligns with aesthetics, arts and culture, and consumer values and lifestyles in an attempt to create new value that resonates with consumers on sensory (visual, olfactory, tactile), emotional, cognitive, and aesthetic levels.

※2 Care centering on age-appropriate moisturization





# The Five Approaches of DYNAMIC HARMONY

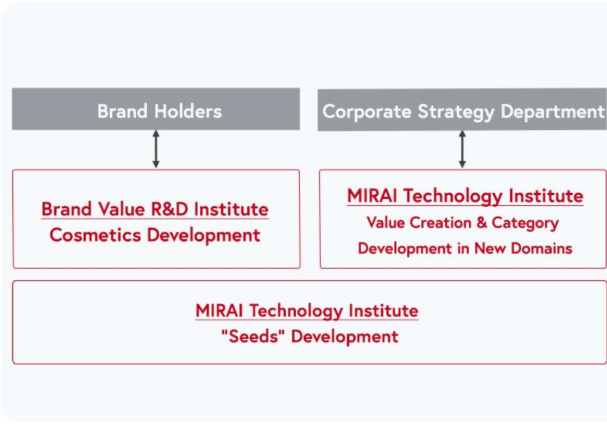
Inside x Outside	We elucidate the mechanisms that connect the body, mind, skin, and external environment, to draw out the natural, healthy beauty of our users based on holistic thinking.
Functionality x Japan Quality	We provide a high-level balance of undeniable functionality beyond expectations and close attention to safety, assurance, and other quality aspects, something Japan excels in.
Science x Creativity	We uncover latent subjective <i>kansei</i> and feelings through objective science, and offer unprecedented sensations and experiences of beauty and enjoyment.
Premium x Sustainability	We 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.
Individual x Universal	We create unique value that meets the needs of diverse consumers by leveraging the vast amount of global consumer information we have accumulated over the years and offering the best personalized solutions.
And more...	We will continue to evolve ourselves, creating a sixth and seventh approach in the future.

## Shiseido's R&D Structure

In 2021, Shiseido underwent restructuring to enhance our value proposals and "seeds" creation. Our entire R&D function was integrated into two institutes: the Brand Value R&D Institute, which is responsible for agile product development in alignment with brands, and the MIRAI Technology Institute, which is in charge of creating medium-to-long-term "seeds" as well as value creation and business development in new domains.

Globally, we have established a multi-hub network that allows our eight research bases worldwide, including Shiseido Global Innovation Center (GIC) in Yokohama, Japan, to collect and understand the needs of different local markets and conduct research and development on products and services that maximize regional strengths. These centers can contribute to innovation at regional businesses before rolling out their respective insights and research findings on a global basis. Our newest R&D center began operation at the Oriental Beauty Valley in Shanghai in October 2021.

### New R&D Organization (as of January 2021)



Global Innovation Center



Future R&D Strategy



Going forward, Shiseido will continue to invest approximately 3% of our sales into R&D in areas that will support future growth. Under the concept of DYNAMIC HARMONY, we will combine brand concept and science, concentrate resources on focus areas, and accelerate the commercialization process.

In terms of focus areas, we will enhance the skincare-related category, including skincare per se, sun care, base makeup, clean/natural cosmetics, and beauty devices, in conjunction with our overall strategy. At the same time, we will also focus on inner beauty R&D in diet, sleep, and other areas where consumers exhibit increasing interest. Data science will be an added foundation to support our research, further bolstered through integration with conventional basic research areas. Shiseido is also committed to accelerating the development of sustainable technologies that ensure coexistence with society and the environment.

Our DYNAMIC HARMONY philosophy will also shape how we engage in open innovation with academia, start-ups, and research institutions in other industries.



Related Data

Total number of IFSCC <sup>【※4】</sup> awards <sup>【※5】</sup>	29
Brand development / R&D investments <sup>【※6】</sup>	36.5 billion yen (ratio to net sales: 3.5% )
Number of researchers <sup>【※7】</sup>	Approx. 1,200

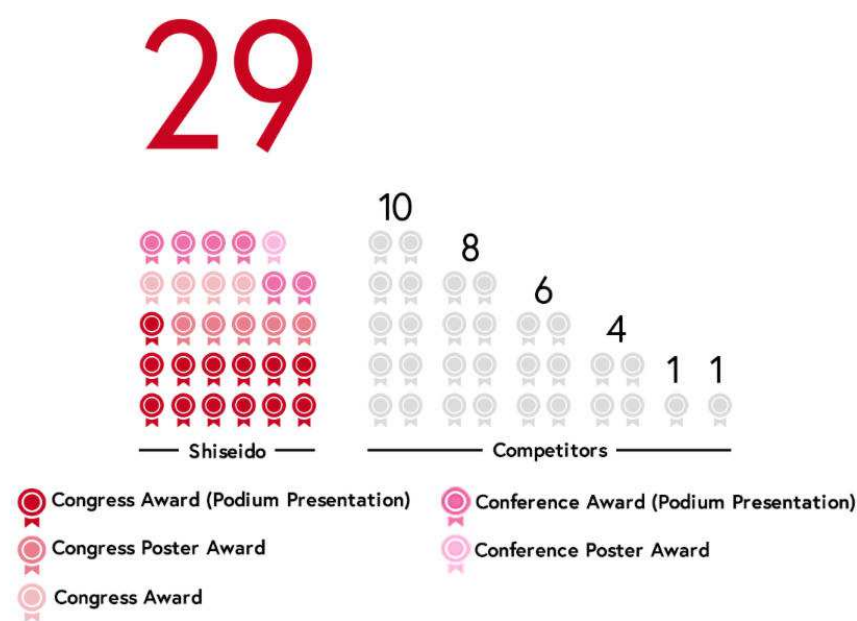
※4 The International Federation of Societies of Cosmetic Chemists, an international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies.

※5 Total number of top awards and honorable mentions as of December 2021. Includes awards received at IFSCC Conferences, which are held in odd-numbered years.

※6 In 2021

※7 As of December 31, 2021

Number of IFSCC Awards: Shiseido Vs. Competitors



IFSCC Achievements

2021 Top Award for Podium Presentation

Moe Tsutsumi, Ph.D.

Researcher, MIRAI Technology Institute

"Skin beauty with gentle-touch-receptor Merkel cells—Restore your sense of touch with a pleasant scent"

In collaboration with Monasterium Laboratory, Tsutsumi discovered that odorant receptors are expressed in Merkel cells, which mediate touch sensation, and used human skin culture systems and live-cell imaging of human skin to demonstrate that these receptors are activated by a type of synthetic perfume that has a sandalwood-like odor. Moreover, the researcher group also found that peripheral nerves connected to Merkel cells that transmit touch sensation to the brain are also involved in maintaining the dermis structure associated with skin firmness and sagging. These discoveries suggest that Merkel cells can be activated by odorants, even in the absence of touch, and this mechanism could potentially improve skin condition.



RELATED LINKS

- Oct. 28, 2021  
News Release: Shiseido Wins Top Award at IFSCC Conference 2021 in Cancún [↗](#)
- Introducing IFSCC Research Awards [↗](#)

## Evolution of Value Creation Sources

Value creation at Shiseido centers around two important business resources:  
diverse professionals and beauty innovation.  
These resources have never ceased evolving throughout our history and are indispensable sources of our value creation as well as value drivers for further growth.

### EVOLUTION OF Shiseido

#### Outline of Shiseido's History



- **1872** Shiseido is founded in Ginza, Tokyo as Japan's first private Western-style pharmacy. The name "Shiseido" comes from the classical Chinese book Yi Jing, the Book of Changes
- **1897** Shiseido steps into the cosmetics business with *Eudermine*, the long-selling skin lotion that is still a favorite with consumers over a century since its launch
- **1902** Japan's first soda fountain installed, sales of soda waters and ice cream begin
- **1916** The Design Department opens (now, Shiseido Creative Co., Ltd.)
- **1919** The Shiseido Gallery established, now the oldest existing gallery in Japan
- **1921** Shiseido's Five Principles, the tenets of corporate sustainability, formulated
- **1927** Shiseido Company, Limited established.  
Shiseido Cosmetics Chain Store System launched throughout Japan
- **1937** *Hanatsubaki*, the corporate cultural magazine on latest trends, launched
- **1957** Shiseido begins sales in Taiwan, starting full-fledged operation outside Japan
- **1965** Shiseido Cosmetics America Ltd. established
- **1968** Shiseido Cosmetici (Italia) S.p.A. established
- **1981** Shiseido begins sales of cosmetics in Beijing, China
- **2014** CEO Masahiko Uotani joins Shiseido as the first CEO appointed directly to the position from outside the company.  
Medium-to-long-term strategy VISION 2020 launched
- **2016** A global management system launched in the form of a matrix cross-matching six regions and brand categories
- **2019** THE SHISEIDO PHILOSOPHY introduced
- **2021** Medium-to-long-term strategy WIN 2023 and Beyond launched

• **2022** Shiseido celebrates its 150th anniversary





## Evolution of Creative

# Pushing the boundaries of creativity to deliver new beauty experiences

Executive Officer, Chief Creative Officer  
Shiseido Company, Limited  
Representative Director, President  
Shiseido Creative Co., Ltd.

Naomi Yamamoto

## Message from the Chief Creative Officer

Shiseido Creative Co., Ltd. was born in January 2022 on the occasion of Shiseido's 150th anniversary.

Shiseido's creative history dates back more than a century to the design department founded by Shinzo Fukuhara, the company's first president, in 1916. Shinzo specifically asked his designers to "let the product speak for itself," being one of the first people to emphasize the importance of establishing a corporate identity (CI) and visual identity (VI), which would eventually lead to creating the Shiseido style. The Shiseido typeface and arabesque *karakusa* pattern, both of which still define our brand today, spring from that creative quest for beauty, and our creators continue to inherit and transform the Shiseido style.

Today, brands and communications must adapt amid rapid shifts in consumer values. Not only must we communicate a product's value, but we must also expound upon the social significance of our brand beyond the product. The role of creators in the future will be to grasp consumer insights and visualize memorable brand designs that depict our purpose, vision, and experience.

We are now shifting to the value creation of beauty experiences that create lasting connections between consumers and brands at the global level. While our strength lies in beauty expertise, we do not only depict beauty. We also find beauty in everything and create experiences that move, inspire, and connect. Experiences that we call *kando*. To achieve this, we are pushing the boundaries of creativity, highlighting our rich tapestry of talent worldwide as we pave the way for the next era of Shiseido.



Shiseido Creative company logo



Experience design

\* Photographer Left: Lauren Coleman, Top: Hiroshi Manaka,  
Below: Tsuyoshi Ono



Product design



Evolution of Value Creation Sources

EVOLUTION OF  
OUR PEOPLE

Evolution of Our Initiatives

Our People Strategy

People are a company's most important asset and the driving force of change. Our PEOPLE FIRST concept has been at the heart of Shiseido since its founding. Shiseido has continued to evolve its human capital strategies to adapt to changes so that our employees can maximize their potential.

- 1931 Shiseido Assembly of Sales Companies held to emphasize the importance of people during the economic downturn following the Great Depression
- 1934 Miss Shiseido promotional campaign launched as a forerunner to today's beauty consultants
- 1993 Job Challenge system <sup>【※1】</sup> introduced
- 2014 PEOPLE FIRST positioned as a key strategy in our medium-to-long-term strategy VISION 2020
- 2020 TRUST 8 Competencies formulated to serve as working principles to be shared by all Shiseido employees  
Job-grade-based HR system introduced in Japan for managerial positions and rank-and-file employees
- 2021 New management system of Executive Officers introduced  
Performance Management System introduced for all Shiseido Group employees  
TRUST 8 Competencies introduced as part of performance evaluation
- 2022 Global Grade System introduced to serve as a common framework for the Shiseido Group

※1 The system aims to revitalize the organization by assigning the right people to the right positions. This is not a company-led transfer system but rather a job-based transfer system in which employees voluntarily apply for open positions within the company based on their career ambition.





## Diversity & Inclusion

The spirit of diversity and inclusion (D&I) is engraved in the foundation of Shiseido. We have led the way in Japan by establishing various systems and implementing progressive initiatives to create new value and to strengthen our organizational capabilities.

- 1980s Several systems implemented to improve the working environment for female employees
- 2006 System introduced to re-hire experienced employees after they reach retirement age at 60
- 2008 First female Representative Director and Corporate Officer appointed
- 2017 Rules of Employment amended so that employees with same-sex partners can receive equal treatment, including employee benefits, in the same way as those with partners of the opposite sex  
Ratio of female managers in Japan reaches 30%
- 2018 English becomes the official language at Global Headquarters
- 2019 President and CEO Masahiko Uotani appointed as the first chair of the 30% Club Japan, which aims to increase the ratio of women among Japanese corporate board members
- 2022 Chief D&I Officer position established

## Working Styles

D&I implies that systems and workplace environments must suit a diverse range of working styles. We aim to create an environment where employees with various lifestyles and values, as well as different genders and nationalities, can fulfill their individual potential.

- 1988 Flextime system introduced
- 1990 Childcare leave system introduced
- 1991 Childcare time system introduced
- 1993 Social Studies Day Program <sup>【※2】</sup> introduced, under which employees receive special paid leave for volunteer activities
- 1994 Early Retirement System introduced for employees aged 45 or older
- 2003 Company daycare facility, Kangaroom Shiodome, opened
- 2005 Shiseido begins offering paid short-term paternity leave
- 2007 To support beauty consultants raising children, Shiseido begins employing Kangaroo Staff to cover sales counter operations in the evening hours
- 2016 Remote work system introduced
- 2017 Shiseido establishes joint venture KODOMOLOGY Co., Ltd. to promote childcare business
- 2019 Office renovations to promote diverse working styles
- 2021 Shiseido Hybrid Work Style introduced to provide tailored support for diverse working styles and maximize synergy between remote and in-office work

※2 A system that provides employees with up to three days of paid leave per year, intending to support employees' social contribution activities in order to increase their social awareness and involvement and promote a foundation for Shiseido's corporate social responsibility.







## Professional Development

Shiseido actively invests in professional development, believing that our people are the most important asset for the company. While our professional development is built upon a personnel system, talent management, and career development support, we also focus on intensive education and training.

- 1959 Shiseido Beauty Academy opens
- 1986 Shiseido Academy of Beauty and Fashion (SABFA) <sup>【※3】</sup> opens
- 2004 Global Beauty Consultant Contest held
- 2007 Corporate university Ecole Shiseido opens
- 2014 Marketing Academy (program for employees engaged in marketing to enhance their expertise) established
- 2016 Shiseido Leadership Academy launched to train next-generation leaders  
Initiative to send early-career employees to domestic/overseas MBA programs begins  
SHISEIDO+ Digital Academy launched  
Manager training started for all managers
- 2017 NEXT LEADERSHIP SESSION for WOMEN training program launched to foster female leaders  
Reverse mentoring program introduced
- 2019 Business Foundation Skills Training launched
- 2020 Expansion of female leader development programs: NEXT LEADERSHIP SESSION for WOMEN BASIC launched  
Sales Academy (program for employees engaged in sales to enhance their expertise) established
- 2020 Career workshops organized for all employees with the launch of job-grade-based HR system  
|  
2021
- 2021 Manager workshops introduced for leaders (People Managers) with the launch of job-grade-based HR system  
Expansion of female leader development programs: launch of NEXT LEADERSHIP SESSION for WOMEN Advanced

※3 A hair and makeup academy

Evolution of Value Creation Sources

EVOLUTION OF

OUR INNOVATION

Evolution of Our Initiatives

Research Organization

Since its earliest days, Shiseido has adopted a scientific approach and made research activities the cornerstone of its cosmetics R&D. Our research organization has evolved over time, with the newest structure for R&D launched in 2021.

- 1916 A testing room established as a pioneering R&D department
- 1939 Testing room evolves into the Shiseido Research & Development Lab
- 1968 Shiseido Research Lab opens in Yokohama, Japan
- 1989 The Cutaneous Biology Research Center founded at Massachusetts General Hospital (MGH) in Boston by MGH, Harvard Medical School, and Shiseido, to conduct joint research in skin and hair science
- 2000 Shiseido Research Lab renamed "Shiseido Research Center"
- 2001 Shiseido China Research Center Co., Ltd. (China Innovation Center) established in Beijing to study Chinese cosmetic habits, skin, and hair and conduct research and development of products for the Chinese market
- 2014 Shiseido Cell-Processing and Expansion Center (SPEC) established in Kobe
- 2019 Global Innovation Center (GIC) established in Yokohama, Japan as an "urban open lab" integrating various expertise, information, and technologies  
GIC-led open innovation program "fibona" <sup>[※]</sup> launched
- 2021 Shift to a new R&D structure with the Brand Value R&D Institute and the MIRAI Technology Institute  
New R&D branch launched full-scale research activities in China's Oriental Beauty Valley, a special zone for the health and beauty industry in Shanghai



※ An open innovation program with external partners to create new value and innovation that goes beyond cosmetics in the beauty field. The program consists of four activity plans: co-creation with startups, co-creation with consumers, speedy trial, and cultivation.







## Basic Research

Shiseido's areas of research continue to expand, adapting to changes in society and consumer lifestyles. With more than a century of experience in basic research, we have established a solid competitive advantage in the areas of *kansei* <sup>※1</sup> research, material science, and dermatology.

- 1948 With the reopening of the Shiseido Research & Development Lab after WWII, the development of cosmetics expanded into the realm of modern science with the adoption of safety testing
- 1960s Focus shifts to dermatology and hair research in addition to conventional physical chemistry research (a comprehensive approach to research begins at Shiseido and includes safety and efficiency, psychological research, color and color materials, cosmetic analytical technology, and packaging materials research)
- 1983 Shiseido develops a technology focused on collagen in the skin, which declines with age
- 2000 Shiseido starts integrated research on cosmetics development and across wide-ranging fields in pharmaceuticals, food, safety, environment, and *kansei* <sup>※1</sup>
- 2014 Shiseido develops a technology to produce collagen by focusing on stem cells in the dermal layer  
Shiseido develops the world's first technology that enhances the protection against ultraviolet (UV) rays when exposed to water and sweat
- 2018 Shiseido acquires cutting-edge Second Skin technology that instantly conceals wrinkles and sagging skin, pioneering new frontiers in cosmetics
- 2020 Shiseido develops new AI-based skin analysis technology Digital-3D Skin

※1 *Kansei* in cosmetics goes beyond mere response to stimuli. It aligns with aesthetics, arts and culture, and consumer values and lifestyles in an attempt to create new value that resonates with consumers on sensory (visual, olfactory, tactile), emotional, cognitive, and aesthetic levels.

Product Development

In addition to establishing areas of strength through our own basic research, Shiseido is creating better value propositions by integrating external cutting-edge technologies. In recent years, we have strengthened the areas of beauty and wellness by combining AI, digitization (apps, etc.), beauty devices, regenerative medicine, and sustainability.



- 1926 Launch of our first refillable powder compact
- 1956 Launch of Shiseido Spots Cover, a foundation designed to cover up skin burns caused by WWII and other disasters
- 2017 Release of the Hada Pasha beauty app, which allows consumers to measure their skin with their smartphone and delivers optimal beauty advice based on the skin's condition
- 2019 Joint research launched to monitor the effects of UV-protective ingredients on coral
- 2020 Production of a new hand sanitizer (designated quasi-drug) uniquely designed for sensitive and dry skin  
  
Launch of products with packaging materials using Green Planet, a 100% plant-derived biodegradable polymer made by KANEKA CORPORATION, a Japanese materials manufacturer
- 2021 Development of Beauty Alive Circulation Check, a non-contact device to measure internal skin conditions available at Shiseido stores worldwide  
  
Development of innovative technology to convert UV rays into light beneficial for skin's beauty in harmony with the environment  
  
Commercialization of patented Second Skin technology after three years of research and development



Research Achievements

Shiseido has received a total of 29 awards (including 25 top prizes) by the International Federation of Societies of Cosmetic Chemists (IFSCC), the world's largest organization for cosmetics research. This unrivaled track record is proof of our superb capabilities in R&D, and these award-winning technologies play an active role in our product development. Shiseido will continue to provide innovative value by leveraging its R&D capabilities.

- 1976 Shiseido wins first prize at the 9th IFSCC in Boston
- 2017 Shiseido becomes the first company in Japan to receive approval for the use of pure retinol as an active ingredient to improve wrinkles
- 2020 Shiseido sweeps first, second and third prizes for outstanding papers at 13th China Cosmetics Academic Research Conference
- 2021 Shiseido wins top award at IFSCC 2021 Cancún Conference for a total of 29 IFSCC awards

Establishment of Our R&D Philosophy

In 2021, we established DYNAMIC HARMONY as a unique R&D philosophy to be shared by basic research and product development across the Group.



Financial Results

Six Regional Headquarters and Our Global Management Structure

Since 2016, we have had in place a matrix organization that cross-matches six regions with brand categories. The regional headquarters are responsible for and have authority over their respective businesses. Guided by a "Think Global, Act Local" approach, these headquarters implement flexible decision-making and marketing activities attuned to the needs of local consumers.



Lead the Recovery of Japan Market by  
Rebuilding Brand Equity and Enhancing  
Customer Loyalty

Norio Tadakawa    CEO, Shiseido Japan

Career Summary

Norio Tadakawa joined Shiseido in 1989. After serving as head of overseas business and corporate planning, he led the transformation of the entire Shiseido Group as CFO from 2014 to 2019. Since 2019, he has carried out structural reforms in supply network, logistics, production, and other areas. He was appointed Chief Operating Officer of Shiseido Japan in 2020 and promoted to CEO in 2021.



Ensure Sustainable Growth through Brand Portfolio Enhancement,  
Digitalization, and Local Value Creation to Meet Diversifying  
Consumer Demand

Kentaro Fujiwara    CEO, Shiseido China

Career Summary

Kentaro Fujiwara joined Shiseido in 1991. After gaining business experience overseas, mainly in Europe and Asia, he was appointed President of Shiseido Korea in 2011. After serving as Vice President of Corporate Strategy Department at Global HQ, he was appointed CEO of Shiseido China in 2017.



Bring the Best to Our Prestige Consumers through Continued  
Innovations and Advancements in Consumer Relevancy

Nicole Tan    CEO, Shiseido Asia Pacific

Career Summary

Nicole Tan has spent more than 20 years in multiple leadership roles within the global beauty industry. Prior to Shiseido, she worked across various brands and geographies within the Estée Lauder Companies. She joined Shiseido in October 2020 as its first-ever female regional CEO.



## **Harness Our Entrepreneurial Spirit to Drive Innovation and Sustainable, Profitable Growth**

**Ron Gee** CEO, Shiseido Americas

### **| Career Summary**

Before turning to beauty, Ron Gee began his career at Kraft Foods, eventually transitioning to finance. He held various financial leadership positions within L'Oréal before serving as the Americas CFO of Coty. Ron joined Shiseido Americas in 2016 as CFO and was later appointed Global M&A Leader. He has also served as interim CEO from September 2020 and was promoted to CEO in 2021.



## **Accelerate Growth in Skin Beauty and Shift to Digital and Sustainability, Building on a Stronger Brand Portfolio and Improved Cost Base**

**Franck Marilly** CEO, Shiseido EMEA

### **| Career Summary**

With more than 25 years of beauty and luxury expertise, Franck Marilly has held several leadership roles in luxury brands and fragrances, having experienced business development and management in his seven years at Unilever and sixteen years at Chanel. He joined Shiseido EMEA in 2018 as CEO.



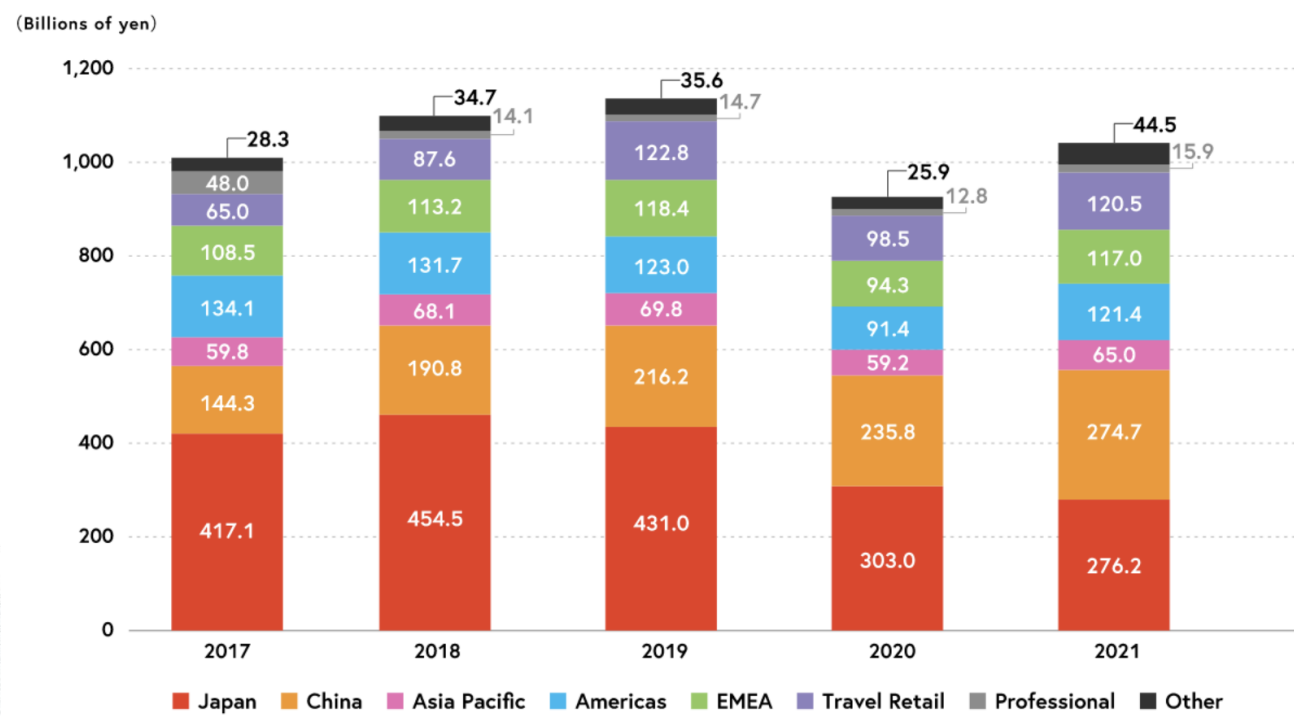
## **Drive Growth and Skin Beauty Amplification Among Travelers Through Strategic Partnerships, Cross-Border Marketing, and Digital Acceleration**

**Philippe Lesné** CEO, Shiseido Travel Retail

### **| Career Summary**

Philippe Lesné spent 15 years at LVMH Perfumes & Cosmetics on various leadership roles and international assignments. He joined Shiseido in 2009 as Managing Director, Travel Retail Asia Pacific to drive the growth of the duty-free business, and was subsequently appointed CEO of Shiseido Travel Retail in 2015.

## Net Sales by Reportable Segment <sup>【※1】</sup>



※1 Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to Fine Today Shiseido Co., Ltd. and its affiliates are recorded in the Other segment effective from the same date.

## Net Sales by Reportable Segment

(Billion yen)	2020	2021 <sup>【※2】</sup>	YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like % <sup>【※3】</sup>
Japan	303.0	276.2	-26.9	-8.9%	-8.9%	-1.4%
China	235.8	274.7	+38.9	+16.5%	+7.0%	+19.1%
Asia Pacific	59.2	65.0	+5.8	+9.9%	+3.8%	+5.8%
Americas	91.4	121.4	+30.0	+32.8%	+28.4%	+29.9%
EMEA	94.3	117.0	+22.8	+24.1%	+16.4%	+16.5%
Travel Retail	98.5	120.5	+22.0	+22.3%	+18.4%	+18.4%
Professional	12.8	15.9	+3.1	+24.4%	+19.6%	+19.6%
Other	25.9	44.5	+18.6	+71.7%	+70.8%	+2.1%
Total	920.9	1,035.2	+114.3	+12.4%	+7.8%	+11.9%

※2 Net sales from regional sales subsidiaries related to the Personal Care business, previously recorded in the Japan, China, and Asia Pacific Businesses, are no longer recorded with some exceptions from July 1, 2021 due to the transfer of said business and resulting changes in product distribution. Meanwhile, Personal Care products sales from the Company and its manufacturing subsidiaries to Fine Today Shiseido Co., Ltd. and its affiliates are recorded in the Other segment effective from the same date.

※3 Excluding the impact from the transfers of the Personal Care business and the three prestige makeup brands, etc.



## Net Sales and Operating Profit by Region

(Billion yen)	2020 <sup>【※4】</sup>		2021		YoY Change	YoY Change %
	Operating Profit	OPM % <sup>【※5】</sup>	Operating Profit	OPM % <sup>【※5】</sup>		
Japan	9.7	2.9%	9.6	3.2%	-0.1	-0.9%
China	18.4	7.8%	1.2	0.4%	-17.2	-93.6%
Asia Pacific	3.2	5.3%	3.7	5.6%	+0.5	+15.1%
Americas	-22.7	-19.5%	-13.2	-8.9%	+9.5	-
EMEA	-13.2	-12.9%	2.5	1.9%	+15.7	-
Travel Retail	14.6	14.8%	22.0	18.2%	+7.3	+49.9%
Professional	-0.0	-0.3%	0.8	4.6%	+0.8	-
Other	4.7	2.7%	31.0	13.3%	+26.3	+556.0%
Subtotal	14.7	1.3%	57.4	4.5%	+42.7	+290.6%
Adjustment	0.3	-	-15.8	-	-16.1	-
Total	15.0	1.6%	41.6	4.0%	+ 26.6	+177.9%

※4 Segment data for 2019 reflect the segment reclassification in 2020.

※5 Calculated using net sales including intersegment sales, or sales including internal transfers between accounts.

## Operating Margin by Reportable Segment (%) <sup>【※6】</sup>

	2017	2018	2019	2020	2021
Japan	18.0	18.8	16.7	2.9	3.2
China	6.1	12.8	13.5	7.8	0.4
Asia Pacific	10.3	11.1	10.2	5.3	5.6
Americas	-13.9	-8.7	-4.6	-19.5	-8.9
EMEA	-2.3	-6.4	-1.7	-12.9	1.9
Travel Retail	27.6	20.0	25.4	14.8	18.2
Professional	6.1	3.9	2.2	-0.3	4.6
Other	-6.5	-4.4	-5.6	2.7	13.3

※6 The ratio of operating profit (loss) to net sales shows operating profit or loss as a percentage of total sales including intersegment sales, or sales including internal transfers between accounts. The Group has revised its reportable segment classifications from the fiscal year 2021. The business results of global service functions related to digital strategy, previously included in the Americas Business, are now included in the Other segment, and expenses related to the supply network functions, previously included in the Other segment, are now included in the Japan Business.

