

Consumer Issues

With Consumers. Shiseido is working to manufacture safe, reliable products and disseminate information with the aim of being consumer-oriented.

Promotion of Safe and Reliable Manufacturing

■ The Establishment of the Original Product Safety Guarantee Standard

Product research and manufacturing at Shiseido are designed to create products that customers can use with confidence and peace of mind. Based on our belief that correct knowledge of the skin is critical, the cosmetics development process starts with intensive research into skin structure conducted in collaboration with Japanese and overseas dermatologists, universities, and other research institutions utilizing state-of-the-art technology from a broad range of disciplines related to cosmetics (including the life sciences, dermatology, interface science, ergonomics, and psychology). Then ingredients are thoroughly investigated for impurities and other substances that might adversely affect the skin, and only those of unquestionable safety are selected for use. Finally, we conduct patch tests and dermatologist-supervised trials to ensure that the resulting formulations will be free of problems when used in products.



Sensory testing of cosmetics



■ Safety, Backed Up by Data

When treating patients with dermatitis (rash) suspected to have been caused by cosmetics, dermatologists attempt to track down the cause of the condition by conducting patch tests with the cosmetics used by the patient, as well as their ingredients. Statistical data summarizing the rate of positive results for these patch tests for individual manufacturers can be interpreted as an indicator of the effectiveness of those companies' safety assurance programs. Published reports show that the rate of positive results for Shiseido cosmetics is the lowest of all domestic and overseas cosmetics manufacturers*, and that a high level of safety has been maintained.

* Fujimoto et al., Patch test results in 492 patients of suspected cosmetic dermatitis (1996-2000), Environ. Dermatol., 9, 53-62, 2002.

■ Total Reassurance and Safety Management of Chemical Substances

A Basic Approach Based on Health and Environmental Considerations

Shiseido manages chemical substances used in products and containers based on the international goal of "minimizing adverse effects that the manufacturing and use of chemical substances have on human health and the environment by 2020," as adopted at the 2002 World Summit on Sustainable Development (WSSD).

Shiseido collects information about chemical substance safety and trends in the regulation of chemical substances in Europe, the Americas, Asia, Japan, and other regions. This data is evaluated based on the latest scientific knowledge and put to use in order to ensure safety by evaluating the effects of chemical substances used for products on people or the environment.

In the event that concerns about the effects of ingredients used in products on human health or the environment were to be brought to our attention, we would make a judgment as to whether to continue their use based on the latest scientific knowledge available at that point in time. Based on this judgment, if necessary, we would halt the use of respective substances immediately and switch to an alternative substance.

Complying with the European REACH Regulation

Under Europe's new chemical substance regulatory framework, known as the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation, which was put into force in June 2007, all chemical substances contained in cosmetics and containers exported to Europe from Japan are subject to regulation.

In particular, substances imported into Europe in quantities of one ton or greater per year must be registered in accordance with procedures set forth in the REACH Regulation. Shiseido has assessed all such substances which must be registered.

The REACH Regulation also requires that manufacturers provide information to business partners and customers concerning products and containers that contain at least 0.1% of certain substances that are feared to have an effect on the human body or the environment, known for the purposes of the regulation as Substances of Very High Concern (SVHC). At the present time, Shiseido has verified that none of its products or containers falls under this category. The SVHC list is updated periodically. However, in the event that a substance used for a product or container is included on the SVHC list, Shiseido's policy is to halt use of the respective substance, for example by switching to an alternative substance.

■ Establishment of Manufacturing Eco Standards and Sales Promotion Tools Eco Standards

In fiscal 2010, Shiseido established the Manufacturing Eco Standards and Sales Promotion Tools Eco Standards to devise rules of environmental responses for products and sales promotion tools from the perspective of life cycles and commenced operations accordingly.

