JHIJEIDO

SUSTAINABILITY REPORT

2022

(Text Version)



SUSTAINABILITY REPORT 2022 (Text version)







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COO Message

Shiseido's Sustainability



Environment	
Reducing Our Environmental Footprint	→

Reducing CO₂ Emissions

Assessing Climate
Risks and Opportunities

Reducing Water

Consumption

Reducing Waste

Developing Sustainable Products

Sustainable Packaging →
Formulas/Ingredients →

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Promoting Sustainable and Responsible Procurement

Procurement of Raw Materials

Supplier Assessment Program



Society

Advancing Gender Equality

Resolving the Gender Gap and Empowering Women in Japan

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

Diversity, Inclusion, and the Empowerment of Women at Shiseido

Empowering People Through the Power of Beauty

Cultivating Self-Efficacy Through the Power of Beauty

Challenging the Unconscious Biases and Prejudices That Limit Individual Beauty

Promoting Respect for Human Rights

Respecting Human Rights

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CEO Message

We aim to become the most trusted beauty company and realize a sustainable world where everyone can enjoy a lifetime of happiness through the power of beauty.

Representative Director, Chairman and CEO Masahiko Uotani



Since its foundation, Shiseido has expanded the possibilities of beauty, discovering, and creating new values which significantly improve people's lives. We celebrated our 150th anniversary last year. For the next 150 years, along with our corporate mission BEAUTY INNOVATIONS FOR A BETTER WORLD, we are committed to helping people live fulfilling by enjoying unique beauty.

As we move towards 2030, we aim to achieve our vision of becoming a "PERSONAL BEAUTY WELLNESS COMPANY". We also pursue a sustainable world, where everyone can enjoy a lifetime of happiness through the power of beauty. We can do this through our products and services. At the same time, we can create additional value to the society where everyone respects diversity, can enjoy life to the fullest, all, in harmony with the planet.

There are many aspects to this aspiration. We believe it is extremely important to promote diversity and inclusion (D&I) Shiseido especially promotes gender equality in Japan, and we are committed to contributing to the transformation of Japanese society through key activities, such as the 30% Club Japan - which I am chair - that works to create a better gender balance in corporate decision-making such as boards of directors. In 2023, we launched the "Shiseido D&I Lab" to explore the causal relationship between diversity and corporate growth and extract key success factors for leveraging diversity. The Lab's findings and best practices will be shared with external parties to help raise the importance of D&I across the Japanese society. We also work on D&I globally by promoting female education supporting their independence in a harsh environment, as well as resolving social problems through the power of beauty.

From an environmental perspective, we are focusing on reducing our environmental footprint across the value chain. This includes taking strong actions on climate change, water resources, and waste in order to reduce negative environmental impact. When it comes to solving environmental issues, we believe working with various stakeholders-including peers-is the key. That is why we are accelerating our collaborations with external stakeholders, including the development of circular economy models, and increasing our participation in global initiatives.

Menu CEO Message

Of course, none of our achievements would be possible without our employees -Our PEOPLE-. At Shiseido, we believe that our people are our most important resource. Our sustainable social value creation is driven by the exceptional performance of our diverse professional team, and it is through them. We provide numerous opportunities to our diverse people to discuss future challenges, propose solutions, and accelerate the innovation. This way, Shiseido creates social value through D&I, while also solving social and environmental issues, as a beauty company.

Under a new management structure effective January 2023, Kentaro Fujiwara was appointed President and COO, and I became Chairman and CEO. With this new team, we aim to become the most trusted beauty company in the world. We will continue to enrich the lives of people through the power of beauty, sustainable and well-being society and the planet through our beauty businesses.

COO Message

In close collaboration with diverse internal and external stakeholders, we will create value through our business by putting social value at the core of our value creation.

Representative Director, President and COO Kentaro Fujiwara





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

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

In regard to "Society", we see diversity and inclusion (D&I) as a key part of our corporate strategy. We aim to create a society where people from different backgrounds and environments respect each other and can live their own unique lives. In Japan, gender equality is seen as particularly challenging. Here, we are actively working to promote women's empowerment through a range of initiatives, including support for a better work-life balance, mentoring programs, and our 'New Leadership for Women' development program. As a result of these actions, I am pleased to say that the percentage of managerial positions filled by women rose to 37.6%1. We contribute to advancing gender equality by sharing best practices to the Japanese society. As a company, Shiseido has also promoted the "Shiseido Life Quality Beauty" initiative. It helps people of all ages, people with diseases, and people with disabilities take unique steps forward by expressing and enjoying their own beauty. We have been using cosmetics to empower people in Japan who live with cancer. In 2022, we started to extend the program to four other countries and area: China, Singapore, Thailand, and Taiwan to make change globally.

As of January 2023 in Japan

For "Environment", as part of our initiatives to help mitigate climate change, we are switching to renewable energy and reduce of CO₂ emissions at our domestic and overseas sites. In 2022, we obtained certification for our science-based targets to reduce CO_2 emissions by 2030 throughout the entire value chain. We also joined RE100, a global initiative that brings together companies committed to transitioning to 100% renewable electricity in business operations. When it comes to products, we promote sustainable procurement by working with suppliers to improve the traceability of raw materials connected to environmental and social issues. We are also reducing CO₂ emissions and plastic volume by expanding the use of 'refillable' packaging and raising awareness among consumers. In 2022, we initiated partnerships with companies from diverse industries, leveraging their expertise.

Additionally, in 2023, we launched 'BeauRing', a pilot project aimed at testing the circular model for plastic packaging.

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

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

Strategic Action

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

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

Our actions for the environment are based on the idea of banbutsu shisei¹ the phrase from which our company name "Shiseido" originates. We are working to develop technologies and business models that can reduce environmental impact and realize a circular economy. To do so, we are taking the following three strategic actions throughout the entire value chain: "Reducing our environmental footprint", "Developing sustainable products", and "Promoting sustainable and responsible procurement".

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

Material Issues

At Shiseido, we are committed to creating a sustainable world and enhancing people's sense of happiness and fulfillment through value creation, as we have done since our founding. To select social and environmental issues to be addressed through our business, we compiled a list of sustainability issues based on interviews, surveys, and discussions with stakeholders. We first examined the importance of these issues to Shiseido's business and to all of our stakeholders, from employees and consumers to business partners, shareholders, and society, and the earth. We then categorized and prioritized the issues along two axes and defined 18 material issues'2.



^{*2} Materiality will be reviewed every few years based on the external environment and stakeholder requirements

How We Formulated Our Material Issues

The following process was implemented to define material issues.

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



- · Experts in environmental and social fields globally
- Consumer feedback (from company surveys conducted in five countries)
- · External surveys, reports from major international organizations (GRI, SASB, SDGs etc.)
- investor feedback
- Executive officer*3 and employee feedback

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



- Issues are narrowed down to those highly relevant to our businesses through discussions with executive officers^{*3} and various internal divisions.
- · Issues are then selected by scoring them based on the two axes of importance to our businesses and importance to the entire company's stakeholders (employees, consumers, business partners, shareholders, society, and the earth).
- The questions and strategic actions surrounding these issues are then confirmed by the executive officers*3.



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

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

Strategic Actions & Corresponding SDGs

Shiseido has established 6 strategic actions based on different material issues, 3 each in the areas of environment and society. To implement these initiatives, we are distributing management resources on a priority basis in each department across the entire company.

Material Issues	Strategic Action	Corresponding SDGs	
Climate change Development of eco-friendly formulas Sustainable packaging Deforestation Responsible procurement Waste reduction Water usage	1. Reducing our Environmental Footprint	6 distances 11 inclination 12 comments 12 comments 13 come 14 inclination 13 come 14 inclination	
	2. Developing Sustainable Products	3 continues of the second seco	
	3. Promoting Sustainable and Responsible Procurement	8 topic serial 12 contacts 15 or	
 Diversity and inclusion Quality of life Professional development Occupational health and safety Respect for human rights 	4. Advancing Gender Equality	5 10000 10 1000000	
	5. Empowering People Through the Power of Beauty	3 SURFRIGHT 5 THE TOTAL TO SERVENTS	
	6. Promoting Respect for Human Rights	8 10004 markato 10 10000011 **************************	
Strengthening of governance and accountability Fair business transactions Quality assurance Responsible marketing and advertising Information security and privacy Art and heritage	 We are committed to maintaining and improving the transparency, fairness, and speed of management initiatives by enhancing corporate governance as well as maximizing corporate and shareholder value over the medium term through dialogue with all stakeholders—consumers, employees, shareholders, the environment, and society at large—to fulfill our responsibilities as a public entity and optimize value distribution to each stakeholder.*4 We promote activities in art and heritage through our corporate culture that generates social value and shares a uniquely Japanese aesthetic with the world. 		

^{*4} We will not disclose strategic actions related to governance materiality.

A System for Promoting Sustainability

At Shiseido, we work to promote sustainability across the entire company through our brands and regional businesses. In 2022, the Sustainability Committee met regularly to ensure timely management decisions related to sustainability and their implementation. The committee decides on Group-wide sustainability strategies and policies, discusses specific topics such as TCFD reporting and human rights actions, and monitors the progress of medium-to-long-term goals. The committee consists of the representative directors and executive officers in charge of Corporate Strategy, R&D, Supply Network, Corporate Communications, and our brands, as well as other executive officers's from different fields, allowing us to discuss a range of issues from different perspectives. In addition, the Global Strategy Committee and the Board of Directors are specifically consulted when a decision is needed on important matters related to business execution. We also publish an annual sustainability report for our global stakeholders in which we disclose the medium-to-long-term targets we have for actions we can take toward sustainability in our core business, as well as the progress toward those goals. Furthermore, in order to promote sustainability initiatives, we have introduced a long-term incentive-type remuneration that incorporates multiple internal and external performance targets related to ESG including CO₂ emissions reduction and female ratio in managerial positions, for Directors (excluding external Directors and Auditors), Executive Officers and leaders in critical positions in Japan and overseas. The actual value of this incentive remuneration increases or decreases depending on the achievement against each individual target.

^{*5} Until the end of FY 2021, it was "corporate officers"

Medium- to Long-term Targets and Results

Strategic Action	Environment	Targets		Target Year	2022 Results
Reducing our environmental footprint	CO ₂ Emissions	Carbon neutral*6		2026	45% (compared with 2019)
		CO ₂ emission reduction (SBTi, Scope 1+2)	46.2%*6	2030	Plan to disclose in 2024
		CO ₂ emission reduction (SBTi, Scope 3)	55%*7	2030	
	Water	Water consumption reduction	40%*8	2026	37% (compared with 2014)
Developing sustainable products	Packaging	Sustainable packaging	100%*9	2025	64%
Sustainable and responsible procurement	Palm Oil	Sustainable palm oil	100%*10	2026	36% (palm oil equivalent basis)
	Paper	Sustainable paper	100%*11	2023	97% (paper weight basis)

 $^{^{\}star}11$ $\,$ Such as certified paper and recycled paper.

Strategic Action	D&I	Targets		Target Year	2022 Results
4. Advancing Gender Equality		Ratio of female leaders at all levels in Japan	50%	2030	Directors and A&SB Members 40.0%*12
					Executive Officers 35.3%*13
					Managers in Japan 37.6%*14
	In society	Empower women at workplaces in Japan Support education and financial independence for socially vulnerable women worldwide	One million people (to reach directly)	2030	Related indicators are posted on the Sustainability page of our corporate website
5. Empowering People Through the Power of Beauty	In society	 Cultivating Self-Efficacy Through the Power of Beauty Challenging the Unconscious Biases and Prejudices That Limit Individual Beauty 	One million people (to reach directly)	2030	

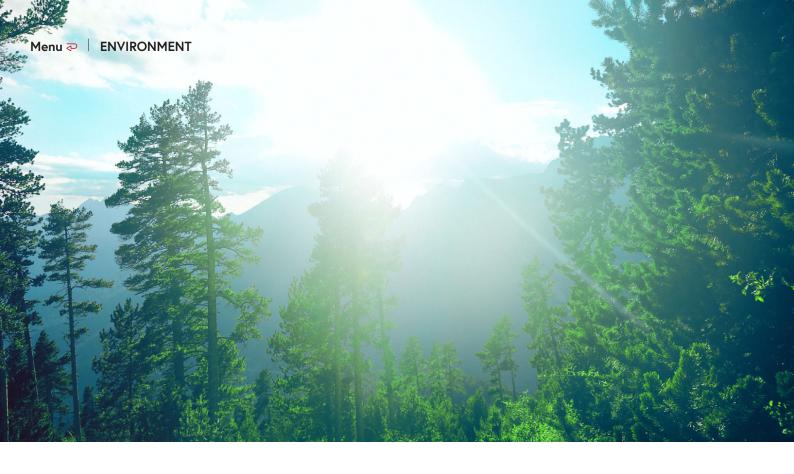
^{*12} As of April 1, 2023, Directors and Audit&Supervisory Board Members

At all our sites (compared to 2019)
 Throughout our value chain, excluding Shiseido sites (compared to 2019)
 For all our sites, intensity per sales, compared with 2014.
 For sale of products with plastic packaging.

^{*10} Physical supply chain models, identity preserved, segregated, and/or mass balance.

^{*13} As of April 1, 2023

^{*14} As of January 1, 2023



ENVIRONMENT

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

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

STRATEGIC ACTION 1

Reducing Our Environmental Footprint



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

CO₂

By 2026 Carbon neutral.*1 By 2030 Reduce CO₂ 46.2% (SBTi). *1 Reduce CO₂ 55% (SBTi).*2

Water

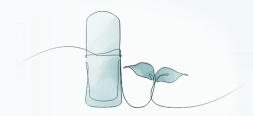
By 2026 Reduce Water consumption 40%.*3

Waste

By 2022 Zero landfill.*4

STRATEGIC ACTION 2

Development **Sustainable Products**



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

Packaging

By 2025 100% Sustainable Packaging.*5

Formula/Ingredients

Reduce our environmental and social impact by using sustainably sourced raw materials that are selected in consideration of safety, the environment and ethics.

STRATEGIC ACTION 3

Promoting Sustainable and Responsible Procurement



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

Palm Oil

By 2026 100% Sustainable Palm Oil Usage.*6

Paper

By 2023 100% Sustainable Paper Usage.*7

Supplier Assessment Program

Create a sustainable supply chain.

At all our sites (Scope 1 and 2), compared with 2019.

Entire value chain excluding our sites (Scope 3), Economic Intensity Target, compared with 2019.

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

For Shiseido owned factories.

^{*5} For sale of products with plastic packaging.

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

Such as certified paper and recycled paper.