Overview of Business Segments

Characteristics by Region (2021)

Japan

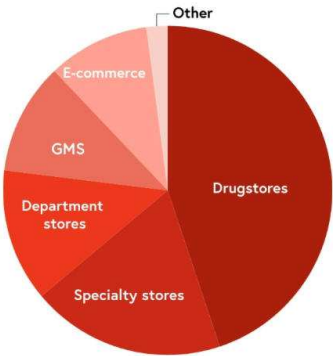
Net Sales	Operating Profit	Operating Margin
¥ 276.2 bn	¥ 9.6 bn	3.2 %

Share of Total Sales by Category

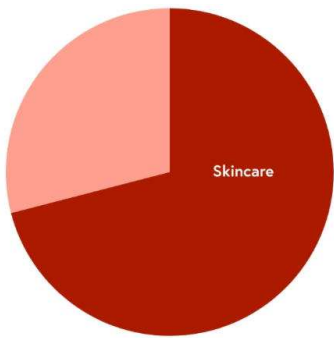


Related data

Sales Ratio by Channel



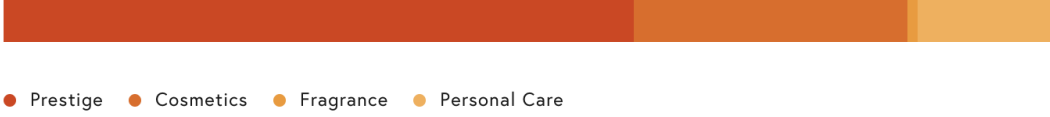
Skincare Sales Ratio



China

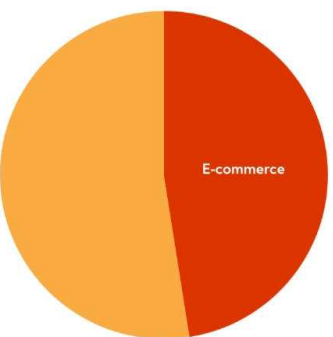
Net Sales	Operating Profit	Operating Margin
¥ 274.7 bn	¥ 1.2 bn	0.4 %

Share of Total Sales by Category

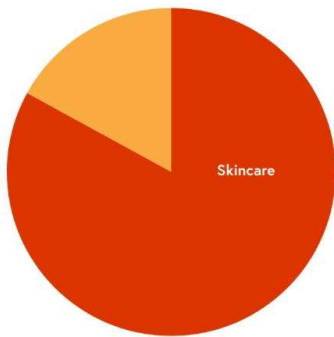


Related data

E-commerce Sales Ratio



Skincare Sales Ratio



Asia Pacific

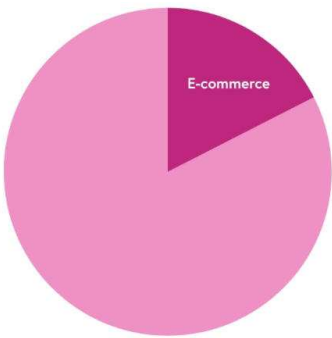


Share of Total Sales by Category

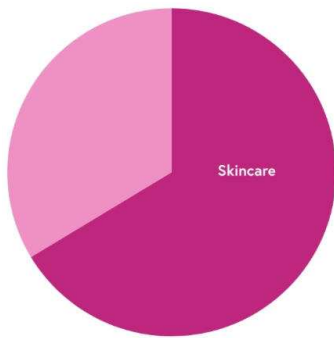


Related data

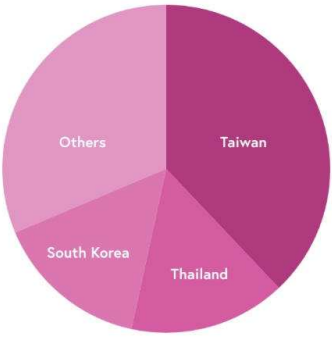
E-commerce Sales Ratio



Skincare Sales Ratio



Sales Ratio by Country/Region



Americas

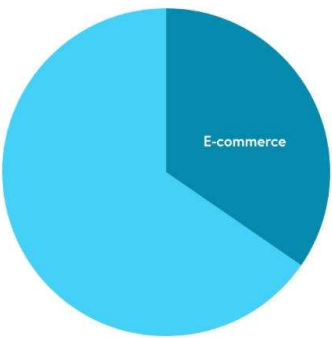


Share of Total Sales by Category

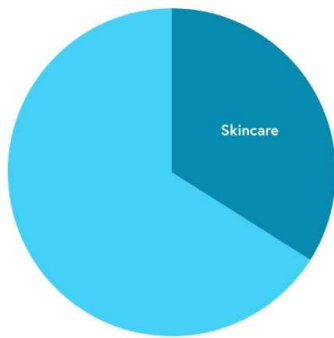


Related data

E-commerce Sales Ratio



Skincare Sales Ratio





Net Sales	Operating Profit	Operating Margin
¥ 117.0 bn	¥ 2.5 bn	1.9 %

Share of Total Sales by Category

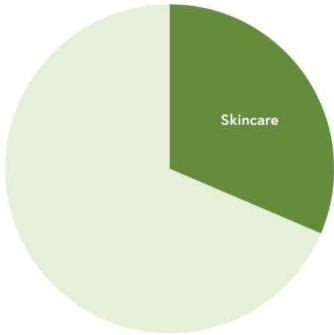


Related data

E-commerce Sales Ratio



Skincare Sales Ratio



Sales Ratio by Country



Net Sales	Operating Profit	Operating Margin
¥ 120.5 bn	¥ 22.0 bn	18.2 %

Share of Total Sales by Category

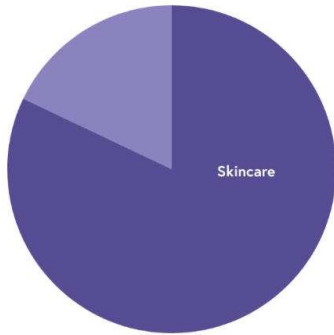


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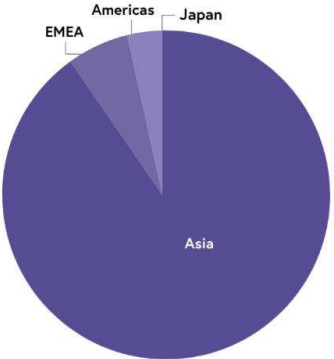
E-commerce Sales Ratio



Skincare Sales Ratio



Sales Ratio by Country/Region



2021 Review

Regions

Japan Business

Gradual Recovery, Mainly in Prestige, Amid Delayed Market Recovery

- In the Japan Business, we strategically strengthened investment in the skin beauty category in line with new consumer needs prompted by the COVID-19 pandemic and achieved market share gains, mainly in base makeup and suncare.
- In addition, we engaged with a large number of consumers through various omnichannel initiatives in collaboration with business partners, such as live commerce events and online video counseling. Consequently, e-commerce sales grew by double digits.
- We also continued activities started last year aimed at maximizing the value we provide to consumers, in particular, development and launch of versatile products that address changes in consumer needs, such as BB cream that holds fast even under a mask, and revolutionary products with the Second Skin technology.
- Furthermore, we launched the "Shiseido Hand-in-Hand Project" that aims to show our respect and gratitude to medical workers across Japan, in which we provided support for all those at medical sites by making donations and gifting products, and thus contributed to preventing the spread of COVID-19.
- Meanwhile, under the declared state of emergency, sales were hit by shortened operating hours in the retail sector and a downturn in consumer traffic due to a tendency to stay at home. Other factors included a drop in visitors to Japan, which resulted in low inbound demand.
- Net Sales: ¥276.2 billion, Year-on-year change: -8.9% (Like for like: -1.4%)
- Operating Profit: ¥9.6 billion, Year-on-year change: -0.9%, Operating Profit Margin: 3.2% Operating profit was down mainly due to lower margins resulting from a decline in sales, which outweighed higher margins accompanying an increase in intercompany sales in the first half of the fiscal year and effective cost management in line with market changes.



Skin Visualizer: a contact-free device that instantly measures the condition inside the skin



Livestreaming by Beauty Consultants

## China Business

### I Largely Ahead of Market for Singles' Day

- The China Business was affected by partial retail closures and a drop in consumer traffic due to new COVID-19 variant outbreaks in key metropolitan areas. However, e-commerce remained strong thanks to strategic investment and drove sales growth.
  - E-commerce accounted for high 40% of total sales, mainly due to sales growth well above the market for the Singles' Day, China's largest e-commerce event.
  - Moreover, continued strategic investment in prestige brands drove market share gains in the high-end category, specifically for *Clé de Peau Beauté* and *NARS*.
  - Net Sales: ¥274.7 billion, Year-on-year change: +16.5%, FX-neutral basis: +7.0% (Like for like: +19.1%)
  - Operating Profit: ¥1.2 billion, Year-on-year change: -93.6%, Operating Profit Margin: 0.4%
- Operating profit dropped due to increased investment in major brands, higher COGs, and the impact of the Personal Care business transfer, among other factors.



Singles' Day promotion



THE GINZA launched in Beijing and Shanghai

## Asia Pacific Business

### I Growth Led by E-commerce

- In the Asia Pacific Business, while the impact of COVID-19-related lockdowns continued in some countries and regions, we increased our share in e-commerce across Asia, thanks to strengthened expansion into key e-commerce platforms in various regions and robust growth of prestige brands such as *SHISEIDO* and *NARS*.
  - Furthermore, we actively conducted promotions such as Mother's Day campaigns in various countries and regions, in addition to further rollout of our *Drunk Elephant* brand.
  - Net Sales: ¥65.0 billion, Year-on-year change: +9.9%, FX-neutral basis: +3.8% (Like for like: +5.8%)
  - Operating Profit: ¥3.7 billion, Year-on-year change: +15.1%, Operating Profit Margin: 5.6%
- Operating profit grew mainly due to higher margins accompanying an increase in sales.



Mother's Day campaign



ISSEY MIYAKE grand launch at Lazmall



Americas Business

■ Cosmetics Market Recovered, Recording Robust Growth

- In the Americas, while impacts from the spread of COVID-19 continued, vaccination rollout drove the recovery of the cosmetics market, including makeup, which had struggled.
- In this market environment, our U.S.-based skincare brand *Drunk Elephant* opened new doors, while *NARS* grew its share due to virtual store openings and other digital marketing initiatives.
- In addition, *SHISEIDO*, *Clé de Peau Beauté*, and fragrance brands also performed well on the back of strengthened promotions.
- Net Sales: ¥121.4 billion, Year-on-year: +32.8%, FX-neutral basis: +28.4% (Like for like: +29.9%), exceeding 2019 results.
- Operating Loss: ¥13.2 billion, Year-on-year change: +¥9.5 billion, Operating Profit Margin: -8.9%  
Operating loss contracted mainly due to higher margins accompanying an increase in sales and improved profitability from reductions in fixed costs of the commercial business.



NARS virtual store



Drunk Elephant channel expansion

EMEA Business

■ Strong Recovery, Gained Share Across All Categories

- In EMEA, while impacts from the spread of COVID-19 continued, vaccination rollout aided market recovery, mainly in skincare and fragrances.
- We succeeded in capturing this turnaround to increase share in all categories through further rollout of our *Clé de Peau Beauté* and *Drunk Elephant* brands and e-commerce sales expansion thanks to online video counseling and digital promotions.
- Net Sales: ¥117.0 billion, Year-on-year change: +24.1%, FX-neutral basis: +16.4% (Like for like: +16.5%)
- Operating Profit: ¥2.5 billion, Year-on-year change: +15.7 billion, Operating Profit Margin: 1.9%  
Operating profit made a long-awaited return to profit mainly thanks to higher margins associated with an increase in sales, improved profitability of the commercial business, efficiency of advertising expenses due to focused investment in digital media, and lower fixed costs.



New *Clé de Peau Beauté* counter at department store in Berlin, Germany



Fragrance brand *narciso rodriguez*

## Travel Retail Business

### ■ Growth in Asia, Particularly on Hainan Island in China, Despite Global Decline in Travelers

- The Travel Retail Business was continuously affected by considerable reductions in international flights and the resulting decline in travelers worldwide. However, sales still accelerated significantly, mainly for e-commerce in Hainan Island, China.
- Overall, net sales grew substantially, mostly in Asia, as we strengthened the rollout of *Drunk Elephant* and increased the number of counters for major brands on Hainan Island.
- Net Sales: ¥120.5 billion, Year-on-year change: +22.3%, FX-neutral basis: +18.4%
- Operating Profit: ¥22.0 billion, Year-on-year change: +49.9%, Operating Profit Margin: 18.2%  
Operating profit increased mainly due to higher margins accompanying increased sales.



Digital promotions



SHISEIDO pop-up store (Hainan Island)

# WIN 2023 and Beyond

In 2021, Shiseido formulated a vision for 2030 and a medium-to-long-term strategy WIN 2023 and Beyond based on our aim to "Be a Global Winner with Our Heritage." In the three-year period from 2021 through 2023, we are focused on our medium-term strategy, WIN 2023, as the first phase of this vision. This section summarizes WIN 2023 and Beyond, our progress and results for 2021, and commentary by the CFO on our financial strategy.

## KEY FIGURES

2023 Target for  
Skincare Sales Ratio

80 %

2023 Target for  
Operating Margin

15 %

2023 Target for  
Free Cash Flow

¥ 100 bn

### Background of the Strategy

Various management themes emerged due to the rapid changes in the business environment caused by COVID-19, prompting us to change our business model in light of consumers' changing values and purchasing behavior. We also realized the need to reform our profit structure, characterized by a high fixed cost base and low levels of productivity and efficiency compared to our peers. Furthermore, we recognized a necessity for structural reforms to remedy our high dependence on demand from inbound tourism and improve profitability in EMEA and Americas. We also identified issues for further growth, such as the expansion of our growth foundation through digital transformation (DX) and raising the efficiency of our supply chain and production capacity.

Shiseido has also forecasted and analyzed external market conditions through 2030. Our analysis of the global beauty market indicates that prestige and premium markets will return to a growth trajectory of around 5–6% per year on average, as consumers pay increasing attention to health and pre-symptomatic conditions and place more emphasis on skin health, which is closely related to both of these issues. In particular, we predict that attention will shift to functional skincare and sun care in addition to keywords such as "clean," "natural," and "sustainable" and scientific evidence grounded in fields such as dermatology. But it is not only beauty devices and treatments that are expected to expand. Growth is also predicted for the inner beauty market. With the advancement of digital technology, we believe that not only will e-commerce (EC) expand, but that marketing based on data analysis will also flourish, particularly those approaches that are tailored to the preferences of individual consumers.

### Medium-to-Long-Term Strategy: WIN 2023 and Beyond

Based on this analysis, in 2021, Shiseido launched WIN 2023, the first phase of our 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.





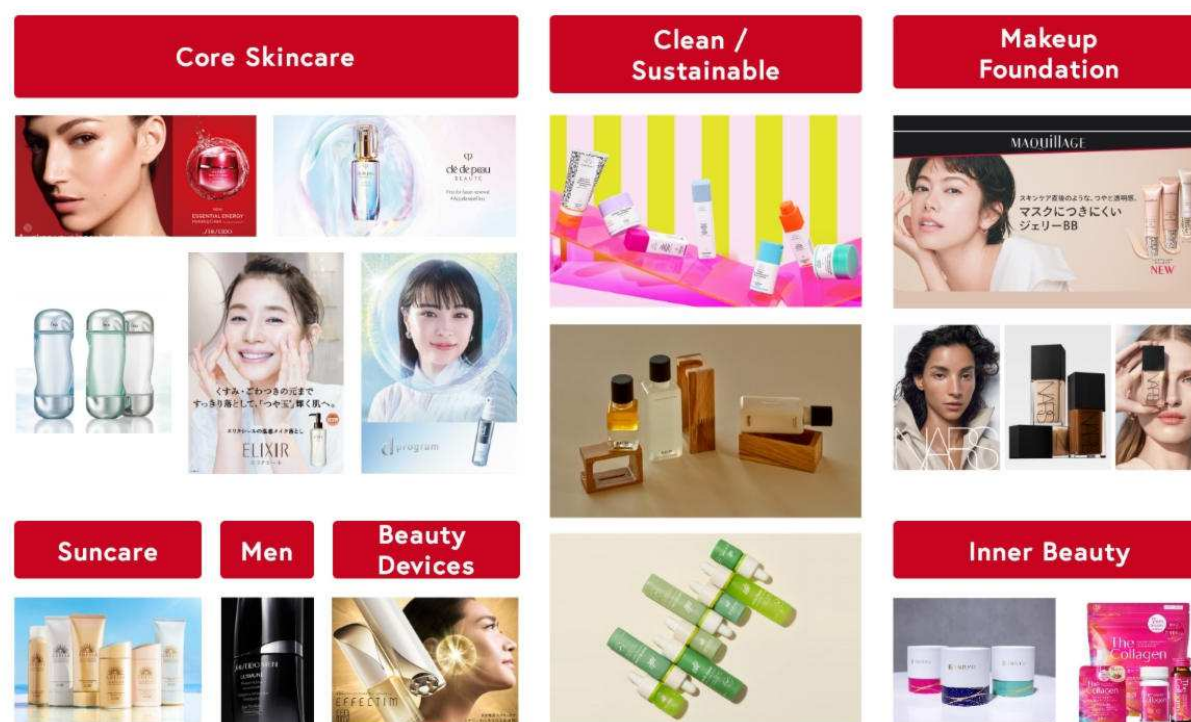
We designated 2021 as a period of "Groundwork" to focus on structural reforms centered on reviewing our business portfolio and strengthening our financial base while responding to and preparing for current and post-COVID-19 markets. We are positioning 2022, which marks the 150th anniversary of Shiseido's 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 will be 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 will continue to strengthen our active investment in our brands, innovation, supply network, DX, and people over these three years.

Our key strategies are outlined below.

- |                                    |  |
|------------------------------------|--|
| <b>Improve Profitability</b>       | <ol style="list-style-type: none"> <li>1. Rebuild profit structure through fundamental reforms</li> <li>2. Increase cost competitiveness and improve factory productivity</li> <li>3. Accelerate growth in Asia, especially China</li> </ol>   |
| <b>Focus on Skin Beauty</b>        | <ol style="list-style-type: none"> <li>4. Build a powerful portfolio centered on skin beauty brands</li> <li>5. Accelerate innovation through external collaborations</li> <li>6. Develop inner beauty category</li> </ol>   |
| <b>Rebuild Business Foundation</b> | <ol style="list-style-type: none"> <li>7. Become a truly sustainability-focused company</li> <li>8. Strengthen brands through innovative marketing and robust organization</li> <li>9. Build a digitally driven business model and organization</li> <li>10. Enhance talent and organization through diversity and upskilling</li> </ol> |

## Key Strategies and Progress

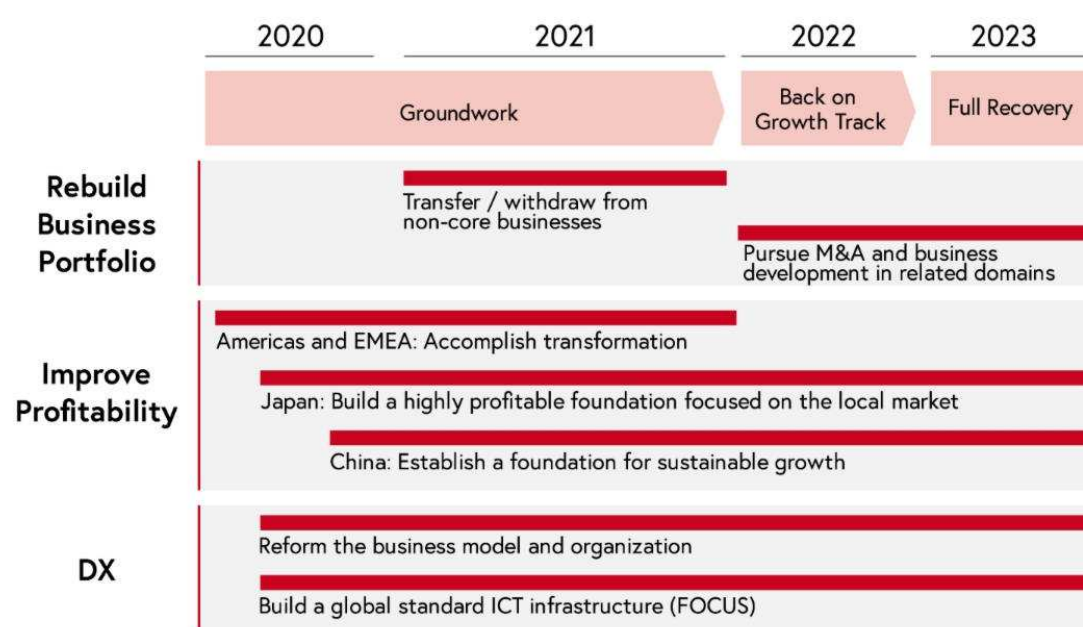
Under WIN 2023, Shiseido is concentrating its resources on skin beauty, our area of strength where strong market growth is expected. We aim to promote our brands, expand our portfolio, and develop new businesses in this area. Our goal is to become the world's leader in this field by 2030. With skincare at the core of our business, we aim for versatile value creation in areas that include sun care, men's products, makeup, and beauty devices, as well as supplements for inner beauty. We will also reinforce collaborations with external expertise and technologies to accelerate M&A and open innovation. We aim to increase the composition of our premium skin beauty business as a percentage of total Group sales from 60% in 2019 to 80% by 2023. As we make steady progress with our strategic investments and the restructuring of our business portfolio, we expect the ratio to surpass 75% in 2022.



To drive an increase in profitability, the Shiseido Group is building the foundation to become a Skin Beauty Company. We are implementing organizational reform that emphasizes profitability and cash flow and will allow us to achieve a 15% OPM. In addition to rebuilding our business portfolio, we plan to implement agile and fundamental global reforms to enhance cost competitiveness, improve productivity and efficiency, accelerate DX, and strengthen growth in Asia, particularly China.

In 2021, we carried out structural reforms worth more than ¥200 billion, including business transfers and the termination of license agreements, to streamline our portfolio. As a result, we increased the proportion of high-margin skin beauty brands in our sales and established a base for future revenue growth by reducing inventories, scaling back the number of SKUs, and improving our factory utilization rates.

### Global Transformation Roadmap



DX is one of our key strategies for rebuilding the growth foundation. We are further leveraging our diagnostic capabilities through data and beauty tech, accelerating EC and omnichannel initiatives, strengthening our data analytics and digital marketing expertise. We are also acquiring and nurturing digital talent, consolidating our organizational structure, and increasing collaborations with our business partners.

In 2021, we made steady progress in DX in each of our regions through the introduction of new platforms, especially for prestige brands, and increased promotional activities. As a result, we achieved 34% net sales through EC (over 20% growth <sup>[※1]</sup>), which is just shy of our 2023 target of 35%. In terms of stepping up our digital marketing, we are strengthening consumer engagement in various ways, one of which was to broadcast over 200 live streams, and we plan to roll out our own virtual skin consultation program in 2022. For our organizational structure and talent development, Shiseido Interactive Beauty Company, Limited, a joint venture with Accenture, started operations in July 2021 and is responsible for accelerating DX in Japan. In December 2021, we entered a strategic partnership with Tencent, a major Chinese internet and technology company. In addition, the total number of employees enrolled in the Shiseido+ Digital Academy, our professional development program, has exceeded 10,000.

We are also promoting research and development (R&D) and supply network reforms to support further growth. We established the R&D philosophy DYNAMIC HARMONY under our new R&D structure, revamped in January 2021, and are working on new strategies to drive innovation. Under WIN 2023, we are increasing investment in R&D to 3% of net sales. The Osaka Ibaraki Factory and the West Japan Distribution Center are now fully operational, strengthening our production and logistics systems. These facilities also expand our supply capacity and increase in-house manufacturing and productivity, in addition to reducing our environmental footprint. Through these initiatives, we aim to improve the COGs ratio by 2 percentage points in 2023 compared to 2019.

※1 Excluding the impact of business transfers

Vision for 2030

### BEAUTY INNOVATIONS FOR A BETTER WORLD

#### Our 2030 Goals

A Better World

A sustainable world  
where everyone can enjoy a lifetime of  
happiness through the power of beauty

Our 2030 Goal

Contribute to lifelong happiness  
of 200 million people worldwide  
through beauty and wellness

Our Business Proposition

A BEAUTY WELLNESS business  
centered on cosmetics.  
Based on an Eastern approach,  
we offer unique, healthy beauty.

Our mission is BEAUTY INNOVATIONS FOR A BETTER WORLD. We believe in creating a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty. Our goal for 2030 is to achieve growth through our core business of premium skin beauty and contribute to the lifelong happiness of 200 million people worldwide through beauty and wellness. To that end, we aim to become the world's No.1 Skin Beauty Company with a beauty wellness business centered on cosmetics and based on an Eastern approach. Our financial targets for 2030 are ¥2 trillion in net sales and an OPM of 18%.

Shiseido's vision for 2030 and beyond is to be a Personal Beauty Wellness Company. This concept is based on our desire to contribute to a lifetime of unique and healthy beauty for each and every one of our consumers through a fusion of skin beauty and inner beauty. We will leverage various technologies and offer personalized solutions based on capturing the skin and body conditions as well as through individual consultations, providing a variety of purchase options and continuous engagement. This cycle will help us create a Healthy Beauty Platform and fulfill our aims to become a lifetime partner for our consumers.

RELATED LINKS

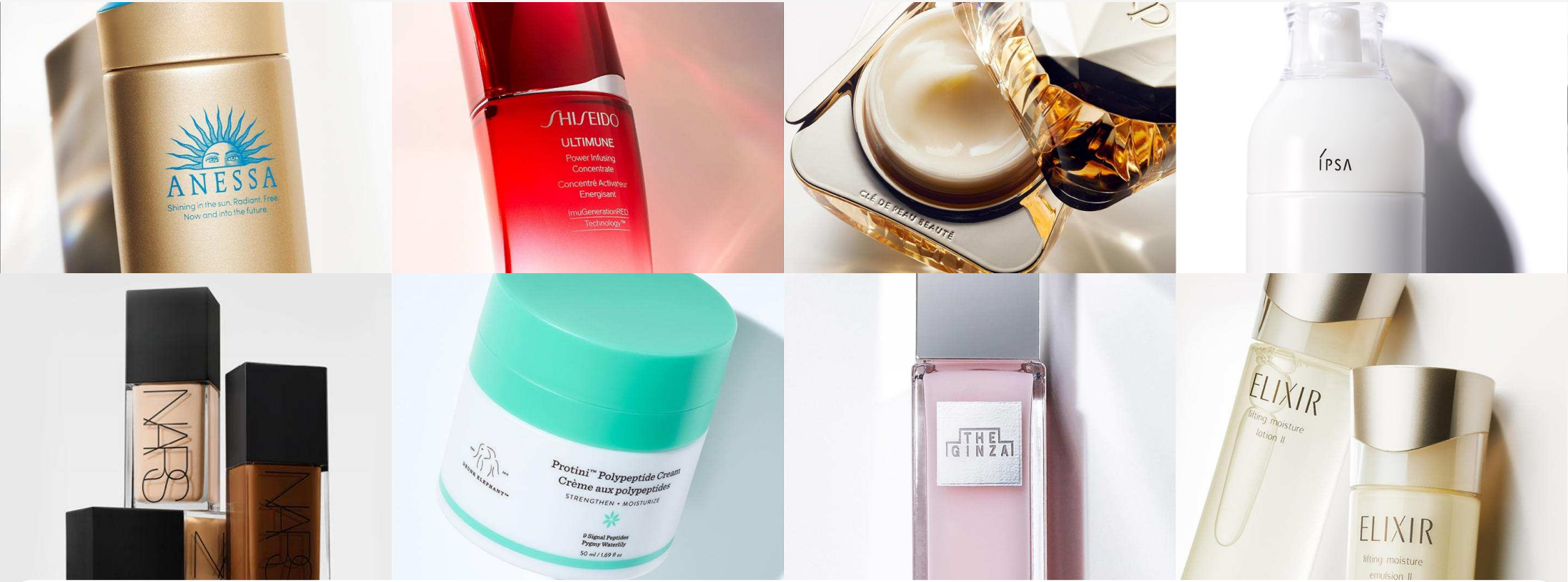
Sustainability Strategy

→



Progress of Our Strategy

Restructuring Our Business Portfolio



Our Business Portfolio Approach

The Shiseido Group is shifting to a new business structure, with skin beauty positioned as our core category, in line with our medium-to-long-term business strategy WIN 2023 and Beyond. We aim to become a global leader in skin beauty by 2030 and have launched a fundamental business transformation to that end.

In the three-year period from 2021 to 2023, we are laying the foundations to become a skin beauty company around three pillars of global transformation: business portfolio restructuring, improved profitability, and digital transformation.

Our business portfolio will focus management resources on the core business of premium skin beauty, an area of Shiseido's strength and high growth potential. We plan to cultivate brands with unique global value and develop new businesses, including in the beauty devices and inner beauty categories.

2021 was a year of "Groundwork" focused on transformation and preparation for the future growth of Shiseido, and we made many difficult decisions, such as the transfer of several businesses and brands. In February, we announced the transfer and joint venture of our Personal Care (PC) business; in April, we terminated our global licensing agreement with Dolce&Gabbana S.r.l.; and in August, we transferred our prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*. These actions were taken to maximize the potential of our businesses and brands to achieve further growth in the future, which in turn will lead to contributions to our customers and consumers.

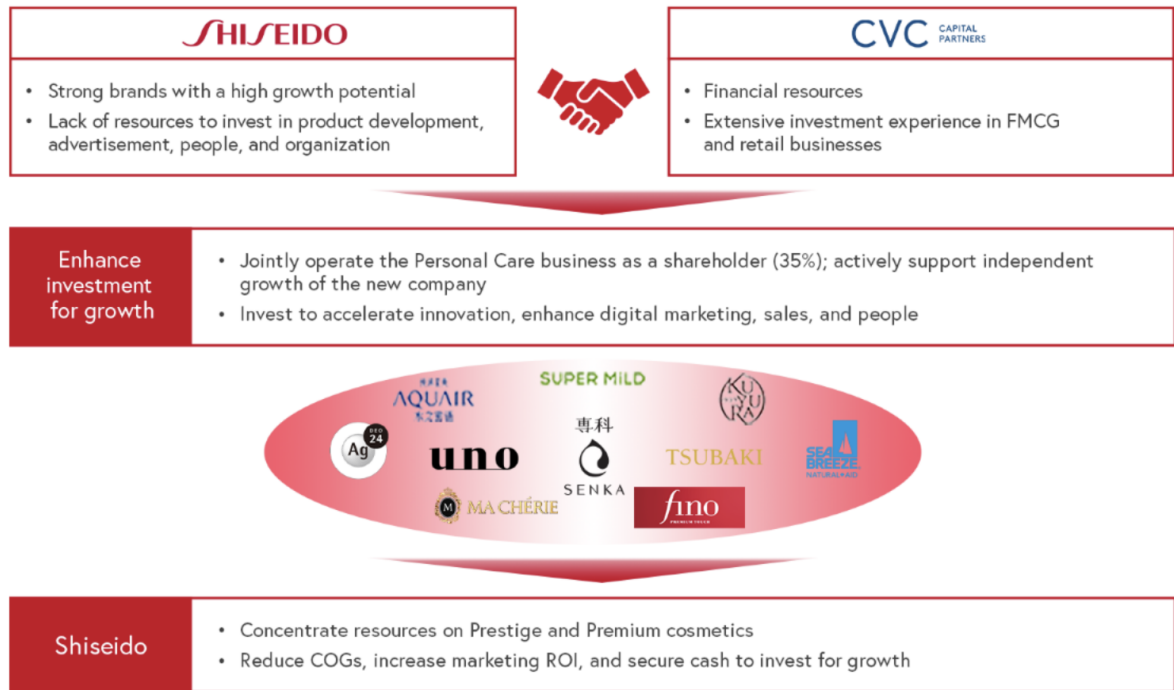
The Global Transformation Committee held more than 100 discussions regarding structural reforms, and the Board of Directors met multiple times to discuss various viewpoints and fully consider a number of possibilities before making decisions on these business transfers and other transformations. These global reforms were led and implemented with a sense of urgency by the respective regional headquarters, who assumed responsibility and ownership.



The direct financial impact of these three projects on our 2021 financial results in terms of extraordinary profits and losses is as follows.

(Billion yen)	2021
Transfer and JV of PC business	85.3
Termination of license for <i>D&amp;G</i>	-36.5 Incl. impairment of trademark rights -15.6
Transfer of prestige makeup brands <i>bareMinerals</i> , <i>BUXOM</i> , and <i>Laura Mercier</i>	-8.2 Incl. impairment of goodwill -7.4

### Transfer of Personal Care Business & Setup of Joint Venture



Our Personal Care business included the *TSUBAKI* hair care and *SENKA* skin care brands, which had long been known for high value-added products with a strong consumer base in Japan, China, and other countries and regions throughout Asia. However, its competitive environment, business model, and areas of research all differed from those of the premium skin beauty business. Having considered a wide range of strategic options for further growth and development, the Group determined that spinning off the Personal Care business and creating a business environment for enhanced investment in growth, such as flexible strategies focused on mass business and talent development for rapid decision-making and value creation, would lead to the further growth and development of the business, its brands and employees, and that this would ultimately contribute to our consumers and customers.

The business was transferred to private equity fund CVC Capital Partners, which has an extensive track record in improving the corporate value of portfolio companies over the medium-to-long-term, through a joint venture in which Shiseido made a 35% investment in the operating company. Shiseido is committed to the continued operation of the business in cooperation with CVC Capital Partners. Please find a summary of the project timeline below.

February 2021	Basic agreement concluded for transfer of the Personal Care business
May	Fine Today Shiseido Co., Ltd. established to take over the business in Japan. (Tetsuo Komori, Representative Director, President and CEO)
July	Business transfers completed in Japan and China
September	Transfer of assets completed for wholly owned subsidiaries in Hong Kong and Asia Pacific (excluding Vietnam)
2022	Transfer of assets planned for the subsidiary in Vietnam and joint ventures in Asia Pacific

For details, please refer to the Tokyo Stock Exchange disclosure and the CEO's message below.