■ System for Stable Supply of High Quality Products

Shiseido is observing the quality standards of designated global guidelines worldwide and producing cosmetics under strict quality control. In order to ensure customer assurance by placing the highest priority on quality and safety, we have continuously worked to maintain and manage product quality by establishing Shiseido Good Manufacturing Practice (Shiseido GMP) as self-imposed standards related to manufacturing.

Shiseido observes all items (e.g. organizations and systems from educational training to acceptance, manufacturing management, inspections, etc.) that are stipulated under the ISO22716, which was established as an international

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In order to protect safety and high quality in terms of healthcare products beginning with food, Shiseido is intensively carrying out quality control in respective stages of raw material selection, product commercialization, production and distribution. In doing so, we are manufacturing products that customers can use regularly and with a peace of mind. In selecting raw materials, Shiseido is gathering information from around the world and using only raw materials that are confirmed as reliable by looking at local data, including that regarding soil and pesticide residues. In product commercialization, production and distribution, the Company also has a system in place to realize a stable supply of high quality products by employing respective standards, including HACCP*1, ISO22000 and GMP*2 as well as self-imposed specifications.

*1 HACCP : HACCP is a method of food sanitation control developed to ensure the safety of space food in the United States in the 1960s.

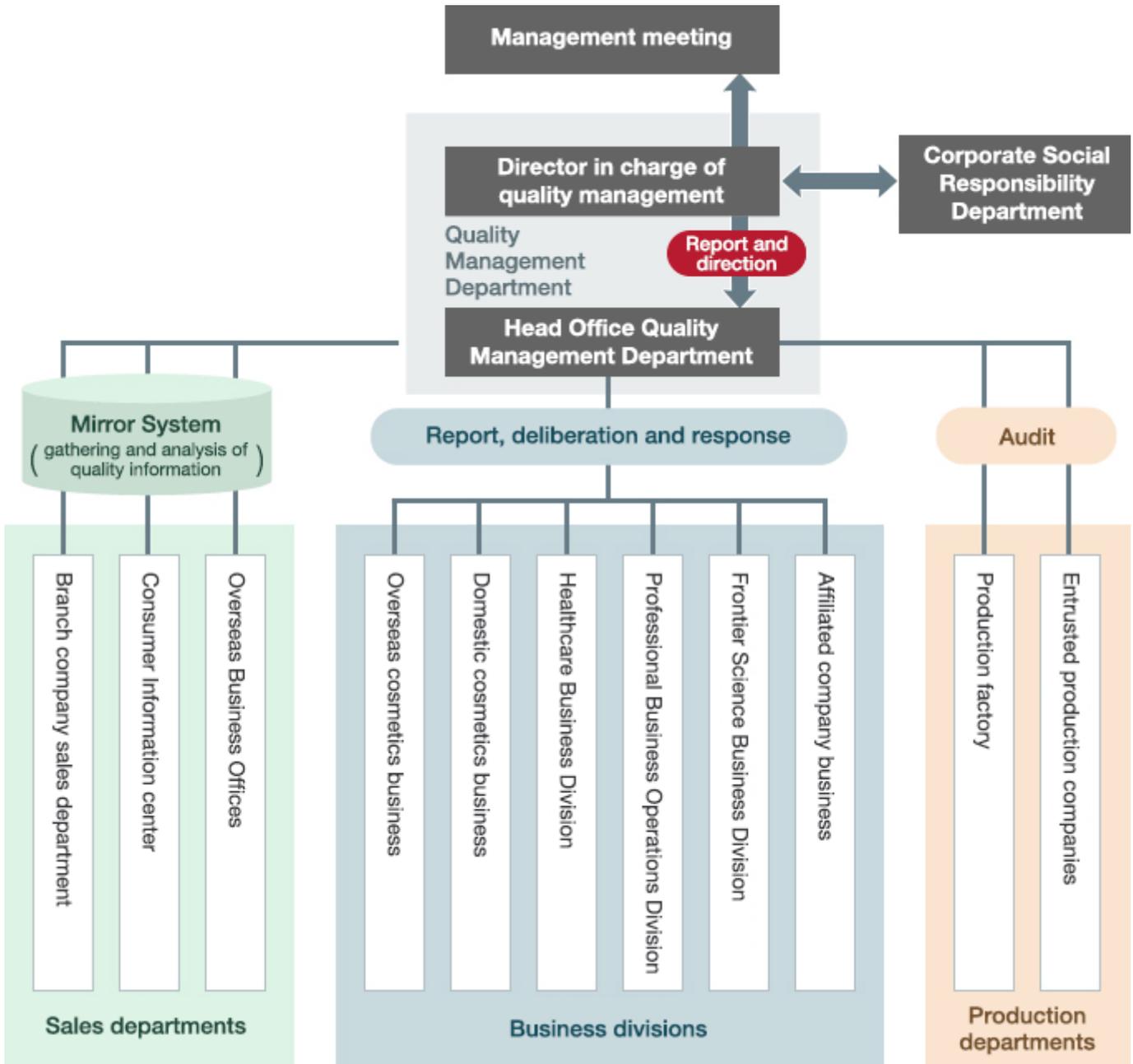
*2 GMP : Good Manufacturing Practice (GMP) is a quality control standard applied to pharmaceuticals that was established by the Minister of Health, Labour and Welfare based on the Pharmaceutical Affairs Law.