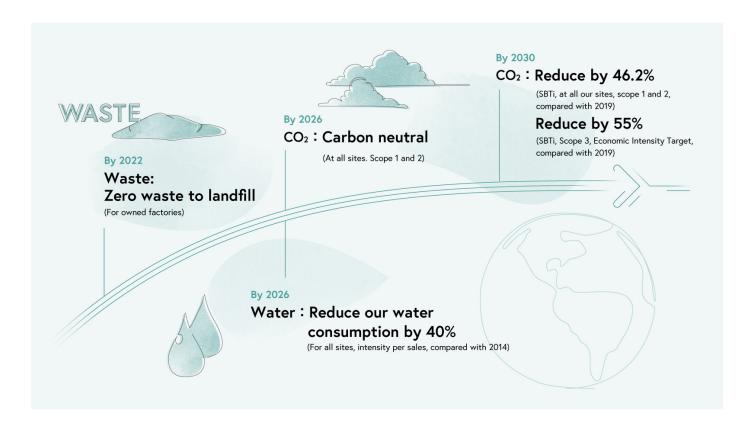
STRATEGIC ACTION 1

Reducing Our Environmental Footprint

The impact of climate change, including extreme weather events caused by global warming, is becoming more apparent each year. To preserve the natural environment and its biodiversity, companies must take action to resolve these environmental issues — while simultaneously ensuring sustainable growth for themselves and the global economy.

Shiseido has set long-term targets to be achieved by 2030 in order to reduce the environment impact of its business operations. we have identified 3 key actions 'the reduction of CO₂ emissions', 'the reduction of water consumption', and 'waste reduction' under the strategic action of "Reducing environmental footprint". We will continue to work with stakeholders throughout our value chain to create sustainable impact within each of these actions.

Environment Policy 19



STRATEGIC ACTION 1 Reducing Our Environmental Footprint

Reducing CO₂ Emissions

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

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

Assessing Climate Risks and Opportunities →

Medium- to Long-term Targets and Results →

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

To mitigate climate change, we are committed to reducing CO_2 emissions from the electricity and fuel used in our business activities. As part of our efforts, we use renewable energy where possible and constantly seek to improve energy efficiency in our factories, offices, and other facilities.

Increasing the Use of Renewable Energy

We are constantly working to increase the use of renewable energy at our factories and offices. By the end of 2022, all our factories (both domestic and overseas) operated on 100% carbon neutral electricity. In addition, we are promoting the use of renewable energy in our offices, such as switching 100% of the electricity at our Shiodome and Ginza headquarter offices to renewable electricity. As a result, renewable electricity now accounts for 75% of all the electricity used at Shiseido Group.

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

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





- *1 The 26th Session of the UN Climate Change Conference of the Parties.
- 2 Task Force on Climate-related Financial Disclosures (TCFD).
- *3 Scope 1, Scope 2, and Scope 3 emissions.
- *4 Greenhouse gases usually refer to CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, and NF₃. In this report, unless otherwise specified, these greenhouse gases will be collectively referred to as 'CO₂'.



Solar panels at the Fukuoka Kurume factory (Japan)



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

Improving Energy Efficiency

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

In addition to using LED lighting to reduce energy consumption, we installed Energy Management Systems (EMS*6) to visualize energy use and CO2 emissions on equipment that uses electricity, steam, or compressed air. These systems allow us to optimize energy usage in a number of ways and, in this way, help us to reduce energy consumption.

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



West Japan Distribution Center

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

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

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

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

2021 compared to 2019.

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



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

Our indirect CO_2 emissions also result from our business activities but they are not directly under our control – for example, emissions that derive from the manufacturing and shipping of raw materials or the use and disposal of our products. As part of our work to reduce the impact of our business activities on climate change, we have established science-based long-term reduction targets for our indirect CO_2 emissions, and we are working with our suppliers and other stakeholders to reduce emissions across our entire value chain.

Procurement of Raw Materials

In line with the green chemistry principles 7 , we select raw materials that generate low CO_2 emissions, just as we strive to reduce CO_2 emissions during product development. With regard to palm oil-derived materials, which are key ingredients in our products, as well as sugarcane-derived polyethylene and paper for containers, we use raw materials that are not linked to deforestation.

In 2022, Shiseido participated in the CDP Supply Chain Program $^{\circ}$ 8. Through the program, we expect to reduce CO_2 emissions related to raw material procurement. In 2023, we will begin to monitor our suppliers' CO_2 emissions and engage with them to reduce emissions.

reduce or eliminate the use or generation of substances that are hazardous to people or the environment.

*8 The Carbon Disclosure Project (CDP) Supply Chain

The design of chemical products and processes that

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

Reducing CO₂ Emissions During Transportation

Shiseido is striving to reduce waste and CO_2 emissions by repeatedly using shipping boxes when procuring materials, mainly from bottle suppliers that deliver frequently.

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

In February 2023, we introduced an electric truck into our vehicle fleet in Japan on a trial basis. The electric truck is expected to reduce CO_2 emissions by 1 ton per year, and we plan to expand our fleet of electric vehicles moving forward.

Environmental Data →



Shiseido's EV truck

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

STRATEGIC ACTION 1 Reducing Our Environmental Footprint

Assessing Climate Risks and Opportunities

Given the seriousness of the impact of climate change issues on business growth and social sustainability, Shiseido has been disclosing information in line with TCFD's framework. Disclosures include the results of our qualitative and quantitative analyses of the risks and opportunities associated with the transition to a decarbonized society and changes in the natural environment due to climate change for both the 1.5/2°C and 4°C scenarios, as well as our major actions, over the short, medium, and long term.

Governance

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

Strategy (Scenario Analysis)

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

Regarding transitional risk, the elements associated with the transition to a decarbonized society — such as policy, regulation, technology, market, and consumer perceptions — were considered. Physical risks related to the acute or chronic phenomena caused by the rise in temperature — such as floods and water shortages — were also considered. Based on these considerations, the financial impacts of the 1.5/2°C and 4°C scenarios were then analyzed. The influence of carbon tax was identified as the transition risk, with projections pointing toward approximately JPY 0.05-0.87 billion in 2030, depending on the number of countries and regions where carbon tax would be introduced. For Physical risks, JPY 0.89 billion of floods and JPY 3.5 billion of water shortage were forecasted potentially.

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

Risks and Opportunities

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

[•] Risk factor analyzed qualitatively and quantitatively.

Click here for Climate-related Financial Disclosure, including detailed results of scenario analysis. 📴

Risk Management

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

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

Metrics and Targets

In order to mitigate the climate-related risks, we set the reduction of CO₂ emissions as our target. We aim to achieve carbon-neutrality by 2026, and to reduce by 46.2 % by 2030 compared to emissions in 2019 for Scope1 and Scope2 emissions. For the target of Scope 3 emissions, 55 % reduction in economic intensity by 2030 was set. These were accredited by SBTi¹¹⁰ as a scientific target along the 1.5°C trajectory. In addition, we have set appropriate metrics and targets related to climate issues, such as "Water consumption at our sites" and "Rate of switching to RSPO-certified raw materials," and aim to build a resilient business.

^{*10} SBTi is a global initiative that defines and promotes best practice in science-based target setting and independently assesses companies' targets.

STRATEGIC ACTION 1 Reducing Our Environmental Footprint

Reducing Water Consumption

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

In view of the importance of water resource management (Water Stewardship^{*11}), we cooperate with stakeholders to promote the sustainable use of water resources by working to understand the water cycle and the environment of watersheds, reduce water consumption, increase the effectiveness of its use, and ensure thorough control of water quality. In addition, we prioritize the healthy circulation of water in water systems, value unique regional water-related cultures, and respect people's right to safe drinking water and sanitation^{*12}. At the same time, we work to educate our employees on water-saving measures, and encourage our stakeholders, including our employees, to contribute to achieving Goal 6 of the UN Sustainable Development Goals*13.

Medium- to Long-term Targets and Results →

- Using water in a way that is socially equitable environmentally sustainable, and economically beneficial.
- *12 Access to safe drinking water and sanitation is recognized as a basic human right in international
- *13 SDG Goal 6: Ensure availability and sustainable management of water and sanitation for all.

Water Saving Initiatives

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

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

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

To ensure more effective use of water, we focus on circular systems that clean water and reuse or recycle it within the process. At our Taiwan factory, for example, we reuse 100% of the wastewater from our water purification systems in onsite facilities. At our Osaka Ibaraki factory in Japan, we introduced a circular system that utilizes re-used water to cool the manufacturing tanks. This system led to an annual reduction in water consumption of around 65,000 m³ in 2022. Other new water utilization initiatives include optimizing our pure water manufacturing equipment — as we have done at our Nasu factory in Japan, for example. Pure water manufacturing consumes approximately half of all water used at the factory. Through this initiative, as well as other water recycling schemes, we reduced our annual water consumption by around 72,000 m³, an amount that is





Water treatment facilities at Nasu factory (Japan)

approximately one third of the factory's annual water usage.

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

Engaging Stakeholders

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

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

At our Shanghai factory in China-which is located in a water-stressed 14 area-we participate in a local environmental protection association and proactively obtain environmental information, such as environmental laws and regulations regarding factory activities. We also report monthly water consumption to the government, which promotes water conservation and is working to improve water utilization rates and strengthen water conservation management. In the area around our Val de Loire factory in France, rainfall volumes are expected to fall in future. Therefore, we regularly share information with other local industries on good water practices to decrease water consumption.

In cooperation with our stakeholders, we conduct water footprint 15 assessments to better understand the environmental impact of water usage throughout our value chain. We ask our suppliers to provide information on their water usage through self-assessment and strive to ascertain water-related environmental impacts. In addition, we have participated in the "Study Group on Water, Climate Change and Sustainable Development" organized by Professor Oki Taikan of the University of Tokyo, who has outstanding expertise in hydrology¹¹⁶, to gather the latest scientific knowledge on the characteristics of water resource, water availability, and the future change forecast associated with climate change. We apply these findings to our analysis of risks and opportunities related to climate change to ensure sustainable water use.

- *14 A situation where there is not enough water of sufficient quality to meet the demands of people and the environment.
- *15 A method to quantitatively calculate the environmental impact of direct and indirect water consumption and pollution throughout a product's lifecycle.
- *16 The study of all aspects of water, including the Earth's water cycles, water usage, and the protection of

Reducing Waste

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

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

Medium- to Long-term Targets and Results →

Reducing, Reusing and Recycling Waste

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

Our target was to achieve zero waste⁺¹⁸ to landfill from our factories worldwide by 2022. Thanks to the actions above and other initiatives, we managed to achieve our target in 2020, two years ahead of schedule, and continue to achieve it.

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

Employee Education

All our waste reduction initiatives are driven by our PEOPLE. Therefore, we arrange online seminars and training sessions¹⁹ for newly appointed managers and employees in charge of industrial waste in Japan. Following the seminars and training sessions, each participant should be able to identify how to effectively manage waste with the help of our internal guidelines and checklists.

Environmental Data ->

^{*17 &}quot;zero emissions" is a concept defined by UN university in Japan . Recycled waste: 99.5% or higher (excluding waste designated as landfill by law).

^{*18} Excluding waste designated as landfill by law.

^{*19} Due to the coronavirus pandemic, these are held online.

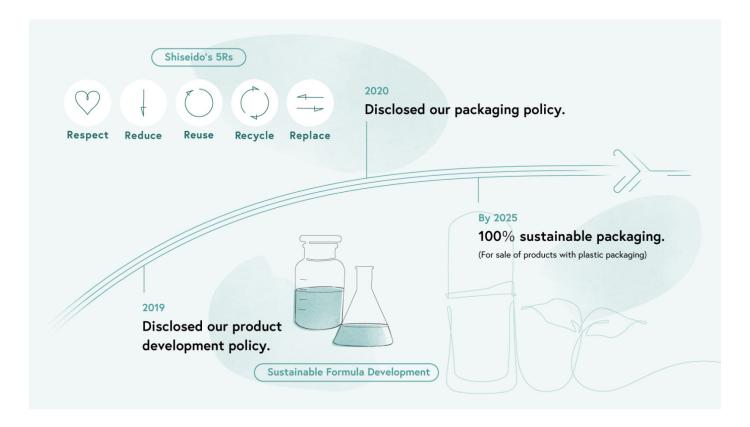
STRATEGIC ACTION 2

Developing Sustainable Products

Shiseido's original research and development (R&D) philosophy is based on high safety and quality standards, and this has been passed down for over 100 years. Today, we have redefined this philosophy as DYNAMIC HARMONY 2: "fusion of different values" for the new value creation, rooted Western science and Eastern wisdom, as the origin of Shiseido to identify the core of our R&D strategy.

Premium/Sustainability, one of the research approaches, states that "we will step up to the challenge of creating sustainable value unique to Shiseido, which balances satisfaction stemming from the results, high-quality design, and feel of our products with respect for and coexistence between people, society, and the global environment".

To ensure we can make effective use of limited resources, mitigate climate change, and minimize our impact on ecosystems, we focus on developing sustainable formulas and ingredients, circular packaging and recycling models. In addition, we have implemented a Life Cycle Assessment (LCA) evaluation system to promote the reduction of environmental impact based on life cycle thinking. Environment Policy | 77



STRATEGIC ACTION 2 Developing Sustainable Products

Sustainable Packaging

The world needs urgent solutions to mitigate climate change and reduce marine plastic pollution. Stakeholders, including consumers, awareness of climate and environmental issues is expected to increase more than ever. Responding to these changes in consumer awareness is critical to the sustainability of our business. At Shiseido, we strive to cut our environmental impact and create a circular economy through our own packaging development policy: Shiseido's 5Rs: respect, reduce, reuse, recycle, and replace.

To achieve our goal of 100% sustainable packaging⁻¹ by 2025, we promote recyclable and reusable designs, as well as the use of biomass-derived and post-consumer recycled (PCR) materials. We are specifically working to reduce packaging weight, develop refillable packaging, and design packaging that is easy to recycle⁻². In addition, we are building a Shiseido circular business model that recycles used packaging as new resources in collaboration with consumers and external partners.

Shiseido's 5Rs



- *1 For sale of products with plastic packaging.
- *2 Amount of plastic packaging used in Japan in 2022 (Including estimates): 18,000t.

Medium- to Long-term Targets and Results →

Reduce and Reuse

In line with Shiseido's 5Rs packaging development policy, we are reducing the amount of plastic we use by optimizing the size of packaging to suit the product, reducing packaging weight, and offering refillable packaging.

Our Life Cycle Assessment shows that refillable packaging significantly lowers resource use, waste, and CO_2 emissions compared to continuously disposing of regular (primary) packaging. In order to make a significant contribution to reducing the burden on the environment, we aim to promote the development of these products widely, not only in Japan but also on a global scale.

Since we launched our first refillable product in 1926, we have provided refillable packaging in a wide range of product categories, including skincare and makeup. In 2022, we offered refillable packaging for more than 770 stock keeping units (SKUs) within 30 brands globally. This included increasing refillable packaging under our prestige brand *Clé de Peau Beauté* and releasing a refillable cream, La Crème. Compared to regular (primary) packaging, the refillable version of La Crème uses 95% less plastic. In 2022, sales of refillable packaging from *Clé de Peau Beauté* increased 30% year on year.

We are also incorporating innovative technologies to reduce environmental impact.



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

*3 Weight ratio of regular (primary) packaging

Through SHISEIDO, in 2023 we became the first company to sell cosmetics in packaging made with LiquiForm® technology^{*4}. LiquiForm® brings together the "bottle-molding" and "filling" process into a single step. Refillable cosmetics packaging made with LiquiForm® can reduce plastic usage per packaging by approximately 70%^{*5}. Moreover, compared to our conventional refillable packaging (of the same volume), this technology can reduce CO₂ emissions across the entire supply chain — from raw material procurement and production to use and disposal — by around 70%^{*5}.