- [Notice of Company Split \(Simple Absorption-type Split\) and Other Changes Accompanying the Transfer of the Personal Care Business \(February 3, 2021\)](#)
- [Message from the CEO: Commitment to further growth \(February 3, 2021\)](#)
- [Notice Regarding Completion of the Transfer of the Personal Care Business \(in Japan, etc.\) and Start of Joint Venture Business Operation \(July 1, 2021\)](#)

### Termination of Global Licensing Agreement with Dolce&Gabbana

Shiseido concluded a global licensing agreement with Dolce&Gabbana S.r.l. on October 1, 2016, through Beauté Prestige International S.A.S., an entity responsible for the Group's fragrance business at its regional headquarters in EMEA. The scope of the agreement covered the development, production, distribution, and marketing of *Dolce&Gabbana* fragrances, makeup, and skincare products.

In April 2021, in light of the restructuring of our business portfolio under WIN 2023 and Beyond, Shiseido and Dolce&Gabbana resolved after negotiations to terminate the agreement. As a result, the business activities related to this license agreement in all markets were terminated effective December 31, 2021. Following the termination, an agreement was concluded to continue the global production and distribution of *Dolce&Gabbana* beauty products until the end of 2022.

For details, please refer to the Tokyo Stock Exchange disclosure below.

- [Notice of Partial Termination of a License with DOLCE&GABBANA S.R.L. \(April 28, 2021\)](#)

### Transfer of Prestige Makeup Brands *bareMinerals*, *BUXOM*, and *Laura Mercier*

In line with strategies outlined in WIN 2023 and Beyond to prioritize our brands, optimize our portfolio, and strengthen our competitive advantages, we decided to transfer three of the Company's makeup brands—*bareMinerals* and *BUXOM*, acquired in 2010, and *Laura Mercier*, acquired in 2016—to an external party. The transfer of the brands' employees was a critical consideration in this transaction.

Among the numerous interested contenders, we reached an agreement on the transfer with Advent International ("Advent"), a private equity partnership founded in 1984 with a global investment track record in consumer products. Shiseido believes that Advent will provide the support needed for further global growth and success of the brands through marketing investment and their extensive experience with business expansions.

In December 2021, the transaction was executed through a transfer of all related assets of the three brands (including all shares of Bare Escentuals K.K. (Japan), a wholly owned subsidiary of SAC and the operating company of *bareMinerals* in Japan) to the newly formed Advent affiliate AI Beauty Holdings Ltd.

For details, please refer to the Tokyo Stock Exchange disclosure below.

- [Notice of Transfer of Prestige Makeup Brands \*bareMinerals\*, \*BUXOM\*, and \*Laura Mercier\* \(August 26, 2021\)](#)



Supply Network Strategy



Supply Network Strategy

My mission is to bring innovation and modernize Shiseido's Supply Network to create a sustainable, efficient, and robust supply of products and services with uncompromising Japanese quality.

Executive Officer  
Chief Supply Network Officer

Antonios Spiliotopoulos

KEY FIGURES

2023 Target for  
COGs vs 2019  
**2** pts  
improvement

2023 Target for  
DSI  
**200** days or  
less

CO<sub>2</sub> emissions at  
Osaka Ibaraki Factory  
down by  
ca. **30** %

Q1. What are the characteristics and challenges of Shiseido's production network?

A. Shiseido supplies products to consumers worldwide from 13 global production bases: seven overseas and six in Japan, including the new Fukuoka Kurume Factory in Kyushu, which is slated to begin operation in May 2022.

At the heart of these factories is the highest standard of uncompromising Shiseido quality, backed by our spirit of *monozukuri* craftsmanship, a strength greatly valued by our consumers. We follow the same rules, systems, and quality tests at every factory at home and overseas to maintain only the highest standards, ensuring that our factories all use the same technologies and all inherit this *monozukuri* spirit.

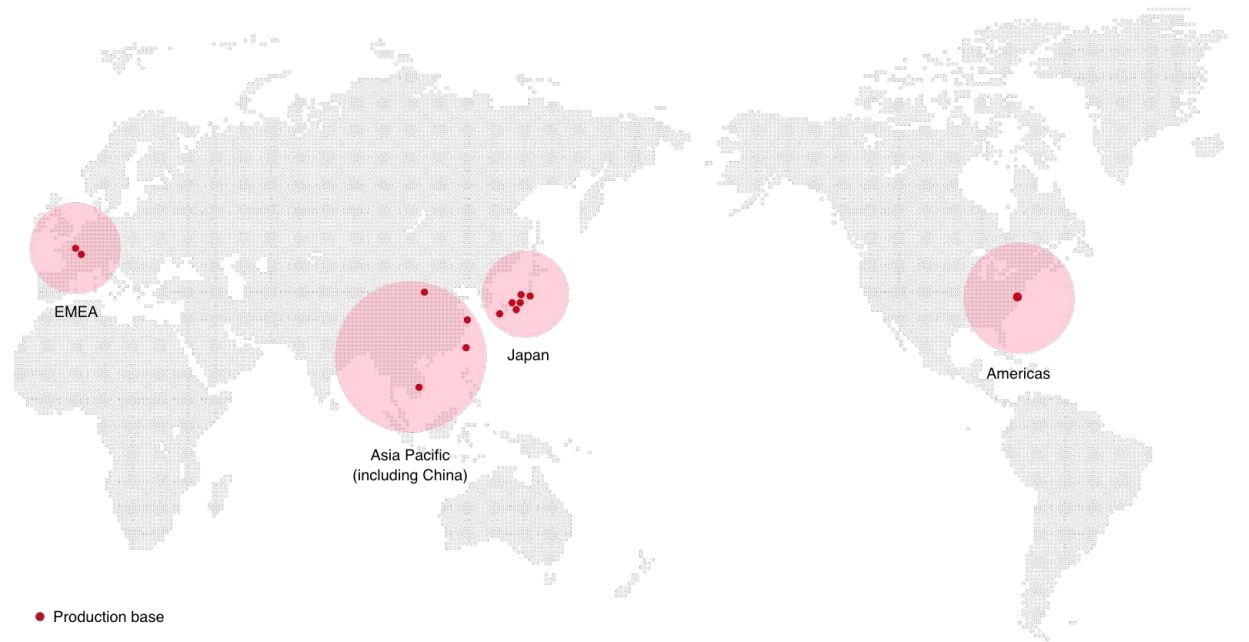
Our global production network also allows us to respond flexibly to the needs of each region. Local production sites mainly manufacture products for brands marketed in that region, ensuring flexible, agile modes of production and distribution. It also contributes to shorter lead times by localizing the procurement of raw and packaging materials, maximized cost efficiency, and better business continuity planning in case of emergency.

However, since around 2017, Shiseido has experienced issues such as tightening supply capabilities resulting from increased demand for our products, which caused significant opportunity losses and inappropriate surplus inventory. While overall production volume decreased from 2020 to 2021 due to the impact of the COVID-19 pandemic, we have been focusing on future growth and working to strengthen our supply capabilities in order to deliver Shiseido products to consumers in a stable and timely manner without missing any growth opportunities.

Another ongoing challenge is maintaining a constant supply of products that respond to consumer needs in a VUCA environment. To this end, we are shifting to real-time operations and improving efficiency using our globally integrated system, FOCUS <sup>[※1]</sup>.

※1 First One Connected and Unified Shiseido

Global Production Map



RELATED LINKS

[Production Bases](#)

[FOCUS: Transforming Shiseido into a Leading Data-Driven Beauty Company](#)

Q2. What are the key points of the supply network strategy in WIN 2023 and Beyond?

A. To achieve the targets set out in our medium-to-long-term strategy WIN 2023 and Beyond, we have established six core focus strategies, shown in the figure below, as well as global priority actions for each. We are now working to achieve these goals consistently every year.

Our first focus is on building a system that prioritizes Quality, Safety, and Sustainability as part of our efforts to strengthen the business foundation. Moreover, we are also implementing various organizational changes aligned with our emphasis on the skin beauty category in a bid to strengthen our supply network, improve its cost efficiency, and, as a result, shift to a highly profitable structure.

2022 marks the 150th anniversary of Shiseido's founding. As such, I see this as a time to build anew, a starting point for efforts to re-examine and modernize our processes across the business to ensure uncompromising Quality and Safety, and create a Sustainable supply network that minimizes our impact on the global environment. In this context, we are building a highly agile and efficient system that ensures stable supply while optimizing procurement, production, and distribution at the global level in line with the restructuring of our brand portfolio and M&A initiatives.

Finally, cost reductions across our supply network will contribute to achieving a Group-wide target operating profit margin of 15% by 2023. Specifically, in addition to improvements to the overall accuracy of demand forecasting through the use of AI and the deployment of IoT and cutting-edge technologies at our factories, we will also optimize procurement prices through collaboration with raw and packaging material suppliers and minimize surplus inventories. We will also introduce FOCUS to synchronize our end-to-end planning and leverage indirect procurement through the standardization and streamlining of systems and processes, and unite all members in our supplier network to achieve our goals as one team.

GLOBAL SUPPLY NETWORK STRATEGIES TOWARDS WIN 2023



**Q3. Please elaborate on the new production sites in Japan, including the Ibaraki Factory in Osaka.**

**A.** Shiseido has launched three new domestic factories since 2019, each with its own role and contribution to our global supply network. The Nasu Factory was the first Japanese production facility built in 36 years, completed and launched swiftly to resolve supply chain issues. The Osaka Ibaraki Factory began operations as a base for production and a state-of-the-art distribution center, with a consumer center located on site, bringing our entire production process closer to the consumer. The Fukuoka Kurume Factory will ensure a reliable supply of premium made-in-Japan skincare products in preparation for future growth, leveraging state-of-the-art digital technologies. All three factories are designed and operating under the highest quality standards, in harmony with their local communities, minimizing our impact on the environment. An integral part of our new factory design is to be open and accessible to local communities and our consumers through a factory tour program, so that our consumers can have direct access to all aspects of the manufacturing process of our products.

The Osaka Ibaraki Factory and the West Japan Distribution Center, which began operations between 2020 and 2021, integrate production, logistics, and distribution functions based on the vision of creating a high-quality manufacturing/distribution facility with an eye on the next century of Shiseido. We have also promoted various initiatives to reform the workplace from the perspective of women, who account for more than 60% of our workforce. One such initiative has introduced a free-address workplace based on an ABW (Activity Based Working) concept, allowing staff members to freely choose how and where they want to work. In addition, we are increasing productivity and reducing workloads by deploying automated delivery of materials and digitization of paperwork.

The adjacent West Japan Distribution Center will take advantage of its location and improve efficiency, shorten lead times, and reduce transportation costs. As Japan's largest automated warehouse, we have adopted a world-first shipping system called GP3 (Goods to Person for Pick and Pack), a next-generation, multi-shuttle system that automates the reception of goods manufactured at the Osaka Ibaraki Factory, as well as the order preparation for our consumers. GP3 performs everything from picking to packing and labeling simultaneously and contributes to labor savings and best-in-class quality through automation of the end-to-end customer order management process.





Exterior of Osaka Ibaraki Factory



Comfortable working environment in production



Labor-saving shipping system GP3

**Q4. Please tell us more about the sustainability initiatives in the Shiseido supply network.**

**A.** All our activities are closely tied with sustainability, one of the key pillars in the Shiseido supply network strategy.

We intend on reducing our impact on the global environment to zero. Our supply network teams in each region have collaborated across various communities and joined various initiatives to develop a concrete roadmap for sustainability to achieve this ambitious goal. Our factories and distribution centers worldwide are deploying concrete actions to use renewable energy generated by hydropower and solar power, reduce water consumption, decrease material waste and eliminate landfill waste, procure sustainable raw materials, and re-evaluate containers and packaging.

The Osaka Ibaraki Factory has obtained an A rating under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE), a method for evaluating and rating the environmental performance of buildings and the built environment. The facility has reduced CO<sub>2</sub> emissions by approximately 30% compared to a conventional design through the use of exterior wall materials and equipment, while recirculation and reuse of the cooling water used in manufacturing have reduced 65,000 tons of water consumption per year.

In addition to these environmental conservation efforts to reduce our environmental footprint, it is also essential for us to respect human rights throughout the entire global supply network. In the Shiseido Group Supplier Code of Conduct, Shiseido clearly states the importance of compliance with laws and regulations, anti-corruption, respect for human rights, a safe and healthy working environment, and environmental conservation. We are working hard to ensure an ethical supply network by promoting stringent supplier evaluations.



Another vital issue is providing an environment where employees feel engaged. For our products to make consumers happy, the people who make them must also be happy. A comfortable working space allows us to pay more attention to quality and efficiency. To that end, we focus on creating a diversity-conscious environment and increasing awareness of LGBTQ and other related issues. In addition to the new sites like the Nasu, Ibaraki and Kurume Factories, where these innovations are already in place, we are committed to continued investment in our employees and better working environments at existing factories, distribution centers, and offices.

I RELATED LINKS

- Shiseido Group Procurement Policy (Revised in February 2022) [↗](#)



Renewable energy usage (solar panels at Kakegawa Factory in Japan)



Reducing water consumption (automatic washing device at Nasu Factory)



Sustainable procurement of raw materials such as palm oil

Q5. What are your future aspirations as Chief Supply Network Officer?

A. When I was appointed Chief Supply Network Officer in January 2021 after 30 years of experience in end-to-end operations at other global beauty companies, I was impressed with Shiseido's DNA and a corporate culture built over its long history.

My role is to marry this unique Shiseido culture with modern, innovative and responsible supply network strategies to realize our corporate mission, BEAUTY INNOVATIONS FOR A BETTER WORLD, and medium-to-long-term strategy WIN 2023 and Beyond. I will continue to take on the challenge of leading the transformation of our supply network into one that is highly efficient, agile, responsible, and inclusive, while always being in step with the global environment and global consumer expectations.

I also hope to build a great team by accelerating diversity and inclusion, encouraging members to grow, empowering them to thrive in their work and creating a culture of active engagement and innovation. After all, the value of a company is only as great as the people behind it.

April 2022

Accelerating Digital Transformation

DX Strategy

Ensure the success of our roadmap to 2023 to become the "Global No. 1 Data-Driven Skin Beauty Company"

Executive Officer  
Chief Information Technology Officer  
Shiseido Company, Limited  
Co-Representative Director, President  
Shiseido Interactive Beauty Company, Limited

Atsunori Takano



Provide the best personalized beauty experience driven by data analysis to deepen long-term engagement with consumers

Executive Officer, Chief Digital Officer  
Shiseido Japan Co., Ltd.  
Vice President, Head of DX Division  
Shiseido Interactive Beauty Company, Limited

Toshiro Sugimoto

KEY FIGURES

2023 Target for  
Global EC Sales Ratio

35 %

2023 Target for  
Global Digital Media Ratio

over 90 %

FOCUS  
Rollout Completion

2023

Q1. Could you both give a brief self-introduction and explain your roles at Shiseido?

- A. **Takano** I have two main roles. As Chief Information Technology Officer (CITO) of Shiseido's global headquarters, I am responsible for formulating and implementing Group-wide IT strategies and overseeing information security. I also serve as a Co-Representative Director for Shiseido Interactive Beauty Company, Limited ("SIB"), a strategic subsidiary responsible for digital transformation (DX) in Japan. Angelica Munson, Chief Digital Officer (CDO) of our global headquarters, is responsible for guiding the Group's overall DX strategy, while I am supporting its IT infrastructure. I worked at multiple foreign-owned companies as CIO/Head of IT Division before joining Shiseido in 2019.
- A. **Sugimoto** I am a second-generation Japanese American from San Francisco, but I started my career as a civil servant. Since then, I've had 20 years of experience in the digital space in finance and beauty. I joined Shiseido in 2020 and was appointed as CDO of Shiseido Japan. At SIB, I am Vice President and Head of the DX Division.

Q2. What are the DX challenges that Shiseido faces?

- A. **Takano** First, there is the challenge of system platforms. Many Japanese companies, including Shiseido, have long operated and optimized legacy systems in isolation. Without sufficient interface between functions and value chains, the system platforms for each region were being developed independently. Compared to overseas competitors who actively invested in IT early on and quickly adapted to the fast-changing industry landscape, we experienced difficulties linking and integrating data, so we lacked agility and flexibility in our response to environmental change. Amid such uncertainty, we needed to rebuild our system platforms to assess the business environment and ensure the execution of our strategies. In November 2019, we launched the business transformation project FOCUS <sup>[※1]</sup>, which emphasizes the standardization of business processes and the deployment of an integrated core systems to accelerate and improve productivity across our business.





Also, we had to address internal capability challenges. In the past, Shiseido often relied on external partners to build its internal systems. However, high dependence on outsourcing reduces our agility and flexibility, and makes it difficult to develop in-house digital and IT talents. I believe that strengthening the acquisition and education of professional experts is our top priority.

※1 First One Connected and Unified Shiseido



**A. Sugimoto** The key to staying relevant in the current business climate is adapting to changes in consumer behavior amid the COVID-19 pandemic.

Before COVID-19, people would go out shopping and in the process, gather information through various touchpoints from the signs they saw to the conversations they had with shop assistants. However, with fewer opportunities for people to go out, the amount of information acquired and the number of instances for sensory stimulation have decreased. I believe that the pandemic is even affecting the hunter-gatherer behavior that has been with humans for millions of years and underlies our instinctive urge to go out and collect things and gather information. As a result, consumers now use digital tools and platforms to seek personalized experiences in their own homes and other personal spaces, and they also value creativity and sense of purpose, as we see in recent keywords like mindfulness and well-being.

In the case of cosmetics, we can no longer rely on the behavioral sequence of visiting a store, talking to a beauty consultant (BC), experiencing direct skin diagnosis, trying out the product, and eventually making a purchase. To share the enjoyment of "healthy beauty" with consumers, we must align our thinking, values, and behavior with those of the consumer. We are aiming to use consumer data efficiently to provide new beauty experiences tailored to every individual so that they can feel involved in the process.

### **Q3. How does Shiseido plan to transform its value chain through DX, and how does SIB fit into these plans?**

**A. Takano** Shiseido has formulated a vision for DX based on the challenges we have just raised. We are committed to being the "Global No. 1 Data-Driven Skin Beauty Company."

In light of the changes in purchasing behavior, we need to understand our consumers more deeply than ever before and provide each of them with the best personalized value. It is imperative that we propose beauty experiences based on a wide range of data that includes customer information, purchasing trends, and skin conditions. To this end, we will undergo a consumer-based overhaul of our value chain, linking R&D to procurement, production, logistics, marketing, and sales through integrated data. To optimize the timing, channels, and methods of product and service delivery, we will also link information on supply and demand trends, production, and logistics in real time.

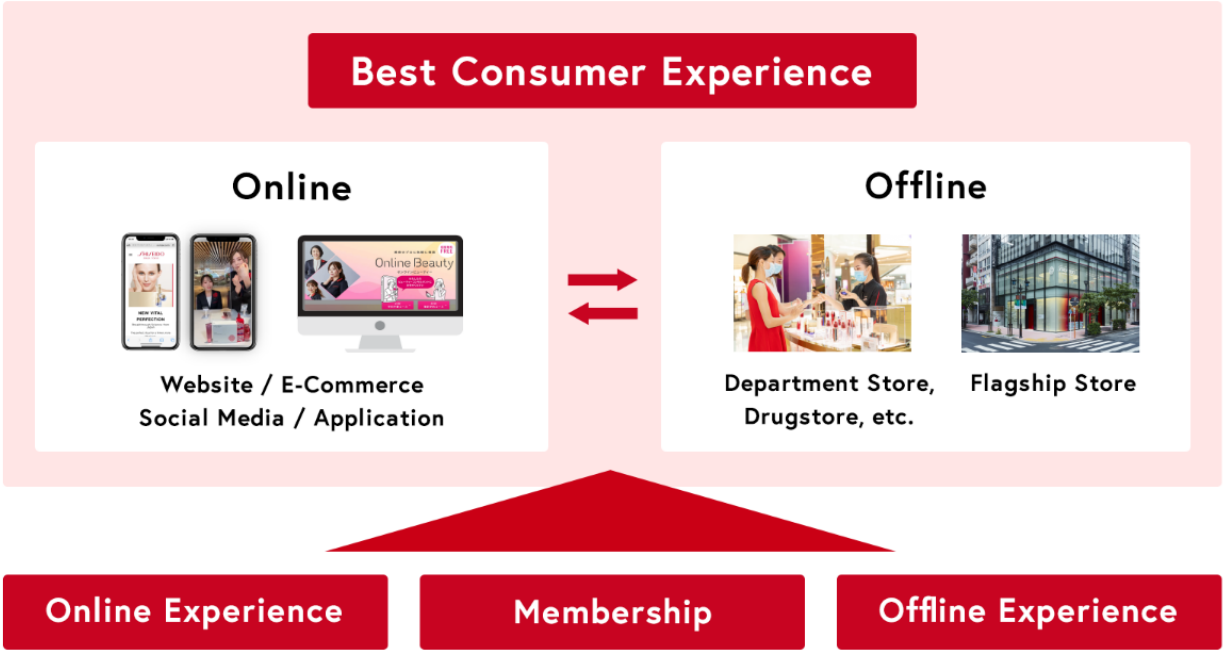
SIB was established as a joint venture with Accenture to implement these changes in a swift and focused manner. Essential to harnessing consumer data and becoming a "Data-Driven Skin Beauty Company," the successful digital transformation within marketing and sales in each of our regions will be key. In particular, we considered DX in the Japan region to be the most pressing issue since the region lags in terms of mobility and flexibility.

SIB also brings together Shiseido's global IT team, the IT and DX teams at Shiseido Japan, and Accenture's advanced expertise, knowledge, and rich experience to accelerate our digital initiatives. You could say that the fate of Shiseido's DX rests on the success of SIB.

**Q4. Please tell us more about the DX strategy and roadmap at SIB and Shiseido Japan.**

**A. Takano** SIB's basic strategy is providing the best tailor-made consumer experience possible, independent of time and place, by linking the consumer journey with Shiseido's unique OMOTENASHI philosophy. This journey can occur both online and offline, such as on social media, websites, e-commerce (EC), retailers' stores, and Shiseido flagship stores, and is not an easy task since we have a diverse range of brands and are expanding into various channels. However, we plan to proceed with three approaches in mind.

The first is consumer data. We will analyze and utilize a variety of consumer data across multiple touchpoints. The second is traceability, which visualizes the logistics and distribution channels through which products and services reach consumers and includes environmental aspects from raw material procurement to waste disposal. The third is personalization, which provides truly desirable products and services suited to each individual and creates a bespoke experience.



**A. Sugimoto** We've been discussing these ideas for a long time and launched some of the initiatives in 2020, before we even established SIB. What is important here is to develop measures not from the perspective of the value chain but from the viewpoint of the consumer journey.

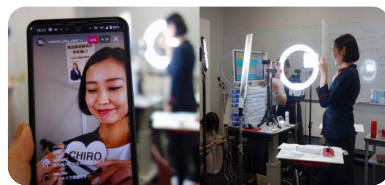
First, we are trying to integrate our different platforms to provide beauty experiences at every touchpoint while making the most of these platforms. In 2021, we conducted BC livestreams on each brand websites as well as our holistic beauty service website watashi+ throughout the year, and they were well received. Our department store BCs offer web counseling, and with average customer satisfaction at over 80%, the number of new users is on the rise. The use of our Hada Pasha, or cloud-based skin analysis technology, enables users to diagnose their skin using a snapshot from their smartphone or tablet. Other functions, like the augmented reality makeup filter, are also of great help in providing personalized beauty experiences. We regard our BCs as one of Shiseido's assets and offer highly specialized training in these digital technologies to nurture Omni BCs, whose aim is to increase engagement with consumers both on- and offline. The Omni BCs at SIB are leading the training of other BCs at Shiseido Japan, and together they produce opportunities to foster consumer empathy by meeting users where they are through digital means, such as live commerce, one-on-one web counseling, seminars, and through social media. The effect of BCs becoming influencers themselves has also been significant, and we have seen a large increase in engagement in addition to our reach and number of impressions on social media.

In EC, Shiseido has integrated its platforms while maintaining the characteristics of each of our brands, and our dedicated platform for specialty stores, Omise+, provides online services for major business partners. As a result, Shiseido maintained its No.1 share <sup>[※2]</sup> of the domestic cosmetics EC market in 2021. These activities give us direct access to a wide range of consumer data. Based on this data, we use predictive modeling to build a cyclical model for co-creating consumer lifetime value between consumers, our business partners, and Shiseido.

※2 According to an SRI survey by Intage Inc.



Omni BCs



Live Streaming



Omise+:  
enjoy the same service online as at store

- A. **Takano** In terms of data, we have already analyzed and organized its value and assessed the purpose of its use. We not only share the same way of looking at and thinking about the data with each of our brands but are also visualizing the marketing return on investment (ROI) of each brand and incorporating data-driven decision-making into our business processes. Members from various departments and positions can now discuss current issues and next steps by looking at the same datasets, which has already improved our marketing ROI.

Still, the most important initiative at SIB is professional development. One of the main objectives of establishing SIB was to bring together and intensively train digital IT specialists to accelerate the time-consuming professional development process and raise everyone's capabilities at once. In addition to the ease of incorporating Accenture's expertise, SIB provides opportunities for talent management where individuals can better design their career paths, so there are plenty of opportunities available to our members. In addition to introducing a 15-level skills assessment, we are focused on external recruitment emphasizing diversity, and in January 2022, we launched an SIB-specific HR system.

## Q5. What are your medium-to-long-term goals?

- A. **Sugimoto** Shiseido has a vision of becoming a "Personal Beauty Wellness Company" by 2030. Although the COVID-19 pandemic will continue to make things difficult, we still place the utmost importance on the positive emotions derived from beauty and on deepening long-term engagement with consumers. It will be increasingly important to promote data-driven solutions for products, services, and communications that match consumers' diversifying values and lifestyles. In addition to ingredients and efficacy, location and usability are also important requirements, and developing new platforms will be imperative as well.

There are many things that Shiseido cannot do on its own, so we need to co-create with our business partners and consumers and promote collaboration with other industries in order to accelerate DX throughout Japan.

- A. **Takano** From a short-term perspective, SIB has drawn a roadmap for 2023, the culmination of WIN 2023.

In terms of talent, we plan to increase the number of employees from 220 to 350 by 2023 and raise the percentage of senior professionals (those who clear level 8 or above of the 15-level skills assessment) from 11% to 30% or higher. In the future, I would like to expand the scope of SIB's digital IT talent pool to overseas and train professionals who can respond globally.

In terms of systems, our targets are development and upgrade of our data platforms to accelerate new marketing models, as well as the global rollout and go-live of FOCUS by 2023. Improving our ROI is also crucial. While we continue to aggressively invest in innovative initiatives, by the end of 2023 we plan to reduce existing IT costs outside of FOCUS and DX by about 10% compared to 2020. The key drivers will be promoting in-house production with improved capability, on one hand, and increasing productivity and optimizing operation and maintenance, on the other.

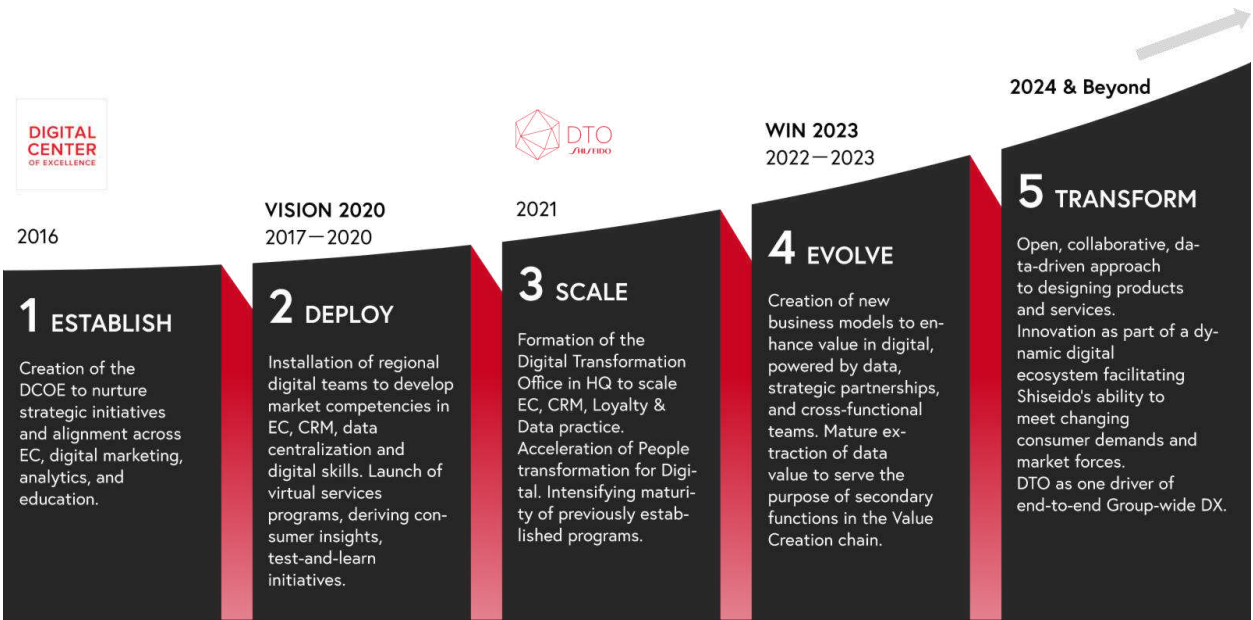
Prompt and precise implementation of these initiatives will help us pave a new path forward to becoming the "Global No. 1 Data-Driven Skin Beauty Company." I believe that we can use the SIB framework to accelerate DX on a global scale while looking beyond SIB to consider new forms of DX and increase the speed of the process. Compared to our competitors overseas, we currently lag behind in terms of system platforms and EC sales. However, rather than simply catching up, we intend to overtake them by using DX to a competitive advantage in providing data-driven "Beauty Wellness" for each and every individual.



Also, Sugimoto mentioned DX in Japan, a popular topic among Japanese companies. In my conversations with other CITO's and CDO's, I often hear them say that they want to revitalize the country and raise the level of digital literacy in Japan. It will be essential for the business community to work together to rebuild these platforms, and Shiseido has a responsibility to become a showcase of DX for other companies. I believe that SIB is well-positioned to embody the potential of DX in Japan.

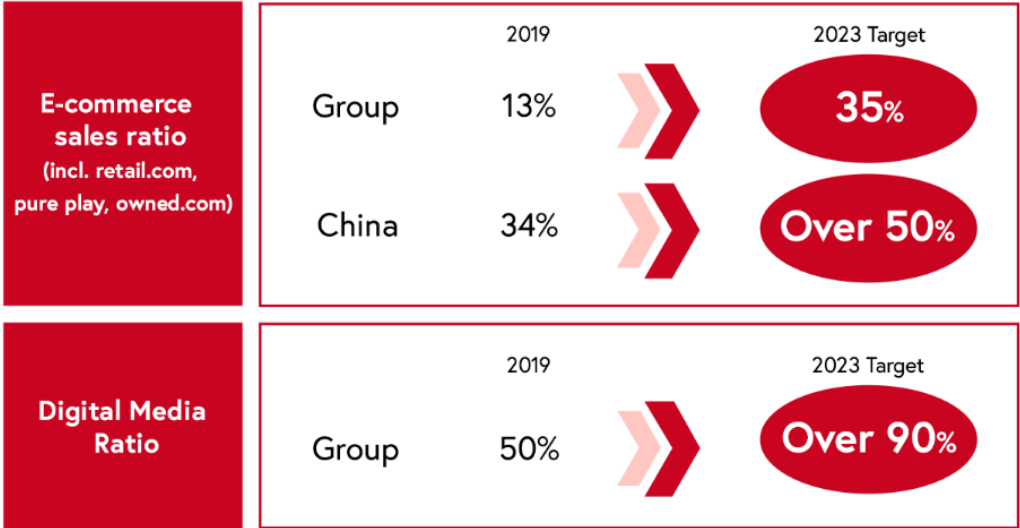
April 2022

SHISEIDO'S DIGITAL TRANSFORMATION JOURNEY



Related Data (2021)

Shiseido's Global Digital Transformation (DX) Targets



DX Data (Shiseido Group in 2021) <sup>※3</sup> Excluding divested brands

Brand Flagship Stores	77
Employees in the Digital Academy	10,000 +
Graduates of Advanced Digital Programs	250 +



FOCUS

## **First One Connected and Unified Shiseido**

### **FOCUS: Transforming Shiseido into a Leading Data-Driven Beauty Company**

Vice President, Business Transformation Department

**Francois Keet**

I joined Shiseido in September 2019 as Vice President of the newly established Business Transformation department, setting out to leverage my multiple years of experience in DX program management. Two months later, we launched business transformation program FOCUS ("First One Connected and Unified Shiseido"), a project I now lead together with our CFO Takayuki Yokota.