Response to Product Accidents

In order to promote research, development, manufacture and sales of safe products that will achieve customer satisfaction, Shiseido clarifies where the authority and responsibility lie in terms of quality assurance, including product planning, manufacturing, sales and imports, and product accident prevention. At the same time, obligations to report accidents are in statutory form, thereby strengthening and comprehensively promoting quality assurance and product accident prevention activities at Shiseido and the Group companies.

In the unlikely event of a quality accident and/or product liability accident involving the Company's products, a department that receives information is expected to immediately report the case to the Quality Management Department, Business Division and Corporate Social Responsibility Department. The Corporate Social Responsibility Department will establish the response level in accordance with the degree of severity and decide on the accident response methods. The Quality Management Department will investigate the cause and the Business Division will promote various initiatives, including responses.

Response to Product Accidents



Appropriate Provision of Product Information

Our Way is a summary of actions that each and every person at the Shiseido Group should take. In Our Way, Shiseido stipulated that "we do our work with a greater sense of ethics in regard to our product information and labeling or advertising and labeling as well as observing respective countries' and regions' laws and regulations, including corporate regulations."

Compliance Status of Laws and Regulations Related to Advertising and Labeling

Details that should be indicated on cosmetics are stipulated under the Pharmaceutical Affairs Law (statutory labeling). At the same time, aspects of advertising are restricted under the Standards for Fair Advertising Practices of Drugs, Quasi-drugs, Cosmetics and Medical Devices (Notification from the Director-General of the Pharmaceutical Affairs Bureau, Ministry of Health and Welfare, October 9, 1980). Based on these standards, the Japan Cosmetic Industry Association (JCIA) industry organization has established Appropriate Advertising Guidelines including Cosmetics as self-imposed industry standards that clarify relevant examples and explanations.

As for statutory labeling, Shiseido operates by defining "labeling regulations." With regard to advertising, the Company observes laws and regulations by following the Appropriate Advertising Guidelines including Cosmetics.

Also, JCIA established the Advertising and General Publicity Committee within the organization and the Cosmetics Advertising Deliberation Council as an institution pertaining to the committee. This council independently carries out deliberations to enhance the reliability of and optimize cosmetics advertising expressions. These deliberations, conducted three times annually, are based on the Pharmaceutical Affairs Law, the Standards for Fair Advertising Practices of Drugs, Quasi-drugs, Cosmetics and Medical Devices, Appropriate Advertising Guidelines including Cosmetics and other relevant laws and regulations and addresses television, newspaper and magazine advertising.