In 2022, Shiseido China collaborated with China's Ministry of Ecology and Environment (MEE) and the Alibaba Group to publish China's first white paper on refillable beauty products. Shiseido China will collaborate with MEE and Alibaba to promote the use of refillable beauty products and advocate for greener consumer behavior respectively.

- *4 The new packaging technology was developed chiefly by Amcor. Shiseido worked with Yoshino Kogyosho, a company that has put the technology to use, to jointly develop cosmetic packaging.
- *5 When comparing our conventional replaceable packaging with the new LiquiForm® replaceable packaging (of the same volume).

Recycle

To realize a circular economy, it is important to select materials and design products with the reuse of resources in mind. To reduce our consumption of single-use plastic, we are developing packaging made from a material that can be more easily sorted and reused/recycled after use, without compromising the quality of the packaging's design.

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



SIDEKICK

Replace

To mitigate climate change and marine plastic pollution, we are focusing on the research of post-consumer recycled (PCR) materials, plastic alternatives, and biomass-derived materials with low environmental impact — and promoting their use.

From 2022, for example, we transitioned Ultimune™, *SHISEIDO*'s iconic serum, to refillable packaging made from 100% recycled glass⁻⁶. Additionally, Ultimune™ switched its acrylic in-store visual merchandising elements to 100% recycled materials — significantly reducing its use of virgin plastic. We also use some biomass-derived materials in the products and packaging of various other brands, including our *ANESSA* suncare brand and *BAUM* skin & mind brand.

We are working with other companies in the industry to start replacing the plastic Point of Sale Materials (POSM) placed in drug stores in Japan with paper POSM. In 2022, we switched approximately 70%⁻⁷ of our plastic POSM in Japan to paper.



Shiseido's Ultimune™ Power Infusing Concentrate III container made from recycled glass.

- *6 Ultimune™ Power Infusing Concentrate III. Excluding
- *7 For promotional materials of premium Japanese brands, such as set cases and hooks.

Initiatives to Build a Circular Model

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

In-store Collection and Recycling

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

Our skincare brand IPSA, for example, operates a recycling program at a country and area to reduce its environmental impact and promote environmental awareness among consumers. In 2022, the brand collected approximately 63,000 (1,400 kg) cosmetics containers in China through 94 stores, and approximately 22,000 containers in Taiwan*8.

In Japan, we collected around 30,000 *sused containers through 88 AEON stores in collaboration with Aeon Retail Co., Ltd., TerraCycle Japan*9, and other companies.

- Collection period: January 2022 December 2022.
- TerraCycle is a US-based social enterprise whose mission is "Eliminating the Idea of Waste".

Collaborating to Build a Circular Economy for Plastic Cosmetics Containers

When developing cosmetic containers, much importance is placed on protecting the contents, ensuring ease of use, and giving the container a great look and feel. As a result, they have to be made from a wide variety of materials, which can make it challenging to recycle them back into reusable plastic resources.

To solve this issue, Shiseido launched an initiative in 2022 in collaboration with SEKISUI CHEMICAL CO., LTD. and Sumitomo Chemical Co., Ltd. The initiative involves creating a circular economy in which plastic cosmetics containers are collected and recycled without separating the materials. The three companies will be advancing this cross-sectoral alliance, while also calling on related industries and companies to join the effort to create a circular economy.

Click here for Press Release: Collaborating in Building a Circular Economy for Plastic Cosmetics Containers | 77



"BeauRing" Circular Model Project for Plastic Cosmetics Containers

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

Click here for Press Release: Circular Model Project "BeauRing" 2



BeauRing BOX



BeauRing logo

Participation in Related Initiatives

R Plus Japan Ltd.

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

Click here for Press Release: R Plus Japan 2



STRATEGIC ACTION 2 Development Sustainable Products

Formulas/Ingredients

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

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

Environmental Initiatives

UV Care

We are accelerating innovation in the field of suncare to protect against UV and pursue coexistence between people, their ecosystems, and the environment. The effect caused by the climate change, UV exposure for people around the world is expected to increase*10. Exposure to UV rays over extended periods of time causes spots and wrinkles on the skin-symptoms of photoaging.

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

We are assessing the impact that UV filters used in suncare products have on the ocean. This includes working with the University of the Ryukyus to assess the impact of each UV filter used in our products on coral*11, and performing simulations*12 of how suncare products spread into the ocean when used by people at the seahore. We are utilizing the results of these assessments for ingredient selection and the development of coral-respecting formulas, while applying them to suncare product development for both SHISEIDO and ANESSA.

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

Click here for Corporate website: Research on Sustainability 💆 Click here for Brand website: ANESSA 19



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

- *10 According to an announcement by the Japan Agency for Marine-Earth Science and Technology.
- *11 Egg-laying size groups of coral, excluding those in the planktonic larval and juvenile stages.
- developed by the National Institute of Advanced Industrial Science and Technology.

Transparent Information Disclosure

Disclosing Our Products Policy

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

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

Click here for Shiseido's Product Development Policy 19

Procuring Sustainable Raw Materials

Shiseido strives to procure environmentally friendly, sustainable raw materials.

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

Promoting Sustainable and Responsible Procurement ightharpoons

Brands That Cater to Consumer Needs

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

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

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

In 2022, we launched the *Ulé* skincare brand in France. Based on plant-derived ingredients, *Ulé* promotes beauty both inside and outside the body. The brand emphasizes responsible procurement, product efficacy and safety, lower



Ulé



environmental impact, and transparency. To ensure clearer raw material traceability and reduce environmental impact from transportation, the brand buys its three botanical treasures (centella, coleus and tulsi) and produces all its products locally in France. The names and origins of the raw materials can be found on the brand website.

Ulé was awarded the Young and Sustainable Brand Prize in the "Prix d'Excellence Marie-Claire" 2023, the most prestigious beauty awards in France.

No Animal Testing

We strive to provide safe and effective products to consumers while complying with cosmetics regulations and respecting the principles of animal protection. For all our cosmetics and quasi drugs, we have established a safety assurance system based on alternative methods using cell cultures or in silico^{*13}, etc., that do not involve animal testing^{*14}. We continue to develop effective alternatives to test product safety, and work with administrative agencies in various countries/regions to certify these methods as official, according to the laws and regulations of the given countries/regions.

In February 2023, we announced our involvement in the newly launched International Collaboration on Cosmetics Safety (ICCS). A global project involving more than 35 cosmetics manufacturers, suppliers, industry associations, and animal protection organizations, ICCS's goal is to promote and implement animal-free safety assurance in the development of cosmetics and personal care products.

Click here for Corporate website: Initiatives in Response to Animal Testing and Alternative Methods $\underline{\mathcal{D}}$

- Initiatives with External Institutions
- Granting Technology License to Toyo University for Environmental Impact Reduction

In March 2020, Shiseido became the first WIPO GREEN¹¹⁵ partner company from the cosmetics industry. In 2022, we granted Toyo University a license to use our low-energy manufacturing technology, which is listed in the WIPO GREEN database. Through joint research, Toyo University developed a low-environmental impact, sustainable hand serum using extract from boysenberries harvested near the university.

Developing Cosmetic Ingredient Using Protein Fiber and Formulate It into Products

In 2022, we jointly developed a cosmetics ingredient using Brewed Protein^{TM*16}, a biodegradable fiber*¹⁷ made of plant-derived biomass developed by Spiber. This environmentally friendly material is being used in Shiseido mascara products to create supple and beautiful eyelashes. We are now looking into further applications of the fiber in other Shiseido products.

- *13 A method of prediction by computer-based calculation.
- *14 Except when mandated by law.

Partner of WIPO GREEN

- *15 The World Intellectual Property Organization (WIPO) is a specialized agency under the United Nations, responsible for developing international intellectual property systems. WIPO GREEN is an international framework for promoting innovation in environment-related technologies, and has more than 150 partner companies. As of April 2023, Shiseido had licensed out 11 patented technologies registered in the WIPO GREEN database.
- *16 Brewed Protein™ is a trademark or registered trademark of Spiber Inc., applicable in Japan and other countries.
- *17 Biodegradation of raw Brewed Protein™ fiber has been demonstrated in various natural environments including seawater, freshwater, and soil. (Tests for seawater and freshwater were conducted in accordance with ASTM D6691 and ISO 14851, respectively. The seawater test confirmed more than 70% biodegradation within 30 days.)

Exploring the Possibilities of Algae in the MATSURI Project

Shiseido has joined the MATSURI project, the world's first corporate joint project to explore how algae can be used to drive a sustainable future. Powered by the sun, algae absorb CO_2 through photosynthesis, while also generating useful proteins, lipids, and carbohydrates. More extensive use of algae is expected to contribute to lower CO_2 emissions in future, where algae products can replace fossil-derived raw materials. MATSURI Project partner companies will work together to develop new business opportunities for the cosmetics industry using algae as a raw material.

十年祭 CHITOSE MATSURI

Click here for MATSURI 2

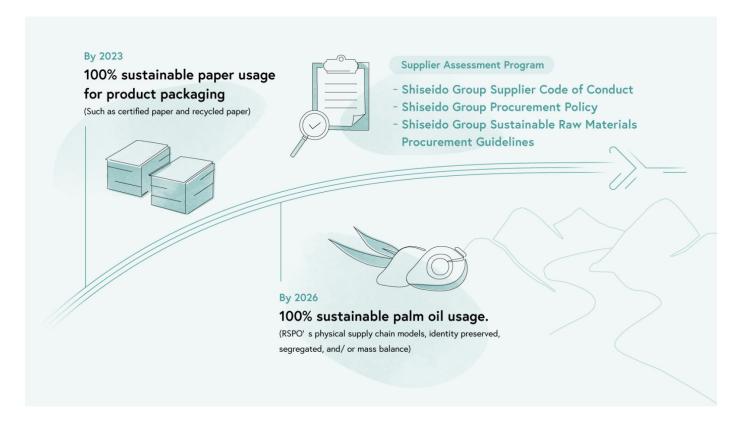
STRATEGIC ACTION 3

Promoting Sustainable and Responsible Procurement

At Shiseido, we utilize the world's natural resources to develop products and operate our business. We understand that these resources are limited, and we place the utmost importance on the sustainable and responsible procurement of raw materials at every stage of the supply chain. We focus on reducing and reusing resources to promote environmental conservation and biodiversity and contribute to a circular economy. In all our activities, we also work to address and strengthen our response to other sustainability issues, such as human rights.

Sustainable and responsible procurement requires close collaboration with all our suppliers. Our supplier standards, policies, and quidelines define a clear risk elimination process for our procurement. In addition, Shiseido Group Procurement Policy stipulates our expectations to suppliers in terms of environmental and human rights, outlining a strict and objective process for identifying and correcting supplier risk through third-party audits and supplier sustainability evaluations.

Shiseido Group Procurement Policy Procurement Policy Shiseido Group Supplier Code of Conduct De Shiseido Group Sustainable Raw Materials Procurement Guidelines 📴



STRATEGIC ACTION 3 Promoting Sustainable and Responsible Procurement

Procurement of Raw Materials

Raw material production can lead to environmental damage and violation of human rights. Moreover, the production of some raw materials, such as palm oil and paper, can significantly impact biodiversity. Therefore, it is important for companies to procure materials that are produced under sustainable conditions.

In 2020, we published our medium- to long-term targets for the sustainable procurement of palm oil and paper, and we are currently in the process of switching to more sustainable raw materials. We are also strengthening our efforts to solve issues related to the mining of mica. By clarifying our own procurement policy and building a support system in collaboration with other companies, we aim to create positive change in the mica mining industry.

Medium- to Long-term Targets and Results →



Biodiversity

Shiseido's business activities rely on nature's rich biodiversity. In recent years, many scientists and non-governmental organizations have warned of rapid biodiversity loss. As a result, from both a species conservation and sustainable business perspective, companies are being called upon to engage in biodiversity conservation activities. They are also encouraged to ensure transparent information disclosure regarding the impact of their activities on the natural environment.

At Shiseido, we use the Taskforce on Nature-related Financial Disclosures' (TNFD) framework to analyze risks and opportunities around our dependence and impact on nature. The results of these analyses have shown that palm oil-derived raw materials and paper have a significant impact on biodiversity on land. Therefore, we support zero deforestation for palm oil and paper, and strive to minimize negative impact by switching to certified and recycled raw materials.

We understand that recovering and regenerating biodiversity is essential, and we will continue to contribute so that business and a diverse natural environment can exist in harmony.

Click here for TCFD & TNFD report 📴 Click here for Environmental Policy (Biodiversity/Forests) 2

Biodiversity Conservation Activities

Shiseido engages in a wide range of biodiversity protection activities through many of its brands and business operations in regions. Since 2019, brand SHISEIDO has been a Global Sustainability Partner for the global surfing organization's World Surf League. To create even more beautiful oceans, the brand promotes marine protection initiatives and is engaged in educational activities. In 2021, the brand also delivered the We Are One Ocean[™] petition, which aims to protect 30% of the world's oceans by 2030, to the United Nations Convention on Biodiversity. In Japan in 2022, we began nature conservation

*1 WSL(World Surf League), a global surfing organization, WSL PURE, a non-profit organization of WSL, and brand SHISEIDO, in response to the draft of the conservation target to be achieved by 2030 set by the Secretariat of the United Nations Convention on Biological Diversity, will engage in activities aimed at communicating marine environmental conservation to people around the world with the aim of realizing more beautiful oceans

activities on Mt. Ibuki¹², an area where medicinal herbs have been cultivated for centuries. In addition to opening our own medicinal herb garden and cultivating herbs, we are working alongside the Reiho Ibukiyama Association-which works to protect the nature around the mountain-to restore vegetation and preserve the abundant nature in the mountain's foothills.

Bees play an important role in the pollination of crops. There are concerns around the declining population of honeybees. So our Val de Loire and Gien factories in France have incorporated the protection of honeybees and the conservation of ecosystems into their sustainability plans. As well as setting up beehives onsite, both factories prohibit the use of agrochemicals on factory grounds. In 2022, the factories' beehives produced around 167 kg of honey.

which connect Maibara City in Shiga Prefecture and the Ibi/Fuwa districts in Gifu Prefecture, 1.377meters high and one of the 100 famous Japanese Mountains.

Palm Oil

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

In 2010, as part of our efforts in this area, we joined the Roundtable on Sustainable Palm Oil (RSPO), an international non-profit organization. In 2018, we began purchasing RSPO certificates credits equivalent to 100% of the palm oil-derived raw materials we procure. In 2020, we disclosed our medium- to long-term target of reaching 100% sustainable palm oil in our products by 2026. The relevant teams in our global and regional headquarters have been working to achieve this target ever since.

In 2022, we replaced 36% of palm oil-derived raw materials (palm oil equivalent, weight basis) with certified palm oil*3 based on the RSPO's physical supply chain model. In addition, we continued working towards RSPO Supply Chain Certification at our factories. All of our factories*4 are now RSPO certified.