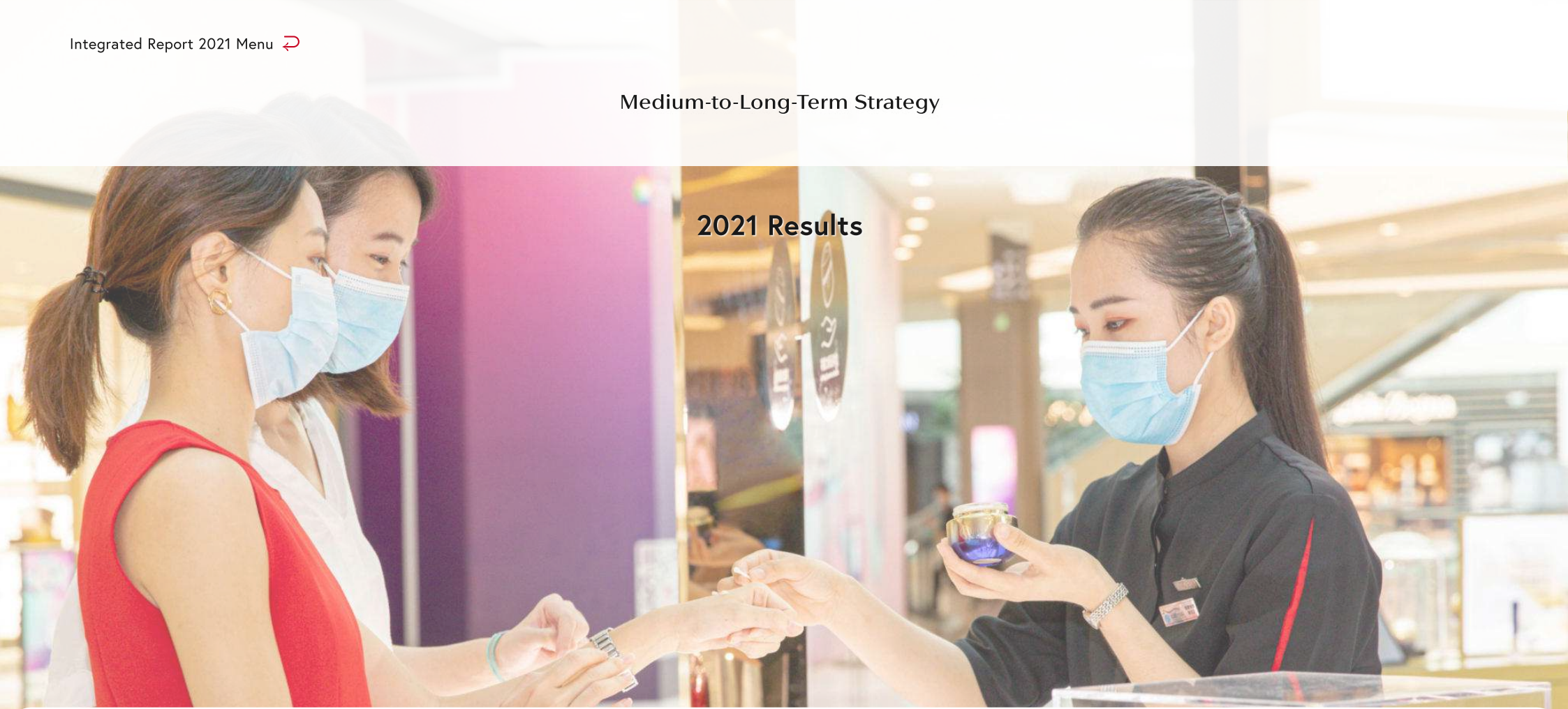
Our newly established Business Transformation team is driving the design and gradual implementation of FOCUS, a globally shared IT platform. I can say with confidence that FOCUS is a best-in-class system that offers standardized data and optimized processes. While having such capabilities is not necessarily a competitive advantage in the current environment, the absence of advanced, real-time business analytics can be an impediment to achieving our strategy if not addressed with urgency.

Utilization of global data is becoming increasingly important as the business environment is changing with unprecedented speed. Shiseido has launched several transformation efforts since 2015, but the truth is that we have lagged behind our global peers in leveraging data. FOCUS will bridge this gap and enable Shiseido to leapfrog the competition by connecting every region and business function within the Shiseido Group through one system and unified data for finance, supply network, procurement, marketing, and human resources. Having more in-depth and relevant data available in real time from anywhere in the world will accelerate Shiseido's response to changes in the market environment and consumer needs. It will enable agile business decisions in line with our "Think Global, Act Local" principle. Moreover, as the core of business operations, this global standard system will trigger changes in workstyle, increase productivity and drive value creation.

The FOCUS program brings together an international team of people from global headquarters and regions, leveraging diverse needs and perspectives for a common goal—to be globally connected and unified in ways of working through data, processes, systems, and operations. During 2021, FOCUS went live in three regions—Americas, APAC and EMEA—with ongoing deployments. In 2023, we will implement FOCUS in China and Japan.

The cumulative capital expenditure plan for 2020 to 2023 is ¥50 billion. Once completed, FOCUS will provide the data necessary to accelerate Shiseido's business activities and decision-making. This will contribute to achieving our medium-term target of 15% OPM, accelerating revenue growth, and building a stronger, more resilient business foundation for the future.

April 2022



2021 Results

Environmental Assessment & Our Position in the First Year of WIN 2023

In August 2020, when we drew up plans for WIN 2023, we were operating under the assumption that the impact of the COVID-19 pandemic would lessen and that economic activity would begin to recover in earnest from the second half of 2021 to the first half of 2022. However, with the spread of COVID-19 variants, economic activity stagnated globally, and consumer sentiment declined due to deteriorating corporate earnings and employment conditions. In the Japanese market, in particular, the number of visitors at stores declined due to retailers shortening their business hours and consumers choosing to stay home, and demand from inbound tourism was also sluggish. On the other hand, we have seen a wave of recovery in Europe, the U.S., and other countries where vaccinations have become more widespread.

It is against this backdrop in 2021 that we approached the first year of WIN 2023 as a period of "Groundwork." We focused on structural reforms, reviewing our business portfolio and strengthening our financial base while preparing for and responding to current COVID-19 markets. We restructured our business portfolio by transferring our Personal Care business, prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*, and terminating our global licensing agreement for *Dolce&Gabbana*.

Overview of Business Performance in 2021

(Billion yen)	2020		2021		YoY Change	YoY Change %	YoY Change FX-Neutral %	Like-for-Like % <sup>【※1】</sup>
	Results	% of Net Sales	Results	% of Net Sales				
Net Sales	920.9	100%	1,035.2	100%	+114.3	+12%	+8%	+12%
Operating Profit	15.0	1.6%	41.6	4.0%	+26.6	+178%		
Extraordinary Income (Loss)	-11.7	-1.2%	28.4	2.8%	+40.1	-		
Tax Expenses	7.1	0.8%	28.3	2.8%	+21.3	+300%		
Net Profit <sup>【※2】</sup>	-11.7	-1.3%	42.4	4.1%	+54.1	-		
EBITDA <sup>【※3】</sup>	71.4	7.8%	172.6	16.7%	+101.2	+142%		

※1 Excluding the impact of business transfers  
※2 Net Profit Attributable to Owners of Parent  
※3 After adjustment: Net income (loss) before income taxes + interest expense + depreciation and amortization expense + impairment loss on goodwill and other intangible assets



Our skin beauty brands, a priority area, achieved double-digit growth as a result of aggressive strategic investments. E-commerce sales also increased by more than 20% <sup>【※4】</sup>, with steady growth in the prestige sector. Sales recovered in all regions except Japan, with robust comebacks in the Americas and EMEA, which made up for the challenging market conditions in Japan. As a result, our net sales increased 12.4% year on year to 1 trillion 35.2 billion yen, or 7.8% up year on year on an FX-neutral basis. Like-for-like, excluding the impact of business transfers, net sales were up 11.9% year on year.

Operating profit increased 177.9% year on year to 41.6 billion yen mainly due to an improved product mix as a result of our focus on skin beauty and business transfers. Other factors included successful agile cost management in response to changes in the market environment and fixed cost reductions through structural reforms. In the Americas and EMEA, better product mix, organizational optimization, and a reduction in fixed costs contributed to a combined improvement in profit of over 25.0 billion yen, significantly boosting the Company's profitability. In addition, free cash flow was up 186.6 billion yen due to cash generation through business transfers and inventory reductions, while we continued to invest in production facilities and digital transformation.

Net profit attributable to owners of parent increased by 54.1 billion yen to 42.4 billion yen, due to higher operating profit and the recording of gains from the transfer of the Personal Care business. These factors offset the recording of an impairment loss on trademarks related to *Dolce&Gabbana* and a goodwill impairment loss following the transfer of three prestige makeup brands.

※4 Like-for-like basis excluding the impact of business transfers

Overview of Skin Beauty Brands

Despite the challenging environment caused by the impact of COVID-19 and other factors, our skin beauty brands continued along a strong growth trajectory. Global brands *SHISEIDO*, *Clé de Peau Beauté*, and *IPSA* recovered to 2019 levels, while *Drunk Elephant* expanded its operating regions and *ANESSA* maintained its leading share of the Japanese market.

Net sales of major brands in 2021 vs 2020 <sup>※5</sup> Like-for-like change in local currency, year-on-year



Brands in non-traditional categories launched to meet diversifying consumer needs also grew, with good performance from "tree-powered" brand *BAUM* and high-end brand *THE GINZA*, which launched in China in October 2021. *EFFECTIM* is also gaining popularity as our aging care <sup>【※6】</sup> brand that integrates skincare and beauty devices as a joint venture with YA-MAN LTD.

※6 Age-appropriate care using a beauty device and moisturizing care with skincare products

# BAUM



# EFFECTIM



## Key Policies in 2022


In 2022, we expect the market environment to remain uncertain due to the spread of COVID-19 and other factors. Nevertheless, we are committed to responding to these changes in the external environment while strengthening our investments in growth areas such as our premium skin beauty business and shifting to a digitalized business model based on the strategies set out in WIN 2023 and Beyond. At the same time, we will continue to rebuild our earnings base, including further restructuring for the profitability of our EMEA and Americas businesses.

Our key policies for 2022 are as follows:

- Grow skin beauty brands, explore M&A opportunities
- Americas, EMEA: step up profitability
- Japan, China: aim for full recovery in 2H
- China, Travel Retail: maintain growth momentum
- Accelerate Group-wide DX
- Continue global transformation, increase profitability and productivity
- Enhance long-term initiatives (ESG, Supply Network, R&D, FOCUS, People)


Our outlook for market recovery from COVID-19 announced in February 2022 assumes that Japan will recover in the second half of 2022 and that China will continue to grow despite the impact of the lockdown at the beginning of the fiscal year. The Americas already recovered to pre-COVID-19 levels in 2021 for skincare, while makeup is expected to recover in 2023. In addition, EMEA is expected to recover to pre-COVID-19 levels in 2022, and Asia Pacific and Travel Retail—during 2022.

## Outlook for 2022

Our forecast for consolidated financial results and year-end dividend in fiscal 2022 were published on February 9, 2022, together with our announcement of results for fiscal 2021. Please see [here](#)  for more details.

Shiseido plans to voluntarily adopt International Financial Reporting Standards (IFRS) in place of Japanese GAAP from the first quarter of the fiscal year 2022 to further promote global management by unifying accounting standards within the Group. This will also help to improve the comparability of international financial information in the capital markets. Based on these standards, the forecast of consolidated financial results for the fiscal year 2022, is scheduled to be announced at the time of the earnings announcement for the first quarter of 2022.

(Added in May 2022)

The IFRS-based consolidated financial results forecast for the fiscal year ending December 31, 2022, was announced on May 12, 2022. Please see [here](#)  for more details.

Message from the CFO



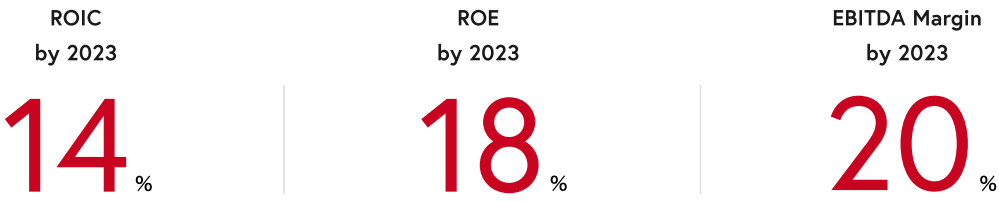
Financial Strategy

Maximize capital efficiency and cash generation through investment in our foundation for growth in a VUCA world

Director  
Executive Officer  
Chief Financial Officer

Takayuki Yokota

KEY FIGURES



Q1. What has Shiseido achieved in 2021 from a financial perspective?

A. 2021 proved to be just as challenging as the previous year due to the continued spread of COVID-19. Nevertheless, we were able to implement key strategies of WIN 2023, such as growing our skin beauty brands, accelerating digital transformation (DX), and executing region-led transformations. Moreover, Shiseido has significantly improved the cost management structure realizing great agility, has reduced fixed cost base in line with market changes, and has built a solid financial foundation.

During my first year as CFO, we have continued steady investment in our future growth, including new factories, DX and IT, despite the challenging business environment. To secure such investments and to improve our capital efficiency, we are taking strategic actions, such as reducing our inventory and managing our costs with agility. As a result, we have become considerably stronger as a company from a financial perspective, capable of generating a steady cash flow.

(Billion yen)	2019	2020	2021
Net Sales	1,131.5	920.9	1,035.2
Operating Profit	113.8	15.0	41.6
Net Profit (Loss) Attributable to Owners of Parent	73.6	-11.7	42.4
EBITDA	169.3	71.4	172.6
ROE	15.6%	-2.4%	8.2%
ROIC	12.9%	1.3%	3.3%
Days Sales of Inventory (DSI)	237 days	269 days	218 days
Free Cash Flow	-127.3	-6.0	186.6



**Q2. Please tell us about the progress of KPIs stipulated in WIN 2023 (operating profit margin, inventory reduction, productivity improvements), including specific measures (performance and priorities) and positioning for 2022.**

A. We are steadily implementing our strategic actions to achieve 15% operating profit margin by 2023. Our COGS ratio has also improved from favorable product mix by growing our skin beauty brands and from reducing inventory levels by improving demand forecasting capabilities in each of our regions. SG&A expenses have improved thanks to higher marketing ROI by focusing on digital and cross-border marketing, optimizing our fixed costs through structural reforms, and managing our costs with agility in response to market changes. In particular, we see significant improvements coming from Americas and EMEA through our transformation initiatives. The two businesses combined contributed more than 90% of the 26.6 billion yen increase in our consolidated operating profits.

We have also improved our inventory management by collective efforts not only in Global headquarters Supply Network Division but also in each of our regions and affiliates, by setting out specific KPIs related to inventory reduction. In addition, we have leveraged AI to improve our demand forecast accuracy and our lead time in procurement, production, and delivery. As a result, we have reduced our days sales of inventory (DSI) from 269 days in 2020 to 218 days in 2021, making steady progress toward our WIN 2023 target of 200 days or less. This has helped improve the efficiency of our working capital and cash generation.

Moving forward, our priority is to deliver clear benefits coming from the structural reforms and investments for growth we made in 2021. Our structural reforms are expected to reduce SKU and inventory level, optimize fixed costs, and improve our product mix through skin beauty focus, thereby increasing our overall Company productivity. We will further accelerate these initiatives to provide visible improvements in our profitability and margins.

		2019	2020	2021	2023 Target
Improve Capital Efficiency	ROIC	13%	1%	3%	14%
	ROE	16%	-2%	8%	18%
Enhance Cash Generating Power	EBITDA margin	15%	8%	17%	20%+
	DSI (days)	237	269	218	≤200
Sound Financial Position	Net D/E	0.3	0.4	0.03	0.2
	Net D/EBITDA	0.8	2.4	0.1	0.5

**Q3. What is your approach to capital strategy and cash allocation?**

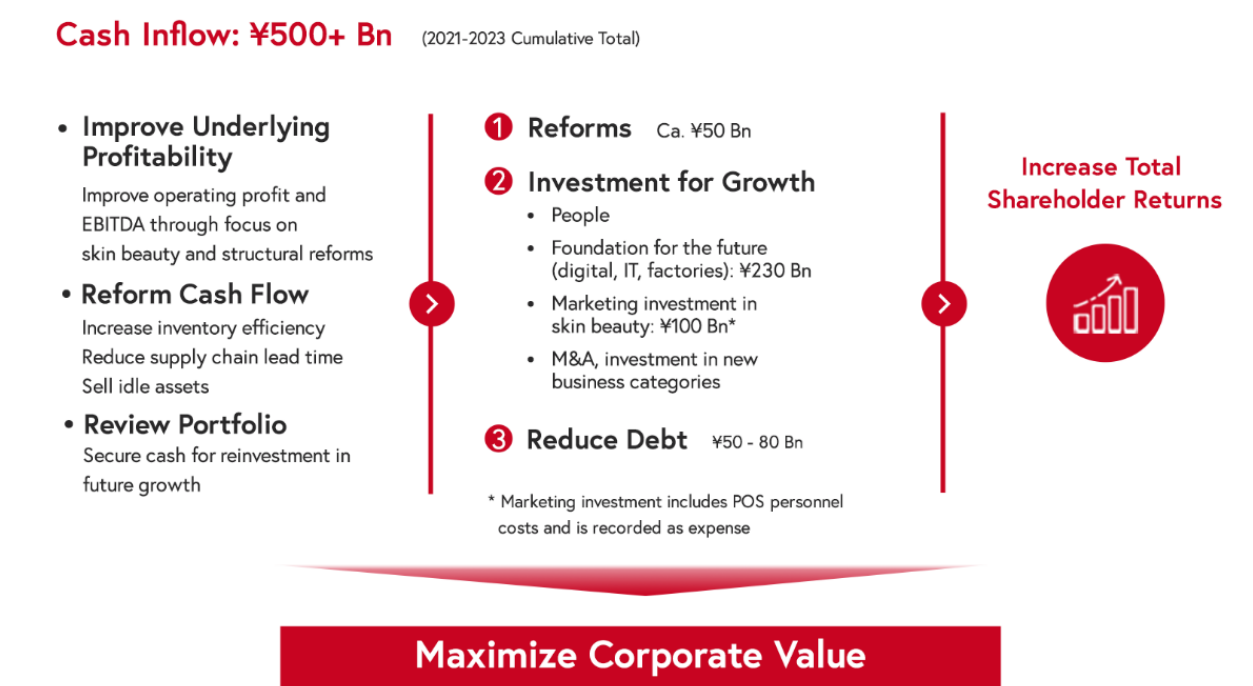
A. We are making steady progress toward our WIN 2023 financial targets of 14% ROIC and 18% ROE.

Rather than increasing ROE through excessive leverage, our focus is to increase our underlying profit and cash generation capabilities. Therefore, we consider ROIC to be our most important financial indicator for improving capital efficiencies, and we are actively managing our balance sheet by taking various actions such as reviewing our business portfolio and selling idle assets that do not contribute to growth.

We also place importance on cash flow generation. In 2021, we have generated free cash flow of over 30 billion yen, excluding business transfer-related extraordinary income. This was achieved through improving our working capital mainly by reducing inventory turnover.

Generated cash was allocated to investments for medium-to-long-term growth, including DX and IT as well as new production facilities such as Osaka Ibaraki Factory and Fukuoka Kurume Factory. We have also been able to reduce our interest-bearing debt, realizing a sound financial basis whilst maintaining future growth investments.

We will continue to build a robust financial foundation and ensure steady cash generation to achieve the financial targets set out in WIN 2023 and further improve our capital efficiency.



Q4. How would you characterize your policy on shareholder returns?

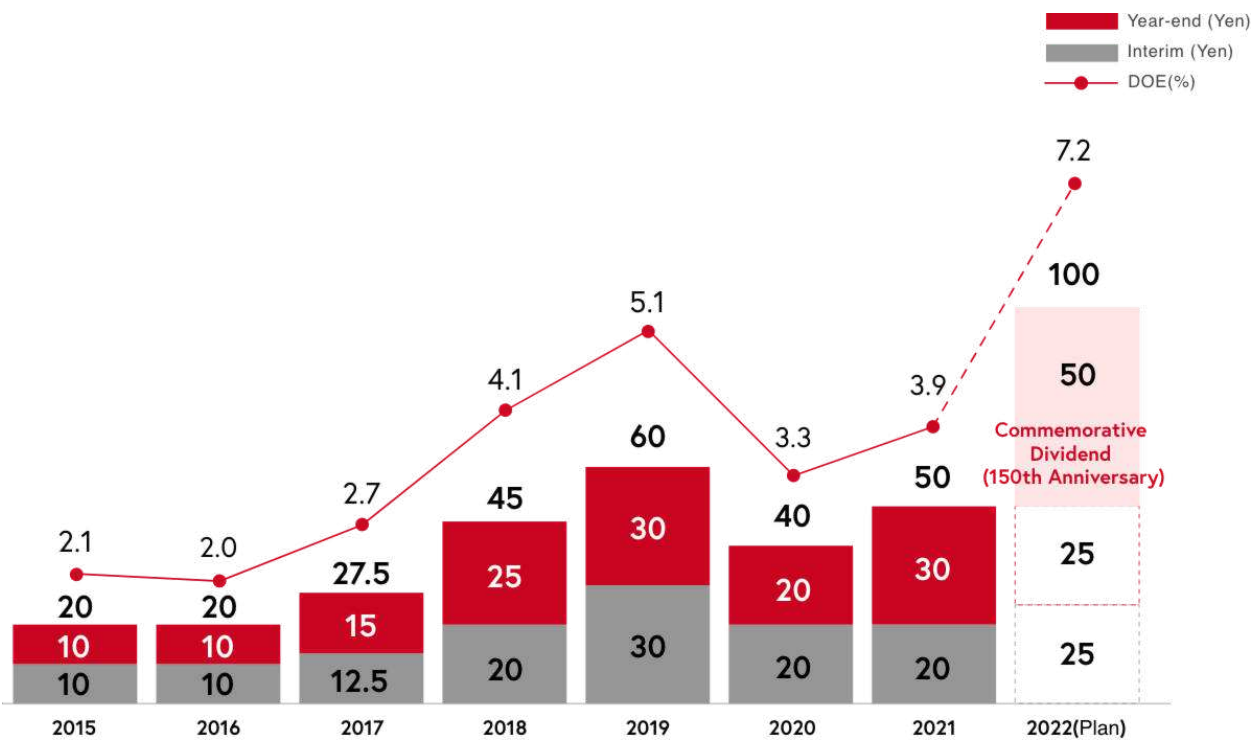
A. Our total shareholder return policy aims to maximize shareholder returns both through immediate direct means, and through medium-to-long term stock price increases.

Upon determining our dividend levels, we consider consolidated financial results and free cash flow, aiming to realize long-term steady returns with a dividend-on-equity (DOE) ratio of 2.5% or higher.

Based on this, we increased our annual dividend by 10 yen per share from the previous year to 50 yen per share in 2021 (interim 20 yen and year-end 30 yen).

2022 marks the 150th anniversary of Shiseido's founding. Therefore, in addition to the ordinary dividend of 50 yen per share for 2022, we plan to pay a commemorative dividend of 50 yen per share <sup>[※1]</sup> to express our gratitude to our shareholders and commitment to future growth.

※1 The 150th anniversary commemorative dividend will be submitted for resolution at the Ordinary General Meeting of Shareholders in March 2023.



**Q5. What is your commitment to WIN 2023?**

**A.** As CFO of Shiseido, my mission is to ensure steady execution of WIN 2023 and drive transformation by acting as a catalyst in improving our profitability and cash generation whilst maintaining high governance and compliance standards. Despite uncertainties in our environment which may affect our outlook, we are committed to achieve our WIN 2023 goals and will build a sound financial basis to ensure steady long-term growth. At the same time, as the project owner of the Group-wide FOCUS program, I will ensure its roll-out in all regions by the end of 2023 in order to realize best-in-class management processes through standardization, automation, and streamlining of data.

Moreover, I believe it is crucial to enhance capital market understanding of our business and brand growth potential for sustainable corporate value improvements. To do so, effective communication with our consumers, capital markets, and all other stakeholders is essential. I also believe that proactive investor relations can support such dialogues and effectively reduce our cost of capital. Therefore, as CFO, I am committed to taking the lead and engaging in proactive dialogues to build the trust with all of our stakeholders and ensure that our strategies and policies are in place to make WIN 2023 a success. Finally, I welcome feedback from our stakeholders as we should leverage it to realize future growth and improve our medium-to-long-term corporate value.

April 2022

**I RELATED LINKS**

FOCUS: Transforming Shiseido into a  
Leading Data-Driven Beauty Company

→

Consolidated Financial Statements  
(PDF)

↗



## Message from an Executive Officer



Sustainability Strategy

**We put sustainability at the heart of our strategy  
to create social value through the power of beauty.**

Executive Officer  
Chief Strategy Officer

**Toshinobu Umetsu**

MESSAGE

**Q1. Sustainability is expected to play an increasingly important role in corporate management. How does Shiseido incorporate sustainability into its strategy?**

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

Shiseido celebrates its 150th anniversary in 2022. Ever since our founding, we have always contributed to people's happiness, fulfillment, and well-being through beauty. In line with our corporate mission of BEAUTY INNOVATIONS FOR A BETTER WORLD, we are committed to the realization of a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty by the year 2030. As Chief Strategy Officer, I am responsible for establishing and promoting the broader sustainability strategy for the entire Shiseido Group from 2022 onward, and I plan to make sustainability a more integral part of our strategy than ever before and promote the creation of social value and resolution of social issues through our core business. This decision reflects the fact that our stakeholders see Shiseido as an indispensable member of society. We, too, believe that this initiative is essential for the continued success of the entire Group.

**Q2. What social issues is Shiseido working to solve?**

**A.** At Shiseido, we are committed to creating a sustainable world and enhancing people's happiness and fulfillment through value creation and beauty innovations, a tradition that has defined our company since its founding. In 2019, we honed in on social and environmental matters related to our core businesses, defining 18 material issues after interviews and discussions with various stakeholders. These material issues form the basis for promoting six medium-term goals and strategic actions, three each in the areas of society and environment.

In terms of society, we address inequality and social structures as well as other social issues such as discrimination and intolerance rooted in prejudice. Our unique position as a beauty company allows us to promote three strategic actions: "Advancing Gender Equality," which is a critical issue particularly in Japan and throughout Asia; "Empowering People Through the Power of Beauty," which contributes to authenticity and empowerment through Shiseido's track record of research and technology; and "Promoting Respect for Human Rights," which is at the heart of everything we do.

In terms of the environment, we have set medium-term targets for CO<sub>2</sub> emissions, water, and waste aimed at "Reducing our Environmental Footprint" as one of our strategic actions. For products delivering value directly to consumers, we are setting targets and "Developing Sustainable Products" that take into account both sustainable considerations and functional and emotional benefits sought by consumers. We are also "Promoting Sustainable and Responsible Procurement" that considers the environment and human rights.

### Q3. How would you summarize Shiseido's sustainability performance in 2021?

- A. In 2021, we worked together across brands, regional businesses, and corporate functions in order to accelerate our sustainability initiatives. In addition to the existing Sustainability Committee, where we deliberate and make expert decisions regarding sustainability issues, we have held further meetings with major divisions responsible for sustainability acceleration to incorporate sustainability into management and further strengthen these initiatives across the Group.

Again, in terms of society, we have been working for social change in the areas of gender equality and women's empowerment in Japan, where these are particularly pressing issues. In collaboration with local governments and through the 30% Club Japan, where our President and CEO Masahiko Uotani was appointed as the first chair, our efforts have included raising public awareness and sharing information about increasing the ratio of female executives on Japanese company boards and creating work environments that promote the advancement of women. Internally, in addition to training sessions for female leaders, we also encouraged personal and professional growth for all employees through programs like Speak Jam, a mentoring program for female corporate officers and female employees to have candid discussions on career development options. We also promoted several other programs that allowed employees to voice their concerns about their careers, the future, and the importance of diversity in society. True to our commitment to human rights, Shiseido conducted human rights due diligence to identify Group-wide violations, such as rooting out harassment and making sure our suppliers comply with human rights. We worked with key divisions to resolve these issues.

Starting in 2022, we have appointed a Chief D&I Officer for internal and external acceleration of diversity and inclusion, a culture where people accept and respect others as individuals, regardless of background or differences in circumstances.

(For more information on our D&I strategy, see the Message from the Chief D&I Officer.)



The name "Shiseido" refers to praising the virtues of the Earth <sup>[※1]</sup>, and in terms of the environment, this year, we promoted initiatives based on a premise of sustainable value creation that included resource recycling and conservation of the global environment. These initiatives involved environmental impact reduction and sustainable product development throughout the entire value chain. In particular, the CO<sub>2</sub> reduction efforts required to combat climate change cover not only the curbing of CO<sub>2</sub> emissions from energy use but also the procurement of raw materials, the use of water and other resources, and product design. Since 2019, we have expressed our support for the recommendations of the TCFD <sup>[※2]</sup>, and in 2021, we conducted a quantitative analysis of the long-term impacts of climate change on our business activities in line with the TCFD framework and disclosed the results. We also provided key response actions regarding risks and opportunities posed by the transition to a decarbonized society and other changes in the natural environment. To reduce CO<sub>2</sub> emissions, we have set science-based targets accredited under the SBT initiative <sup>[※3]</sup> and joined the RE100 <sup>[※4]</sup> initiative, which brings together businesses around the world that are committed to shifting to 100% renewable electricity. In addition to installing solar panels at our factories and at other locations, we are also promoting the use of renewable energy at our offices.

In recent years, we have witnessed a change in consumer purchasing behavior. We feel that there has been a conscious shift toward purchasing products that are not only safe in terms of ingredients and formulations but also more socially and environmentally conscious. To quickly respond to this ever-changing social environment and meet a broader range of consumer needs, in 2021, we established our own R&D philosophy, DYNAMIC HARMONY. One of the research approaches behind this philosophy is "Premium/Sustainability," where we step up to the challenge of creating sustainable value unique to Shiseido. With this value, we aim to satisfy consumers in terms of beauty benefits, high-quality design, and feel of our products that incorporate sustainability and respect for and coexistence between people, society, and the global environment. Specifically, we are collaborating on external technological development for the procurement of raw materials and the development of formulas and ingredients that allow us to reduce our environmental impact. In supporting the concept of a circular economy and encouraging consumers to reuse containers and packaging, we have introduced refills and refillable containers in such countries and regions as China and Taiwan. In terms of packaging innovations, we developed and marketed mono-material packaging that can be easily recycled and biomaterial packaging that reduces CO<sub>2</sub> emissions. We also began recycling programs not only in Japan but in China and other countries in Asia to collect and recycle used packaging.

In February 2022, we revised the Shiseido Group Procurement Policy, which is critical to manufacturing. Adding on to our previous procurement vision and basic policy, we included a new policy for responsible procurement, which articulates an even clearer risk elimination process and sustainability-focused policies.

※1 The name "Shiseido" comes from 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."

※2 Task Force on Climate-related Financial Disclosures

※3 Science Based Targets initiative (SBTi): An international initiative promoting the setting of evidence-based GHG emissions reduction targets by companies to meet the goals of the Paris Agreement.

※4 100% Renewable Electricity: a global initiative that brings together influential companies that are committed to shifting to 100% renewable electricity

#### Q4. What can we expect to see going forward?

A. Amid the unprecedented speed of change in the world today, there is a growing demand for corporations to take action on sustainability. Since its founding, Shiseido has contributed to society through a value proposition that seeks to enrich people's lives through beauty. For Shiseido to continue to grow over the next century, we must think about creating long-term social value through our business while building upon our rich corporate culture and heritage. In 2022, the year of our 150th anniversary, I believe we must first define Shiseido's roles and responsibilities in order to make real progress toward a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

We must continue to promote empowerment through the power of beauty both inside and outside the company. A spirit of acceptance and respect for diversity are two things that have always been valued at Shiseido. We are committed to incorporating these values with our knowledge of D&I to help create a more inclusive society where everyone can live their lives to the fullest. Shiseido will promote social change, specifically through its actions as a leader in tackling the gender gap, one of the most immediate issues facing Japanese companies.