Implementation of Study Sessions Related to Advertising and Labeling

Shiseido held the "Statutory Labeling Seminar" and "Advertising Appeal Seminar" in FY2015, and approximately 100 employees participated each time. We will also hold the same seminars twice in FY2016, once during the first half and once during the second half. (We have already held the one during the first half.)

Activities to Enhance Consumer Satisfaction

Based on Our Way, which is denoted under the Group's corporate philosophy of "Our Mission, Values and Way," Shiseido aims to help customers and society. Products and services with values generating customer satisfaction will be created by uniting the hardware of cosmetics and the software of various information and beauty methods that accompany the hardware. To this end, Shiseido is also promoting various initiatives in terms of counseling and services to address customers' beauty and health needs.

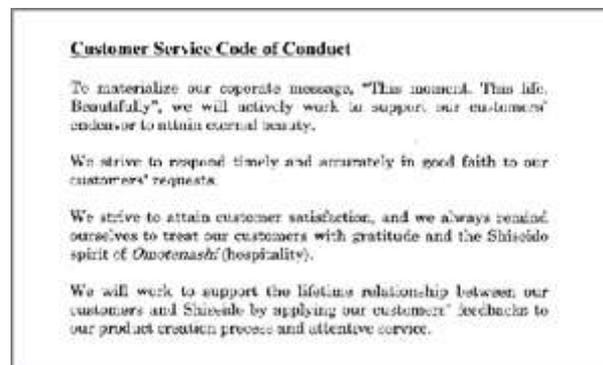
Activities to Enhance Consumer Satisfaction

Reflecting Consumer Feedback

In order to realize Medium-to-Long Term Strategy "VISION 2020" manufacturing, Shiseido is promoting initiatives to internally report back the valuable feedback, including consultations and requests received from customers, and utilize it for product development and service enhancement. By quickly detecting changes in customers or society and reflecting these changes in corporate activities, Shiseido is gathering and analyzing customer feedback information and working to share information throughout the company. In doing so, we are requesting that relevant departments respond to develop and revamp products, beauty information and service leading to the enhancement of the corporate value through the "customer-focused perspective". The Shiseido Consumer Information Center is responsible for taking the central role regarding such initiatives.

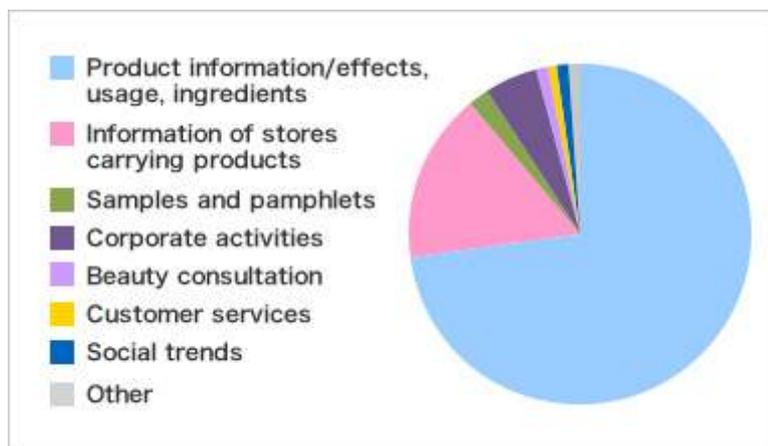
Customer services—action policy

The Shiseido Consumer Information Center, which was established in 1968, offers sincere response to inquiries and consultations from customers and transmits information that can be further utilized by customers. We also started the "watashi+" service that connects the website and stores in 2012 and newly established the "watashi+ support center." We aim to promote proactive communication with customers.