Since 2019, we have been part of the Japan Sustainable Palm Oil Network (JaSPON)*5 and the palm oil working group of the Consumer Goods Forum (CGF), both of which work to solve issues related to palm oil by strengthening collaboration with other companies. In addition, in 2019, we participated in the Stakeholder Engagement Program to deepen our understanding of the human rights risks and labor issues involved in palm oil production.

Further, through the Shiseido Camellia Fund^{*6}, we support WWF^{*7} Japan's activities in Indonesia. By training local farmers on environmentally friendly production methods and workplace safety, and by supporting the establishment of producer associations, WWF Japan is helping smallholder farmers acquire RSPO certification and improve their livelihoods. In 2022, we purchased RSPO credits sold by RSPO-certified small-scale farmers. In doing so, we promoted sustainable procurement in response to environmental and social challenges.

Check our progress at www.rspo.org





- Raw materials certified by RSPO's physical supply
- The Fukuoka Kurume factory (Japan), which began operations in 2022, will be RSPO certified in 2024.
- An international industry group consisting of manufacturers and retailers from the food and consumer goods industries.
- A fund that uses donations from Shiseido employees and alumni to support the activities of NPOs and NGOs working to tackle social issues.
- World Wildlife Fund for Nature.

Paper

As part of our strategic action to use resources responsibly and reduce our use of single-use plastics, we actively promote the use of paper for secondary packaging, such as folding cartons. However, there are environmental issues associated with the production of raw materials for paper, such as deforestation and loss of biodiversity, as well as human rights issues. Therefore, sustainable and responsible procurement is essential. Our goal is to use 100% sustainable paper by 2023. In 2022, we achieved a 97% (weight) shift.

Cosmetics packaging must meet various expectations and standards. It should be sophisticated and beautiful, but also sustainable in its design and strong enough to protect the cosmetics inside. In collaboration with paper manufacturers, we are developing innovative paper packaging solutions that meet and exceed these expectations. We are also switching to sustainable paper in our offices and for promotional materials, such as product displays, bags, and leaflets.

Mica

Due to its light-reflecting properties and excellent heat resistance, mica is used in a wide range of industries, including cosmetics. In 2017, Shiseido joined the Responsible Mica Initiative (RMI), which aims to eliminate child labor and forced labor at Indian mica mining sites to establish Indian mica as a sustainably produced raw material.

In collaboration with non-governmental organizations and the Indian Government, RMI had implemented community empowerment programs in 180 villages by the end of 2022. The community empowerment program are helping to improve their incomes and livelihoods. The program supports activities such as improving access to safe drinking water and medical facilities of around 16,500 households including 92,000 people in mica-dependent communities.

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





STRATEGIC ACTION 3 Promoting Sustainable and Responsible Procurement

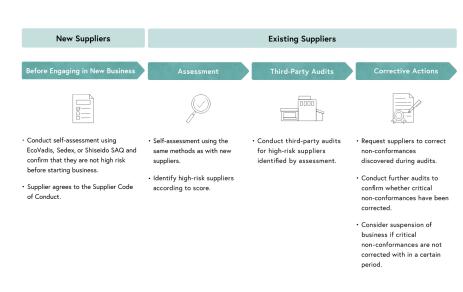
Supplier Assessment Program

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

Supplier Assessment Program

For new suppliers, we conduct a self-assessment from the perspective of sustainability (human rights, occupational health and safety, environment, and business ethics) using either EcoVadis*8, Sedex*9, or our original Self-Assessment Questionnaire (SAQ)*10. We start business with new suppliers after conducting supplier assessments, confirming that they are non-high-risk and then agree to Shiseido Group Supplier Code of Conduct.

For existing suppliers, we continuously confirm compliance with Shiseido Group Supplier Code of Conduct using the above assessments. We categorize suppliers into three groups according to the degree of risk: low-risk, medium-risk, and high-risk. If a supplier is categorized as high-risk, we conduct third-party audits, which include employee interviews and verification of required documentation. High-risk suppliers are then requested to implement corrective action plans, and in the event of critical non-conformance, we conduct further third-party audits to confirm correction status. If issues are not corrected within a set period, we consider suspension of business.



- *8 One of the world's leading ethical trade membership organizations, which works with businesses to improve working conditions in global supply chains.
- *9 Provider of business sustainability ratings that provides a holistic sustainability ratings service of companies, delivered via a global cloud-based platform.
- 10 Based on Shiseido Group Supplier Code of Conduct, the SAQ evaluates suppliers from four perspectives: human rights and labor, occupational health and safety, the environment, and business ethics.

Results

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

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

- •We gave feedback on the result and advice on corrective action plans to all ten suppliers.
- For some of them, we corrected their issues through third-party audits; for the rest, we reallocated business with them.

As a result, we reduced the number of High-Risk Suppliers to zero.

Breakdown of Suppliers Assessed in 2022

Tier 1 Suppliers	67*11
Tier 2 Strategic Suppliers	5

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

Status of Remediation of High-Risk Suppliers

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

Click here for corporate website: Promoting Sustainable and Responsible Procurement $\ensuremath{\cancel{D}}$

Consultation and Reporting Center for Suppliers

It is extremely important that our suppliers respond appropriately to any actual or potential human rights issues and compliance violations. To ensure any issues or potential violations are brought to our attention, Shiseido set up a Business Partner Hotline in 2013. This is a consultation and reporting system through which suppliers can contact us in writing or via email. There were no reports that qualified as compliance violations in 2022.

Evaluations and Awards

CDP Supplier Engagement Rating

We have been highly praised by the CDP - an international environmental nongovernmental organization – for our efforts in managing greenhouse gas (GHG) emissions and reducing risks throughout the supply chain. In 2021, we were selected as the Supplier Engagement Leader, topping CDP's Supplier Engagement Rating for the second consecutive year. Going forward, in collaboration with our suppliers, we will continue to promote engagement activities that help reduce our environmental footprint.

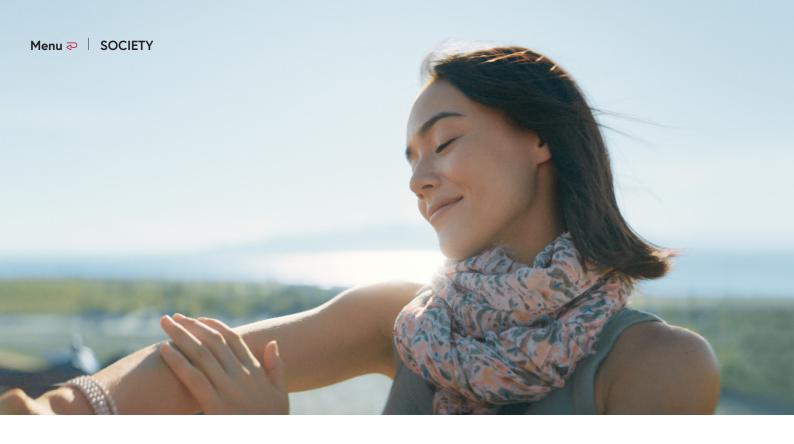


Winner of the 2023 Sustainable Procurement Leadership Award

Shiseido received the Best Portfolio Performance Improvement Award at the Sustainable Procurement Leadership Awards 2023, held by EcoVadis headquartered in France. The awards program is run by the provider of business sustainability ratings, EcoVadis, to celebrate excellence and recognize the outstanding performance of companies in their sustainable procurement initiatives. This time, Shiseido received the Best Portfolio Performance Improvement Award for its efforts to improve sustainability standards among its suppliers.



Best Portfolio Performance Improvement



SOCIETY

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

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

STRATEGIC ACTION 1

Advancing Gender Equality



Resolving the Gender Gap and Empowering Women in Japan

We strive to nurture a society where everyone can feel empowered to live their life freely regardless of gender.

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

We are dedicated to resolving gender issues through our business for the empowerment of women.

Diversity, Inclusion, and the Empowerment of Women at Shiseido

D&I is our key business strategy, and we actively engage in the empowerment of women

STRATEGIC ACTION 2

Empowering People Through the Power of Beauty



Cultivating Self-Efficacy Through the Power of Beauty

We reach out to people with profound concerns or hardships to enrich their minds and bring happiness to their lives.

Challenging the Unconscious Biases and Prejudices That Limit Individual Beauty

We aim to achieve the world where everyone can celebrate each other's beauty regardless of gender, age, or nationality.

STRATEGIC ACTION 3

Promoting Respect for Human Rights



Respecting Human Rights

We promote various initiatives to respect the human rights of stakeholders throughout our business.

Human Resources

Following our policy of PEOPLE FIRST, we are committed to developing diverse professionals for our sustainable growth.

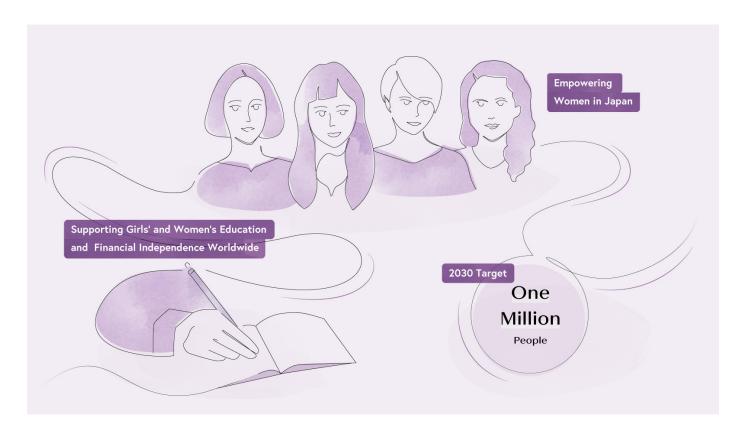
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Medium- to Long-term Targets and Results \Rightarrow



STRATEGIC ACTION 1 Advancing Gender Equality

Resolving the Gender Gap and **Empowering Women**

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

Resolving the Gender Gap and **Empowering Women in Japan**

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

Shiseido D&I Lab

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

- *1 The World Economic Forum (WEF) is a nongovernmental and nonprofit organization based in Switzerland aimed to resolve global economic issues by engaging political, political, academic, and other
- *2 Based on the index for measuring gender gaps between areas and countries used in The Global



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

The 30% Club Japan aims to increase the proportion of women on the boards⁺³ of companies in Japan. As part of a global initiative that originated in the United Kingdom, the Japan chapter was inaugurated in May 2019, and Phase 2 started in May 2022 with the goal of achieving a 30% proportion of female directors*4 at TOPIX 100 companies by 2030. Masahiko Uotani, Shiseido's Representative Director, Chairman, and CEO, continues to serve as the chairperson for Phase 2, as well as for Phase 1, leading the activities of the TOPIX President's Committee, which consists of 33 chairpersons and presidents of companies ¹⁵ listed on the TOPIX 100 and TOPIX Mid 400.

The TOPIX President's Committee has held 7 sessions^{*6} to date with a total participation of 125 chairpersons and presidents of the TOPIX 100 and TOPIX Mid 400. To lead innovations, it is necessary to nurture an organizational culture with high adaptability to change, and it is considered extremely important to achieve gender balance among management executives (such as executive officers and organization head positions —organization head) who have many team members and substantial influence on daily operations. Therefore, lively discussions continued in 2022, just as in 2021, concerning the appointment of women to executive officer and organization head positions through the examination of case studies at different member companies. On the project management team organized by operation-level leaders of member companies (about 80 members from 33 companies), cross-company projects have been organized to tackle three gateways that inhibit the career development of women, which was clarified through the TOPIX President's Committee, by promoting the implementation of concrete measures to resolve common issues, including the development of career awareness among young women, the sharing of best practices for combining work with childcare, and exchange meetings between female candidates for executive positions with Committee leaders.

In Phase 2, a fully integrated approach influencing society through various stakeholders collaborating with companies, which is characteristic of the 30% Club Japan, is going into full operation. Specific actions have been taken through the collaboration of the Investor Group of 31 institutional investors, the University Group of 9 universities, and the TOPIX President's Committee.

With its activities during the past 4 years, the ratio of women on the boards of companies comprising the TOPIX President's Committee rose by 14.0 percentage points to 22.9% compared to the average of listed companies in Japan. It has also brought further progress for women's participation in corporate decision-making, such as advancement to previously untraditional posts, including directors of business operations and manufacturing operations. Shiseido will lead the way in transforming Japanese companies to break away from the current homogeneity by promoting the active participation of women, thereby leading innovations.

Click here for the 30% Club Japan | 77



TOPIX President's Committee



- *3 Women on the boards are defined as directors and auditors.
- Proportion of female members on the boards of directors at TOPIX 100 companies (including auditors at companies with a board of auditors)
- As of the end of December 2022 (As of the end of March 2023: about 80 members from 35 companies)
- As of the end of December 2022

Empowering Women through Collaboration with Local Governments

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

In 2022, Shiseido Japan Co., Ltd., joined a citizens' collaboration project, the "Machi, Watashi, Kirameku Women's Campus Yamagata," a project in which Yamagata City and Ridilover, a general incorporated association that organizes educational and training programs on social issues concluded a comprehensive partnership agreement. As part of this project, Emiko Ashida, Shiseido's People Division Vice Chief People Officer spoke at a seminar to promote women's empowerment in May, and Yukari Suzuki, Shiseido's Director, Senior Executive Officerjoined a talk event in June, encouraging women working in Yamagata City. In addition, 20 women from Yamagata City participated in a total of 5 workshops (June-December) to resolve issues, and Shiseido Japan's Yamagata Office employees joined in discussions. They also held beauty lecture sessions on skincare and makeup in June and September. In November, a lecture was given on the theme of "Balancing Family and Career", and 20 employees from Shiseido's Sendai Office also participated in this project.

Click here for the news release regarding the agreement with Hiroshima Prefectural Government. (In Japanese only) 2

Click here for the news release regarding the joint press conference with Yamagata City. (In Japanese only) |77



Online makeup seminar for job interviews in collaboration with Hiroshima Prefecture



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



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

Childcare Support

In the drive to make the childcare environment better through company cooperation, Shiseido started a childcare business in 2017 with the establishment of KODOMOLOGY CO.,LTD., which focuses on the entrusted operation of in-house childcare facilities within businesses. In addition to the operation of in-house nurseries, such as KANGAROOM Shiodome (2003)*7 and KANGAROOM Kakegawa (2017), we began supporting the establishment and management of 3 childcare facilities at other companies in Kanagawa Prefecture and Shizuoka Prefecture (2 facilities in Shizuoka and 1 facility in Kanagawa)*8. In April 2022, the parenting training program for men "KODOMOLOGY Ikutore—Preparing for Paternity Leave", started full-scale operations at KANGAROOM Shiodome in response to the phased implementation of the new legal requirements for paternity leave in Japan. This program provides support for participants in gaining an awareness of childcare and greater family involvement in childcare while pursuing careers. A cumulative total of 52 participants'8, including Shiseido employees and their families, completed the program, and many commented that they felt more positive with the parenting training, and that the program provided an opportunity to consider the balance of childcare and career as a family.