We are also committed to taking a multifaceted approach to climate change as part of our environmental efforts. We believe that climate change directly impacts not only biodiversity, water resources, and natural disasters but also corporate management, from its financial impact to sustainable procurement. Responding to consumer insights is important to sustainable product development and innovation that deliver the power of beauty to consumers.

As we work to realize our vision of becoming a "Personal Beauty Wellness Company" by 2030, we believe that sustainability will have an increasingly greater impact on corporate management going forward. We see this as a new growth opportunity, a chance to create social value through business growth with a high level of transparency in cooperation with various internal and external stakeholders.

April 2022



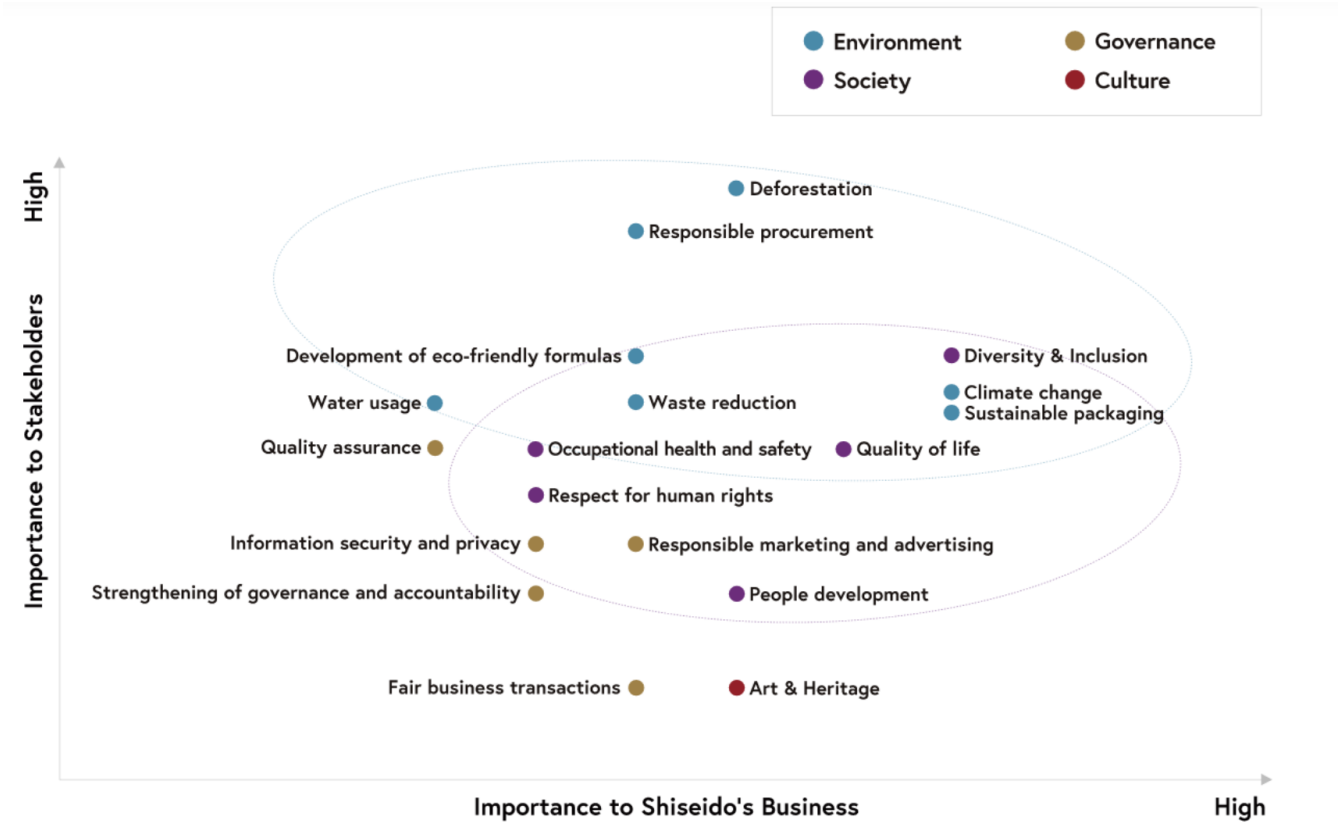


Sustainability Management

Material Issues

(Approved in 2019)

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment via value creation through beauty innovations, as we have done since our founding. To select 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 consumers and business partners to employees, shareholders, and society and the Earth. We then categorized and prioritized the issues along two axes and defined 18 material issues.



## A System for Promoting Sustainability

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

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

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

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

Moreover, in a bid to promote sustainability initiatives, we have revised indicators for the long-term performance-linked remuneration of internal directors and executive officers, increasing the weight of social value indicators from 10% to 20%. Also, in order to accelerate environmental efforts, from this year we have newly set an environmental indicator related to reducing CO<sub>2</sub> emissions, an important initiative under the Company's sustainability strategy.

Strategic Actions & Corresponding SDGs

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

Material Issues	Strategic Action	Corresponding SDGs
<div><div>- Climate change</div><div>- Development of eco-friendly formulas</div><div>- Sustainable packaging</div><div>- Deforestation</div><div>- Responsible procurement</div><div>- Waste reduction</div><div>- Water usage</div></div>	Reducing our environmental footprint	<div><div>6</div><div>CLEAN WATER AND SANITATION</div><div>11</div><div>SUSTAINABLE LIVES AND COMMUNITIES</div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13</div><div>CLIMATE ACTION</div><div>14</div><div>LIFE BELOW WATER</div></div>
	Developing sustainable products	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div><div>9</div><div>INDUSTRY INNOVATION AND INFRASTRUCTURE</div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>14</div><div>LIFE BELOW WATER</div></div>
	Promoting sustainable and responsible procurement	<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>15</div><div>LIFE ON LAND</div></div>
<div><div>- Diversity &amp; inclusion</div><div>- Quality of life</div><div>- Occupational health and safety</div><div>- Respect for human rights</div><div>- People development</div></div>	Advancing gender equality	<div><div>5</div><div>GENDER EQUALITY</div><div>10</div><div>REDUCED INEQUALITIES</div></div>
	Empowering people through the power of beauty	<div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div><div>5</div><div>GENDER EQUALITY</div><div>10</div><div>REDUCED INEQUALITIES</div></div>
	Promoting respect for human rights	<div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div>10</div><div>REDUCED INEQUALITIES</div></div>
<div><div>- Art and heritage</div><div>- Quality assurance</div><div>- Responsible marketing and advertising</div><div>- Information security and privacy</div><div>- Strengthening of governance and accountability</div><div>- Fair business transactions</div></div>	<div><div>- we promote activities in art and heritage through our corporate culture that generates social value and shares a uniquely Japanese aesthetic with the world.</div><div>- We will not disclose strategic actions related to governance materiality.</div><div>- 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, business partners, employees, shareholders, the environment, and society at large—to fulfill our responsibilities as a public entity and optimize value distribution to each stakeholder.</div></div>	

Medium-Term Environmental Targets

Items	Targets (2020)	Target Year	2021 Results
CO <sub>2</sub> emissions	Carbon neutral <sup>【※1】</sup>	2026	18% reduction from 2019
Water	Water consumption reduced by 40% <sup>【※2】</sup>	2026	22% reduction from 2014
Waste	Zero landfill <sup>【※3】</sup>	2022	We achieved zero landfill waste at all 12 factories worldwide in 2020 ahead of schedule
Packaging	100% sustainable packaging <sup>【※4】</sup>	2025	61%
Palm oil	100% sustainable palm oil <sup>【※5】</sup>	2026	27% (palm oil equivalent basis) <sup>【※6】</sup>
Paper	100% sustainable paper <sup>【※7】</sup>	2023	72% (paper weight basis)

※1 At all our sites / Scope 1+2

※2 For all our sites / intensity per sales, compared with 2014

※3 For owned factories

※4 For products with plastic packaging

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

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

※7 Such as certified paper, recycled paper



## Scenario Analysis of Climate Change Risks and Opportunities Based on TCFD Recommendations

Given the seriousness of the impact of climate change issues on business growth and social sustainability, Shiseido announced its endorsement of the task force on climate-related financial disclosures (TCFD) in April 2019 and began disclosing information in line with the TCFD framework. In 2020, we disclosed the results of a qualitative analysis of risks and opportunities. In 2021, we developed a quantitative analysis method to analyze the risks and opportunities associated with the transition to a decarbonized society as well as the physical risks and opportunities caused by changes in the natural environment due to climate change using the 1.5/2°C and 4°C scenarios. In each case, we have disclosed the analysis results and major actions.

### Details of Scenario Analysis

Assuming temperature increases of 1.5/2°C and 4°C, we analyzed risks and opportunities according to the Representative Concentration Pathways (RCP) and Shared Socioeconomic Pathways (SSP), two scenarios presented by the Intergovernmental Panel on Climate Change (IPCC). For risk in the 1.5/2°C scenario, we analyze factors due to changes in policies, regulations, technologies, markets, and consumers' perception associated with the decarbonization transition. In a 4°C scenario where no active climate change measures are taken, we conduct analyses on the physical impacts of acute/chronic changes, such as flooding and weather conditions associated with temperature increases. We also quantified the financial impact as of 2030 for risk factors associated with carbon taxes, market and consumer trends, flooding, and water shortages, which are expected to have tremendous repercussions on our business.

In terms of opportunities, on the other hand, the 1.5/2°C scenario is expected to see growing support for sustainability-oriented brands and products as consumers become more environmentally conscious, while the 4°C scenario is expected to expand sales opportunities for products that respond to rising temperatures.

Going forward, we will work to mitigate risks throughout the value chain by formulating response actions in conjunction with our business and reflecting them in our management and business plans. We will also regularly disclose initiatives that lead to new opportunities.

For more information on our assessment of climate-related risks and opportunities, including the premises for our scenario analysis, governance, risk management, and indicators and targets, please refer to **The Report of Climate-related Financial Disclosure** [↗](#) and **Sustainability Report 2021** [↗](#).

See below for external assessment of our sustainability efforts and our endorsement of our global initiatives.

#### RELATED LINKS

Company Information, Stock Information,  
and External Evaluations



## Sustainability Initiatives

### Environment

#### Establishing a New Supply Chain Base with Focus on Sustainability

In December 2020, Shiseido completed the construction of the Osaka Ibaraki Factory and West Japan Distribution Center in Ibaraki City, Osaka Prefecture, Japan, in a bid to enhance production and distribution of prestige skincare products.

The production and supply network system of this new base is strongly focused on sustainability. Specifically, since the factory and distribution center are located next to each other, we expect to reduce CO<sub>2</sub> emissions during product transportation by more than 60 tons per year. In addition, the factory has an environmentally friendly building structure with excellent heat insulation properties, which reduces energy consumption and cuts approximately 30% in CO<sub>2</sub> emissions, while recirculation and reuse of the cooling water used in manufacturing reduces 65,000 tons of water consumption per year.



Osaka Ibaraki Factory and West Japan Distribution Center

#### Promoting Development of Environmentally Friendly Packaging

Given that CO<sub>2</sub> emissions and marine plastic waste are imminent environmental issues that require global solutions, we are enhancing our efforts to address these issues, for instance, by developing sustainable packaging. We support the concept of a circular economy and have established our goal to achieve 100% sustainable packaging <sup>[※1]</sup> by 2025. We will advance our efforts throughout the product lifecycle based on our 5Rs (Respect, Reduce, Reuse, Recycle, and Replace) policy on product packaging.

In 2021, we carried out various initiatives on environmentally friendly containers and packagings. Our programs included not only reduction of plastic usage, but also global promotion of refillable packagings to facilitate reuse of product packagings; launch of a product on Loop <sup>[※2]</sup>, a package reuse platform; use of mono material packagings suitable for recycling; and use of packagings made with sugarcane-derived polyethylene that produces less CO<sub>2</sub> emissions than oil-derived polyethylene. In addition, joint development with KANEKA CORPORATION allowed for the application of Kaneka Biodegradable Polymer Green Planet <sup>[※3]</sup>, a material expected to have excellent biodegradability, to cosmetic packagings. Furthermore, we are shifting sales promotion materials from plastic-based to paper-based through a coalition of four household goods and cosmetics companies.

In addition, we are working with retailers and industry peers to collect and recycle empty used packagings from our consumers so that we can reuse them as resources.

With these initiatives, we aim to develop packagings that contribute to solving environmental issues along with achieving good usability and beautiful design through innovations leveraging our unique technologies as well as external collaborations.

- ※1 For products with plastic packaging
- ※2 A circular shopping platform created by Terracycle (U.S.) that replaces single-use disposable packaging with durable, reusable packaging. Loop is currently available in the UK, France, Canada, and the U.S., and was also launched in Japan in 2021.
- ※3 100% plant-derived biopolymer originally developed by KANEKA CORPORATION, expected to have excellent biodegradability in a wide range of environments such as sea and soil.



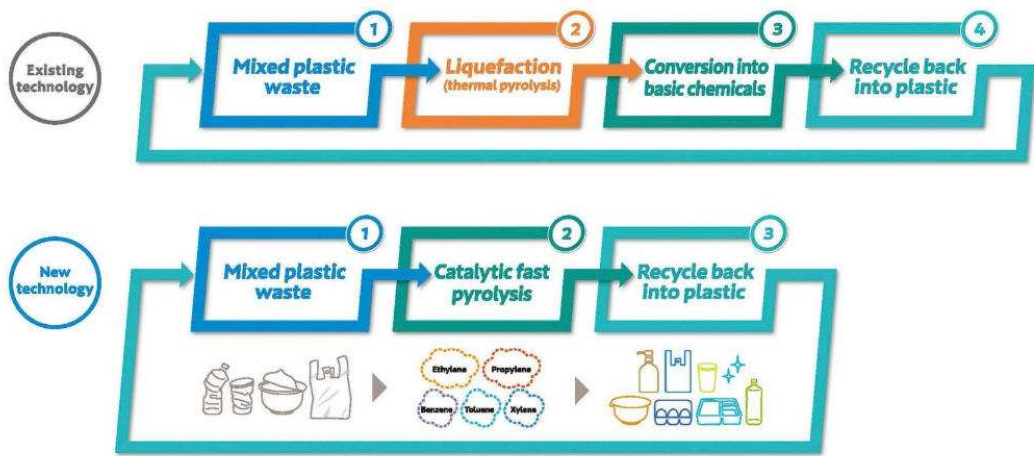
©Fujiko-Pro, Shogakukan, TV-Asahi, Shin-ei, and ADK  
"Doraemon" watches over in ELIXIR's global sustainability campaign (program to introduce refillable containers)



SHISEIDO AquaGel Lip Palette made from Kaneka Biodegradable Polymer Green Planet

We will also make an equity investment in R Plus Japan Limited ("R Plus Japan") to engage in recycling of used plastics for a sustainable world. R Plus Japan promotes the development of efficient recycling technology for used plastics with less environmental impact in partnership with a U.S. biochemical venture company, Anellotech Inc. <sup>[※4]</sup> In order to contribute to the resolution of global plastic issues, R Plus Japan, together with Anellotech Inc., aims to bring the technology to practical use by 2027 through cross-industry collaboration including companies in sorting and processing of collected plastics, monomer manufacturing, polymer manufacturing, packaging container manufacturing, trading, and beverage and food manufacturing, among others.

- ※4 A biochemical venture company founded in 2008 with its headquarters and R&D functions located in Pearl River, New York, U.S. The company owns the technology that produces benzene, toluene and xylene, which are bio-based and chemically identical to petroleum-derived counterparts.



In Japan, we participated in the "Plastic Circular Challenge 2025" set up by the World Wildlife Fund Japan <sup>[※5]</sup> and are working to solve plastics issues and climate change problems for a more sustainable world.

- ※5 An environmental conservation organization active in more than 100 countries, established in 1961. They are promoting the realization of a sustainable world, aiming for a future where people and nature can live in harmony. In particular, they are engaged in activities to restore the abundance of biodiversity that is being lost and to realize a carbon-neutral society to prevent global warming.

Participation in the Eco Beauty Score Consortium

Shiseido participated in the Eco Beauty Score Consortium in 2021 to meet the demands of global consumers for sustainable product selection and information transparency. To date, 36 global cosmetics and personal care companies and professional organizations <sup>[※6]</sup> have joined forces within the Eco Beauty Score Consortium. They collaborate on a common, scientifically based approach to environmental impact assessment and scoring systems throughout the product life cycle in cosmetics, a common tool that allows non-professionals to assess the environmental impact of individual products.

- ※6 As of end-March 2022



## Award for Excellence at the Japan Mécénat Awards 2021 for Social Contribution Activities through Makeup

At the Japan Mécénat Awards 2021, sponsored by the Association for Corporate Support of the Arts, we received a Mécénat Award for Excellence for the LAVENDER RING MAKEUP & PHOTOS WITH SMILES project that aims to support cancer patients. We first participated in multilateral project LAVENDER RING in 2017 to help cancer patients express their will to stay true to themselves through the power of beauty. We will continue tackling social issues and provide support for those with similar concerns by further strengthening our ties with other companies, organizations, hospitals, and schools, while making use of our management resources as well as knowledge and experience gained through our core business.



Received a Mécénat Award for Excellence 2021



Shiseido employee providing online counseling pro bono

## Enhancing Heritage Training to Leverage Our 150-year History for the Future

Shiseido's heritage, accumulated over the 150 years since its founding, is our strength. To sustain future innovation with this strength and knowledge, we are enhancing our heritage training for employees.

We held a series of lectures entitled BEYOND OUR HISTORY for sales staff and beauty consultants in Japan. The lecture conveyed our history from founding to the recent years and thoughts and ideas of our predecessors who built our backbone along with some memorable episodes, directly reaching over 2,000 employees online and offline. We also produced and distributed video contents based on the lectures, so that even more employees can learn the Shiseido spirit that has been passed on since its founding. As a global initiative, we created SHISEIDO ARCHIVES, a database of materials and information collected and maintained by the Shiseido Corporate Museum, now available on our intranet for employees across the world. Roughly 130,000 entries have now been published in the archives, and we will accelerate the employee use of archives by further increasing the amount of available data and enhancing its functions in the future. For brand holders and R&D divisions which engage in the development of our value, we have created special programs for experiencing ART & SCIENCE, an integral part of Shiseido's DNA. By appreciating contemporary art and heritage infused with Shiseido's aesthetics, our employees draw inspiration for creating unique new value.

Through these activities, we aim to inspire each and every employee with Shiseido's heritage so that they will create unique value not found elsewhere.



Video contents for heritage training of employees



SHISEIDO ARCHIVES, a database of materials and information on our history, available for employees across the world



Message from an External Director

**A company's future hinges on its executives.  
I will support Shiseido's management  
through discussions and formulating  
a viable succession plan.**

External Director  
Chair of the Nomination & Remuneration Advisory Committee

**Shinsaku Iwahara**

Message from Chair of the Nomination & Remuneration Advisory Committee

**Our mission as external directors is to ensure that Shiseido addresses change,  
maximizes corporate value, and contributes to society.**

The mission of an external director is to enhance corporate value and pursue shareholder interests. We do this by leveraging our professional experience to supervise management from an objective and independent standpoint and provide expertise and advice on how to operate the business. At the same time, we need to balance the interests of society, including those of employees, consumers, and the local community, and to maintain a delicate balance among stakeholders. Therefore, we also play a vital role in supporting sustainability and ESG initiatives.

It is true that we may not necessarily have a sufficient understanding of the business from the outset. However, to fill these blanks, Shiseido's external directors regularly receive reports and issue assessments from executive officers and business managers. Shiseido President and CEO Mr. Uotani himself also provides us with timely and candid commentaries on the issues Shiseido is facing and topics he would like to discuss, which is helpful for us to understand management issues as well as the actual situation on the ground. Being aware of the environmental changes and other issues Shiseido is confronted with leads to high-level discussions at the board meetings.

Understanding the workplace and listening to employees' opinions is also a vital part of our role. In 2021, Shiseido's external directors and Audit & Supervisory Board Members visited the newly established Osaka Ibaraki Factory and West Japan Distribution Center, and we plan to continue such engagement opportunities in the future. I believe that dialogue between external directors and the capital market, mentioned in the revised Corporate Governance Code, is an essential item that must be addressed.

**The CEO succession plan is the greatest task of the Nomination & Remuneration  
Advisory Committee.**

A company's future hinges on its executives. The Nomination & Remuneration Advisory Committee, consisting of external directors and the CEO, is responsible for the key elements of governance, namely the selection, dismissal, and evaluation of executives.

In the past, Shiseido had two separate committees—the Nomination Advisory Committee and the Remuneration Advisory Committee—but because evaluation (remuneration) and nomination are inextricably linked and the committees consist of the same members, the two committees merged in January 2021. I have served as Chair of the new committee since September 2021, following the retirement of the previous Chair. It is an extremely heavy responsibility for someone without corporate management experience, but I am striving to facilitate a place for high-level discussion where we can deliberate and consolidate our views based on mutual understanding.

In addition, what I emphasize as the Chair of this committee are discussions with external Audit & Supervisory Board members who, similar to external directors, oversee the Company from an independent standpoint. At Shiseido's Board of Directors meetings, the Chair actively encourages external Audit & Supervisory Board members to speak up. The nomination and remuneration of corporate officers also involves active discussions with external Audit & Supervisory Board members at the Board of Directors and external director meetings.

The CEO succession plan is undoubtedly the greatest task facing the Nomination & Remuneration Advisory Committee. Shiseido has discussed CEO succession for several years, carefully evaluating and deliberating the issue over time. The current CEO, Mr. Uotani, is an outstanding business leader in terms of achievement, experience, and capability, so it is not easy to select and train a suitable candidate to succeed him. This is why I believe that the Nomination & Remuneration Advisory Committee has such a significant role to play. We will continue to focus on the succession plan by examining each of the requirements for our next CEO.

In terms of executive remuneration, it is also crucial to keep reevaluating criteria and position details in response to management issues and changes in the social environment. For example, the current performance-linked compensation (long-term incentive-based remuneration) is designed to evaluate both economic and social values. Multiple internal and external ESG indices are added to the evaluation indicators alongside consolidated ROE to share profits with shareholders. In 2022, we believe it will be more important than ever to conduct business with a more acute awareness of social value to achieve sustainable growth. Therefore, we have increased the evaluation weight of indicators related to social value from 10% to 20% and have newly set an environmental indicator therein related to reducing CO<sub>2</sub> emissions, an important initiative under the Company's sustainability strategy.

### **Business model restructuring and management reform must be based on changes in consumer behavior.**

The Board of Directors met many times to discuss and deliberate WIN 2023 and Beyond. Shiseido's profitability was adversely affected by drastic changes in the business environment due to the COVID-19 pandemic, which made management reform essential. The Company must rebuild its business model in response to consumers' changing values and purchasing behavior, and the key challenge is to increase productivity.

For Shiseido to grow globally in the future, it needs to improve profitability and enhance competitiveness. There is a significant gap between Shiseido and global competitors in terms of operating profit per employee. Further improvements are also needed to improve the SG&A ratio and operational efficiency of invested capital. To this end, the Company must select and focus on core brands to solidify its position as a Skin Beauty Company in addition to DX and cost reduction measures. In other words, it needs to review the business portfolio and aggressively invest in growth areas. And the key to these reforms is raising employee awareness and motivation. However, changing corporate mindset and culture is not only the most important task but also the most difficult one, and it's easier said than done. Some of the changes may be painful, so we need employees to share our sense of crisis and realize that they are also part of the reforms.



**As Shiseido continues to evolve, we will support its management through ongoing discussions.**

Under such circumstances, Shiseido pushed through a bold restructuring of its business in FY2021. Though it proved to be very challenging, the Company managed to execute multiple business transfers and organizational change in an extremely short period. Mr. Uotani and the management team have been in constant communication with employees and have developed various ways to share business strategies. Employees' awareness is changing, and their overall understanding and satisfaction have improved.

At the end of 2021, Shiseido also launched Project Phoenix, a bottom-up initiative that aims for each and every employee to come up with new, unprecedented ideas and play a leading role in creating the future of the Company by 2030. As one of Shiseido's most significant and mainstream awareness-raising initiatives, I am giving it my full support.

Shiseido will continue to evolve, aiming to become a "Personal Beauty Wellness Company" by 2030 under its mission of BEAUTY INNOVATIONS FOR A BETTER WORLD, fueled by a desire to contribute to a lifetime of beauty and wellness for each and every one of its consumers. What value can Shiseido provide, and how do we create a world where people can experience happiness? These are the discussions that we will continue to have at the meetings of the Board of Directors, and I pledge to make every effort to support the management in pursuing these reforms.

April 2022

**I Visit to Osaka Ibaraki Factory and West Japan Distribution Center**

In October 2021, after a significant drop in the number of COVID-19 cases in Japan, Shiseido's external directors and Audit and Supervisory Board members visited the newly constructed Osaka Ibaraki Factory and West Japan Distribution Center.

The tour included inspections addressing how Shiseido manufactures the bulk (contents) of its skincare products; product finishing lines and automated conveyor systems; GP3 (Goods to Person for Pick and Pack), the world's first innovative shipping system; and quality control and safety assurance efforts. A lively Q&A session and discussion ensued on the workplace environment, which is designed based on the concept of PEOPLE FIRST; deployment of the state-of-the-art functions to other factories; and Shiseido's roadmap on ESG. One external director commented on the Osaka Ibaraki Factory, "This is a wonderful example of a factory designed with great consideration for its employees and the community. The visit was extremely helpful for us to gain a better understanding of the excellent functionality of the facilities."



Explanation from the Factory Director



Observation of skincare products manufacturing process

## Introducing Our New External Directors

\* Assumed office on March 25, 2022



External Director

**Charles D. Lake II**

Shiseido has provided value to customers and society by drawing from its unique traditions and culture woven over its 150-year history and I am thrilled to join the Company. In recent years, the competitive environment for global markets has grown more volatile, uncertain, complex, and ambiguous with geopolitical risk and the rapid shift of stakeholders needs.

Against that backdrop, by leveraging the experience I have gathered over the years through my various roles and activities in Japan and the United States, I will do my utmost to fulfill my responsibilities as an Independent External Director by advising management from a global perspective and by providing oversight to further strengthen the Company's governance, including by contributing to enhanced corporate value through the creation of new value.



External Director

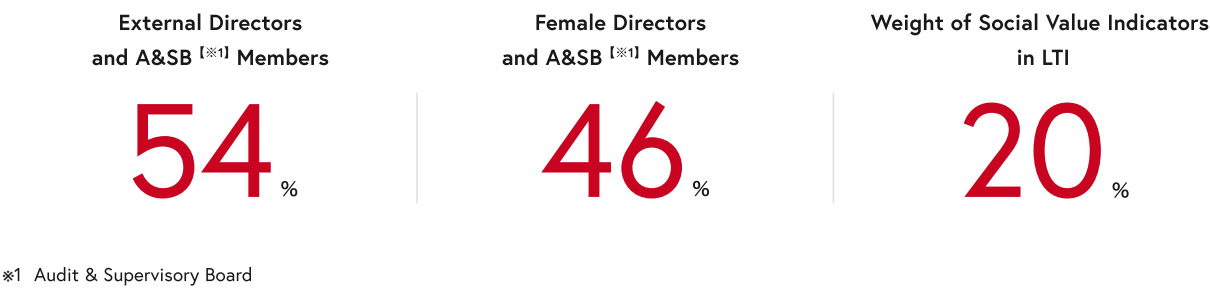
**Mariko Tokuno**

I am honored to be joining Shiseido's Board of Directors as an external director on its 150th anniversary of founding. I have had a long career in the business of global prestige brands, having worked with several companies in France, Italy, and the US. I hope to use my knowledge and experience in branding and management to support Shiseido's further success in the global market. I also have close to a decade of experience as an external director for several Japanese companies in different industries, which I hope to use to promote Shiseido's medium-to-long-term growth and maximize its corporate value in addition to reinforcing corporate governance, which will be key in bolstering these initiatives.

Features of Shiseido's Corporate Governance

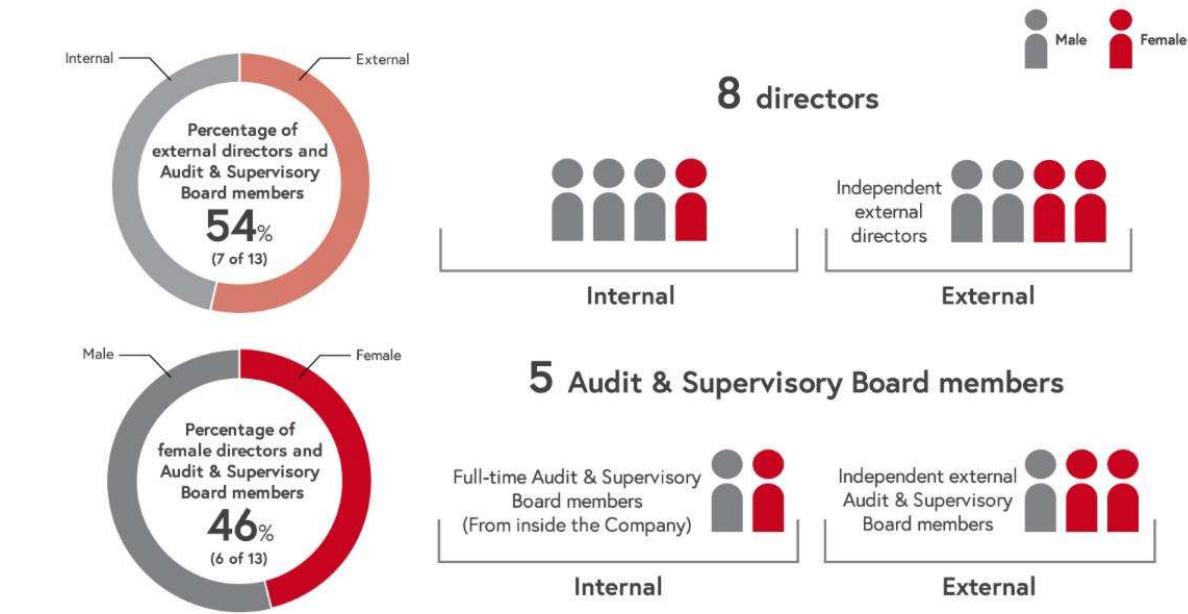
The Shiseido Group including the Company has established BEAUTY INNOVATIONS FOR A BETTER WORLD as OUR MISSION in its Corporate Philosophy THE SHISEIDO PHILOSOPHY, and defines corporate governance as the "platform to realize sustainable growth through fulfilling OUR MISSION." We strive to maximize medium-to-long-term corporate and shareholder value by implementing and reinforcing corporate governance to maintain and improve management transparency, fairness, and speed, and through dialogue with all stakeholders, from consumers, business partners, employees, and shareholders to society and the earth. At the same time, by fulfilling its responsibilities as a public entity of society, Shiseido works to optimize the value it delivers to respective stakeholders.