Gathering and sharing customer feedback

In Japan, Shiseido gathers customer feedback in various ways. Approximately 110,000 opinions and inquiries (about our products [73%], about shops carrying our products [16%]) are directed annually to the Consumer Information Center via toll-free numbers, e-mail and letters, and about 110,000 customers provided feedback to Beauty Consultants that they came into contact with at the storefronts, that is not counting customers' voices from SNS (Social Networking Service) such as Twitter. Afterwards, Shiseido fosters an



environment for managing such information using a system and people to conduct analysis on a case-by-case basis.

Shiseido employees share customer feedback via the intranet in order to refine products and create value that further satisfies customers.

Furthermore, we also promote global Collaborative Nurturing (Learning) activities to gain a deep understanding of customers' feelings, related to daily use of cosmetics and their backgrounds, and to develop products and services that can further help customers. This enables us to consider things from customers' perspective by being exposed to their true voices and presents opportunities to review our operations.



"Customer feedback" seminar at factories in Japan and overseas



Meetings for customer support representatives in Europe, Korea, Beijing, Shanghai, Hong Kong, Taiwan, and Japan

We also make sure to include "customer feedback" time into the training for new employees. Through this training, they learn the fundamental stance to promote work by standing in customers' shoes.



In new employees' training, they use actual products to actually experience "customers' feelings"

System to gather and utilize customer services and customer feedback information

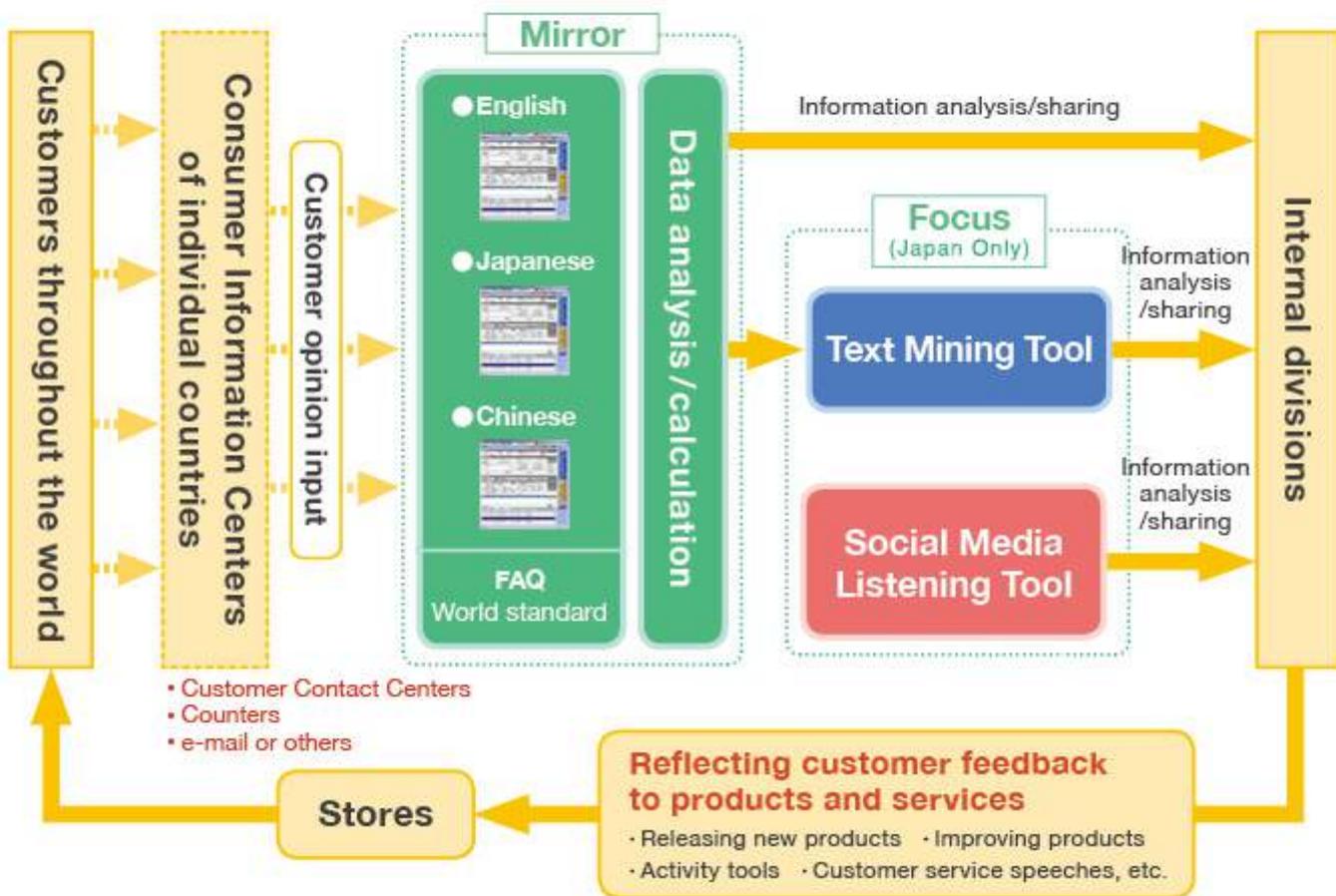
Shiseido has enhanced its customer feedback system, which had been in use since 1996, into one that can share and utilize customer feedback information from all over the world, along with the globalization of the business. This system, named "Mirror*," was introduced within and outside of Japan in 2011. We are taking on the challenge of creating values for the Shiseido Group by enhancing our response to consultations and requests that come to customer service centers throughout the world and gathering/analyzing customer feedback information from all over the world in an efficient manner through the introduction of "Mirror." "Mirror" is in operation in 20 countries and regions, including Japan, as of February of 2016.