Click here for information on employee support in balancing work and childcare/family care. [2] Click here for information on KANGAROOM + (in Japanese only) |77 Click here for the corporate website of KODOMOLOGY CO.,LTD. (in Japanese only) 12

Supporting Female Researchers in Natural Sciences

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

In 2022, the 15th award presentation ceremony and the 14th research presentation event were held at the Shiseido Global Innovation Center (Yokohama) for the first time in three years. At the research presentation, nine female researchers working on the cutting edge of research in fields such as Material Science and Molecular Biology reported on the progress of the previous year's award-winning research and exchanged opinions with researchers from different fields. Furthermore, at a social gathering held before the award ceremony, the award recipients shared their research and concerns about life events and deepened their friendship. We hope that the network built through the award of this grant will support the activities of female researchers in the next generation of natural sciences.

Click here for details on the Shiseido Female Researcher Science Grant 12



In-house daycare nursery, KANGAROOM Kakegawa



KODOMOLOGY Ikutore

- KODOMOLOGY CO.,LTD, closed Kangaroom Shiodome at the end of March 2023 and started the childcare support program, "KANGAROOM +" for employees of Shiseido and alliance partners in April 2023.
- As of the end of December 2022



The Shiseido Female Researcher Science Grant



Activities through Sports Strong, Fast, Beautiful the motto of the Shiseido Running Club

The Shiseido Running Club was established in 1979, the year when the first Tokyo International Women's Marathon was held as the first international women's marathon race in Japan. "Strong, Fast, Beautiful" is the motto of the club that introduced a number of athletes who left their mark on women's athletics in Japan, including Chie Matsuda, Mari Tanigawa, and Harumi Hiroyama. Nine¹⁹ athletes are currently in the club. These include, Yuka Takashima (participated in the Rio Olympics), Mao Ichiyama (won a prize at the Tokyo Olympics), Tomoka Kimura (participated in World Athletics Championships, Doha 2019), and Rino Goshima (participated in the World Athletics Championships, Oregon 2022), and they are contributing to the enhancement of athletic skills of Japanese women through global competition. Rino Goshima set a new Japanese record in a women-only race in the 50th All-Japan Women's Corporate Half Marathon Championship in February 2022. In the 42nd All-Japan Women's Corporate Ekiden Championship (Queens' Ekiden) in November 2022, a memorable year being that it was the 150th anniversary of Shiseido's establishment, the club won the second championship for the first time in 16 years, setting a new championship record, with roadside cheers from about 200 employees of Shiseido group in Japan. Our female runners continue to overcome challenges to achieve higher goals. Their running not only encourages many people but also fosters the unity of the employees of Shiseido group and the culture of learning from each other.



"The Shiseido Ladies Open" aspiring to achieve Active Beauty

Since 2019, Shiseido has sponsored "The Shiseido Ladies Open*10", a tournament certified by the Japan Ladies Professional Golfers' Association (JLPGA), under the tournament philosophy of promoting active beauty both in body and in mind through the dynamic performances of female athletes with the aim of achieving a brighter world filled with smiles. Through these activities, we had about 15,000 visitors come to the tournament in 2022. Of these, 10.5%*11 came just knowing about the tournament, and 73.2%*12 came resonating with the tournament philosophy. Shiseido also holds charity auctions with the cooperation of the players competing in the tournaments, and the money received from the auctions is donated to the Japan High Performance Sport Center, which was established by the Japan Sport Council to support female athletes. The donations are used to send nursery teachers to nursery rooms in the facilities and to purchase necessary equipment to provide an environment that enables athletes to concentrate on their sport.

Click here for the Shiseido Ladies Open (in Japanese only) 12 Click here for the official Instagram account of Shiseido Sports Japan. (in Japanese only) 19



Athletes of the Shiseido Running Club



The 42nd All-Japan Women's Corporate Ekiden Championship (Queens' Ekiden) ©Getsuriku

As of the end of May 2023



Communicating Active Beauty through the dynamic performance of female athletes



- *10 The tournament was named the Shiseido Anessa Ladies Open in 2019
- *11 Research by Shiseido, Nationwide online research, N = 2,000 (July 2022)
- *12 The total number of respondents who said that they "resonated with the tournament philosophy" and "really resonated with the tournament philosophy" from among those who came just knowing about the Shiseido Anessa Ladies Open in 2019.

STRATEGIC ACTION 1 Advancing Gender Equality

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

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

Clé de Peau Beauté: Supporting Education for Girls

Clé de Peau Beauté and UNICEF entered a global partnership in 2019, and it celebrated its third year in 2022. Clé de Peau Beauté has supported UNICEF⁺¹³ to achieve results in promoting gender equality in multiple countries and regions through its education, employment, and empowerment programs. Through the three years the partnership has reached over 3.5 million girls and young women.

The brand continued to hold a worldwide CRM Campaign*14 featuring the brand's best-selling product, The Serum, in 2022, inviting consumers' participation and aiming to raise awareness for UNICEF's programs. A portion of The Serum's global sales was donated to support UNICEF's effort to create more equitable access to education and skill development for girls in countries and regions such as Bangladesh, Kyrgyzstan, and Niger.

To showcase the real impact and support of these UNICEF partnership programs, in 2022, more than 150 Clé de Peau Beauté colleagues joined the Virtual Field Visit (VFV) to Bangladesh where they learned more about all the impactful initiatives made possible by the partnership with UNICEF. For example, with the support of Clé de Peau Beauté, the Government of Bangladesh and other partners, UNICEF has introduced a gender-transformative skill-based education to improve the current education system framework, and launched the Alternative Learning Programme (ALP)^{™5} offering young women educational and skills training that ultimately links them to employment opportunities in their communities. The ALP students and their parents, mentors and coordinators joined to share how Clé de Peau Beauté's contributions to UNICEF have made a positive life-changing impact on the girls.

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

Click here for Clé de Peau Beauté global partnership with UNICEF. 🗵





The Virtual Field Visit to Bangladesh



The award ceremony for the Medal with Dark

(Left) Chief Brand Officer of Clé de Peau Beauté (Right) Executive Director, Japan Committee for

- *13 UNICEF does not endorse any company, brand, product, or service
- *14 CRM Campaign: A Cause-Related Marketing Campaign whereby a portion of The Serum's sales will be donated to support UNICEF's programs for education and empowerment of girls around the
- *15 Alternative Learning Program (ALP) is one of the new pathways to empower the most marginalized and vulnerable out-of-school adolescent girls with skills and assets to act on personal and social transformation.

Additionally, Clé de Peau Beauté's long-term philanthropic commitment includes the annual 'Power of Radiance Awards¹¹⁶ — a long-term philanthropic endeavor to honor women from around the world who have acted to drive positive change through knowledge since 2019.

In 2022, the fourth year of the program, the Power of Radiance Awards recognized Ms. Amanda Simandjuntak from Jakarta, Indonesia in recognition of her efforts to empower young girls through STEM*17 education. Ms. Amanda Simandjuntak is the CEO and co-founder of MARKODING⁺¹⁸, a non-profit organization with a mission to empower underprivileged youth in Indonesia through innovation and technology.

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

In May 2022, Ms. Amanda Simandjuntak, an Indonesian national, gave a speech at Clé de Peau Beauté's Indonesia Office and stressed the importance of STEM education and its purpose in creating more future career opportunities for girls of Indonesia. She also explained her current focus, the plan for a program designed to empower girls through innovation and technology.

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

Click here for information on the Power of Radiance Awards. 🗵 Click here for information on Clé de Peau Beauté. 19



Ms. Amanda Simandjuntak, recipient of the 2022 Power of Radiance Awards



φ clé de peau



Ms. Amanda Simandjuntak speaking at the



With Ms. Amanda Simandjuntak at Clé de Peau Beauté's Indonesia Office/Shiseido Cosmetics Indonesia

- *16 Grants from the Power of Radiance Awards are donated to a charitable organization of the award recipient's choice in support of educational initiatives.
- *17 Science, Technology, Engineering, and Mathematics.
- *18 MARKODING which "2022 Power of Radiance Awards" recipient Ms. Amanda Simandjuntak serves as CEO and co-founder, is a non-profit organization with a mission to empower underprivileged youth in Indonesia through innovation and technology such as coding, UI/XU design and product development. Since 2019, MARKODING has partnered with UNICEF Indonesia and launched the 'Digital Innovation Challenge' to equip adolescent girls and boys with transferable, digital and entrepreneurship skills aiming at developing human resources who can solve the problems by themselves.

Shiseido Travel Retail: Supporting Marginalized Women and Girls in Cambodia

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

Beauty training in progress

International Women's Day: Shiseido Global Action

Shiseido uses the International Women's Day (March 8) of each year as an opportunity to implement various initiatives to promote a deeper understanding of gender equality as well as diversity and inclusion among all global employees and to encourage them to perceive them as personal matters and make voluntary improvements. In 2022, we conducted a Global Gender Culture Relay as a crossregional initiative under the common theme, "Discover gender issues in your culture". As part of the campaign, we featured books, movies, art, and the like with the theme of gender and the lives of women that drew attention in respective regions across the world at Shiseido through the company intranet.

Under the theme of the International Women's Day, Shiseido's regional headquarters for Asia Pacific held a campaign declaring the efforts of each and every employee in enlightening "gender equality". In Singapore, we also called for portraits and video shoots of the employees' engagements and shared the history of Shiseido's gender equality advancement with its employees in a newsletter. Shiseido's regional headquarters for Travel Retail also distributed the brand's effort towards gender equality through a newsletter connected to the International Women's Day. In Singapore, we also called for employee participation in the Global Gender Culture Relay in contest-form.

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

The regional headquarters for Europe held an in-house movie event featuring Japanese women's lives. We learned about the diverse range of women's situations in different regions through this film.



Shiseido International Women's Day Logo



Movie event (France)

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

At the Shiseido Child Foundation*19, we are aiming for a society in which all children are brimming with smiles and shining in their own way by receiving support based on activities: Supporting Children's Challenge for the Future, Creating Opportunities to Learn for People who Nurture Children, and Creating a Society in which Children are Supported by Everyone. As part of supporting the Children's Challenge for the Future, the Foundation sponsors Self-Reliance Seminars in cooperation with Shiseido Japan Co., Ltd., Aoki Inc., Recruit Co., Ltd., and other companies and organizations, to enable junior high school and high school students who receive social care*20 to acquire social knowledge from specialists so that they can live independent lives. In FY 2022, more than 300 children participated in the Self-Reliance Seminar. In addition, the scholarship program, launched in 2007 to support students entering universities, junior colleges, and vocational schools, has supported 81 scholarship recipients through 2022. Other activities include holding training programs for staff of child welfare facilities to "support staff who nurture children," and subsidizing child abuse prevention awareness events and seminars for families raising children throughout Japan to disseminate information to the public.

Click here for the activities of the Shiseido Child Foundation. |77



Self-reliance Seminar



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

- *19 In October 2022, the name was changed from the Shiseido Social Welfare Foundation to the Shiseido Child Foundation in commemoration of its 50th anniversary
- *20 "Social care" refers to the public responsibility of protecting children who are unable to live with their parents by caring for them and providing support to households with difficulty finding childcare. About 42,000 children in Japan are receiving social care.

STRATEGIC ACTION 1 Advancing Gender Equality

Diversity, Inclusion and the Empowerment of Women at Shiseido

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

Empowering Woman at Shiseido

More than 80% of Shiseido Group employees are women, and 58.1% of women across our global organization are in leadership positions. Moreover, 40.0%*21 of our directors and auditors are women, and the percentage of women in leadership positions in Japan is 37.6% *22. We believe that empowering women can help generate innovation and in turn promote further growth at Shiseido and allow employees to fulfil their potential. As such, we aim to increase this to 50% by 2030 to fairly represent gender equality.

For many years, in Japan we have offered and promoted a range of systems and support measures for women's life events. Since the early 1990s, even before the introduction of childcare and family care laws, we implemented childcare leave and shortened working hour systems. Specifically, we have opened two in-office childcare facilities — KANGAROOM Shiodome in 2003²³ and KANGAROOM Kakegawa in 2017 — for Shiseido employees, as well as local businesses and residents. Further, to provide flexible childcare in line with diverse workstyles, in April 2023 we opened KANGAROOM+, a comprehensive childcare service offering mainly babysitting services. In addition to ensuring more freedom of time and place by offering one-on-one childcare instead of group childcare, the scope of services will be extended to include elementary school students. The aim is to cater to the problems that parents face when their children enter grade one of elementary school*24.

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

We also hold a female leader development program called NEXT LEADERSHIP SESSIONS for WOMEN. In 2022, 63 female employees participated in the program, where they learned the necessary management and business skills while discovering their own unique leadership styles. In the six years since its launch, 49% (90) of the 185 program participants (excluding retirees) have successfully been promoted. Further, to increase the ratio of women in management positions to 50%, we expanded to three new programs for candidates for next Group Managers, Department/Division Heads and Executive Officers, reinforcing our leadership pipeline to steadily develop the next generation of leaders. Moreover, between 2020 and 2022, a total of 117 employees from various fields including sales, production, and R&D have taken part in Speak Jam, a mentoring program linking executive officers*25 with female employees.



NEXT LEADERSHIP SESSION for WOMEN

^{*21} as of April 2023

^{*22} as of January 2023

^{*23} KANGAROOM Shiodome (our in-house nursery) was closed in line with the transition to KANGAROOM+

^{*24} While nursery schools can look after children from morning until night, elementary schools finish in the afternoon, meaning that some parents have to work shorter hours when their children begin grade one of elementary school

^{*25} Previously corporate officers (name changed in 2021)

We are also working to improve our workplace environments to create comfortable workplaces not only for women, but for employees with many different attributes. To ensure health, safety, job satisfaction and security, we are implementing various workstyle revisions. These include flextime with no core hours, remote work (Shiseido Group in Japan), and the introduction of "Shiseido Hybrid Work Style", an innovative new arrangement that allows employees to combine in-office work with remote work to maximize productivity.

See here for Shiseido's diversity and inclusion (D&I) initiatives 17

External Recognition

Our diversity and inclusion efforts have gained us the following external recognition from various organizations. We will continue to support the activities of employees of diverse backgrounds, including foreign nationals and midcareer hires in addition to women, to boost progress in diversity and inclusion.

Click here for the information about external evaluations and awards. 17

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

女性が輝く 20 先進企業 20

Prime Ministerial Award for Women Empowering Companies 2020*26



Nadeshiko Brand FY2023*27



2020 WCD Visionary Awards

2022 CONSTITUENT MSCI JAPAN **EMPOWERING WOMEN INDEX (WIN)**

MSCI Japan Empowering Women Index (WIN) *28

- *26 The Prime Ministerial Award for Women Empowering Companies is awarded to companies that have shown significant achievements in policy, activities and performance on appointment of women to executive and managerial posts, as well as information disclosure on such activities, in order to promote the development of work environments that empower women.
- *27 Nadeshiko Brand is designed to spotlight stocks of women to attract investors. Selected companies are those that place emphasis on long-term corporate value improvement and the acceleration of activities designed for the empowerment of women.
- *28 The index, developed by MSCI of the United States. selects Japanese companies with high gender diversity scores that promote the advancement of women. Our company has been selected continuously for six consecutive years since its establishment in 2017.