KEY FIGURES



Shiseido's Governance in Numbers

As of March 31, 2022





Directors and Audit & Supervisory Board Members (As of March 31, 2022)



Masahiko Uotani

Representative Director, President and CEO

1977: Joined the Lion Dentifrice Co., Ltd. (currently Lion Corporation)  
1988: Manager, Citibank, N.A.  
1991: Representative Director, Vice President, Kraft Japan Limited (currently Mondelez Japan Limited)  
1994: Director, Executive Vice President and Chief Officer of Marketing, Coca-Cola (Japan) Co., Ltd.  
2001: Representative Director, President, Coca-Cola (Japan) Co., Ltd. (Global Officer)  
2006: Representative Director, Chair, Coca-Cola (Japan) Co., Ltd.  
2007: Representative Director, Chief Executive Partner, BrandVision Inc.  
2011: Outside Director, ASKUL Corporation  
2012: Director (part time), Citibank Japan Ltd. (previously)  
2013: Outside Chief Marketing Advisor of the Company  
2014: President and CEO of the Company [incumbent]; Representative Director of the Company [incumbent]  
2020: Japan Region CEO of the Company; Representative Director, Chair and President, Shiseido Japan Co., Ltd.  
2021: Executive Officer of the Company [incumbent]



Yukari Suzuki

Representative Director, Senior Executive Officer

1985: Joined the Company  
2014: Representative Director and President, IPSA Company, Limited  
2015: General Manager of Marketing Department, Prestige Brands, Japan Business Division of the Company, General Manager of Marketing Department, Prestige Brands, Shiseido Japan Co., Ltd.  
2016: Marketing Director, Marketing Department, Cosmetics Specialty Store, Shiseido Japan Co., Ltd.  
2017: Brand Director, Clé de Peau Beauté Brand Unit, Global Prestige Brands of the Company  
2018: Corporate Officer of the Company, Chief Brand Officer, Clé de Peau Beauté Brand, Global Prestige Brands of the Company  
2020: Senior Executive Officer of the Company [incumbent], Chief Brand Officer, Clé de Peau Beauté, IPSA, THE GINZA, and BAUM of the Company [incumbent], Director of the Company [incumbent]  
2021: Representative Director of the Company [incumbent], Executive Officer of the Company [incumbent]  
2022: Chief Marketing Officer of the Company [incumbent], Chief D&I Officer of the Company [incumbent]



Norio Tadakawa

Director, Senior Executive Officer

1989: Joined the Company  
2010: Department Director, International Business Planning Department, International Business Division of the Company  
2012: Department Director, Corporate Planning Department of the Company  
2014: Corporate Officer, Chief Financial Officer of the Company; Responsible for Finance, Investor Relations, Information System Planning and Internal Control of the Company  
2015: Corporate Officer, Chief Financial Officer of the Company  
2016: Responsible for Financial Management of the Company  
2017: Responsible for Business Development of the Company  
2018: Senior Executive Officer of the Company [incumbent]; Chief Supply Network Officer of the Company  
2019: Chief Supply Network Officer of the Company; Responsible for Demand & Supply Planning, Logistics, Production, Factories, Supply & Purchasing, Supply Network (SN) Strategy, Global Initiative and Nasu Factory Establishment of the Company  
2020: Responsible for SN Strategy, SN Fundamental Development and Global Brands S&OP of the Company; Director of the Company [incumbent]; Japan Region Chief Operating Officer (COO); Representative Director, President and COO, Shiseido Japan Co., Ltd.  
2021: Executive Officer of the Company [incumbent]; Japan Region CEO of the Company [incumbent]; Representative Director, President and CEO of Shiseido Japan Co., Ltd. [incumbent]



Takayuki Yokota

Director

1996: Joined SUMITOMO CORPORATION  
2003: Country Controller, Dow Chemical Japan Ltd.  
2006: Japan Finance Manager, GE Toshiba Silicones Company, Ltd. (currently Momentive Performance Materials Japan LLC)  
2007: Supply Chain Finance Director, Northeast Asia, Unilever Japan K.K.  
2010: Finance Director, Marketing Operations & Customer Development, Asia, Africa, MET, CEE, and Russia, Unilever Asia Private Ltd.  
2011: Finance Director, Global Marketing Operations, Unilever Asia Private Ltd.  
2012: Representative Director, Vice President, Finance, Japan & Korea, Unilever Japan Holdings K.K.  
2016: Vice President, Finance, Global Hair Care Category, Unilever PLC  
2019: Vice President, Global Headquarters Finance of the Company  
2020: Vice President, Financial Accounting of the Company; Director and Chief Financial Officer (CFO), Shiseido Japan Co., Ltd.  
2021: Executive Officer, CFO of the Company [incumbent]; Japan Region CFO; Executive Officer and CFO, Shiseido Japan Co., Ltd.; Director of the Company [incumbent]



Shinsaku Iwahara

External Director (Independent)\*

1978: Associate Professor, Faculty of Law, The University of Tokyo  
1981: Visiting Researcher, Harvard Law School, U.S.A.  
1982: Visiting Researcher, University of California, Berkeley, School of Law, U.S.A.  
1991: Visiting Professor, Harvard Law School, U.S.A.; Professor, Graduate School of Law and Politics, The University of Tokyo  
2003: Member, Postal Services Policy Council  
2005: Member, Business Accounting Council, Financial Services Agency  
2009: Director, Financial Accounting Standards Foundation  
2010: Member, Legislative Council, Ministry of Justice, Chair, Corporate Legislation Subcommittee, Legislative Council, Ministry of Justice  
2013: Professor, Faculty of Law, Waseda University [incumbent]; Professor Emeritus, The University of Tokyo [incumbent]  
2015: Member and Chair, Financial System Council, Financial Services Agency  
2017: Adviser to Mori Hamada & Matsumoto [incumbent]  
2018: External Director of the Company [incumbent]  
2019: Chair, Legislative Council, Ministry of Justice [incumbent]  
2021: Chair of Nomination & Remuneration Advisory Committee of the Company [incumbent]



Charles D. Lake II

External Director (Independent)\*

1992: Director of Japan Affairs, Office of the U.S. Trade Representative (USTR)  
1993: Director of Japan Affairs and Special Counsel to the Deputy USTR, Office of the USTR  
1995: Attorney-at-Law, Dewey Ballantine LLP  
1999: Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.)  
2001: Senior Vice President and Counsel, Japan Branch, American Family Life Assurance Company of Columbus; Senior Vice President and General Counsel, Japan Branch, American Family Life Assurance Company of Columbus; Deputy President, Japan Branch, American Family Life Assurance Company of Columbus  
2003: President and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus  
2005: Vice Chairman and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus  
2008: Chairman and Representative in Japan, Japan Branch, American Family Life Assurance Company of Columbus  
2014: Director, President, Aflac International Incorporated [incumbent]  
2016: External Director, Tokyo Electron Ltd. [incumbent]; External Director, Japan Post Holdings Co., Ltd. [incumbent]  
2018: Representative Director, Chairman, Aflac Life Insurance Japan Ltd. [incumbent]  
2022: External Director of the Company [incumbent]



Kanoko Oishi

External Director (Independent)\*

1983: Joined Nippon Life Insurance Company  
1987: McKinsey & Company, Inc. New York Office  
1988: McKinsey & Company, Inc. Tokyo Office  
2000: CEO, MEDIVA Inc. [incumbent]; CEO, Seinan MEDIVA Co., Ltd. (currently Seeds 1 Co., Ltd.) [incumbent]  
2001: Outside Auditor, ASKUL Corporation  
2002: Outside Director, ASKUL Corporation  
2010: Outside Director, Astellas Pharma Inc.  
2015: Outside Director, Ezaki Glico Co., Ltd. [incumbent]; External Board Member, Santen Pharmaceutical Co., Ltd. [incumbent]; External Director, Suruga Bank Ltd.  
2016: External Director of the Company [incumbent]  
2018: Chair of Remuneration Advisory Committee of the Company



Mariko Tokuno

External Director (Independent)\*

1978: Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)  
1994: Joined Louis Vuitton Japan K.K.  
2002: Senior Director, Sales Administration, Louis Vuitton Japan K.K.  
2004: Vice President, Tiffany & Co., Japan Inc.  
2010: Representative Director, President, Christian Dior K.K.  
2013: External Director, HAPPINET CORPORATION [incumbent]; Representative Director, President and CEO, Ferragamo Japan K.K.  
2016: External Director, Mitsubishi Materials Corporation [incumbent]  
2017: External Director, Yamato Holdings Co., Ltd. [incumbent]  
2022: External Director of the Company [incumbent]



**Takeshi Yoshida**  
Audit & Supervisory Board Member

1985: Joined Okura Keiei Keiri Gakuin Co., Ltd.  
1992: Joined the Company  
2009: General Manager of Cosmetics Business Planning Department,  
General Manager of Business Administration Group, Cosmetics Business  
Planning Department of the Company  
2011: Executive Vice President, Shiseido Americas Corporation  
2014: Department Director, Internal Audit Department of the Company  
2016: Department Director, Business Planning Department, Shiseido Japan Co., Ltd.  
2017: Director, Personal Care Planning Department, FT Shiseido Co., Ltd.  
2018: Executive and External Relations Department of the Company;  
Audit & Supervisory Board Member [incumbent]



**Akiko Uno**  
Audit & Supervisory Board Member

1983: Joined the Company  
2008: Deputy Center Director, Beauty Solution Development Center of the Company  
2009: Deputy Department Director, Consumer and Social Relations Department of the Company  
2010: Deputy Center Director, Consumer Information Center, Shiseido Business Solutions Co., Ltd.  
2011: Deputy Center Director, Consumer Information Center of the Company  
2016: Center Director, Consumer Information Center, Shiseido Japan Co., Ltd.  
2019: Department Director, Responsible for Executive and External Relations of the Company;  
Audit & Supervisory Board Member of the Company [incumbent]



**Yasuko Gotoh**  
External Audit & Supervisory Board Member (Independent)\*

1980: Joined Ministry of Transport  
1997: General Manager, Planning Department, Kyushu District Transport Bureau,  
Ministry of Transport  
1998: Director, Planning and Research Office of Tourism Department,  
Transport Policy Bureau, Ministry of Transport  
2001: International Crisis Management Officer, Japan Coast Guard  
2003: General Manager, Transport Consumer Policy Division, Policy Bureau,  
Ministry of Land, Infrastructure, Transport and Tourism (MLIT)  
2004: Director, Tourism Promotion Bureau at New York, Tourist Bureau of Japan  
2005: Deputy Governor, Yamagata Prefecture  
2008: Director, Regional Transport Bureau of Hokuriku and Shinetsu Regions, MLIT  
2010: Assistant Minister in charge of the Maritime Bureau, MLIT  
2011: Director in charge of shared vessels, Japan Railway Construction,  
Transport and Technology Agency  
2013: Director General, Policy Research Institute for Land, Infrastructure and  
Transport and Tourism, MLIT  
2014: Advisor, Kyushu Railway Company  
2015: Deputy Director General, Railway Operations Headquarters,  
Kyushu Railway Company; Director General, Travel Services Headquarters,  
Kyushu Railway Company; Managing Director, Deputy General Manager of  
Railway Operations Headquarters, Kyushu Railway Company;  
General Manager, Tourism Business Headquarters, Kyushu Railway Company  
2017: Managing Director, CFO in charge of the Treasury Department,  
Kyushu Railway Company  
2018: Director, Audit and Supervisory Committee Member, Kyushu Railway Company  
2019: External Audit & Supervisory Board Member of the Company [incumbent];  
Outside Audit & Supervisory Board Member, DENSO CORPORATION [incumbent]



**Ritsuko Nonomiya**  
External Audit & Supervisory Board Member (Independent)\*

1987: Joined Pete Murwick Maine Accounting Firm (currently KPMG LLP)  
1997: Partner, KPMG Corporate Finance Co., Ltd.  
2000: Joined UBS Warburg Securities Co., Ltd. (currently UBS Securities Japan Co., Ltd.)  
2005: M&A Advisor, Managing Director, UBS Warburg Securities Co., Ltd.  
2008: Senior Vice President, Business Development Leader, GE Capital Asia Pacific  
2013: Managing Director, GCA Savvian Corporation (currently GCA Corporation) [incumbent]  
2017: Director, GCA Corporation [incumbent]  
2020: External Audit & Supervisory Board Member of the Company [incumbent];  
Outside Director of NAGASE & CO., LTD. [incumbent]  
2022: Managing Director and CEO of Houlihan Lokey, Japan [incumbent]



**Hiroshi Ozu**  
External Audit & Supervisory Board Member (Independent)\*

1974: Public Prosecutor, Tokyo District Public Prosecutors Office  
2001: Chief Prosecutor, Saga Public Prosecutors Office  
2002: Public Prosecutor, Supreme Public Prosecutors Office  
2004: Deputy Vice-Minister, Ministry of Justice  
2006: Director-General, Criminal Affairs Bureau, Ministry of Justice  
2007: Vice-Minister, Ministry of Justice  
2009: Superintendent Public Prosecutor, Sapporo High Public Prosecutors Office  
2010: Deputy Prosecutor-General, Supreme Public Prosecutors Office  
2011: Superintendent Public Prosecutor, Tokyo High Public Prosecutors Office  
2012: Prosecutor-General, Supreme Public Prosecutors Office  
2014: Registered as Attorney  
2015: External Audit & Supervisory Board Member, MITSUI & CO., LTD. [incumbent];  
Outside Audit & Supervisory Board Member, TOYOTA MOTOR CORPORATION  
[incumbent]  
2016: Representative Director, Shimizu Scholarship Foundation, general incorporated  
foundation [incumbent]; President, Criminal Justice Welfare Forum Oasis, general  
incorporated association [incumbent]  
2017: External Audit & Supervisory Board Member of the Company [incumbent];  
President of Japan Criminal Policy Society [incumbent]

\*Independent Director / Audit & Supervisory Board Member provided in Rule 436-2 of the Tokyo Stock Exchange Securities Listing Regulations

Shiseido requires its directors and Audit & Supervisory Board members to supervise business execution and conduct decision-making on critical matters. Therefore, we encourage various viewpoints and backgrounds in addition to diverse and sophisticated skills. When selecting candidates, we place importance on ensuring diversity, taking into account not only gender equality, but also other attributes such as age, nationality, personality, as well as insights and experiences in various fields related to management. In addition, Shiseido has set a certain maximum term of office for external directors and Audit & Supervisory Board members in order to reflect their independent views to our management, and by allowing a handover period from long-serving external directors and Audit & Supervisory Board members to newly appointed ones to ensure appropriate transition. Moreover, executive officers in charge of relevant domains join the meetings of the Board of Directors depending on the agenda and provide necessary explanations to ensure fruitful discussions.

	Years in current position at Shiseido 【※2】	Corporate Management 【※3】	Sales and Marketing 【※4】	Research/Product Development 【※5】	Supply Network 【※6】	Finance 【※7】	DX 【※8】	People and Organization Development, and D&I Acceleration 【※9】	Corporate Governance 【※10】	Global Understanding 【※11】
Masahiko Uotani Representative Director	7 years and 9 months	●	●			○		●	○	●
Yukari Suzuki Representative Director	2 years		●	●			○	○		○
Norio Tadakawa Director	2 years	○	○		●	●		○	○	
Takayuki Yokota Director	1 years	○			○	●	○		○	●
Shinsaku Iwahara External Director	4 years					○			●	○
Charles D. Lake II External Director	—	●				○	○	○	●	●
Kanoko Oishi External Director	6 years	●	●			○		○		○
Mariko Tokuno External Director	—	●	●					○	○	○
Takeshi Yoshida Audit & Supervisory Board Member (Full-time)	4 years		○			●			○	○
Akiko Uno Audit & Supervisory Board Member (Full-time)	3 years		●	○	○			○		
Yasuko Gotoh Audit & Supervisory Board Member (External)	3 years	○				●				○
Ritsuko Nonomiya Audit & Supervisory Board Member (External)	2 years	○				●			○	●
Hiroshi Ozu Audit & Supervisory Board Member (External)	5 years					○		○	●	

●: Knowledge and expertise which the Company strongly expects the relevant candidate will demonstrate  
○: Knowledge and expertise which the Company expects the relevant candidate will demonstrate

※2 As of March 31, 2022

※3 Assess changes in the management environment, develop appropriate strategies, and support responsible management execution

※4 Accurately grasp the business environment and consumer preferences and develop strategies in anticipation of them to secure predominance in the industry

※5 Constantly pursue innovative research & development and solid product quality to secure predominance in the industry

※6 Build efficient high-quality supply chain management

※7 Engage in appropriate financial activities aimed at re-building the earnings base to ensure financial soundness

※8 Strongly promote DX to build a corporate structure with DX as its strength

※9 Encourage the promotion of diverse and talented people and promote the development of an organization for that with a view to achieving sustainable growth

※10 Develop a strong corporate governance system as a basis for all business activities

※11 Support the development of strategies as a global company with understanding of diverse values and cultures



## Corporate Governance Structure

Shiseido has adopted a system of checks and balances whereby business execution is supervised by the Board of Directors with audit for legality and appropriateness by the Audit & Supervisory Board (a company with an audit & supervisory board system). In order to maintain and improve management transparency, fairness, and speed as per the Basic Policy for Corporate Governance, we have reinforced the supervisory function of the Board of Directors by incorporating outstanding features, including those of a company with a nominating committee and a company with an audit and supervisory committee.

The Shiseido Group has introduced a global matrix organization that crossmatches six regions with brand categories. Under this matrix organization, the global headquarters is responsible for supervising the overall Group and providing necessary support, while many of the responsibilities and authorities are delegated to the respective regional headquarters of Japan, China, Asia Pacific, the Americas, EMEA, and Travel Retail.

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

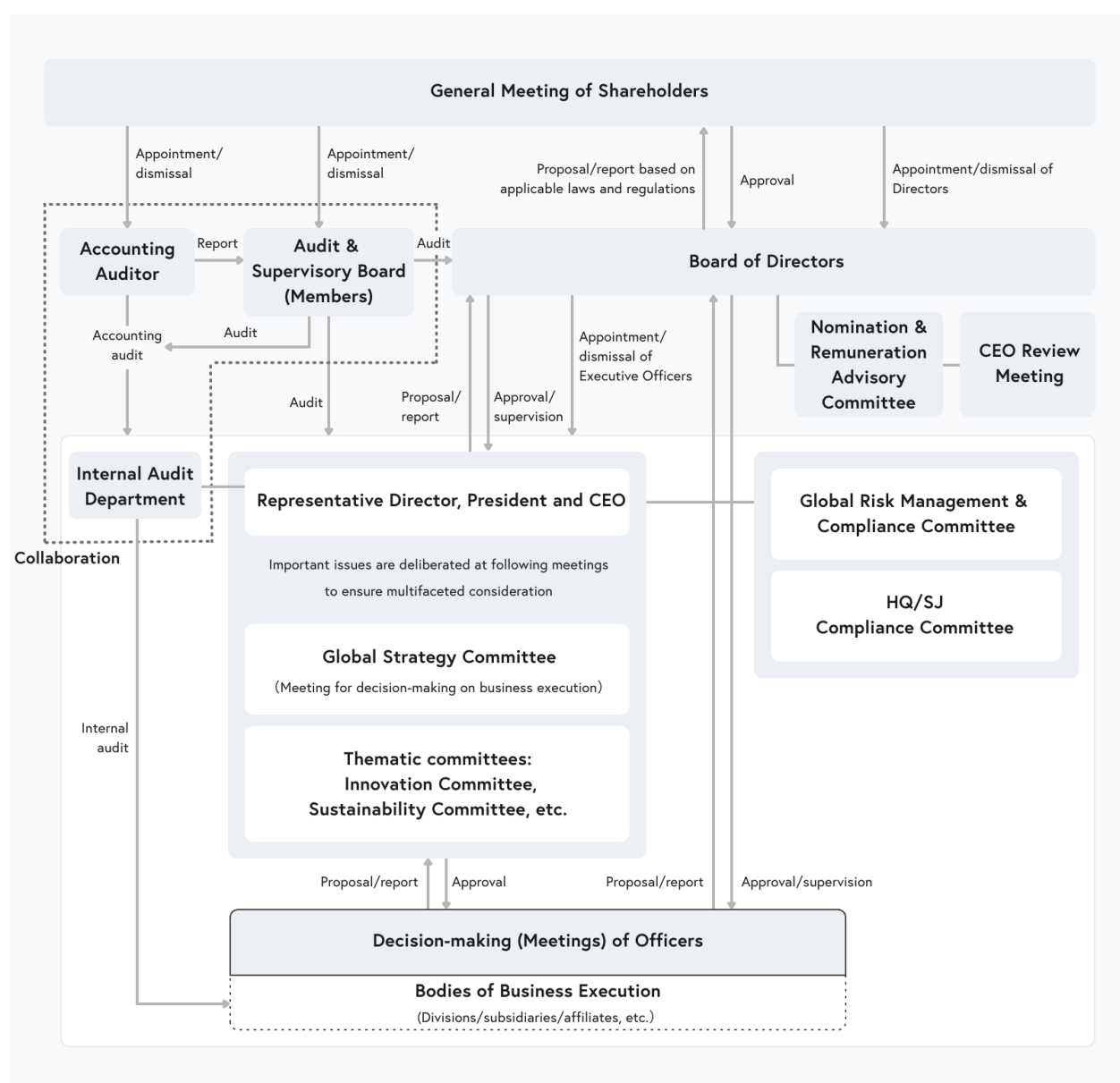
Based on that, the Company established its view on the ratio of external directors on the Board of Directors.

In the Company's Articles of Incorporation, the maximum number of directors is set at 12. Respecting this upper limit and in consideration of the Company's business portfolio and scale, an optimum number of directors are elected such that they are able to appropriately supervise the management.

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

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

Corporate governance framework and activities related to business execution and corporate governance of the Company from January 1, 2022 are as follows.



#### Board of Directors

Composed of eight members including four external directors; structured to be small for quick decision-making. The Board of Directors meets approximately once a month to discuss all significant matters. In 2021, 13 meetings\* were held with an average participation rate of 100% by both internal and external directors. (\*In addition to the number of Board of Directors meetings attended shown above, there were two deemed resolutions.)

#### Audit & Supervisory Board (Members)

Composed of five members—two full-time and three external—who monitor the legality and appropriateness of directors' performance. In 2021, 13 meetings were held with a participation rate of 100% by Audit & Supervisory Board members.

#### Nomination & Remuneration Advisory Committee

Makes reports to the Board of Directors on matters including the selection of candidates for directors and executive officers and their promotion and demotion, the remuneration policy for directors, Audit & Supervisory Board members and executive officers as well as the details of remuneration payment based on the evaluation of their performance. In fiscal 2021, 10 meetings were held. The committee discussed bonuses for directors and corporate officers for fiscal 2020, as well as the remuneration policy for directors and corporate officers, and remuneration for said individuals for fiscal 2021, and discussed and reported the selection of candidates for directors and Audit & Supervisory Board members, appointments of executive officers, etc.

#### CEO Review Meeting

Established as a deliberation body for the Nomination & Remuneration Advisory Committee, mainly for the appointment of the President and CEO and the evaluation of his remuneration. The CEO Review Meeting is composed of external directors and external Audit & Supervisory Board members, as importance is placed on independence from the President and CEO as well as business execution structure led by the President and CEO. The CEO Review Meeting conducts performance evaluation that includes a personal evaluation of the President and CEO and confirms the appropriateness of his remuneration. In 2021, one meeting was held.

#### Global Strategy Committee

Newly established in January 2022. Holds comprehensive discussions on the Group's policy, organizational reforms, new business and brand launches in HQ, and other important matters for the Group such as before final decisions are made by the President and CEO.

The Executive Committee, a decision-making body for business execution, was held at least once a month in 2021 and the Global Leadership Committee was held 11 times in 2021 for multifaceted discussions on management plans and medium-to-long-term strategy.

#### Global Risk Management & Compliance Committee

Accurately grasps global and local social changes as well as the current situation within the Shiseido Group and correspondingly identifies management risk factors, and discusses a priority of material risks and countermeasures against those risks as well as the actual status and countermeasures of ethics and compliance in regions across the globe. Because it was impractical to make international travel arrangements to Japan given the spread of COVID-19, in 2021, the secretariat for the Committee conducted exchanges of opinions individually with each member (executive officers and Region CEOs) in lieu of holding meetings in person, and promoted the Entire-group Risk Management (ERM), which includes identifying material risks of the Shiseido Group and implementing countermeasures.

#### HQ/SJ Compliance Committee

Grasps the current situation of ethics, compliance and incidents and measures at the Shiseido Group companies located in Japan, including the Company (HQ) and Shiseido Japan Co., Ltd. (SJ). In fiscal 2021, two meetings were held.

#### Innovation Committee

Established as a specialized body to deliberate important matters and issues related to the promotion of innovation. The committee consists of directors and executive officers responsible for brands and the areas of corporate strategy, R&D, supply network, and public relations. It has an efficient decision-making process that enables prompt elevation and execution of pertinent matters. Particularly important matters are reported to the Board of Directors for approval. In 2021, the Innovation Committee met seven times.

#### Sustainability Committee

Established in 2020 as a dedicated body to ensure timely management decisions related to sustainability and their Group-wide implementation. The committee decides on Group-wide sustainability strategies, policies, and discusses specific action plans such as task force on climate-related financial disclosures (TCFD) and human rights, in addition to monitoring the progress of medium-to-long-term goals. The committee consists of the Group CEO and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers from different fields to ensure discussions of a range of issues from different perspectives. Particularly important matters are reported to or discussed at the Board of Directors.

### Management System of Executive Officers

The Company abolished the corporate officer system in January 2022 and fully transitioned into a management system centering on executive officers.

The executive officer management system was first introduced in January 2021. Executive officers bear responsibility as CXOs for the key duties and roles in each business area required from the Group-wide management perspective with the aim of further improving profitability under the Company's medium-to-long-term strategy WIN 2023 and Beyond.

We will appoint a diverse range of officers both internally and externally across the globe to assign the right person to the right position to further advance diversity management beyond the boundaries of gender, nationality, age, or any other attributes.



### Appointments, Dismissals, and Succession Plans

Nomination of candidates for directors and appointment of corporate officers and executive officers are determined upon resolution by the Board of Directors. Prior to this, the Nomination & Remuneration Advisory Committee, chaired by an external director, submits a report assessing the candidates' appropriateness for the position.

Appointment of the President and CEO is carefully reviewed by the Nomination & Remuneration Advisory Committee in addition to the above procedures. At the same time, Shiseido realizes the importance of a succession plan for the CEO. The company considers that the appointment of a successor candidate requires the involvement of the incumbent CEO, who shall also be responsible for formulating the succession plan.

Regarding selection of specific candidates for the President and CEO, the Nomination & Remuneration Advisory Committee receives full reports from the President and CEO on the specific nomination for successor from various perspectives. The Nomination & Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating them from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement.



Evaluation of the Effectiveness of the Board of Directors

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

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

Key Topics Discussed by the Board of Directors and Meetings of Directors in 2021

- Medium-to-Long-Term Strategy (WIN 2023 and Beyond)
- Sustainability Management Strategy
- Transfer and Joint Venture of Personal Care Business
- Termination of License with Dolce&Gabbana S.r.l.
- Strategic Partnership with Accenture and Establishment of Joint Venture
- Transfer of *bareMinerals*, *BUXOM*, and *Laura Mercier*
- Important Risks of the Shiseido Group
- Revision of Corporate Governance Code and Corporate Governance of the Company
- Selection of Prime Market
- Adoption of International Financial Reporting Standards (IFRS)
- Occupational Safety and Health Management

Executive Remuneration: Striking a Balance between Short-Term and Long-Term Incentives

Shiseido regards executive remuneration policy as a matter of utmost importance for corporate governance. The directors and executive officers remuneration policy of the Company is deliberated in the Nomination & Remuneration Advisory Committee chaired by an external director to ensure objectivity, and the outcome is reported to the Board of Directors for the resolution.

Composition of Executive Remuneration

Basic Remuneration 33.3~63% *	Annual Bonus 18.5%~33.3% *	Long-Term Incentive 18.5%~33.3% *
The Company designs remuneration levels in accordance with role grades based on the level of responsibility of each director and executive officer and the size of the impact on business management of the Group	Performance evaluation on achievement of goals for a single fiscal year <ul style="list-style-type: none"><li>• Consolidated net sales, consolidated operating profit, performance of respective businesses, individual strategic goals</li><li>• Performance indicator as the payment rate threshold: Net profit</li></ul>	Establishing a sense of common interests with the shareholders and instilling motivation to achieve the goals over the medium-to-long term <ul style="list-style-type: none"><li>• Economic value indicators: CAGR of consolidated net sales, consolidated OPM</li><li>• Social value indicators: ESG indicators</li><li>• Performance indicator as the payment rate threshold: ROE</li></ul>

\* Proportions are from 2022

I Key Points of the Remuneration System

- Comprises basic remuneration, which is offered as fixed remuneration, and annual bonuses and long-term incentives, which are offered as performance-linked remuneration
- Introduces a role grade system designed so that the higher the role grade, the greater the ratio of the performance-linked component of remuneration
- 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.
- Deems the achievement of performance targets in a single fiscal year and in the medium to long term to be of equal importance and sets performance indicators for annual bonuses and long-term incentives consistent with their respective objectives
- With particular emphasis on long-term incentives, sets indicators that can evaluate performance from the perspectives of both economic and social value in order to maintain and improve corporate value

Long-Term Incentive Plan

I Aim of Introducing the Long-Term Incentive Plan (LTI)

We have introduced performance share units, a type of performance-linked stock remuneration, to establish effective incentives for creating long-term corporate value and foster an awareness of the common interests we have with our shareholders.

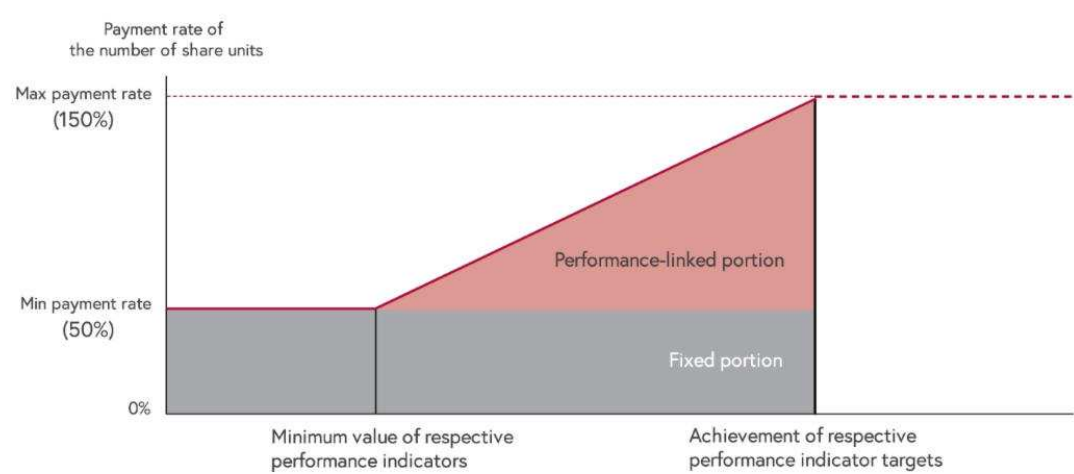


Performance Indicators and Evaluation Weights for Performance-Linked Portion of the LTI

		Evaluation Weight		
		2022	Reference: 2021	
Economic Value Indicators	Consolidated OPM for the final fiscal year of the evaluation period	50%	60%	
	CAGR of consolidated net sales	30%	30%	
Social Value Indicators	Percentage of female managers and leaders in Japan and overseas, and the status of inclusion in the indices related to female empowerment by ESG rating agencies designated by the Company	20% Weight up	10%	
	Progress towards achieving targets for CO <sub>2</sub> emissions reduction			New indicator
	Evaluation scores by ESG rating agencies designated by the Company			
+				
Threshold Consolidated ROE		If it falls below the threshold, the Nomination & Remuneration Advisory Committee will consider lowering the percentage amount of the payment attributable to the performance-linked portion.		

- The Company has set long-term goals of consolidated net sales of 2 trillion yen, and operating margin of 18%, and requires a certain minimum level of continuous growth in sales and profits to achieve these targets. While the highest priority is placed on achieving the operating profit margin, the rate of growth in net sales is also treated as an evaluation indicator related to economic value.
- From the perspective of enhancing social value, which includes elements such as environmental, social and governance, and continuously improving and evolving, we have set target values for multiple indicators, both internal and external. Of these, the Company places the most emphasis on initiatives for women's empowerment, while also promoting environmental measures by setting a new environmental indicator for FY2022: target for reductions in CO<sub>2</sub> emissions, which is an important initiative within our sustainability strategy. Following this, the evaluation weight for social value indicators has been raised from 10% to 20%.
- Consolidated ROE, which is an important indicator for shareholders, has been included as an evaluation indicator for determining the payment rate threshold. When it falls below a predetermined level, the Company will consider whether to reduce the payment rate for the performance-linked portion.

### Model for Payment Rate of the Number of Share Units for LTI



- For this type of remuneration, reference share units are allotted to eligible parties each fiscal year <sup>[※12]</sup>, and the number of units is adjusted in accordance with the degree of progress towards performance evaluation indicators during the evaluation period. After the end of the evaluation period, monetary remuneration claims and cash are paid to eligible parties for the delivery of the shares of the Company's common stock of a number corresponding to the applicable number of share units. With this share-based approach, performance is reflected in remuneration.
- Our performance share units are composed of two parts: a performance-linked portion and a fixed portion.