In Japan, we are establishing an environment in which all employees can easily analyze/utilize the customer feedback information, which has been accumulated in "Mirror," according to the objectives by linking the information with the text mining system "Focus" and visualizing customer feedback. We also utilize SNS (Social Networking Services) listening

system in order to reflect customer feedback, which is not normally directly delivered to the company, to corporate activities.

*Mirror: The name implies our hope to review/reflect the actual state of Shiseido's activities through the "mirror" of customer feedback.

System to gather/utilize customer feedback information



TOPICS : The Shiseido Consumer Information Center was awarded three stars, the top rating, in the "Quality (Telephone) Ranking Monitoring" sponsored by HDI for three consecutive years

The Shiseido Consumer Information Center has been awarded three stars, the top rating, in the 2015 HDI Benchmarking assessment sponsored by HDI-Japan. HDI-Japan is the Japanese branch of the Help Desk Institute (HDI)*, the world's largest organization in the support service industry with its main operations in the U.S. Shiseido received the top rating in 2013 for the first time in the Japanese cosmetics industry, achieving this distinction for the third year in a row.

"Making One to One affirmative responses from the customer's point of view" and "providing collaborative support services for comfortable use" have been especially highly rated and have led to the third consecutive award.

Moreover, Shiseido established a help desk for older women, “Kirameki Ms. Beauty Consultation Room” (within the Consumer Information Center) in March 2013 as part of the evolution of “providing service from customer’s point of view.” The help desk is staffed by experienced beauty advisors who can provide advice on a wide range of issues, including products and beauty related information.

As the front-line in the “customer-focused perspective” of our business activities, the Shiseido Consumer Information Center will continue to give full and sincere attention to our customers and further improve our services so that customers trust us and continue to use Shiseido products.

*HDI (Help Desk Institute)

HDI is the world's biggest international organization for the support service industry, in which approximately 50,000 members belong worldwide. As many as 90% of the top 500 companies in the world, which are listed in the U.S. financial magazine “Fortune”, are members of HDI. HDI possesses 100 chapters worldwide. Several hundred companies are members of HDI-Japan, which is the Japanese chapter.