STRATEGIC ACTION 2

Empowering People Through the Power of Beauty

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

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

Medium- to Long-term Targets and Results →



STRATEGIC ACTION 2 Empowering People Through the Power of Beaut

Cultivating Self-Efficacy Through the Power of Beauty

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

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

Support for People Living with Cancer

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

Click here for the Shiseido Life Quality Makeup website. 🗾

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

Since 2017, Shiseido has participated in the LAVENDER RING 2 project to support people with cancer, pursuing a society where people can live with a smile even if they have cancer. We lead the MAKEUP & PHOTOS WITH SMILES 2 and we encourage people in living their own lives after cancer and helps them to return to society through hair and makeup, as well as portrait photography. In recognition of such efforts, Shiseido received the Mécénat Award for Excellence in November 2021 from the Association for Corporate Support of the Arts, a public interest incorporated association in Japan.

On World Cancer Day, February 4, 2021, LAVENDER RING published its first book entitled LAVENDER RING Photo Book: Smiles and Messages from 206 People Living with Cancer^{*2} . The featured poster portraits and interviews with 206 people living with cancer resonate with, inspire, and encourage readers, and not



"Appearance Care for Your Confidence and Comfort'



Mécénat Award for Excellence



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

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

just people living with cancer, their families, and supporters. The photo book is available in bookstores, hospitals, and from other retailers.

The year 2022 was one of global expansion for LAVENDER RING MAKEUP & PHOTOS WITH SMILES. Shiseido held events in China and Taiwan in August, Singapore in October, and Thailand in December, and a total of 107 people living with cancer and 120 volunteers from our company and affiliates in 4 countries and regions joined in. The reception by the partnering of patient groups and medical institutions was very positive, and they hoped the event would be held regularly because it inspired courage and confidence in many participants.

In Japan, we held the first LAVENDER RING MAKEUP & PHOTOS WITH SMILES in Nagoya, the third most populous urban area in Japan, in July 2022. In August, we held an online event for the third consecutive year. In Addition, we showcased the smiles and messages from people living with cancer at the MAKEUP & PHOTOS WITH SMILES photo exhibit at 4 locations in Japan (Kasumigaseki Common Gate, Tokyo, and Shiseido Global Innovation Center at S/PARK, Yokohama, Aichi Cancer Center, and the Nerima City Office, Tokyo).

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

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

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



Makeup session at the event in Singapore



Photo session at the event in China



Nerima City Office



Shiseido Global Innovation Center (S/PARK)



Delegates from Osaka and Shiseido Japan at the signing ceremony

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

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

In 2022, working with the "Asociación Española Contra el Cáncer of Spain", a cancer patient support organization, we offered 5 online appearance care lessons to 62 people with cancer. In Italy, we provided makeup lessons in collaboration with "La Forza e il Sorriso", also a cancer patient support organization, expanding social activities overseas.



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

Today, as part of this initiative, Shiseido operates dedicated Life Quality Beauty Centers in four countries and area around the world*3. In order to continue activities during the COVID-19 pandemic, the company shifted its focus to digital solutions. In July 2021, Shiseido began offering online appearance care consultations at the Shiseido Life Quality Beauty Center (Japan). In September 2022, the center moved from Ginza, Tokyo, to the global headquarters, Shiodome office (Higashi-shimbashi, Minato-ku, Tokyo). In addition to dealing with deep skin concerns, Shiseido is reinforcing its function of providing beauty information to older people and people with disabilities. Both in-person and online services at the center are due for expansion to include enhanced personalized consultation in a privacy-protected space and more virtual seminars and events.

In October 2021, "the Shiseido Life Quality Makeup" was featured in Successful Aging in the Eye Area: From Ptosis, Non-Surgical Aesthetic Medicine to Makeup for the Aging^{*4}, a medical book published by Zennihon Byouin Shuppankai, a major Japanese publisher of medical texts. In the first chapter, a Life Quality Makeup Consultant discussed makeup techniques to diminish the look of swelling and internal hemorrhaging following surgery.

In January 2022, Shiseido provided an online makeup workshop at "To Smile #endnf", an event held by a support network for people with Von Recklinghausen's disease⁵, and 57 people who were mostly patients and their families attended. We discussed how to prepare mentally before applying cover makeup to children in the first half of the workshop. In the second half, demonstrated makeup techniques for Perfect Cover, the designated product series for "the Shiseido Life Quality Makeup".



Medical wig "wig+"



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



Online appearance care consultation



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

- *3 China, Japan, Singapore, and Taiwan (as of December 2022).
- Japanese title:「目もとの上手なエイジング一眼瞼下 垂から非手術的美容医療、エイジング世代のメイク アップまで一」
- *5 Von Recklinghausen's disease (VRD) is a genetic condition that manifests with changes in appearance, including café-au-lait macules and neurofibromas, and a specified chronic pediatric disease covered by the Japanese government's medical expense assistance program.

In October 2021, we presented our beliefs and described our efforts to medical professionals in China at the 5th conference of the Chinese Non-government Medical Institutions Association'6. We also sponsored 11 seminars attended by 380 medical doctors.

Shiseido Asia Pacific received a Champions of Good award in 2020 for its sustainability efforts—including activities led by the Shiseido Life Quality Beauty Center'⁷. The award recognizes organizations for exemplary corporate gifts and activities that engage partners and stakeholders in their initiatives.

- The IAUD International Design Award
- In 2022'8, Shiseido received the Gold Award for Shiseido Life Quality Makeup given in the category of Social Inclusion of the IAUD International Design Award program. The IAUD International Design Award program, hosted by the International Association for Universal Design, recognizes organizations and individuals actively engaged in realizing a universal design in society and helping people live more comfortably without undue inconvenience.
- The award was given in recognition of our ongoing efforts based on inclusive thinking and design, including developing products together with people who have profound skin concerns, such as birthmarks, burn marks, scars, and changes in their appearance due to illness and treatments, and providing beauty information and free counseling services.
- Designated Products for Shiseido Life Quality Makeup: Perfect Cover

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

The series went through another renewal in March 2022 and now provides enhanced coverage for changes in appearance from the side effects of cancer treatment (such as dull complexion and pigmentation)⁻⁹ in even easier-to-use, safer formulations⁻¹⁰. The flagship product, Perfect Cover Foundation MC offers a comprehensive coverage solution to concerns about uneven skin tones and surfaces. The results of the prelaunch product test⁻¹¹ were overwhelmingly positive. 100%⁻¹¹ of users found that the product gave excellent coverage of discoloration and adhered to the skin well; 96%⁻¹² said it gave good coverage and a natural-looking finish simultaneously and that they want to continue using the product.

- *6 Established in December 2015, the organization is under the guidance of the National Health Commission and an affiliated association of the Ministry of Civil Affairs.
- *7 The Champions of Good award was launched in 2017 under the Company of Good in Singapore.

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



Shiseido Life Quality Makeup for serious skin concerns



Renewed Perfect Cover products (launched in 2022)

- *9 Perfect Cover Foundation MC.
- *10 All products in the new Perfect Cover series.
- *11 A study conducted by Shiseido on 24 subjects with skin concerns (uneven skin tones and/or surfaces) over two weeks (February-to March 2021).
- *12 The total percentage of users who answered "I agree" and "I somewhat agree."

Collaborating with Retail Partners in Support Programs for Older People

Japan is home to the oldest population in the world with its aging rate*13 now*14 at 29.1%. Japan's Ministry of Health, Labour and Welfare issued guidelines to promote the healthy lifestyles of residents in local communities, and this inspired the creation of support structures for people with cancer and older people nationwide. Shiseido Japan supports this initiative by reinforcing partnerships with retail partners in different regions of Japan to enrich the social lives of older people. Together, we offer beauty workshops for older people designed to promote a healthy life expectancy. For instance, in Saitama, Shiseido Japan, local Community Comprehensive Support Centers, and Welcia Yakkyoku Co., Ltd., jointly sponsored 24 workshops for older people at 12 Wel-Café locations, the community spaces inside Welcia pharmacies.

Shiseido also developed the Beauty for Health program, which incorporates research findings from Shiseido's cosmetic therapy*15 to help older people, and 481*16 CRC*17 member retailers have adopted the program. We are committed to providing access for local communities to improve well-being through the power of beauty.

In the field of medicine, oral frailty*18 among older people has become more apparent as COVID-19 continues to affect our lives. Shiseido's cosmetic therapy has shown that applying cosmetics also stimulates the salivary glands, improving oral function. In June 2022, the Kanagawa Dental Association invited a Shiseido cosmetic therapy researcher¹⁹ to hold an online seminar on a new approach to oral frailty prevention using cosmetic therapy, and 103 association member dentists and clinic staff attended. In July and September of the same year, a beauty workshop to improve ADL*20 took place and a total of 38 dentists, dental assistants, and dental hygienists participated.



Workshop at the Well Café Kawaguchi Ryoke branch



Beauty workshop to improve ADL

- *13 The aging rate is the proportion of a society's population that is comprised of persons aged 65 or
- *14 Based on data published in 2022 by Japan's Ministry of Internal Affairs and Communications
- *15 Shiseido's cosmetic therapy uses skincare and makeup application techniques to help improve and maintain mental and physical health, quality of life. and healthy life expectancy.
- *16 As of December 2022
- *17 CRC: National Federation of Cosmetic Retail Cooperatives.
- *18 A decline in oral function, including chewing, swallowing food, and speaking. It is considered a key early sign of aging.
- *19 Kazuyuki Ikeyama, PhD, Certified Care Worker, Shiseido. He is the author of Cosmetic Therapy, Increasing Healthy Life Expectancy with Makeup Application: Evidence-based Interprofessional Approach to Super-aged Society (Quintessence
- *20 ADL: Activities of Daily Living, the skills required to manage one's basic physical needs.

Support for People with Disabilities

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

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

Support for Patients with Xeroderma Pigmentosum

Since 2000, Shiseido has supported people living with Xeroderma Pigmentosum (XP) — a condition characterized by extreme sun sensitivity — through sunscreen donations and seminars led by Shiseido researchers and Personal Beauty Partners. At these seminars, they explain how to effectively protect the skin to enjoy the outdoors even for patients with XP. Since 2005, Shiseido has also provided financial aid for patient exchange meetings through voluntary donations from participating employees' salaries (Shiseido Camellia Fund №). In 2022, to raise awareness and promote the understanding of XP, we invited the Japanese National Network of Xeroderma Pigmentosum to speak about its activities and how it uses donations at Brown Bag, the online lunch seminar for Shiseido employees.



Poster for Shiseido Guide Makeup



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



Logo of Shiseido Listener's Café



Support for Patients with Xeroderma Piamentosum

STRATEGIC ACTION 2 Empowering People Through the Power of Beaut

Challenging the Unconscious Biases and Prejudices That Limit Individual Beauty

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

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

Brand Shiseido, which markets to 88 countries and regions, pursues the Sustainable Development Goals (SDGs) through the Sustainable Beauty Actions project. As part of this initiative, the brand developed the SEE, SAY, DO project*21 in September 2022, aiming of building a society where everyone can be who they want to be. A special website was unveiled allowing users to experience UBB. Shiseido also developed the SEE, SAY, DO program for Japanese corporations and organizations to help them discuss UBBs. The program has been well-received because it is eye-opening and informative to know even seemingly harmless, casual remarks can perpetuate UBBs. The project is due for expansion, including offering the program to educational institutions.

Click here for the SEE, SAY, DO project website 12 Click here for the SEE, SAY, DO project press release 19



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

STRATEGIC ACTION 3

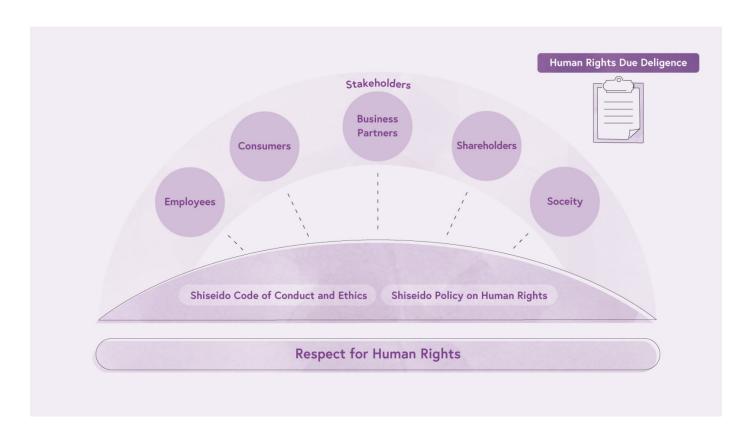
Promoting Respect for Human Rights

At Shiseido, respect for human rights is at the core of our DNA. Across our business, we are dedicated to respecting and protecting the rights of our diverse group of stakeholders, including business partners and employees.

We are committed to eradicating human rights issues — including forced labor and child labor as well as workplace harassment, which is an issue that has become more prevalent due to changes in social structure and the rise of more diverse values. We are aware that failure to take appropriate action against such issues poses great risk to our company and all our stakeholders.

Across Shiseido Group, we have standards and policies in place to quide our actions when it comes to human rights. Based on Shiseido Code of Conduct and Ethics, which stipulate the mandatory behavior expected of every individual working for Shiseido Group, we ensure that our business is always conducted according to high ethical standards.

Shiseido Code of Conduct and Ethics 19 Shiseido Policy on Human Rights 📴 Shiseido Group Supplier Code of Conduct 📴 Shiseido Group Procurement Policy Procurement Policy



STRATEGIC ACTION 3 Promoting Respect for Human Rights

Respecting Human Rights

Respect for human rights is integral to our working principles. It is part of our definition of running a sustainable business and contributing to the realization of a sustainable world.

Since 2011, we have followed Shiseido Code of Conduct and Ethics (revised April 2022), which stipulate the mandatory behavior expected of every individual working for Shiseido. We have also established Shiseido Policy on Human Rights, and have been working closely with our business partners to define and update the principles and policies surrounding ethical business conduct. These are reflected in Shiseido Group Supplier Code of Conduct, which stipulates the standards that govern and direct our behavior on human rights, legal compliance, labor practices, intellectual property protection, confidentiality, environmental protection, and fair trade.

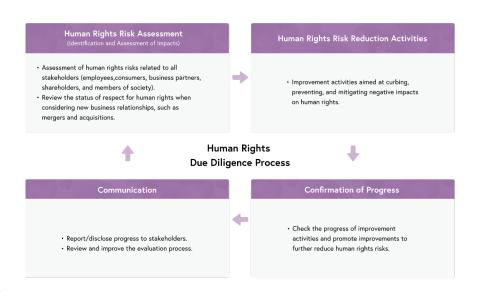
To ensure responsible procurement, we conduct regular assessments and thirdparty audits, and have in place a rigorous and objective risk identification and remediation process.

Human Rights Due Diligence

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

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

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



In any new business relationship, such as mergers and acquisitions, respect for human rights (compliance with personnel and labor issues, employee and customer safety, etc.) is part of the due diligence process for all investment decisions.

Human Rights Risk Assessment

In cooperation with external human rights experts, and by referencing international codes on human rights, standards on non-financial disclosures, and the Corporate Human Rights Benchmark (CHRB), we have developed a list of human rights issues to be considered. This list includes labor-related issues, such as forced labor and child labor, as well as a wide range of other human rights issues, such as freedom of association, the right to collective bargaining, and discrimination.