※12 Units equivalent to shares after the evaluation period

#### I Performance-linked portion:

- (a) CAGR for the 3-year performance evaluation period
- (b) Consolidated operating profit margin in the final fiscal year of the evaluation period
- (c) Reference share units are adjusted and shares delivered in accordance with the degree of progress towards environmental, social, and governance (ESG) targets

#### I Fixed portion:

Not linked to performance, and its purpose is to share a sense of common interests with shareholders and to attract and retain outstanding talent

#### I RELATED LINKS

Governance  
(Corporate website)

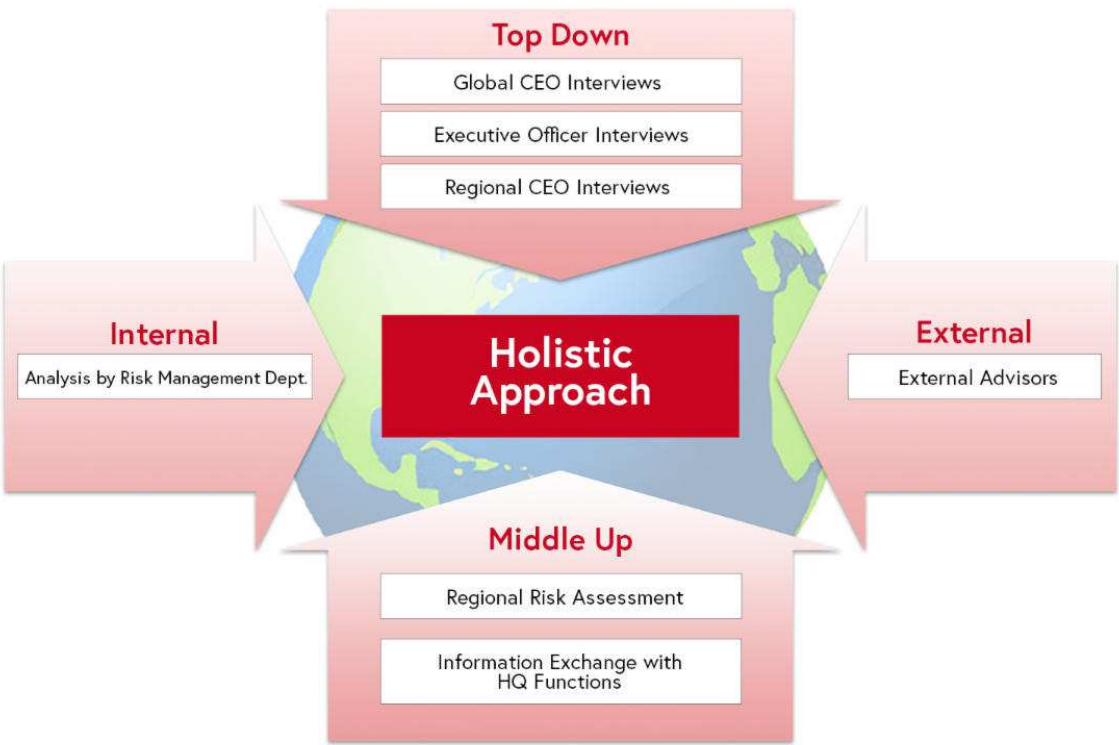


Risk Management

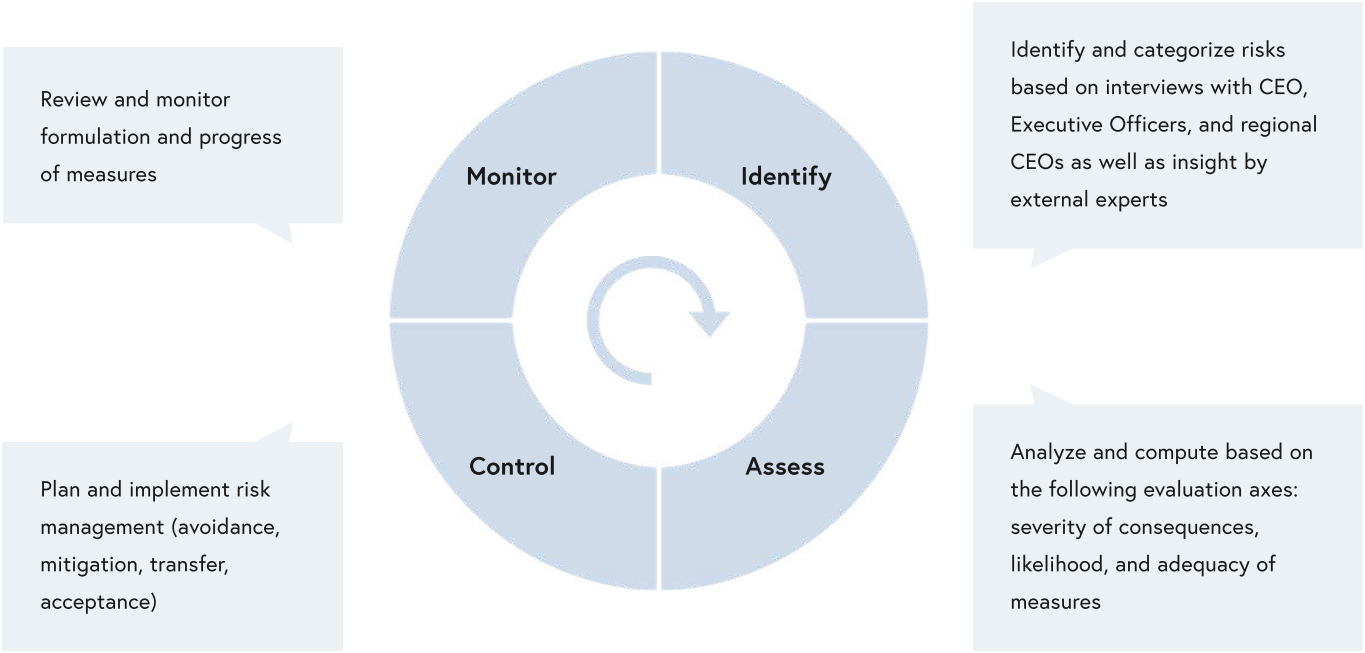
Risk Management Structure and Operational Framework

The risk management of the Shiseido Group is primarily focused on building trust with multiple stakeholders and achieving Shiseido's medium-to-long-term strategy. We thus consider risks as "uncertainties" that could impact the achievement of our strategies, seeing them as both potential threats to business and opportunities. Based on this approach, we have established a risk management structure and place measures for managing these risks proactively and expeditiously.

We adopt a holistic approach to identifying and assessing risks, as exemplified by the chart below. Specifically, the HQ Risk Management Department has interviewed the Group CEO, executive officers, and regional CEOs for their views on Group risks. Regional risk assessments and input from relevant functions have also been taken into consideration by the Risk Management Department in identifying material risks with the input of external advisors.



The identified material risks have been evaluated with three measurements of "the impact on business in case of risk manifestation," "likelihood and timing of risk manifestation," and "preparedness to the risk." The Group's risks assessment and countermeasures are also periodically reviewed by the Global Risk Management & Compliance Committee, headed by the Group CEO and composed of regional CEOs and executive officers, as well as the Global Strategy Committee. Furthermore, we have identified risk owners for each risk to clarify responsibility for countermeasures. A transparent monitoring and communicative framework has been placed within the Global Risk Management & Compliance Committee and the Board of Directors to regularly discuss and assess the progress in addressing these risks.



**Identified Material Risks**



Risks identified through our risk assessment in 2021 have been organized into three risk categories: "Consumer & Social-related Risks" stemming from external factors, "Operation & Fundamental Risks" stemming from internal activities, and "Other Risks." As a noteworthy point of the risk assessment results mentioned above, the individual risks identified are more interlinked than in the past and interdependency of the countermeasures is increasing. In addition, "Changes in Consumer Values" and "Corporate Culture and Acquiring / Securing Outstanding Human Capital" have a large impact on the other identified risks.

The following outlines the relationships of individual risks and our WIN 2023 Key Strategies, expected risks (Threats and Opportunities), and countermeasures.

**WIN 2023 Key Strategies**

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

## **Consumer & Social-related Risks**

### **Changes in Consumer Values**

#### **Key Strategic Initiatives**

- Focus on the Premium Skin Beauty area.
- Strengthen business portfolio combining the Company's R&D with open innovation and strategic M&A.
- Develop the inner beauty category.
- Develop cross-border marketing.

#### **Uncertainties**

- Loss of competitiveness due to delayed or inadequate response to changing consumer values relating to beauty, changing tastes related to cosmetics or inner beauty, price acceptability, and diversifying purchasing behavior including touchpoints. (Threat)
- Successful marketing strategies addressing changing consumer values may lead to higher-than-expected sales and profits. (Opportunity)

#### **Response Measures**

- Expand live e-commerce and online counseling across brands and Regions.
- Strengthen brand portfolio to respond to diversifying consumer values (e.g., accelerate the rollout of *Drunk Elephant*, *BAUM*, *THE GINZA* and *EFFECTIM*, development of new brands and M&A).
- Set up Consumer and Market Intelligence Department to gather consumer information in an accurate and timely manner.
- Strengthen value development functions (e.g., R&D, marketing) for Chinese consumers.
- Promote innovation from existing businesses and new business development through China Business Innovation & Investment Representative Office (CBI).
- Accelerate diversity of human resources, especially at the Global Headquarters.
- Accelerate value creation and business development through open innovation with other companies.

#### **Relationship with WIN 2023 Key Strategies**

- 4, 5, 6, 7, 8 and 9
- 

### **Speed of Digital Acceleration**

#### **Key Strategic Initiatives**

- Strengthen consumer engagement and e-commerce to cultivate loyal consumers in line with structural channel shift behaviors.
- Obtain and analyze consumer data in compliant manner to develop more personalized marketing through digital CRM. Strengthen retention and loyalty.

#### **Uncertainties**

- Possibility of decline in market share due to lack of speed in shifting to digital business model and losing existing/new consumers to competitors. (Threat)
- Offer unique value through combination of e-commerce and store-counter sales. (Opportunity)

#### **Response Measures**

- Appoint Chief Digital Officer for the Global Headquarters (GHQ) and Regional Headquarters (RHQ).
- Establish Shiseido Interactive Beauty Company, Limited, to innovate business model with digital transformation.
- Reinforce hiring, retention, and development of digital marketing experts.
- Launch of Group-wide Digital Academy to promote a digital mindset as a core competency.
- Promote omni-channel marketing integrating e-commerce and in-store sales.
- Promote introduction and development of beauty technology to enhance personalized engagement with consumers and improve unique digital content to analyze skin condition.
- Promote first-party data acquisition through service and technology offers to consumers online and at store counters.
- Accelerate digital marketing through ties with e-commerce platformers in China or other technology startup companies.
- BCs dedicated to omni-channel in Japan to start full-fledged operations (YouTube, Instagram, 'team-escort type' beauty program ONLINE BEAUTY STUDIO, etc.)

#### **Relationship with WIN 2023 Key Strategies**

- 8, 9 and 10
- 

### **Pace of Cutting-Edge Innovation**

#### **Key Strategic Initiatives**

- Selection and concentration of R&D through introduction of unique R&D philosophy DYNAMIC HARMONY.
- Strengthen R&D in the Premium Skin Beauty area.
- Invest in R&D with ca. 3% of net sales ratio target.
- Strengthen R&D and regulatory compliance activities at each RHQ.
- Effectively share innovation-related information with consumers and clients, including successful R&D initiatives.

#### **Uncertainties**

- New and competing technologies may make existing technologies obsolete. Pharmaceutical regulations of certain countries and regions could result in restriction of our technologies, making it difficult to provide new value to consumers. (Threat)
- Short-term delay such as launch of new technologies, mid-to-long-term slowdown in basic research or formula development/alternative ingredients to boost sustainability, or delay in M&A progress and partnerships with third parties could prevent us from achieving planned synergies. This would limit our overall competitiveness and ability to meet the needs of consumers. (Threat)
- Establishing competitive superiority through the creation of new value via innovation in fields such as services, processes, and organization. (Opportunity)

#### **Response Measures**

- Investment/re-expansion of resources in R&D of cosmetics.
- Reorganize R&D functions (Brand Value R&D Institute, MIRAI Technology Institute).
- Establishment of Sustainable Technology Acceleration Department in Brand Value R&D Institute, which oversees eco-friendly R&D (packaging, formula, ingredients) and acts as a hub for technological development/strategy execution to realize rapid commercialization, in collaboration with product development functions.
- Establishment of Regulatory Strategy Department for global regulatory monitoring and strategy building.
- Establishment of a new branch of China Innovation Center to drive innovation in collaboration with other companies.
- Establishment of Nasu Factory, Osaka Ibaraki Factory and Fukuoka Kurume Factory leveraging the latest technologies.
- Drive innovation through Shiseido Global Innovation Center (GIC) (Yokohama) and Beauty Innovation Hub (Shanghai).



- Conduct joint research with external organizations. Harness expertise of U.S. startup ventures. Focus on consumer trends.
- Collaborate for innovation with external parties through initiatives such as “fibona” (open innovation program involving startup companies led by GIC).
- Define KPIs for measuring the return on Research and Development (such as R&D expenses to net sales ratio, number of researchers, sites, patent applications, and academic papers, etc.) and regularly monitor against competitors.

#### Relationship with WIN 2023 Key Strategies

- 3, 4, 5, 6, 7, 8 and 9
- 

## Corporate and Brand Reputation

### Key Strategic Initiatives

- Aggressive marketing activities including digital marketing to increase brand value.
- Proactive marketing activities to create both corporate brand and each brand images using ambassadors and social media influencers.

### Uncertainties

- Rumors, whether true or unfounded, regarding our official communications or comments and actions by ambassadors and social media influencers associated with Shiseido could result in public criticism of the Group and damage our reputation. (Threat)
- Sale of counterfeit products can damage our ability to share our values with consumers, resulting in damage to our brand. (Threat)

### Response Measures

- Formulate and implement a strict social media policy and ensure familiarization among employees.
- Provide in-house training on maintaining and enhancing brand image for brand holder marketing and communications staff.
- Introduced a review system for language used in advertising and promotional materials, as well as selection of ambassadors and social media influencers, to avoid behavior/messaging leading to criticism on the grounds of ethical or social norms.
- Perform website and social media monitoring to discover and respond to negative information in an accurate and timely manner.
- Coordinate with government authorities to combat counterfeit products.

#### Relationship with WIN 2023 Key Strategies

- 4, 8 and 9
- 

## Environment and Climate Change

### Key Strategic Initiative

- As part of our initiatives “for a Better World,” execute actions contributing to a happier society or solutions for social issues through beauty, our core business.

### Uncertainties

- Lack of environmental measures may lead to loss of trust of consumers/society at large and a decline in shopping motivation. (Threat)
- Inadequate responses to environmental issues, particularly climate change risks, would negatively affect business, finance, and corporate value. (Threat)
- Efforts such as development of sustainable products could establish greater trust with consumers and society at large, create new social value in beauty, and rapidly increase corporate value. (Opportunity)

### Response Measures

- Regular meetings held by the Sustainability Committee for medium-to-long-term strategy development/KPI setting, deliberation/resolution on sustainability issues, and monitoring of the strategy implementation progress involving related departments of GHQ and RHQs.
- Sustainability/SDGs-related activities by each brand (*SHISEIDO*, *Clé de Peau Beauté*, etc.).
- Promote ISO14001 certification at all factories and distribution centers by end of 2024.
- Issue Sustainability Report reflecting corporate policies, initiatives, and KPIs.
- Adopt eco-friendly packaging (co-developed Kaneka’s biodegradable polymer Green Planet and joined “Loop” rollout in Japan).
- Promote switch to certified palm oil and paper.
- Set and disclose medium-term targets for major environmental load reduction items (CO<sub>2</sub>, palm oil, paper, water, waste) and work toward achieving them.
- Support the Task Force on Climate-related Financial Disclosures (TCFD). Prepare a scenario based on quantitative/qualitative analysis of climate change impact on business and disclose specific actions to be taken, in line with TCFD recommendations.

#### Relationship with WIN 2023 Key Strategies

- 4, 7 and 10
- 

## Diversity & Inclusion

### Key Strategic Initiatives

- Focusing on the two strategic pillars of "Empowerment of women" and "Diversity and inclusion through the power of beauty," actions taken by GHQ/RHQs/brands in collaboration with external international organizations and NGOs.
- Provide information to employees as well as external companies, particularly in Japan, where empowerment of women lags behind, thereby driving transformation of Japanese companies and Japanese society as a whole.

### Uncertainties

- Possibility of losing the trust of society at large and consumers due to insufficient efforts in Diversity & Inclusion (D&I), which is a strength of Shiseido. (Threat)
- Our efforts to promote D&I may create new social values, building trust with consumers and society at large. (Opportunity)
- Organizational culture rooted in diversity and inclusion may lead to recruitment/retainment of diverse and talented people, promoting innovation and dramatically increasing our corporate value. (Opportunity)

### Response Measures

- Medium-to-long-term strategy development, setting KPIs, and monitoring of the strategy implementation progress, involving related departments of GHQ and RHQs.
- Activities by each brand for sustainability and SDGs realization (*SHISEIDO*, *Clé de Peau Beauté*, etc.)
- Issuance of Sustainability Report containing corporate policy, initiatives, and KPIs.
- Participation in 30% Club Japan which aims to raise the percentage of women officers in Japanese companies, with our President and CEO acting as chair to lead the activities of TOPIX Presidents’ Association.
- Expand opportunities to experience the power of makeup through Shiseido Life Quality Makeup (SLQM) and Lavender Ring Makeup & Photos with Smiles programs, supporting QOL improvement of cancer survivors.

## Relationship with WIN 2023 Key Strategies

- 7 and 10
- 

## Natural and Human-Made Disasters

### Key Strategic Initiative

- Reinforce human resources and management infrastructure to rebuild our foundation for growth on a global scale.

### Uncertainty

- Recent natural disasters (such as earthquakes, flood damages, and tornadoes) and other events around the world (such as terrorism and riots) threatening employee safety and/or causing property damage, resulting in negative impact on supply network and business. (Threat)

### Response Measures

- Formulate business continuity plans (BCPs) for GHQ and major regional sites and hold regular training at each site to ensure effectiveness.
- Strengthen and leverage our global supply network, such as through establishment of a new factory, to allow flexible and continuous supply during a crisis.

## Relationship with WIN 2023 Key Strategies

- 2 and 10
- 

## Infectious Disease

### Key Strategic Initiatives

- Reinforce human resources and management infrastructure to rebuild our foundation for growth on a global scale.
- Build a digitally driven business model and organization.

### Uncertainties

- Prolonged COVID-19 or outbreak of similar pandemics may lead to decline in consumption, sales, and profits, plus a decline in productivity due to employee health absenteeism. (Threat)
- Possibility to secure a competitive advantage in the market by quickly and flexibly addressing the changes in consumer values and needs. (Opportunity)

### Response Measure

- Putting the safety and security of employees first, taskforce established at GHQ and RHQs in response to COVID-19. BCP for infectious diseases revised and response system strengthened.

## Relationship with WIN 2023 Key Strategies

- 2, 9 and 10
- 

## Geopolitical Tensions

### Key Strategic Initiatives

- Focus investment on the growth areas of the Chinese consumers including China mainland, Asia Pacific (APAC) and Travel Retail business.
- Rebuild the business foundation to boost profitability in the Japan Region.
- Improve profitability in the Americas and EMEA Regions.

### Uncertainties

- Possibility of boycott on our products due to increased anti-Japan sentiments in Asian countries and regions. (Threat)
- Deterioration of business environment due to U.S.-China conflict and political instability in Asia. (Threat)
- Our business plans may not be achieved if increased cost of raw materials caused by global price inflation is not absorbed through corporate efforts and the price of goods/services is lifted, as consumers may be less motivated to purchase our products. (Threat)
- Unstable political conditions and strained diplomatic relationships of countries and regions where we operate could deteriorate our business environment and lead to negative impacts on production, supply, and sales of our products. (Threat)

### Response Measures

- Further develop our Premium Skin Beauty business in China, Japan, and across the APAC Region.
- Further acceleration of growth in China through new businesses and new brands.
- Balance sales portfolio across Regions. Gain increased support from consumers and expanded sales/profits in Japan, the U.S., and Europe.
- Strengthen and leverage the scale of our global supply network to allow flexibility at a time of crisis, without interrupting supply.

## Relationship with WIN 2023 Key Strategies

- 3
- 

## Operation & Fundamental Risks

## Corporate Culture and Acquiring /Securing Outstanding Human Capital

### Key Strategic Initiatives

- Acquire/develop human resources as catalysts for change and sources of innovation under our “PEOPLE FIRST” principle.
- Established the following working principles for all Shiseido employees to follow as OUR PRINCIPLES (TRUST 8): “Think Big”, “Take Risks”, “Hands On”, “Collaborate”, “Be Open”, “Act with Integrity”, “Be Accountable”, and “Applaud Success.”

### Uncertainties

- Inability to attract and retain the best talent may lead to talent shortages in realizing our business objectives. Due to a lack of IT and digital talent resources, an accelerated shift to a digitally driven business model and organization may take longer. (Threat)
- Possibility of securing a competitive advantage by hiring and retaining the best talent. (Opportunity)
- Possible increase in productivity of the entire Group through work style reforms tailored to each task. (Opportunity)

### Response Measures

- Continue to reinforce a strong culture of transparent leadership and governance globally and reinforce the culture through employee communications and town halls.
- Promote a workplace environment with flexibility and diversity, such as a new workstyle combining office and remote work to achieve maximum results (Shiseido Hybrid Work Style) and permitting part-time jobs. Improve employee wellbeing.
- Improve infrastructure for human resource (HR) information, introduce the global HR database MIRAI, and unify employee performance management.

- Introduce a job-grade-based HR system and a remuneration system commensurate with individual contributions to ensure transparency in personnel evaluation and improve employee motivation.
- Establish Shiseido Interactive Beauty (SIB) to accelerate a shift to digitally driven business model and reinforce IT/digital capabilities.

#### Relationship with WIN 2023 Key Strategies

- 8, 9 and 10
- 

## Business Structure Transformation

### Key Strategic Initiative

- Improve profitability through reduction of COGs and SG&A expenses.

### Uncertainties

- Business plan achievement may be negatively affected if regional/divisional business restructuring does not progress as planned and profitability and cash flow are not improved. (Threat)
- The timing of the COVID-19 pandemic end and slower-than-expected recovery of Japan market may result in changed purchasing behavior of cosmetics, negatively affecting management plans. (Threat)
- Growth in the cosmetics market may fall below expectations with slowdown of China's economic growth, affecting management plans. (Threat)
- Possibility of competitive advantage in the global market by improving profitability in EMEA and the Americas, rebuilding the foundation around local business in Japan, and establishing a strong growth foundation in China. (Opportunity)

### Response Measures

- Establish and promote the Global Transformation Committee led by the CEO to establish, implement, manage, and expedite decision-making for corporate strategy and to formulate/implement reform proposals for each regional structure or division.
- Complete the transfer of the Personal Care business.
- Complete the termination of *Dolce & Gabbana* license.
- Complete transition services following the sale of the prestige makeup brands *bareMinerals*, *BUXOM*, and *Laura Mercier*.

#### Relationship with WIN 2023 Key Strategies

- 1, 2 and 3
- 

## Operating Infrastructure

### Key Strategic Initiative

- Globally improve effectiveness of information systems, business management systems, and core business processes related to procurement/production/sales.

### Uncertainties

- If IT system reconstruction/transition at our local offices do not proceed as planned, or faces issues hindering smooth operation after introduction, the initiative to improve global business base may be hindered and management plans negatively affected. (Threat)
- Updating global IT systems contributes to a stronger business foundation and improved competitiveness. (Opportunity)

### Response Measures

- Establishment of the Business Transformation Department at GHQ and dedication to standardizing and updating IT systems and business processes globally, in line with the overall objectives of the FOCUS project.
- Proceed the system implementation based upon the robust methodology to ensure business, system, and people readiness.
- Implement a high-availability global Cloud IT infrastructure to ensure resilience.
- Activate the Business Contingency Plan, when required, to avoid any operational impact.

#### Relationship with WIN 2023 Key Strategies

- 2, 9 and 10
- 

## Supply Network

### Key Strategic Initiatives

- Establish three factories in Japan and a supply chain base to enable stable production over the medium-to-long-term.
- Improve our global supply chain management.
- Continuous process improvement and state-of-the-art technology investments in manufacturing and distribution.
- Focus on safety and sustainability.

### Uncertainties

- Possible delays in raw material supply for certain products from specific suppliers and unstable production due to elevated demand for raw materials, price hikes, business withdrawals, natural disasters, and other factors affecting the supply chain. (Threat)
- Leverage Japan's high-quality manufacturing at our six factories in Japan to increase consumer value. (Opportunity)

### Response Measures

- Reinforce supply structure of important ingredients by using multiple suppliers, securing emergency stocks, and creating strategic alliances with suppliers.
- Strengthen our monitoring capabilities to ensure compliance with the Shiseido Group Supplier Code of Conduct.

#### Relationship with WIN 2023 Key Strategies

- 2 and 10
- 

## Compliance

### Key Strategic Initiative

- Strengthen global legal compliance structure as we rebuild business foundation through new business models such as digital and beauty tech, wellness, new M&A, etc.

### Uncertainty

- Shiseido is subject to laws and regulations in countries and regions in which we operate around the world relating to product safety, ingredients and labeling, employee health and safety, intellectual property, antitrust and competition, data privacy, environment, employment and labor, taxes, product claims, corporate governance, TSE listing and disclosure. Unexpected changes to these laws and regulations could have a material impact on the cost of doing business. Failure to comply with these laws and regulations could expose the Company to civil and/or criminal fines, penalties and sanctions impacting our corporate reputation. (Threat)



## Response Measures

- Shiseido Group Standards of Business Conduct and Ethics (the “Standards”) govern the behaviors of our employees globally.
- We appointed a Chief Legal Officer (CLO), in addition to a dedicated Global Risk Management Team that reports into the CLO, to ensure global compliance with the Standards and with laws and regulations impacting our business.
- We foster an ethical culture and a framework of our work process through non-negotiable compliance with the Standards expected from all employees. We also provide training and education on compliance areas such as anti-corruption, anti-trust, anti-harassment, anti-discrimination and privacy, in addition to developing areas concerning the use of consumer data.
- The Company provides an anonymous employee reporting system via phone or online, to report and respond to alleged Standards violations.
- The Company has dedicated team members within functions who monitor compliance and our rigorous standards in areas such as regulatory, safety, quality, employment, claim substantiation, and product labeling to ensure compliance with all laws and regulations. Incident management teams are activated in any affected Regions or markets to ensure timely and effective actions in protecting the safety of our consumers and employees.

## Relationship with WIN 2023 Key Strategies

- 10
- 

## Quality Assurance

### Key Strategic Initiative

- Offering safe products is a core Shiseido value, the foundation of our business strategies, and our competitive advantage; thorough measures are taken to ensure high quality throughout product design, production, and sales.

### Uncertainties

- Company-wide challenges to the thorough implementation of the Group’s high standard of quality assurance at various stages of product lifecycles and providing safe products to consumers. (Threat)
- Globally provide Japan-standard quality, leading to improved brand image and increase in consumers, especially outside Japan. (Opportunity)

### Response Measures

- Developed Basic Guidelines on Quality Assurance and Global Quality Policy and Guidance and established Shiseido’s own quality and safety assurance standards. Confirm adherence to such guidelines and standards at all stages, including new product design and development, management of raw materials, production, and delivery. Established a dedicated quality assurance department.
- Launched Global Quality Transformation Project directly led by Global CEO to improve global quality standards by strengthening governance, risk assessment, and operating protocols.
- Implementation of Global Quality System, a system allowing global sharing of voice of consumers collected at consumer centers.
- Set up a consumer service desk and a dedicated internal system for reporting and responding to potential quality risks, in addition to conducting regular simulation training.

## Relationship with WIN 2023 Key Strategies

- 4, 5, 6 and 10
- 

## Governance Structure

### Key Strategic Initiative

- Creation of a matrix organization composed of six Regions and brand categories to allow GHQ to manage the entire Group business, whilst also transferring greater authority to RHQs overseeing Japan, China, APAC, the Americas, EMEA, and Travel Retail. We will promote the localization of responsibilities and authority.

### Uncertainties

- If RHQs push through decisions that do not align with the Group’s overall policies, or, conversely, if authority is not appropriately delegated to RHQs and they are unable to effectively fulfill their responsibilities, it may become increasingly challenging to maintain efficient and legally compliant operations and may damage the organization’s reputation and sustainability. (Threat)
- Possibility of increased consumer loyalty as RHQs practice “Think Global, Act Local” in their area of responsibility and make speedy decisions or successfully execute marketing strategies to address local market needs. (Opportunity)

### Response Measure

- Introduction of a new management system of executive officers, in which officers bear responsibility for the Company-wide execution of business.
- We create and disseminate rules for responsibility and authority of GHQ/ RHQs for each function and brand.
- For all significant risks, we established a continuous risk management framework detailing the controls we have in place and who is responsible for managing such risk. The Global Risk Management team considers both short-term and long-term risks, together with emerging risks in forming a global internal control structure with regular reporting to the executive and senior management, including the Board of Directors.
- We foster a spirit of collaboration and Group-wide mitigation and communication of risks, as many risks are interdependent and require a Group-wide solution approach that is focused on increasing trust among our stakeholders.
- We ensure corporate governance within each affiliate structure is linked to oversight and approvals from GHQ in all material matters through regular reporting and on-going global leadership meetings.
- Significant strategic, transformational, and material decisions relating to the Company’s business operations, assets, business value, reputation, and compliance are regularly reviewed by the Company’s Executive Officers and presented to the Board of Directors as part of our governance structure.

## Relationship with WIN 2023 Key Strategies

- 7, 8, 9 and 10
- 

## Information Security and Privacy

### Key Strategic Initiatives

- Strengthen digital marketing globally by utilizing data and enhancing e-commerce to match consumer needs and fierce competitive environment.
- Acquire and utilize more personal data, including sensitive information, to provide new curated experience/services to consumers and co-creation.
- Shift to Shiseido Hybrid Work Style, a new way of working where productivity is high regardless of place or time.
- Further collaboration and co-creation with external partners such as startups to generate innovation.

### Uncertainties

- Liability for damages and loss of trust in the Company due to system failures caused by cyberattacks and leakage of consumer data. (Threat)
- With the increase in access points to important data accompanying new working styles and further collaboration/ co-creation with external partners, information leakage risks may be heightened if management/operation is inadequate. (Threat)

- Violation of laws and regulations, fine payments and loss of trust in the Company due to delayed or inappropriate response to data privacy-related laws and regulations in each country/region. (Threat)
- Loss of trust in the Company and business opportunity due to failure to understand the sensitivity of society regarding data privacy and appropriately understand the concerns / expectations of consumers regarding data privacy. (Threat)
- By taking appropriate response measures to the above threats, possibility of contributing to the achievement of business goals; for example, consumers feel safe to entrust their personal data to the Company. (Opportunity)

#### Response Measures

The following measures are implemented, referencing the ISO and NIST frameworks.

- Establish a dedicated information security department leading global collaboration, governance, and control.
- Appoint a person responsible for data privacy to reestablish and strengthen global collaboration system.
- Promote information disclosure and notification regarding protection of data privacy. Promote communication with relevant authorities.
- Continuously revise the Company's information security/data privacy regulations, considering both internal and external environmental changes.
- Identify/securely manage personal data held by the Company. Continuously promote information security awareness among employees.
- Reinforce medium-to-long-term response to external cyberattacks increasing in sophistication and diversification (Protect, Detect, Respond, Recover) (e.g., stronger security related to filters, computer devices, and cloud use).
- Strengthen the establishment and monitoring of the Security Operations Center (SOC) on a global scale, involving external experts, for improved management/operation of increasing amount of sensitive data and diversifying data access points.

#### Relationship with WIN 2023 Key Strategies

- 5, 6, 8, 9 and 10

## Other Risks

### Exchange Rate Fluctuations

#### Key Strategic Initiative

- Increase our ratio of overseas sales as a global beauty company.

#### Uncertainties

- Significant fluctuations in exchange rates for settlements in foreign currencies related to import/export transactions. (Threat/Opportunity)
- When transaction figures reported in local currencies for an overseas affiliate are converted into Japanese yen at the time of preparing the consolidated financial statements, the appreciation of the Japanese yen may adversely affect business results when revenues exceed costs. (Threat)
- Investments in overseas affiliates could result in reduced net assets due to currency exchange adjustments and the appreciation of the Japanese yen. (Threat)

#### Response Measures

- Hedge exchange rate fluctuation risks with forward exchange contracts.
- Monitor and respond to fluctuations in major global currencies.

#### Relationship with WIN 2023 Key Strategies

- 3

### Business Investment

#### Key Strategic Initiative

- Promote growth investments that align with the Company's strategy and improve profitability and strengthen our skin beauty business.