Awarded three stars in the 2015
Quality (Telephone) Ranking Monitoring



Director of the Consumer Information Center
Iyoda and a customer service representative
receive the Award Certificate from HDI

TOPICS: Received the “Top Award” at the Service Hospitality Award* 2015”

Shiseido received the “Top Award”, which is the highest award of the year in the “Service Hospitality Award” hosted by the Japan Institute of Information Technology (commonly referred to as “JIIT”).

This award is presented by the institute to companies that demonstrate exceptional performance, which can be role models for others, by introducing and utilizing measures regarding service hospitality.

Since the establishment of the company, Shiseido has promoted a number of activities with the aim of realizing the mission of “creating a life of beauty & culture”. We have especially been promoting activities to enhance customer satisfaction through IT in recent years.

This award was presented for our innovativeness of realizing “Omotenashi” for customers not only in the psychological aspect but also by utilizing IT, such as “Beauty Tablet” (tablet-type mobile information terminal used at counters to offer customer services), “watashi+ (Japanese Only)” (website), and “Mirror” (system used to collect/analyze customer feedback throughout the world).

Furthermore, we utilize the great range of information, which is accumulated with the use of these IT technologies, not only in the front line of sales but also in our management and marketing activities.

We will continue aiming to further enhance customer satisfaction.

***Service Hospitality Award**

This award reviews and is presented to the customer contact point division of companies, institutions, organizations, offices, etc. that are deemed to have contributed to the promotion/development of service hospitality through their contribution toward the business by promoting innovation and advanced initiatives regarding service hospitality for customers and by enhancing customer satisfaction



Service Hospitality Award



Corporate Executive Officer Sekine (left),
Consumer Information Center Director Iyoda (right)
(As of September, 2015)

Product Manufacturing that Reflects Customer Feedback

“MAQuillage” Dramatic Mood Eyes

Developed a new internal package with a film, which indicates the use at a glance

We have enhanced the film, included in the product to prevent the mirror from eye shadow powder, etc. In response to the concern regarding use, such as “I don’t know how to apply eye shadow”, and customer feedback regarding user-friendliness, such as “I drop the film on top” and “I lose the film”, we included a film with illustrations of the use and also developed a package the film attached to it so it would not fall from the compact. We used the design in Dramatic Mood Eyes, which was released in August of 2015.



“SEA BREEZE” Deo & Water Enhanced the contents of cautions for better understanding

In response to customer feedback, such as “SEA BREEZE Deo & Water spilled in my bag”, etc., we have enhanced the contents of the caution.



“TSUBAKI” Shampoo/conditioner (refill type) Enhanced the design for easier differentiation

In order to make it easier to differentiate the “shampoo/conditioner (refill)”, we have changed the colors on top of the main body. With this change, users can differentiate the two at a glance.



“PRIOR” Color conditioner Changed the package so that it’s easier to open

In response to customer feedback that the “package is hard to open”, we have changed the shrink-film specifications for the color conditioner of the comprehensive brand “PRIOR” for senior women so that it’s easier to open.



The whole container is wrapped in film

Only the cap is wrapped in film

Activities to Enhance Consumer Satisfaction

Consumer Satisfaction

Beauty Consultants (BCs) have major roles in responding to customer needs at the counters and introducing products and beauty information according to each and every customer's skin and cosmetic lifestyle. Since 1988, Shiseido has been first in the industry to introduce an in-house BC proficiency exam system certified by the Minister of Health, Labour and Welfare. The system relating to beauty knowledge and techniques was aimed at enhancing the quality of counseling activities as the group engaged in professional beauty services.

Overseas, in order to expand the number of regular users by maximizing customer satisfaction, Shiseido has distributed the *SHISEIDO Beauty Consultant Omotenashi Credo*, which is an action indicator for Beauty Consultants worldwide to realize the spirit of hospitality at the storefronts, and is utilizing it in daily activities.