The human rights issues identified above were sorted by relevancy to each Shiseido stakeholder (employees, consumers, business partners, shareholders, and members of society). The severity and likelihood of both visible and potential human rights impacts were then assessed based on interviews with employees in Japan and overseas, and by investigating internal and external documents. In addition, we evaluated the risk of each human rights issue based on the status of Shiseido's implementation of preventive and corrective measures.

After assessing our value chain, we identified a number of human rights risks: "discriminatory actions/expressions", "violation of compliance/fair competition", "personal/confidential information leakages", "employees' personal data and privacy", "incomplete supplier management", "occupational safety and health issues (work-related accidents)", "breach of working hours, breaks, and rest periods (overtime-work)", and "harassment and abuse".

Measures for Mitigation and Correction of Human Rights Risks

The eight areas identified through the human rights risk assessment have been consolidated into six categories for each area of responsibility of the Executive Officer⁻¹.

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

We assigned executive officers to those categories of human rights to engage them in activities for stopping, preventing and mitigating negative impacts on human rights. Human rights issues of employees are managed by the Human Resources and Risk Management departments, and those of suppliers and contracted manufacturers are handled by the Supply Network Division.

In the training provided for managerial positions on harassment and ethics, regular training and education are conducted about Shiseido Code of Conduct and Ethics and related policies and rules according to positions and job types to deepen our employees' understanding of the human rights and to work to reduce human rights

^{*1} In no particular order

risks. Training sessions for top-level employees including the Global Headquarters officers and department directors in Japan, those for division/department heads of domestic and overseas offices, those for employees in various divisions/departments, and those for new employees are held.

If improper acts or the like are revealed, we stop such acts immediately and implement corrective measures and reoccurrence prevention measures rapidly in cooperation with the relevant companies, offices, and divisions/departments. We also take disciplinary action against employees who have been involved in such acts in accordance with employment regulations and internal rules. If any cases of disadvantageous treatment, harassment, etc. toward whistleblowers or consulters are identified, we take appropriate relief/restoration measures immediately in cooperation with the relevant companies, offices, and divisions/departments, and take strict measures including any disciplinary punishment against the persons who have engaged in such disadvantageous treatment or harassment. If the case may pose a risk to our business management, it is promptly reported to management from the divisions/departments. Any serious compliance-related concern is reported to management of the Global Risk Management & Compliance Committee and/or HQ/SJ Compliance Committee, and we work to eliminate the concern immediately and implement corrective measures and reoccurrence prevention measures rapidly in cooperation with the relevant companies, offices, and divisions/departments.

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

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

Grievance Mechanism

We offer whistleblowing and consultation hotlines for the purpose of detecting and correcting violations against the laws and regulations, the Articles of Incorporation, and rules within the Shiseido Group. The whistleblowing and consultation hotlines are operated according to internal rules that specify confidentiality, prohibition of disadvantageous treatment or reprisals against whistleblowers/consulters, elimination of conflicts of interest, and the process for handling whistleblowing and consultations, etc. These internal rules are disclosed via the internal intranet so that employees can view them at any time. Globally, we have established whistleblowing and consultation hotlines at each regional affiliate for employees to voice their concerns about or report on words and/or actions which are or may be unethical or in violation of laws in the relevant countries/regions, the internal rules, and the Shiseido Code of Conduct and Ethics. At Company headquarters, the Shiseido Global Hotline has been established to receive reports directly from any employee in the Shiseido Group.

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

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

Click here for our human rights initiatives. 19

*2 The hotlines in Japan accept whistleblowing and consultations from all persons working for Shiseido Group companies in Japan (directors, auditors, executive officers, employees, contract employees, temporary employees, former employees within one year of their retirement, and other protected parties as stipulated in the Whistleblower Protection Act). STRATEGIC ACTION 3 Promoting Respect for Human Rights

Human Resources

At Shiseido, we always put PEOPLE FIRST. Ever since our founding, people have been at the heart of global value creation. People are the key to fulfilling our corporate mission, and diverse, professional talent remains an essential value driver for our business.

Developing Diverse Professionals

At Shiseido, to ensure we can provide value that is suited to each and every one of our consumers, we are aiming to create an organization where employees can independently acquire the expertise and skills to drive innovation and continue to achieve growth. At Shiseido Group in Japan, in 2015 we introduced a job-based personnel system for management (approximately 1,700 employees) and in 2021 for non-management (approximately 3,800 employees). The system clarifies the responsibilities and expertise required for each role and aims to develop employees through performance management. Moreover, several times a year we continue to host workshops for management on how to use performance management to develop their subordinates. Further, to promote employees' selfdirected career development, in 2022 we hosted the Career Mentoring Program (266 participants) through which employees can engage in career-related discussions with management personnel other than their own superiors. In addition, we extended the "LinkedIn Learning" platform across our global sites (5,739 participants) to encourage self-directed learning.

Diversity and Inclusion in the Workplace

Taking positives from employees' differences and creating new value is essential to sustained corporate growth. In particular, gender equality is key to ensuring that employees work with real energy. The percentage of women in leadership positions is 58.1% across Shiseido Group, while in Japan it is 37.6%³. We aim to increase this to 50% by 2030 to fairly represent gender equality. We also host a female leader development program, NEXT LEADERSHIP SESSIONS for WOMEN, and in 2022, 63 employees took part.

Employees with disabilities are also an important part of an inclusive workplace. In 2019, we launched a project to increase job options for employees with disabilities, and today we have employees with visual impairments working in sales. Elsewhere, in stores, we have a number of Shiseido Personal Beauty Partners with disabilities working as beauty professionals, helping to bring out the beauty of our consumers. In 2021, we joined The Valuable 500, an international movement to support the social advancement of people with disabilities.

Moreover, to create a flat organizational structure where different mindsets are respected and embraced, we continue to host a reverse mentoring program in which young employees mentor executive officers*4 and department managers and exchange opinions with them (892 participants between 2017 and 2022).



The Valuable 500



Employee with visual impairments working in

- As of January 2023.
- Previously corporate officers (name changed in 2021)

Health and Safety of Employees

It is our mission to realize a sustainable society through beauty. To accomplish this, we must create a work environment where all employees can work safely. To support the health and safety of our employees, we established the "Shiseido Health Declaration" and the "Shiseido Vision Zero Declaration (Safety Declaration)". Chief People Officer is responsible for managing employee health and safety. He is also responsible for the creation and maintenance of healthy, safe workplaces by setting KPIs and leading occupational accident countermeasure committees.

Shiseido Health Declaration

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

Shiseido Vision Zero Declaration (Safety Declaration)

"Our vision is to achieve zero leave accidents by creating an environment for employees to work healthily and safely."

Click here for Health and Safety of Shiseido Group 12

Developing Leaders Through Art and Heritage

In 2022, we conducted various global leadership training programs at our headquarters and regions for executive officers, regional CEOs, and other leadership personnel (162 participants). We also announced the opening of Shiseido Future University. Launching in autumn 2023 in Ginza, where the company was founded, the university will act as a hub of wisdom to build the future of Shiseido, and through the university we will roll out an array of global personnel development programs.

Shiseido Future University will promote talent development through its unique curriculum which combines the state-of-the-art, global-standard business education with the understanding of Shiseido's heritage of pursuing a sense of beauty and richness of spirit since our founding. In doing so, the university will strive to develop leaders with excellent strategies, leadership capabilities, and sensitivity.



Shiseido Future University in Glnza



Global leadership training

Governance

Corporate Governance Policy

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

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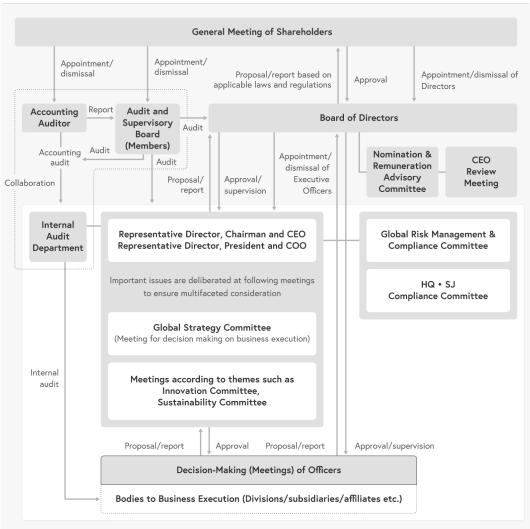
The Company is committed to maintaining and improving management transparency, fairness and speed, by putting into practice and reinforcing the corporate governance, and strives to maximize medium- and long-term corporate and shareholder value through dialogues with all stakeholders, "employees", "consumers",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

Corporate Governance System

Business Management and Execution Structure as of January 1, 2023:

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(As of January 1, 2023)



Reasons for Adopting the Current Framework

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

system with brand categories and six regions combined, the

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

Diversity of Directors and Audit & **Supervisory Board Members**

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

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as necessary.

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

Remuneration

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

The remuneration of the directors and executive officers of

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the Company comprises "basic remuneration" as fixed remuneration as well as "annual incentive" and "long-term incentive-type remuneration" as performance-linked remuneration, and the Company sets remuneration levels by benchmarking peer companies in the same business industry or in the similar business size inside or outside Japan and by taking the Company's financial condition into consideration. External directors and Audit & Supervisory Board members receive only basic remuneration, as variable remuneration such as performance-linked remuneration is inconsistent with their supervisory roles independent from business execution.

Succession Plan for CEO

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

Regarding selection of specific candidates for the CEO, the Nomination & Remuneration Advisory Committee receives full reports from the CEO on the specific nomination for successor from various perspectives. The Nomination & Remuneration Advisory Committee members themselves meet and exchange opinions with candidates, evaluating

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them from an independent perspective as well as the Company's management issues. Since the Nomination & Remuneration Advisory Committee performs certain important functions of the Board of Directors, the Board respects the committee's judgement. Furthermore, when actually selecting the CEO's successor, the Nomination & Remuneration Advisory Committee deliberates fully on matters such as the final candidate and their selection process, prior to reporting its opinion. The Board of Directors accords this report the utmost respect in passing a resolution regarding the selection.

The Company formulated and launched the framework of the five-year succession plan for the current CEO in 2019, selected the successor over the first three years in accordance with the framework, and announced the successor in November 2022. The Company will continue to proceed with the succession plan while monitoring by external directors and external Audit & Supervisory Board members so that the post of CEO can be assumed smoothly by the successor.

Social Contribution

Employee's Social Contribution Activities

Shiseido aims to realize a sustainable world where everyone can experience happiness through the power of beauty. We believe it is important for each employee to think about

social and environmental issues and consider ways in which we can address them. Based on our sustainability strategies, we encourage employees to participate in voluntary social contribution activities across the fields of society and the environment. In Japan, EMEA, Americas, Asia Pacific and Travel Retail, schemes have been established to allow employees to take part in social contribution activities during working hours.

Employees Around The World Make Social Contributions on "Shiseido Camellia Day"

Every year since 2017, Shiseido has hosted "Shiseido Camellia Day" in EMEA — a day dedicated to employees making social contributions. We expanded this initiative to all regions in 2021, and held "Shiseido Camellia Day" in EMEA, Americas, Asia Pacific and Travel Retail again in 2022. This day is aimed at bringing employees who volunteer during working hours together to share their civic engagement, passions, and skills for the benefit of the associations in their regions. In 2022, we resumed in-person activities, mainly outdoors, with strict regulations to protect our employees and help stop the spread of COVID-19. Employees around the world participated in various activities tailored to the needs of their local communities.

In Shiseido EMEA, more than 560 employees from countries such as Belgium, Germany, Italy, Spain, the Netherlands, the United Kingdom, France, and Switzerland participated in programs to promote environmental conservation, Diversity, Equity, and Inclusion, and cultural and heritage education. They used their skills and their knowledge to contribute to



Shiseido employees in EMEA volunteer

their local communities.

Shiseido EMEA employees participated in community projects that included cleaning up the port area, where the office is located, planting a garden on the office's rooftop, and wrapping gifts for refugees and nursing home residents. Other activities held in EMEA included plastic recycling, tree planting, weeding, and mental and physical health support for women suffering from cancer and female victims of violence.

In Shiseido Americas, more than 1,300 employees from across the region volunteered to participate in social contribution activities under the theme of "Protecting Our Oceans" to celebrate Shiseido's 150th anniversary. Through "THE BEAUTY OF HELPING OTHERS" program, in which employees take part in social contribution activities throughout the year, Shiseido Americas partnered with 20 different non-profit organizations to host more than 30 events across the United States and Canada.

From cleaning beaches in California, Florida and Toronto, Canada, to supporting oyster reef restoration and coastline protection projects in New York and New Jersey and cleaning creeks and other waterways in Houston, Texas and Groveport, Ohio, employees came together to give back to their communities. In Brazil, Shiseido employees worked to clear man-made debris from the mangrove thickets of Sangava Beach.



Shiseido Americas employees take part in cleaning a creek and park

In Asia Pacific and Travel Retail, more than 450 employees from countries and regions such as Singapore, Indonesia, the Philippines, Vietnam, Malaysia, and Taiwan participated in "Shiseido Camellia Day".

In Singapore, more than 230 employees across the Asia Pacific and Travel Retail regions came together for Shiseido Camellia Day to walk for a good cause – to raise awareness and funds for initiatives that empower disadvantaged women and children. In Indonesia, employees participated in a charity walk event in collaboration with a Jakarta-based non-profit organization that works to support disadvantaged youth in acquiring and developing important skills. On top of contributing to society, employees deepened their relationships with their families, friends, and fellow employees through these activities.

In the Philippines, employees worked together to curate special product gift boxes for front-line healthcare workers, which included thank-you messages and product instructions, to show our appreciation for their hard work.

Additionally, in Vietnam, employees donated school supplies

Shisoido Camella Day

Charity

Walkathon

In June 1999

Shiseido employees in Asia Pacific and Travel Retail participate in a charity walk

to disadvantaged children, while in Malaysia, employees held a cake-baking event for children to improve their education and nutrition, and in Taiwan, employees packed gift boxes filled with Shiseido products, accompanied by hand-written cards, to give to disadvantaged girls and young women. Our employees volunteered to take part in various social contribution activities to make a positive impact on the environment and give back to their communities.

Shiseido Camellia Fund

The "Shiseido Camellia Fund" is backed by charitable contributions from current and retired Shiseido Group employees. It supports NPOs working to solve social issues. The "Shiseido Camellia Fund" began in Japan in 2005 and

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expanded to EMEA, Americas, Asia Pacific and Travel Retail in 2020. It supports initiatives tailored to the needs of each region across the fields of society and the environment. This includes initiatives in the areas of women's empowerment, children's education, environmental conservation, and disaster relief.

Support for Ukraine

By supporting Ukrainian students, Shiseido expresses our commitment to building a peaceful and healthy society, and we pledge to support the future leaders of Ukraine. These actions align with our corporate mission of "BEAUTY INNOVATIONS FOR A BETTER WORLD".