#### Uncertainty

- If market/business conditions deteriorate at levels not anticipated at the time of investment decisions and our business plans are not successfully carried out, impairment losses on goodwill and intangible assets recorded through M&A may negatively affect company performance. (Threat)

#### Response Measures

- Regular performance monitoring and reporting of monitoring results to the Board of Directors.
- Consider future directions and countermeasures to improve business performance in cooperation with relevant brands, regions, and functional departments.

#### Relationship with WIN 2023 Key Strategies

- 1, 4 and 6

### Material Litigation

#### Key Strategic Initiatives

- Continuously strengthen legal compliance structure and governance with a risk mitigation focus as we rebuild our business foundation and focus on growth through new business models such as digital and beauty tech, transformation initiatives and M&A, beauty wellness, etc.
- Robust management and mitigation of material litigation/claims and heightened attention on proper controls and preventative measures, including employee training and employee reporting avenues such as ethics hotlines.

#### Uncertainties

- With a presence across approximately 120 countries/regions globally, there is a possibility that we will face lawsuits and/or claims and/or government investigations under the different legal systems of each country and region. (Threat)
- Significant impact on the Group's business performance, should a major material litigation occur in the future with an unfavorable ruling for the Group; possibility of an adverse effect on our financial position and business performance. (Threat)

#### Response Measures

- Established legal teams at our GHQ and Regional Affiliates, led by the Company's Chief Legal Officer to ensure effective strategies and defenses. Subject matter legal experts/external law firms are retained in support of all legal strategies and defenses in material matters.
- Continuously provide legal training to employees regarding legal environment and country-specific laws and regulations in areas of legal impact to the business, such as anti-corruption, antitrust, anti-discrimination.
- Ensure that all commercial agreements have clear business terms that include indemnification and other protections to reduce the threat of disputes.
- Proactively ensure all IP is protected globally to guard against infringement claims.
- Conduct due diligence on all significant commercial and business transactions.

#### Relationship with WIN 2023 Key Strategies

- 10



About Shiseido

Facts & Figures



Corporate Information

Founded

 1872

Position amongst Global  
Manufacturers <sup>【※1】</sup>

 No.5

Position amongst Japan and Asia  
Cosmetics Manufacturers <sup>【※1】</sup>

 No.1

※1 WWD Beauty Inc Top 100 Global Beauty Manufacturers 2021



CORPORATE  
INFORMATION



Global Expansion

\*2 As of May 2022

Countries and Regions Served



Approx.

120

Production Sites



13

R&D Sites



8



Employees

Employees 【※3】



Approx.

42,000

Nationalities Employed 【※4】



Approx.

100

Percentage of Female Leaders 【※5】



58.3 %

Japan 37.3 % Overseas 70.7 %



※3 The number of employees includes full-time employees and temporary employees. Temporary employees include part-time workers but exclude dispatched employees. As of the end of December 2021.  
※4 As of January 1, 2022  
※5 As of January 1, 2022. Japan shows the percentage of female managers with subordinates and annual salary employees with subordinates.

## 2021 Results

### Net Sales

¥ **1,035.2** bn

YoY +12 % FX-neutral +8 % Like-for-like <sup>[※6]</sup> +12 %

### Operating Profit

¥ **41.6** bn

YoY +178 %

### Operating Margin

**4.0** %

YoY +2.4 pts

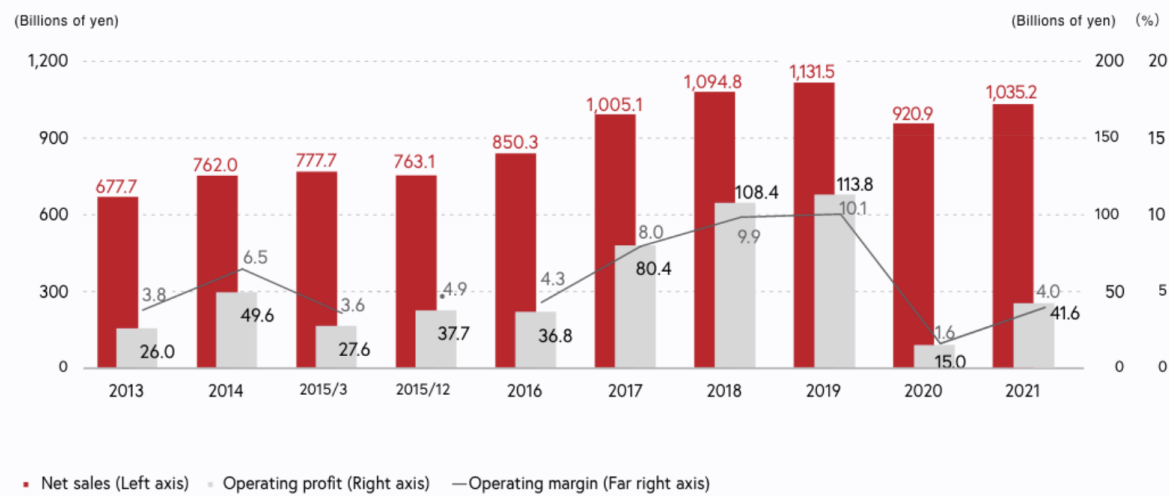
### ROIC

**3.3** %

### ROE

**8.2** %

### Net Sales/Operating Profit/Operating Margin <sup>[※7]</sup>



### Net Sales and Sales Ratio by Business Segment

#### YoY growth (like-for-like <sup>[※8]</sup>)

#### Japan

**26.7** %

Net Sales ¥276.2 bn

YoY -1.4 %

#### China

**26.6** %

Net Sales ¥274.7 bn

YoY +19.1 %

#### Asia Pacific

**6.3** %

Net Sales ¥65.0 bn

YoY +5.8 %

#### Americas

**11.7** %

Net Sales ¥121.4 bn

YoY +29.9 %

#### EMEA

**11.3** %

Net Sales ¥117.0 bn

YoY +16.5 %

#### Travel Retail

**11.6** %

Net Sales ¥120.5 bn

YoY +18.4 %

#### Professional

**1.5** %

Net Sales ¥15.9 bn

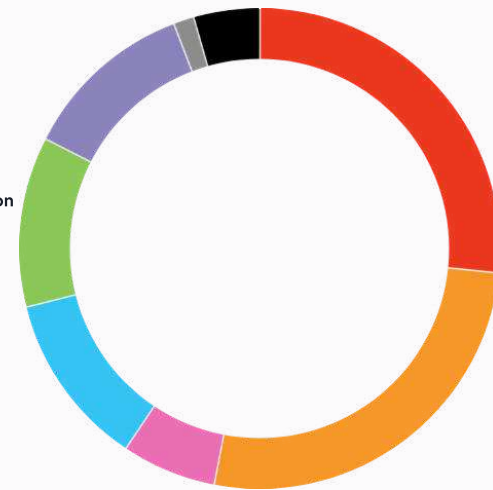
YoY +19.6 %

#### Others <sup>[※9]</sup>

**4.3** %

Net Sales ¥44.5 bn

YoY +2.1 %



※6 Excluding the impact of business transfers

※7 The fiscal year ended December 31, 2015 is the nine months from April 1, 2015 to December 31, 2015 for Shiseido and its consolidated subsidiaries in Japan and the 12 months from January 1, 2015 to December 31, 2015 for all other subsidiaries.

※8 Excluding the impact of business transfers

※9 Includes HQ functions, IPSA, Shiseido Beauty Salon, manufacturing business, Shiseido Parlour, and other businesses.



# Focus Growth Areas

## Skincare Sales Ratio

 **64** %

Skincare Sales Growth <sup>【※10】</sup> + 10%  
WIN 2023 and Beyond →

## Prestige Sales Ratio

 **50** %

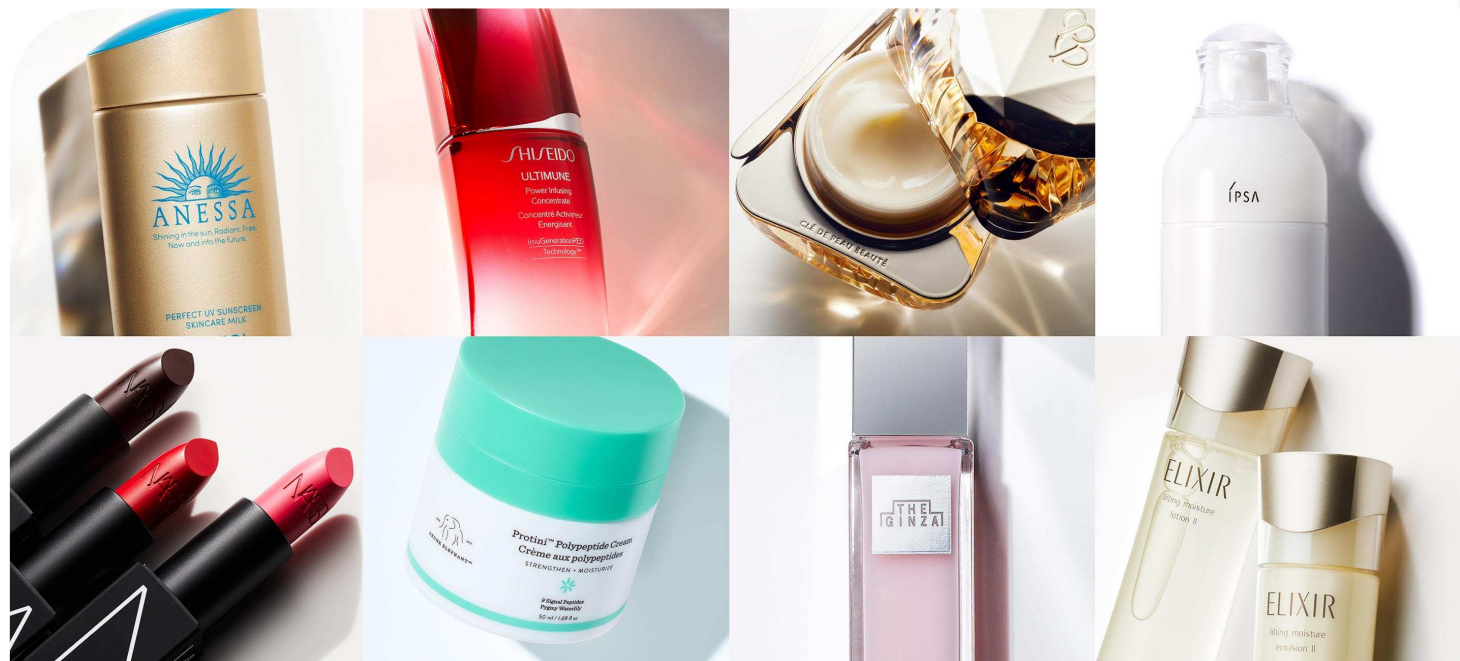
YoY + 3.9 pts  
Business Categories and Brands →

## EC Sales Ratio

 **34** %

EC Sales Growth <sup>【※10】</sup> Over 20 %  
Overview of Business Segments →

※10 Excluding the impact of business transfers



BUSINESS  
CATEGORIES

# Research & Development

## Awards Received at IFSCC <sup>【※11】</sup>

### Congresses and Conferences <sup>【※12】</sup>

 **29**

## Brand Development / R&D Investments

 **¥ 36.5** bn

Ratio to Net Sales 3.5 %

## Number of researchers <sup>【※13】</sup>

 Approx. **1,200**

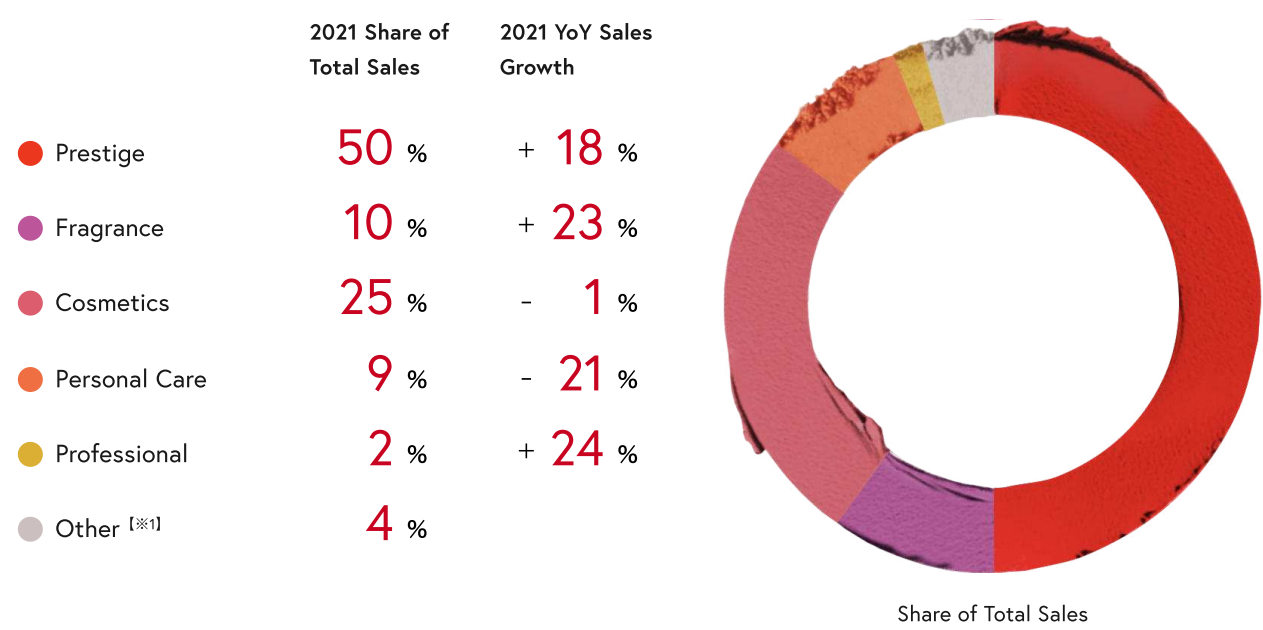
- ※11 The International Federation of Societies of Cosmetic Chemists, an international organization where cosmetic engineers from around the world gather for the development of safer and more beneficial cosmetic technologies.
- ※12 As of December 2021. The total number of top awards, including those received at the IFSCC Conferences which are held in odd-numbered years.
- ※13 As of the end of December 2021






Business Categories and Brands

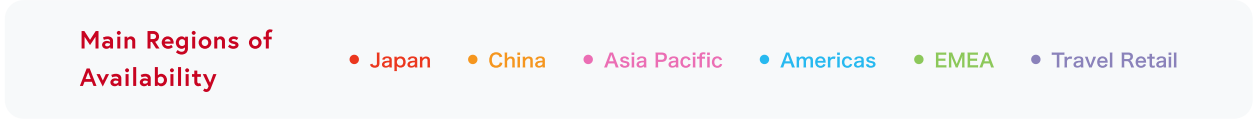
Share of Total Sales / YoY Sales Growth



※1 Includes Shiseido Parlour and other businesses

Core Businesses

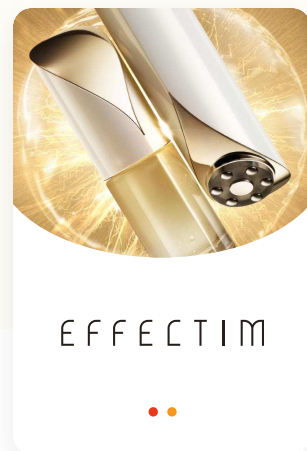
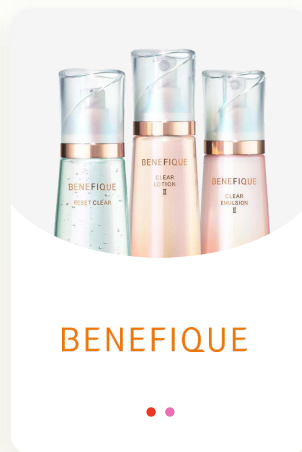
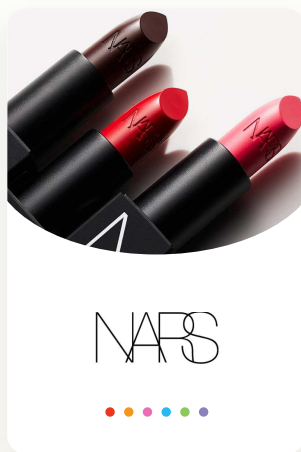
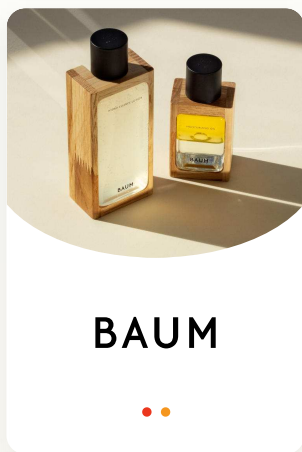
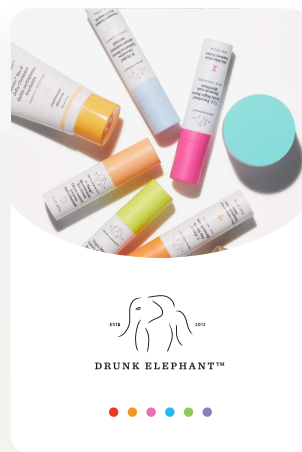
For details on each brand, please see the [online Integrated Report](#) .



# PRESTIGE

## PRESTIGE

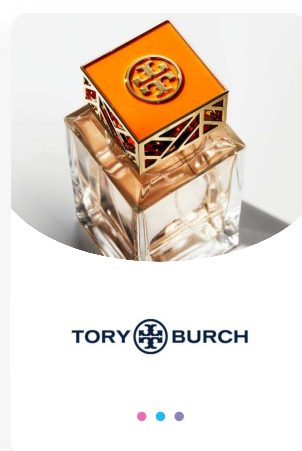
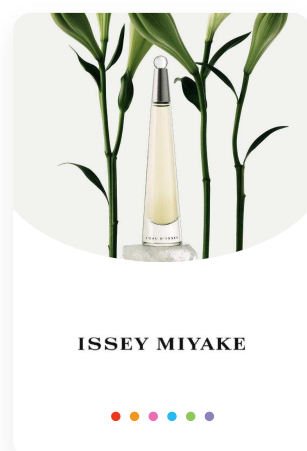
High-end, high-added-value cosmetic products available at department stores and specialty cosmetic stores, primarily sold through beauty consultants.



# FRAGRANCE

## FRAGRANCE

Luxury designer fragrance



# COSMETICS

## COSMETICS

Mid-priced cosmetics that consumers select themselves, primarily sold in drugstores and general merchandise stores. Counseling tailored to each market, brand, and sales channel is also available as needed.



ELIXIR



ANESSA



d program



HAKU



MAQUILLAGE



AQUALABEL



PRIOR



REVITAL



INTEGRATE



AUPRES 欧珀莱



URARA



## PERSONAL CARE

Affordable skincare products, shampoo, and other hair care and body care products sold mainly over the counter at drugstores and other retail stores.

Shiseido has been working on a fundamental business portfolio restructuring, positioning skin beauty as its core business. On February 3, 2021 the Company announced the transfer of its Personal Care business to CVC Capital Partners, one of the world's largest private equity funds with extensive experience in business growth and enhancement of corporate value of investees. The transfer is aimed at maximizing the potential and ensuring further growth of the Personal Care business. Following the transaction, Shiseido will participate in this business as a shareholder of the operating company, acquiring 35% of its shares and proactively supporting the growth of the business.

For details, please refer to the news release posted on the Company's corporate website.

**February 3, 2021: Notice of Company Split (Simple Absorption-type Split) and Other Changes Accompanying the Transfer of the Personal Care Business — Aiming for Further Business Growth and Development through Joint Venture with CVC—** [🔗](#)

# PERSONAL CARE





## PROFESSIONAL

Hair care and styling, hair coloring, perm agents and a wide range of products geared towards hair salons.

Shiseido has been working on a fundamental business portfolio restructuring, positioning skin beauty as its core business. As a part of these efforts, the Company has determined to transfer its Professional business to Henkel AG & Co. KGaA, which has global operations in the beauty care business with a strong foothold in both professional and consumer hair categories. In recent years, Henkel Beauty Care has expanded its footprint, particularly in the professional hair segment, in Europe and the United States. For details, please refer to the news release posted on the Company's corporate website.

**February 9, 2022: Notice of Company Split (Simple Absorption-type Split) and Other Changes Accompanying the Transfer of the Professional Business —Aiming for Further Growth of the Business in Cooperation with Henkel—** [🔗](#)

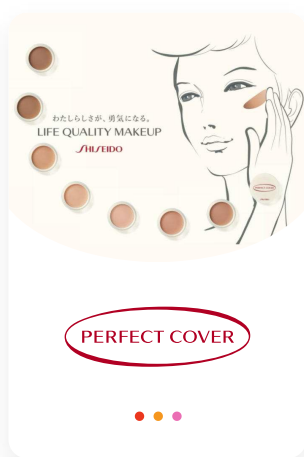
# PROFESSIONAL



## INNER BEAUTY

Beauty drinks and supplements that aim to improve the overall health of the skin from the inside to support people in realizing unique beauty and wellness throughout their lives.

# INNER BEAUTY



## LIFE QUALITY BEAUTY

Brands that help support and substantially improve the quality of life of people with serious skin concerns due to genetics, accident, illness, or medical treatment.

# LIFE QUALITY

Corporate Information, Stock Information, and External Evaluations



Corporate Information

Head Office	Shiseido Company, Limited 7-5-5, Ginza, Chuo-ku, Tokyo 104-0061, Japan Phone: +81-3-3572-5111
Foundation	September 1872
Incorporation	June 1927
Capital	64,506 million yen
Number of Employees	35,318 [6,613] <small>【※1】</small>
Ordinary General Meeting of Shareholders	Late March
Accounting Auditor	KPMG AZSA LLC

※1 As of December 2021. The number of employees shown denotes full-time employees. The annual average number of temporary employees is shown in brackets. Temporary employees include contract employees and part-time workers but exclude dispatched employees.

Stock Information (As of December 31, 2021)

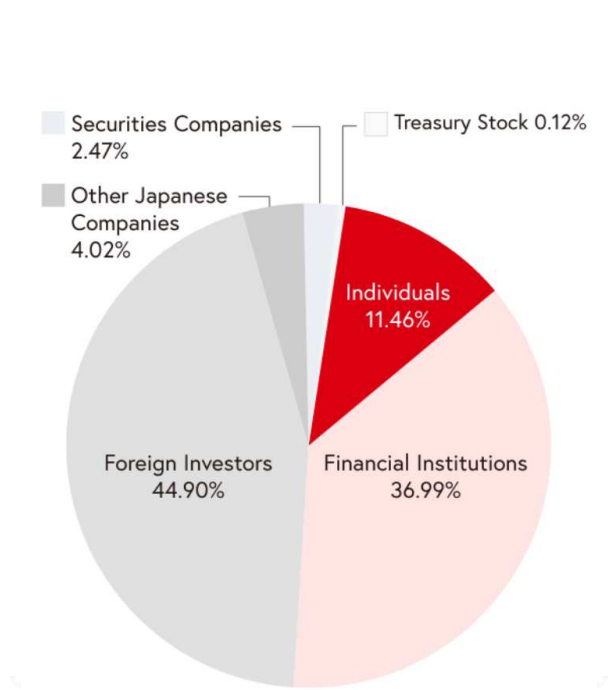
Common Shares Issued 400,000,000 (including 506,767 in treasury stock)

Number of Shareholders 57,874

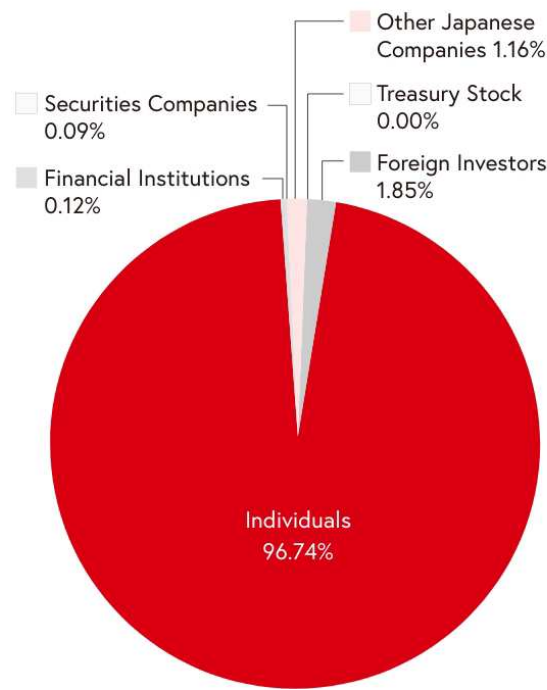
Stock Listings Common Stock: Tokyo Stock Exchange (Code: 4911)  
American Depositary Receipts: U.S. Over-the-Counter

Share Units 100

Shareholder Composition  
by Number of Shares Held



Shareholder Composition  
by Number of Shareholders



Principal Shareholders

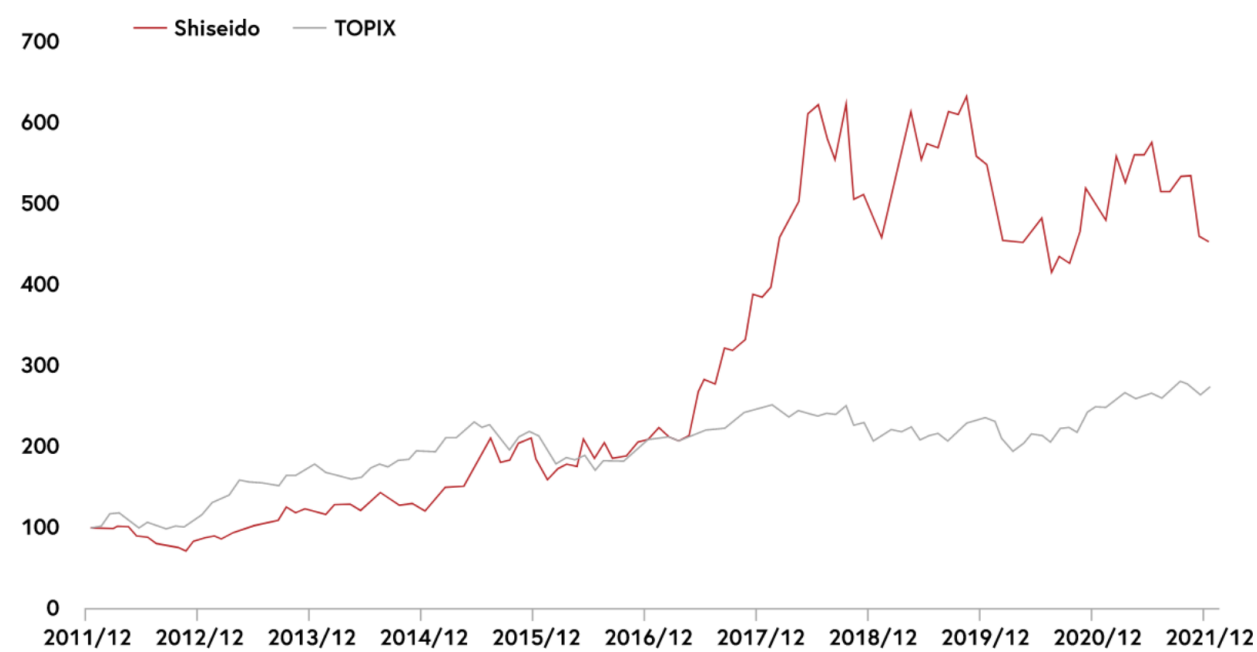
Shareholders	Number of Shares Held (Thousand shares)	Percentage of Shareholding (%) <sup>[※2]</sup>
The Master Trust Bank of Japan, Ltd. (Trust Account)	77,672	19.44
Custody Bank of Japan, Ltd. (Trust Account)	23,531	5.89
THE BANK OF NEW YORK 134104	7,905	1.97
Mizuho Trust & Banking Co., Ltd. Employees Pension Trust for Mizuho Bank re-trusted to Custody Bank of Japan, Ltd.	7,000	1.75
JP MORGAN CHASE BANK 385632	6,928	1.73
BNYM TREATY DTT 15	6,777	1.69
SSBTC CLIENT OMNIBUS ACCOUNT	6,715	1.68
STATE STREET BANK WEST CLIENT - TREATY 505234	6,576	1.64
Nippon Life Insurance Company	5,615	1.40
JP MORGAN CHASE BANK 385781	5,134	1.28

※2 Calculations of percentage of shareholding are based on the total number of issued and outstanding shares excluding treasury stock.



## Stock Price Performance (10 Years)

※3 Closing price on December 31, 2011 indexed at 100



**Total Shareholder Return** ※4 Return on investment assuming that dividends are reinvested. Annual rate based on the geometric mean of cumulative returns. Source: calculated by Shiseido based on data from Tokyo Stock Exchange.

	1 year	3 years		5 years		10 years	
		Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Shiseido	-9.0%	-4.6%	-1.6%	117.2%	16.8%	365.3%	16.6%
TOPIX	12.7%	43.0%	12.7%	46.9%	8.0%	239.8%	13.0%

## Ratings

※5 As of April, 2022

Credit rating agency	Long-term bond rating
Moody's	A2 (Outlook: Negative)

## Promoting Engagement through IR Activities

### Major IR Activities in 2021

Activity	Frequency (times)	Details
Financial results briefings for analysts and institutional investors	4	Quarterly briefing sessions (first- and third-quarter conference call sessions by CFO and second- and fourth-quarter online sessions by CEO & CFO)
IR meetings with analysts and institutional investors	Approx. 450	IR interviews, teleconferences, and online meetings for domestic and foreign analysts and institutional investors
IR events	10	IR events by executive officers (large meetings for domestic and foreign investors, new technology / new product briefings, individual investor briefings, shareholder briefings, etc.)

The video and audio of briefing sessions are posted on the corporate information site.

- [Consolidated Settlements of Accounts / Briefing Materials](#)
- [IR events](#)

## 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.

### Global



FTSE4Good Index Series



MSCI ESG Leaders Indexes

### Japan



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index



MSCI Japan ESG Select Leaders Index



MSCI Japan Empowering Women Index (WIN)



S&P/JPX Carbon Efficient Index



SOMPO Sustainability Index

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.

## Sustainability-related Evaluations / Awards and Collaborations with External Organizations



Shiseido Joins The Global Initiative "RE100"



Shiseido Acquires Accreditation Under Science-Based Targets initiative (SBTi)

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

Shiseido Included in Dow Jones Sustainability World Index and Dow Jones Sustainability Asia Pacific Index



Shiseido Selected for the Supplier Engagement Leaderboard for Coming Out at the Top of CDP's Supplier Engagement Rating



Shiseido Selected as Fiscal 2021 Nadeshiko Brand



The WomenCorporateDirectors Foundation (WCD) Announces Shiseido as a 2020 Visionary Award Honoree for Leadership and Governance of a Public Company

女性が輝く  
先進企業 2020

Shiseido Receives Prime Ministerial Award for Women Empowering Companies via Awards for Women Empowering Companies 2020

## Other Evaluations / Awards

### Shiseido Certified as DX Business Operator by METI

Shiseido was certified as a DX business operator under the DX Certification System established by the Ministry of Economy, Trade and Industry of Japan ("METI") in July, 2021.

In addition, we were selected as one of the stocks in the COVID Response (Customer Care) category in 2021 within the "Digital Transformation Stocks (DX Stocks) 2021."



- Shiseido Certified as DX Business Operator by METI [🔗](#)
- Shiseido Selected as "Digital Transformation Stocks 2021," COVID Response (Customer Care) Category [🔗](#)

### Shiseido Japan Consumer Support Desk Receives the Double Award of Three Stars, the Highest Honor at HDI Benchmarking

Our consumer support desk at Shiseido Japan Co., Ltd. received Three Stars, the highest grade evaluated by HDI-Japan, the largest membership association for the consumer support industry in the world. We also won the Three Stars at "Customer Interaction Evaluating (Phone Channel)" and "Support Center Evaluating (Chat Channel)" in 2021.

### Shiseido's "Integrated Report 2020" Wins Gold in the Chairman's Letter/Presentation Category of the 2021 International ARC Awards

Shiseido's "Integrated Report 2020" won Gold in the Chairman's Letter/Presentation category of the 2021 International ARC Awards, the world's largest annual report competition, and triple Silver in Cover/Home Page, Design/Graphics, and Script/Writing.



- Shiseido's Integrated Report Wins Category Gold at International ARC Awards, World's Largest Annual Report Competition [🔗](#)

### Shiseido Receives Silver Award in IR Site Ranking

Shiseido Received the Silver Award in the "Gomez IR Site Ranking" (Organizer: BroadBand Security, Inc.)





I RELATED LINKS

External Evaluations and Awards