In order to improve response and suggestion capabilities at the storefronts, Shiseido has developed and is using software, a convergence of its accumulated service know-how and beauty techniques. Shiseido is also using its international software overseas.

In June 2013, approximately 10,000 Beauty Consultants in Japan started to use tablets named the Beauty Tablet. Since July of the same year, application software, which was designed exclusively for the Beauty Tablet, has been installed in order and used at the storefronts. This application software includes four main features. The "Makeup Simulator" allows customers to have a virtual makeup session simply by positioning their face in front of the tablet. They do not have to remove their makeup, and it is as easy as looking into a mirror. The other three features are the "Foundation Finder," which allows customers to select the product that is tailored to them from a wide variety of products, "Skincare Consultation," and "Healthcare".

Shiseido will increase customer satisfaction by using these latest technologies as business tools, arousing customers' interest at the storefronts, and helping them to discover their charm unknown to themselves. In addition, Shiseido will further increase customer satisfaction by entering customers' reviews into the Beauty Tablet and then sending them to related departments in the headquarters on the following day.

Shiseido would like to create opportunities for overseas customers to meet Shiseido products, as well as help them become more beautiful. The Beauty Tablet is equipped with communication sheets in four languages: Simplified Chinese, Traditional Chinese, English and Thai, which are in full use.



Activities to Enhance Consumer Satisfaction

Education and Services for Consumers

Shiseido Website

Shiseido provides extensive product, beauty, and company information on Shiseido group website and watashi+ (Japanese only), reflecting efforts to create appealing content and administer the site in response to customers' desires and needs.



Shiseido group website



watashi+ (Japanese Only)

Providing audio information

We transmit "Listener's Cafe", which uses audio recording to introduce beauty information and basic cosmetics knowledge, etc. in an easy-to-understand manner, to visually challenged individuals 4 times a year in each season.



Website for children

We transmit "Kirei Club for Kids", which introduces daily beauty information including UV-protection methods and cleansing methods in an easy-to-understand manner to children immediately before puberty, when their skin starts to change.



Activities to Enhance Consumer Satisfaction

Universal Design Initiatives

Universal design takes into account the environments in which all kinds of people live. It is an important approach for Shiseido given our commitment to create products that all customers can enjoy with confidence and peace of mind.

Shiseido adopted the Shiseido Universal Design Guidelines in 2005 based on expert theory and legislation, and crafted to reflect the characteristics of our products. The guidelines span 6 principles and 14 provisions and describe a product development process in which all product planning and design departments share information. A key point during the formulation of the guidelines was to precisely identify what kind of customers used actual products, as well as how they used them and in what circumstances. It was also important to imagine as many such situations as possible.

For example, the principle requiring that it be obvious how to use the product includes an “intuitive design” checkbox indicating that users should intuitively understand where to hold the container and twist in order to open it. Designs that take such considerations into account are defined as easy-to-use designs. Conversely, a design that contravenes the user's intuition by having a non-functional design element that looks like a button that should be pressed to open the container would be a difficult-to-use design.



Skincare dispenser easily dispenses the appropriate amount. We have made it easy to push. It also comes with a cap cover, which can be removed in one step. This prevents users from pushing the dispenser by mistake and also responds to the hygienic aspect.



With makeup, the use of which is not easily understood, we used color photos on the outer package itself to easily show the use and the finish image in a visual manner.

“PRIOR (Japanese Only)”, which was released in 2015, was developed for women in their 50s and over.

To develop the containers and packages, we directly interviewed a number of customers in the target age group in order to repeatedly conduct the study, such as hearing about what they find inconvenient in their daily makeup routine and asking them to actually use the prototype.

We have reflected the requests, which we heard in the course of this process, on the containers and package designs shown in the above photos.

We will continue developing products while focusing on customers' viewpoints.

Initiatives in Response to Animal Testing and Alternative Methods

■ Initiatives towards Abolishing Animal Testing

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

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