Since March 2022, we have provided humanitarian assistance through the UNHCR (the United Nations High Commissioner for Refugees) by making donations and sending skin care products as relief supplies to evacuees. Our Osaka Ibaraki Plant in Japan hired two Ukrainian evacuees to provide them with a safe working environment. In June of the same year, we hosted the Shiseido Charity Concert "MUSIC for PEACE"

at Suntory Hall¹, the proceeds from which were donated to Pathways Japan². Additionally, we offered funding to help cover the living expenses of five Ukrainian international students studying at ICU (International Christian University), so that they can concentrate on their studies. In the future, the Shiseido Group and its employees will continue to work with humanitarian organizations around the world to provide long-term support for Ukrainian evacuees.

In addition, we donated 1 million euros (approximately 130 million yen) through the UNHCR (the United Nations High Commissioner for Refugees) to be used for their immediate aid. We also implemented a donation-matching scheme and organized a system to accept voluntary employee donations wherever Shiseido operates, raising a total donation of 440,000 euros (approximately 60 million yen).

- *1 Co-sponsored by Suntory Holdings Limited, Seiko Holdings Corporation, Daiwa Securities Group Inc., and Tokio Marine & Nichido Fire Insurance Co., Ltd., with the collaboration of Dentsu Inc.
- *2 An organization that aims to pave the way for refugees through education, and accepts refugees into Japan.

External Evaluations and Awards

Shiseido received positive evaluations from Socially Responsible Investment (SRI) evaluation institutions of countries worldwide and was selected for inclusion as a constituent company for SRI indexes, which take account of companies that are highly trusted by society in terms of ethics, environment, employment and safety in their operations, in both Japan and overseas.

Global

Dow Jones Sustainability World Index (DJSI World) Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)

Jointly developed by S&P Dow Jones Indices LLC and RobecoSAM AG, this series of indices evaluate companies' performance from economic, environmental, and social perspectives and select leaders in sustainability. They are among the most influential indices for investment decisions focused on corporate social responsibility.

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FTSE4Good Index Series

SRI indexes announced by the UK's FTSE Russell and used by investors as one set of environmental, social and governance (ESG) ratings. They are a series of indexes designed to promote investment in companies that meet global ESG standards.

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CDP is an international non-profit organization founded in the UK in 2000 and runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. CDP makes requests of companies to disclose their data on environmental impacts, risks, and opportunities, motivating them to introduce environmental measures.

In 2022, a record of approximately 18,700 companies disclosed their data through CDP, and Shiseido was selected as an "A-List" company, the highest rating in the climate change survey.

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Member of **Dow Jones Sustainability Indices**

Powered by the S&P Global CSA





Japan

FTSE Blossom Japan Index

An index designed by the UK's FTSE Russell which selects Japanese companies that demonstrate strong ESG practices. It is designed to be industry neutral. Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

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FTSE Blossom Japan Sector Relative Index

An index designed by the UK's FTSE Russell in March 2022 which selects Japanese companies in each sector that demonstrate strong ESG practices. It is designed to be sector neutral.

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MSCI Japan Empowering Women Index (WIN)

An index designed by the US's MSCI which selects Japanese companies that receive a high score for empowering women and promoting gender diversity. Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2017.

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2022 CONSTITUENT MSCI JAPAN **EMPOWERING WOMEN INDEX (WIN)**

THE INCLUSION OF Shiseled Company, Limited IN ANY MSCI INDEX, AND THE USE OF MSCI LOGGS, TRADEHAMIS, SERVICE MARKS OR NOEN NAMES HERRIN, DO NOT CONSTITUTE A SPONSOISHIP, ENDORSEMENT OR PROMOTION OF Shiseled Company, Limited BY MSCI OR ANY OF ITS AFFILIARS THE MSCI INDEX ARE THE ASSOCIATION FAIR THE MSCI MINES THE MSCI INDEX ARE TRADEHAMIS ON SERVICE MARKS OF MSCI OR ITS AFFILIARS.

S&P/JPX Carbon Efficient Index

Jointly developed by the U.S. S&P Dow Jones Indices and the Japan Exchange Group, this index covers Japan stocks. It is designed to promote investment into companies that excel in carbon efficiency and environmental information disclosure.

Shiseido has been repeatedly included in the index since it was first introduced in 2018.

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SOMPO Sustainability Index

SOMPO Sustainability Index is a proprietary active index created by Sompo Asset Management Co., Ltd., which combines ESG and equity fundamental evaluation. Shiseido has been continuously selected for excellence in ESG practices since the introduction of the index in 2012.

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Sustainability Data

Environmental Data

The data marked with • in the figure below has been third-party certified.

Assurance Statement for Environmental Data [288KB] 📴

CO_2

Scope 1,2^{*1}(t)

	2018	2019	2020	2021	2022
Total	81,249•	78,750●	72,458•	65,481●	46,439●*3
Coverage(%)*2	96.1	96.8	100.0	100.0	100.0
Scope1	27,632●	27,036•	25,968•	28,744	23,912•
Coverage(%)*2	94.0	95.0	100.0	100.0	100.0
Scope2	53,617●	51,714●	46,490●	36,737●	22,527●
Coverage(%)*2	97.3	98.0	100.0	100.0	100.0

The performance data was calculated based on the GHG Protocol. Scope 2 was based on the market-based method.

Scope 3^{*4}(t)

		2019	2020	2021	2022
То	Total		2,540,000	1,520,000	1,510,000
Category 1	Emissions from other than land-use change	644,000	528,000	606,000	473,000
Purchased goods and services	Emissions from land-use change	_	_	347,000●*5	458,000
Category 2	Capital goods	231,000	246,000	225,000•	150,000•
	Category 3 Fuel and energy related activities		13,200	12,600	9,500
	gory 4 ation and distribution	110,000	85,400	51,600	67,500•
Category 5 Waste g	enerated in operations	20,700	33,000	15,100•	15,500•
Category 6	Category 6 Business travel		1,600	900	2,400
Category 7 Emp	Category 7 Employee commuting		6,200	8,500	7,500
Category 8 Upst	ream leased assets	0	0	0	0

Total emissions after the deduction of carbon credits (for 3,516 t) is 42,923 t

Category 9 Downstream transportation and distribution	_	_	_	87,000 ● *7
Category 10 Processing of sold products	0	0	0	0
Category 11 Use of sold products	1,580,000•	1,540,000•	134,000●*6	143,000•
Category 12 End of life treatment of sold products	148,000•	82,900	118,000•	94,600
Category 13 Downstream leased assets	0	0	0	0
Category 14 Franchises	0	0	0	0
Category 15 Investments	_	_	_	2,800*7

^{*4} Used IDEA v2 and ecoinvent v3.8 as CO₂ calculation basis database.

Calculation method [PDF: 586KB] 📴

Scope1,2,3 Total (t)

	2019	2020	2021	2022
Total	2,848,750	2,612,458	1,585,481	1,556,439

Avoided CO₂ emissions (2021)

Approximately 4,200 tons of CO_2 , was reduced thanks to the sale of refill products.(t)

Each stage of the value chain	Avoided CO ₂ emissions
Procurement	2,900
End of life	1,300
Total	4,200

^{*5} Emissions from land-use change related to the procurement of raw materials and ingredients were taken into account from 2021.

^{*6} Excluding the sold business and brands.

^{*7} Downstream transportation & distribution and Investments were taken into account from 2022.

Energy (MWh)

	2018	2019	2020	2021	2022
Energy consumption	267,530•	289,280•	298,589•	322,527•*11	304,962•
Coverage(%)*8	96.1	96.8	100.0	100.0	100.0
Electric power	108,452●	115,228•	127,188•	137,881•	141,841•
Gas*9	126,255•	122,636•	128,568•	139,424•	109,953•
LPG	2,941•	2,771•	2,552•	2,370•	2,559•
Fuel*10	24,112•	24,358•	16,146•	20,181•	20,436•
Steam	5,771•	24,286•	24,135•	22,671•	30,172•

Water^{*12} (Mil. m³)

	2018	2019	2020	2021	2022
Water withdrawals	1.2•	1.2•	1.2•	1.2•	1.1•
Municipal water	1.1•	1.0•	0.9•	0.9•	0.7•
Municipal water (Industrial grade)	0.1•	0.1•	0.1•	0.0•	0.0•
Ground water	0.1•	0.1•	0.3•	0.3•	0.3•
Water discharged	1.0•	0.9•	1.0•	1.0•	0.9•
Sewage	1.0	0.9	0.8	0.8	0.8
Surface water	0	0	0.2	0.2	0.1

^{*12 2018 – 2020:} Production sites (covarage:100%).

^{*9} Total consumption of city gas and natural gas.

^{*10} Total consumption of gasoline, kerosene, diesel oil and fuel oil.

^{*11} Non-renewable energy consumption in 2022 : 194,812MWh.

^{2021:} Production sites (coverage:100%) and domestic research centers.

^{2022:} Production sites(coverage:100%) and research centers (covarage:100%).

 $⁻Other \ sources \ of \ water \ with drawals \ (surface \ water, \ harvested \ rainwater, \ external \ wastewater, \ sea \ water, \ quarry \ water): Om^3.$

 $⁻Other\ destinations\ of\ water\ discharged\ (ocean, subsurface\ /\ well,\ off-site\ water\ treatment,\ beneficial\ /\ other\ use): 0m^3.$

⁻Total net fresh water consumption in 2022 (water consumption excluding the amount of wastewater returned to the same water source): •1.1 million m³.

⁻Percentage of water withdrawal and water consumption in areas with high or very high water stress as classified by the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct in 2022: 10%.

Waste^{*13} (t)

	2018	2019	2020	2021	2022
Waste discharged	14,288	14,297	12,825	13,096•	12,560•
Recycled*14	13,980	13,910	12,779	13,038•	12,473•
Disposed	308	387	47	58•	87•

^{*13 2018-2021:} Production sites(Coverage 100%) and domestic research centers. 2022: Production sites(Coverage 100%) and research centers(Coverage 100%).

Environmental pollution (Air/Water)(t)

	2018	2019	2020	2021	2022
NOx emissions	26	27	23•	24•	31•
Coverage(%)*15	54.5	81.8	90.9	100.0	100.0
SOx emissions	0	0	0•	0•	0•
Coverage(%)*15	54.5	81.8	90.9	91.7	91.7
Chemical Oxygen Demand	116•	103•	70•	68•	52•
Coverage(%)*15	90.9	90.9	90.9	91.7	92.3

^{*15} Production sites.

Responding to Environmental Risks

In terms of environmental law, key function of the company is Production sites. Including those functions, Shiseido observes environmental laws and regulations thoroughly by conducting compliance evaluation based on ISO14001 standards. Investigations of domestic and overseas affiliates revealed no major violations of environmental laws or regulations in the last 5 years including 2022. Shiseido is committed on appropriate operation that complies with the environmental laws and regulations continuously.

^{*14} Including thermal recovery.



Data marked with • has been third-party certified.

Assurance Statement for Social Data

Number of Shiseido Group Employees

PERIOD: As of January 1 each year in Japan, and December 31 of the previous year outside Japan SCOPE: Entire Shiseido Group

Indicator	2020	2021	2022	2023
Total (persons)	46,763	45,527	40,484	38,878
Female Ratio (%)	85.6	83.0	82.2	81.9

Number of Employees by Region (persons)

PERIOD: As of January 1 each year

SCOPE: Shiseido Group in Japan (22 companies)

Indicator	2020	2021	2022	2023
Japan	24,884	24,903•	23,458	22,129•

Ratio of Female Leaders (%)

PERIOD: As of January 1 each year in Japan, and December 31 of the previous year outside Japan SCOPE: Shiseido Group in Japan (22 companies)

Indicator	2020	2021	2022	2023
Entire Shiseido Group	52.7	57.5	58.3	58.1*2
Japan Target: To achieve 50%*1	33.1•	34.7•	37.3●	37.6●

^{*1} Leaders: Manager position holders and annual salary system employees.

Diversity in Top Management

PERIOD: As of April 1 each year

Indicator	2020	2021	2022	2023
Ratio of female directors and Audit & Supervisory Board members (%)	46.2	46.2	46.2	40.0

^{*2} Ratio of female junior managers in entire Shiseido Group: 64.9%.

Ratio of Employees with Disabilities³ (%)

PERIOD: As of June 1 each year

Indicator	2019	2020	2021	2022
Shiseido Company, Limited	3.25	3.04	3.89	4.18
Shiseido Group in Japan*4	eido Group in Japan' ⁴ 2.12•		2.44•	2.65●
Target 2.2		2.2	2.3	2.3

^{*3} Ratio of employees with disabilities: Physically and intellectually disabled persons are included, and the employment rate for disabled persons is indicated by three significant figures.

LTIFR*5

Indicator		2019	2020	2021	2022
Shiseido Group in Japan	Directly hired employees (Coverage (%))	0.87 (100)•	0.77 (100)•	0.74 (100)●	0.68 (100)•* ₆
	Indirectly hired employees (Coverage (%))	0.00 (39.6)•	2.56 (79.5)•	0.73 (85.0)•	1.05 (93.0)•
Shiseido Group outside Japan	Directly hired employees (Coverage (%))	-	1.6 (100)	1.9 (100)	1.8 (100)

^{*5} Lost Time Injury Frequency Rate (LTIFR): Number of work-related accidents/Total hours worked x 1,000,000.

Percentage of Corporations with Labor Union (%)

PERIOD: As of January 1 each year

Indicator	2020	2021	2022	2023
Shiseido Group in Japan (Coverage 100%)	29.4	29.4	22.2	23.5
Shiseido Group outside Japan (Coverage 100%)*7	68.4	68.4	68.4	68.4

Including work council.

Shiseido Group in Japan: 11 special subsidiary companies of Shiseido Group.

SCOPE: Shiseido Group in Japan (22 companies).

Spending on Social Contribution Activities (millions of Japanese yen)

		2019	2020	2021	2022	
Shiseido Group in Japan⁺8	Spending on donations		563●	432●	950•	714•
	Breakdown	Donations made in cash	562●	394●	911•	581●
		Donations made by product offerings	0.37•	38•	38•	133•
Entire Shiseido Group	Spending on donations		687	1243	1518	1031
	Breakdown	Donations made in cash	673	1080	1056	835
		Donations made by product offerings	14	163	461	196

^{*8} Shiseido Group in Japan: Shiseido Company, Limited and 25 domestic affiliated companies subject to consolidation (2022).

Editorial Policy

The "Sustainability" section of the Shiseido Group corporate website is edited according to the following policy.

We report the activities that lead to the solution of social issues and the role that we play in a sustainable world. We explain how we create social value that we provide as a company to various stakeholders.

Scope

Shiseido Company, Limited and its consolidated subsidiaries (collectively, the Shiseido Group)

Target period

Mainly fiscal 2022 (from January 1, 2022 to December 31, 2022). Some pages include content which is prior to the target period or is more recent.

Reference guidelines

- UN Global Compact
- GRI Standards (Global Reporting Initiative)
- TCFD (Task Force on Climate-related Financial Disclosures)
- SASB (Sustainability Accounting Standards Board)
- Environmental Reporting Guidelines of the Ministry of the Environment (2018 edition)

Update period

June 2023

Assurance Statement

Some environmental and social data are third-party certified, which is marked with ● in data.

Environmental Data → Social Data →

Our sustainability initiatives are also disclosed in our Corporate WEB site . Integrated Report .